



## **Mass Customization and Country-of-Origin Effects**

Inauguraldissertation

to attain the following academic degrees, based on a cotutelle agreement

*doctor of philosophy (Ph.D.)*

(Dottore di Ricerca in Ingegneria Gestionale ed Estimo)

at **University of Padova**

(Padova, Italy)

and

*doctor rerum politicarum (Dr. rer. pol.)*

(Doktor der Wirtschaftswissenschaften)

at **ESCP Europe Business School**

(Berlin, Germany)

by

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born on 15<sup>th</sup> July 1984.

Padova and Berlin, 20<sup>th</sup> January 2016



UNIVERSITÀ  
DEGLI STUDI  
DI PADOVA



**Università degli Studi di Padova**

**Dipartimento di Tecnica e Gestione dei Sistemi Industriali**

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SCUOLA DI DOTTORATO DI RICERCA IN INGEGNERIA GESTIONALE ED ESTIMO  
(PHD SCHOOL IN MANAGEMENT ENGINEERING AND REAL ESTATE APPRAISAL)  
CICLO XXVIII

**ESCP Europe Business School**

**Lehrstuhl für Marketing**

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EUROPÄISCHES PROMOTIONSSTUDIUM IN INTERNATIONALER  
BETRIEBSWIRTSCHAFTSLEHRE  
(EUROPEAN DOCTORAL PROGRAMME IN INTERNATIONAL MANAGEMENT)

### **MASS CUSTOMIZATION AND COUNTRY-OF-ORIGIN EFFECTS**

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Thomas Aichner

# **COTUTELLE AGREEMENT**

**ACCORDO DI COOPERAZIONE PER  
L'ATTUAZIONE  
DI UNA CO-TUTELA DI TESI DI  
DOTTORATO**

**TRA  
L'UNIVERSITA' DEGLI STUDI DI PADOVA  
E  
L'ESCP EUROPE  
WIRTSCHAFTSCHOHSCHULE BERLIN**

Vista la dichiarazione congiunta della Conferenza dei Rettori delle Università tedesche (HRK) e la Conferenza dei Rettori delle Università italiane (CRUI), firmata il 17 novembre 2000.

Visto

- La legge 3 luglio 1998 n. 210 con la quale si dispone che le procedure per l'attivazione dei dottorati di ricerca siano disciplinate dai singoli Atenei nella piena autonomia organizzativa, didattica e scientifica;
- Il regolamento in vigore in materia di dottorato di ricerca dell'Università degli Studi di Padova;
- Il regolamento in vigore in materia di dottorato di ricerca dell'ESCP Europe Wirtschaftshochschule Berlin.

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L'Università degli Studi di Padova, Via 8 Febbraio 2, 35122 Padova, Italia, rappresentata dal Rettore, Prof. Giuseppe Zaccaria, nato a [REDACTED] il [REDACTED], codice fiscale 80006480281.

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Allo scopo di sviluppare la cooperazione scientifica tra le parti attraverso la mobilità dei dottorandi

**SI CONVIENE QUANTO SEGUE**

**ART. 1**

Le parti contraenti concordano, nel rispetto delle leggi e dei regolamenti in vigore in ciascun paese ed istituzione, di organizzare congiuntamente una co-

**KOOPERATIONSVERTRAG FÜR DIE  
DURCHFÜHRUNG EINES  
BINATIONALEN  
PROMOTIONSVERFAHRENS**

**ZWISCHEN  
DER UNIVERSITÄT PADOVA  
UND  
DER ESCP EUROPE  
WIRTSCHAFTSCHOHSCHULE BERLIN**

Gemäß dem Rahmenabkommen zwischen der deutschen Hochschulrektorenkonferenz (HRK) und der italienischen Rektorenkonferenz (CRUI), das am 17. November 2000 unterzeichnet wurde.

Gemäß

- dem Gesetzerlass vom 3. Juli 1998 n. 210, in dem festgelegt wird, dass die Vorgehensweisen für die Durchführung der Promotionen von den einzelnen Universitäten in vollkommener Autonomie in Bezug auf Organisation, Lehre und Wissenschaft durchgeführt werden;
- der geltenden Promotionsordnung der Universität Padova;
- der geltenden Promotionsordnung der ESCP Europe Wirtschaftshochschule Berlin.

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Der Universität Padova, Via 8 Febbraio 2, 35122 Padova, Italien, vertreten durch den Rektor Prof. Dr. Giuseppe Zaccaria, geboren in [REDACTED] am [REDACTED], Steuernummer 80006480281.

**UND**

Der ESCP Europe Wirtschaftshochschule Berlin, Heubnerweg 8-10, 14059 Berlin, Deutschland, vertreten durch die Rektorin Prof. Dr. Marion Festing, geboren in [REDACTED] am [REDACTED], Umsatzsteuer-Identifikationsnummer DE27461516.

Zur Entwicklung der wissenschaftlichen Zusammenarbeit und der Förderung der Mobilität der Doktoranden

**WERDEN FOLGENDE VEREINBARUNGEN  
GETROFFEN**

**ART. 1**

Nach den Gesetzen und Bestimmungen, die in beiden Ländern und Universitäten in Kraft sind, stimmen die Partneruniversitäten der Anfertigung eines Cotulle-

tutela di tesi di dottorato a beneficio di Thomas Aichner, di seguito denominato il dottorando, di nazionalità italiana, nato a Bolzano il 15 luglio 1984, in possesso di M.Sc. in European Business (ESCP Europe Wirtschaftshochschule Berlin) e Laurea Magistrale in Management (Università degli Studi di Trento), al fine di redigere e discutere una tesi di dottorato dal titolo: "Mass Customization and Country-of-Origin Effects".

#### **ART. 2**

I dottorandi che hanno completato il ciclo di studi in Germania sono ammessi al corso di dottorato secondo la normativa in vigore presso le Università tedesche e saranno esentati dal sostenere il concorso previsto per l'ammissione ai corsi di dottorato italiani.

I dottorandi che hanno completato il ciclo di studi in Italia sono ammessi al corso di dottorato secondo la normativa vigente presso l'Università degli Studi di Padova.

#### **ART. 3**

Il/la dottorando è iscritto obbligatoriamente in entrambe le istituzioni. Eventuali diritti di iscrizione saranno regolati secondo la normativa in vigore presso l'istituzione che si assume la responsabilità amministrativa di cui all'art. 4. A partire dall'anno 2013 il dottorando è iscritto presso l'Università degli Studi di Padova al corso di dottorato in ingegneria gestionale ed estimo, 28° ciclo. A partire dall'anno 2015 il dottorando è iscritto presso l'ESCP Europe Wirtschaftshochschule Berlin al corso di dottorato in scienze economiche.

#### **ART. 4**

Le istituzioni esercitano congiuntamente la supervisione didattica e accademica sul progetto di co-tutela di tesi. La responsabilità amministrativa è assunta dall'Università degli Studi di Padova.

#### **ART. 5**

Il dottorando svolgerà le proprie ricerche sotto la direzione di due direttori di tesi secondo le seguenti modalità:

- Università degli Studi di Padova, dipartimento di Tecnica e Gestione dei Sistemi Industriali, Direttore di tesi: Prof. Cipriano Forza.
- ESCP Europe Wirtschaftshochschule Berlin, dipartimento di Marketing, Direttore di tesi: Prof. Frank Jacob.

Verfahrens zu. Diesen Kooperationsvertrag betrifft Herr Thomas Aichner, nachfolgend bezeichnet als der Doktorand, Nationalität Italien, geboren am 15. Juli 1984 in Bozen, Hochschulabschlüsse M.Sc. in European Business (ESCP Europe Wirtschaftshochschule Berlin) und Laurea Magistrale in Management (Universität Trento) mit dem Ziel eine Dissertation mit dem Titel „Mass Customization and Country-of-Origin Effects“ auszuarbeiten.

#### **ART. 2**

Diejenigen Doktoranden, die ihr Studium in Deutschland abgeschlossen haben, sind zur Promotion gemäß der in Deutschland bestehenden Regelungen zugelassen und sind von der in Italien vorgesehenen Aufnahmeprüfung für Promotionsstudiengänge befreit.

Die Doktoranden, welche ihr Studium in Italien abgeschlossen haben, werden gemäß den Regelungen der Universität Padova zum Promotionsstudium zugelassen.

#### **ART. 3**

Der Doktorand ist an beiden Universitäten eingeschrieben. Mögliche Studiengebühren, die sich aus der Einschreibung ergeben, werden nach den Bestimmungen derjenigen Universität geregelt, welche die Verantwortung für die Verwaltung innehat, siehe dazu Artikel 4. Ab 2013 ist der Doktorand an der Universität Padova in den Promotionsstudiengang Wirtschaftsingenieurwesen und Immobilienökonomie, im 28. Zyklus, eingeschrieben. Ab 2015 ist der Doktorand an der ESCP Europe Wirtschaftshochschule Berlin in den Promotionsstudiengang Wirtschaftswissenschaften eingeschrieben.

#### **ART. 4**

Die Universitäten üben gemeinsam die didaktische und akademische Betreuung des Cotutelle-Projektes aus. Die verwaltungstechnische Verantwortung trägt die Universität Padova.

#### **ART. 5**

Der Doktorand wird die Forschungen für seine Dissertation unter der Leitung zweier Betreuer und wie folgt durchführen:

- Universität Padova, Fakultät für Technik und Wirtschaftsingenieurwesen, Betreuer: Prof. Dr. Cipriano Forza.
- ESCP Europe Wirtschaftshochschule Berlin, Lehrstuhl für Marketing, Betreuer: Prof. Dr. Frank Jacob.

I suddetti direttori di tesi esercitano congiuntamente le competenze attribuite in materia di responsabilità e di controllo dei lavori di tesi e si impegnano ad esercitare pienamente le funzioni di direttore di ricerca accanto al dottorando.

#### **ART. 6**

I periodi di lavoro in ciascuna delle due Università saranno fissati di comune accordo dai co-relatori. La durata legale del dottorato in Italia è di 3 anni, prorogabili fino a un massimo di 12 mesi.

#### **ART. 7**

Il dottorando svolgerà le proprie ricerche di dottorato presso entrambe le istituzioni per periodi alterni di studio concordati con i direttori di tesi e secondo le seguenti previsioni:

- 1° anno di dottorato: (12 mesi, Università degli Studi di Padova)
- 2° anno di dottorato: (7 mesi, Università degli studi di Padova e 5 mesi, ESCP Europe Wirtschaftshochschule Berlin)
- 3° anno di dottorato: (6 mesi, Università degli Studi di Padova e 6 mesi, ESCP Europe Wirtschaftshochschule Berlin).

Il periodo minimo di studio presso l'istituzione ospitante può variare tra i 6 e i 18 mesi, in modo continuativo o per periodi alterni, nell'arco della durata dell'intero dottorato.

#### **ART. 8**

Gli studi di dottorato (partecipazione a corsi e colloqui, rapporto annuale) sono effettuati presso l'Università degli Studi di Padova e riconosciuti dall'ESCP Europe Wirtschaftshochschule Berlin.

#### **ART. 9**

La copertura sociale sarà assicurata dall'Università degli Studi di Padova secondo le modalità previste e la normativa in vigore.

#### **ART. 10**

La commissione giudicatrice è nominata dalle Università partner secondo i propri regolamenti ed è composta da rappresentanti (minimo 3 rappresentanti) delle due istituzioni, tra cui i due direttori di tesi.

Le spese di missione per i membri della commissione saranno sostenute dai propri istituti di provenienza.

Die genannten Betreuer üben gemeinsam die Zuständigkeit bezüglich der Verantwortung und der Überprüfung der Arbeiten für die Dissertation aus und verpflichten sich, ihre Funktion als Betreuer der Dissertation gegenüber dem Doktoranden vollständig zu erfüllen.

#### **ART. 6**

Die Arbeitsaufenthalte in jeder der beiden Universitäten werden von den Doktorandenbetreuern gemeinsam festgelegt. Die Dauer der Promotion beträgt in Italien 3 Jahre und kann um bis zu maximal 12 Monate verlängert werden.

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Der Doktorand wird seine Forschungen für die Dissertation in abwechselnden Zeitabschnitten an beiden Universitäten durchführen, die mit den Betreuern abgestimmt werden und voraussichtlich folgende Zeiträume betragen:

- 1. Jahr des Promotionsstudiums: (12 Monate, Universität Padova)
- 2. Jahr des Promotionsstudiums: (7 Monate, Universität Padova und 5 Monate, ESCP Europe Wirtschaftshochschule Berlin)
- 3. Jahr des Promotionsstudiums: (6 Monate, Universität Padova und 6 Monate, ESCP Europe Wirtschaftshochschule Berlin).

Der an der Gastuniversität verbrachte Zeitraum kann zwischen 6 und 18 Monaten betragen. Der Aufenthalt kann durchgehend oder in mehreren Abschnitten während des Promotionsstudiums erfolgen.

#### **ART. 8**

Das erforderliche Promotionsstudium (Teilnahme an Modulen und Kolloquien, jährlicher Promotionsbericht) wird an der Universität Padova erbracht und von der ESCP Europe Wirtschaftshochschule Berlin anerkannt.

#### **ART. 9**

Die Sozialversicherung wird von der Universität Padova gemäß den vorgesehenen Modalitäten und den Bestimmungen, die in Kraft sind, gewährleistet.

#### **ART. 10**

Die Prüfungskommission wird von den beiden Partneruniversitäten gemäß den eigenen Regelungen ernannt und besteht aus Prüfern (Minimum 3 Personen) beider Universitäten, darunter die beiden Betreuer der Dissertation. Die Reisekosten der Mitglieder der Prüfungskommission werden von der Heimatuniversität übernommen.



#### ART. 11

Il corpo della tesi di dottorato sarà composto da singoli capitoli in lingua inglese, mentre l'introduzione e le conclusioni saranno scritte anche in lingua italiana e tedesca. La discussione della tesi avverrà presso l'Università degli Studi di Padova entro l'anno accademico 2015/16.

La tesi di dottorato cumulativa deve soddisfare sia il regolamento dell'Università degli Studi di Padova (Regolamento in materia di Scuola di dottorato di ricerca – D.R. n. 3325 del 07.07.2012) che dell'ESCP Europe Wirtschaftshochschule Berlin (regolamento del 25.09.2012).

#### ART. 12

Le istituzioni si impegnano a rilasciare, a seguito di una discussione unica e dietro parere favorevole della commissione giudicatrice, il titolo di:

- Università degli Studi di Padova: Dottore di ricerca in Ingegneria Gestionale ed Estimo (Dott.Ric./Ph.D.)
- ESCP Europe Wirtschaftshochschule Berlin: Doktor der Wirtschaftswissenschaften (Dr. rer. pol.)

Le istituzioni contraenti si impegnano a riconoscere pienamente la validità della tesi preparata in co-tutela secondo le disposizioni del presente accordo e la validità del titolo rilasciato. Il titolo rilasciato da entrambe le istituzioni farà menzione della co-tutela di tesi.

#### ART. 13

Il deposito, la descrizione e la riproduzione della tesi saranno effettuati secondo i regolamenti in vigore nei due paesi.

#### ART. 14

Il presente accordo entra in vigore alla data di firma dei rappresentanti legali di ciascuna istituzione contraente e sarà valido fino alla fine dell'anno accademico nel corso del quale la tesi sarà discussa.

Padova, il 18 GIU. 2015



Il Rettore  
Prof. Giuseppe Zaccaria  
**Il Pro-Rettore Vicario**  
Prof. Francesco Gnesotto

#### ART. 11

Die Dissertation besteht aus einzelnen Kapiteln, die in englischer Sprache verfasst werden. Die Einleitung und Schlussfolgerungen werden zusätzlich in italienischer und deutscher Sprache verfasst. Die Disputation wird an der Universität Padova innerhalb des akademischen Jahres 2015/16 abgehalten werden.

Für die kumulative Dissertation müssen sowohl die Voraussetzungen der Universität Padova (Regolamento in materia di Scuola di dottorato di ricerca – D.R. n. 3325 vom 07.07.2012) als auch der ESCP Europe Wirtschaftshochschule Berlin (Regelungen vom 25.09.2012) erfüllt werden.

#### ART. 12

Die Institutionen verpflichten sich, in Folge einer gemeinsam abgehaltenen Disputation, die von der Prüfungskommission positiv bewertet wurde, den folgenden Titel zu vergeben:

- Università degli Studi di Padova: Dottore di ricerca in Ingegneria Gestionale ed Estimo (Dott.Ric./Ph.D.)
- ESCP Europe Wirtschaftshochschule Berlin: Doktor der Wirtschaftswissenschaften (Dr. rer. pol.)

Die beiden Universitäten verpflichten sich, die Gültigkeit der in Cotutelle verfassten Dissertation und des erlassenen Titels gemäß der vorliegenden Verordnung vollständig anzuerkennen. Die Urkunden, die die beiden Universitäten aushändigen werden, werden auf das Cotutelle-Verfahren hinweisen.


#### ART. 13

Die Hinterlegung, die Beschreibung und die Vervielfältigung der Dissertation werden nach den in beiden Ländern geltenden Bestimmungen erfolgen.

#### ART. 14

Die vorliegende Vereinbarung tritt ab dem Tag der Unterzeichnung der gesetzmäßigen Repräsentanten der beiden verbundenen Universitäten in Kraft und wird bis zum Ende des akademischen Jahres gültig sein, in dem die Disputation stattfinden wird.

Berlin, den 5. 8. 2015



Die Rektorin  
Prof. Dr. Marion Festing



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Il Coordinatore del Dottorato  
Prof. Cipriano Forza



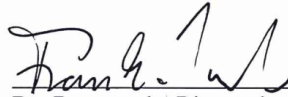
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Der Leiter des Promotionsstudiums  
Prof. Dr. Rolf Brühl



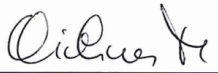
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Il Direttore di Tesi  
Prof. Cipriano Forza



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Der Betreuer der Dissertation  
Prof. Dr. Frank Jacob



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Il dottorando / Der Doktorand  
Thomas Aichner

# Table of Contents

<i>Table of Contents</i> .....	1
<i>List of Figures</i> .....	4
<i>List of Tables</i> .....	5
<i>List of Abbreviations and Symbols</i> .....	7
<b>I. LIST OF PUBLICATIONS</b> .....	8
<b>II. ABSTRACT</b> .....	10
1. Abstract (English).....	11
2. Sommario (Italian).....	12
3. Zusammenfassung (German).....	13
<b>III. PREAMBLE</b> .....	14
1. The Relevance of Country-of-Origin Marketing.....	15
2. Mass Customization: The Future of Manufacturing.....	17
3. Introduction to the Manuscripts.....	19
<b>IV. MANUSCRIPTS</b> .....	24
<b><i>Manuscript #1</i></b> .....	25
1. Introduction.....	26
1.1 Country-of-Origin Effect.....	26
1.2 COO Dimensions.....	28
2. Country-of-Origin Strategies.....	29
2.1 Legally regulated COO strategies.....	30
2.1.1 Strategy 1: Made in... ..	30
2.1.1.1 Made in Germany.....	32
2.1.1.2 Made in USA.....	33
2.1.1.3 Made in Italy.....	34
2.1.2 Strategy 2: Quality and Origin Labels.....	34
2.2 Unregulated COO Strategies.....	36
2.2.1 Strategy 3: COO Embedded in the Company Name.....	37
2.2.2 Strategy 4: Typical COO Words Embedded in the Company Name.....	38
2.2.3 Strategy 5: Use of the COO Language.....	38
2.2.4 Strategy 6: Use of Famous or Stereotypical People from the COO.....	39
2.2.5 Strategy 7: Use of COO Flags and Symbols.....	40

2.2.6 Strategy 8: Use of Typical Landscapes or Famous Buildings from the COO .....	40
3. Conclusion.....	41
<b>Manuscript #2</b> .....	43
1. Introduction.....	44
2. Updated Review of the Literature.....	47
2.1 Is COO Research Still Relevant?.....	47
2.2 Subcultural Differences.....	48
3. The Case of South Tyrolean Consumers.....	49
3.1 The “Motherlands”.....	50
3.2 Culturally Affiliated Countries.....	51
4. Methodology.....	52
5. Analysis and Results.....	53
5.1 Demographic Profile of the Sample.....	53
5.2 Identification of German, Italian and Acculturated South Tyroleans.....	55
5.3 Austria and Italy – The “Motherlands”.....	56
5.4 Germany and Switzerland – Culturally Affiliated Countries.....	57
6. Discussion, Implications, and Future Research.....	60
6.1 Practical Implications.....	61
6.2 Limitations and Future Research.....	62
<b>Manuscript #3</b> .....	63
1. Introduction.....	64
2. Background.....	65
2.1 Country-of-origin research.....	65
2.2 Mass-customization research.....	69
3. Research question.....	70
4. Methodology.....	73
4.1 Product selection.....	75
4.2 Constructs and questions.....	76
4.3 Procedure and stimuli.....	81
4.4 Data entry and preparation.....	83
5. Results.....	83
5.1 Subcultural differences in the evaluation of mass produced vs. mass customized products.....	85

5.2 Hierarchical multiple regression model.....	88
6. Discussion, future research and limitations.....	93
6.1 There is a COO effect.....	94
6.2 Subcultural differences in product evaluation.....	94
6.3 The manufacturing strategy makes a difference.....	95
6.4 The role of purchase involvement and product experience.....	96
6.5 Limitations and future research directions.....	97
7. Appendix.....	97
<b>V. CONCLUSION</b> .....	100
1. Implications for Research and Practice.....	101
2. Limitations and Future Research.....	104
<b>VI. REFERENCES</b> .....	107

# List of Figures

Figure 1: Interaction between the manuscripts ..... 23

Figure 2: Research model ..... 73

Figure 3: Effects and significances of COO and the manufacturing strategy on customer product evaluation and the moderating effect of the manufacturing strategy on COO effects ..... 93

Figure 4: MC sneakers model A (brown) informational sheet provided in addition to the physical sneakers ..... 98

Figure 5: MC sneakers model B (white) informational sheet provided in addition to the physical sneakers ..... 99

## List of Tables

Table 1: Publication overview.....	9
Table 2: Research questions and relevance for research/practice of the manuscripts.....	20
Table 3: Research design of the manuscripts.....	22
Table 4: COO dimensions for products.....	28
Table 5: COO dimensions for services.....	29
Table 6: Top ten countries by PDO, PGI, and TSG registrations.....	35
Table 7: Italian and German PDO, PGI, and TSG examples.....	36
Table 8: COO strategies.....	42
Table 9: Recent calls for replications from COO literature.....	46
Table 10: Demographic characteristics of the sample.....	54
Table 11: Clusters of the original and replication study.....	56
Table 12: Subcultural differences in views of the “motherlands” from the original and replication study.....	57
Table 13: Subcultural differences in views of culturally affiliated countries from the original and replication study.....	59
Table 14: COO dimensions and PCI of Volkswagen.....	68
Table 15: Examples of articles about moderating variables in COO research.....	72
Table 16: Cronbach's Alpha Reliability Test for all multi-item constructs.....	77
Table 17: Results of factor analysis of the items measuring product quality and design quality.....	77
Table 18: Questions and scales of the questionnaire.....	79-80
Table 19: Experimental setting and distribution of questionnaires.....	82
Table 20: Student t test for paired variables with mean differences in product evaluation for mass customized sneakers and mass produced sneakers “Made in Italy” vs. “Made in Germany”.....	84
Table 21: Descriptive statistics of the two subcultural clusters of Italian South Tyroleans and German South Tyroleans.....	86
Table 22: Student t test for paired variables with mean differences in product evaluation for mass customized sneakers and mass produced sneakers “Made in Italy” vs. “Made in Germany” by Italian South Tyroleans.....	87

Table 23: Student t test for paired variables with mean differences in product evaluation for mass customized sneakers and mass produced sneakers “Made in Italy” vs. “Made in Germany” by German South Tyroleans .....	88
Table 24: Hierarchical multiple regression model for dependent variable = product quality .....	90
Table 25: Hierarchical multiple regression model for dependent variable = design quality .....	91
Table 26: Hierarchical multiple regression model for dependent variable = overall quality .....	92



## List of Abbreviations and Symbols

ANOVA	analysis of variance
B2B	business-to-business
B2C	business-to-consumer
COO	country of origin / country-of-origin
COOs	countries of origin
e.g.	exempli gratia (for example)
Ed.	editor
Eds.	editors
et al.	et alii (and others)
FTC	Federal Trade Commission
i.e.	id est (that is)
MC	mass customization / mass customized
MP	mass production / mass produced
MS	manufacturing strategy
n	sample size
NS	not significant
OHIM	Office for Harmonization in the Internal Market
p	p value
PDO	Protected Designation of Origin
PE	product experience
PGI	Protected Geographical Indication
PI	purchase involvement
pp.	pages
TSG	Traditional Speciality Guaranteed
VIF	variance inflation factor
3D	three-dimensional
€	Euro (currency)

## **I. LIST OF PUBLICATIONS**

The following papers and articles were partially or fully developed during my Ph.D. studies. Three of these manuscripts are an integral part of this dissertation and are indicated accordingly. According to ESCP Europe Business School's doctoral regulations, the score of the selected publications must sum up to a minimum of 2.00 points. The calculation is based on the classification of the Journal and the number of authors. As a basis for the calculation, the major German ranking "VHB-JOURQUAL3" has been selected. The three manuscripts were chosen in order to fulfil both the above mentioned requirements of ESCP Europe Business School and the doctoral regulations of the University of Padova, which require a clear golden thread that connects the three publications.

<b>Title</b>	<b>Authors</b>	<b>Journal</b>	<b>Status</b>	<b>VHB</b>	<b>Points</b>
Customers' online shopping preferences in mass customization	Thomas Aichner Paolo Coletti	Journal of Direct, Data and Digital Marketing Practice	published	-	-
Country-of-origin marketing: A list of typical strategies with examples	Thomas Aichner	Journal of Brand Management	published	C	1.50
Measuring the degree of corporate social media use	Thomas Aichner Frank Jacob	International Journal of Market Research	published	D	-
Warum sich Kunden an Mass Customization beteiligen	Thomas Aichner Urban Perkmann Paolo Coletti	transfer Werbeforschung & Praxis	published	D	-
Effects of subcultural differences on country and product evaluations: a replication study	Thomas Aichner Paolo Coletti Urban Perkmann	International Marketing Review	under review (passed "desk reject")	B	0.67
The Country-of-Origin Lie – How Companies Use Foreign Branding to Fool their Customers	Thomas Aichner	International Marketing Review	under review (passed "desk reject")	B	2
The moderating effect of manufacturing strategy on country-of-origin perceptions: mass production versus mass customization	Cipriano Forza Alessio Trentin Thomas Aichner	Working Paper	registered	-	-
<i>Information: Grey background indicates the three articles that are included in this thesis.</i>				<b>SUM</b>	<b>2.17</b>

**Table 1:** Publication overview

## **II. ABSTRACT**

## 1. Abstract (English)

This is a thesis by publication, consisting of three manuscripts. The research is positioned in the area of international marketing and offers a contribution to consumer culture theory. More specifically, it is about country of origin (COO) marketing, differences in product and country evaluation between ethnic subcultural groups living together within the same country, and the moderating role of mass customization (MC) on COO effects. The first manuscript classifies different COO marketing strategies that are employed to communicate the COO of a product or company to customers, and it provides a number of examples from practice. The second manuscript is based on the observation that globalization, international trade, multicultural societies and the introduction of innovative manufacturing strategies such as MC require continuous updating and reassessment of COO constructs and models. To this end, a study from 2003 has been replicated in a different cultural and geographical setting with results supporting the original findings. Finally, the third manuscript bridges the two research streams of COO and MC and provides empirical evidence of the impact of the manufacturing strategy on customers' product evaluation.

To sum up, the following research questions are examined in the three manuscripts:

- 1) *Which different marketing strategies are employed by companies in order to communicate the COO of the company and/or of its brands to customers?*
- 2) *Do COO effects vary across subcultures within a country?*
- 3) *Does the manufacturing strategy (mass production vs. MC) have a moderating effect on the relationship between COO and consumer's product evaluation?*

## 2. Sommario (Italian)

La presenti tesi di dottorato per pubblicazioni è composta da tre manoscritti. La ricerca si posiziona nell'area del marketing internazionale e si propone di offrire un contributo alla consumer culture theory. Nello specifico, gli argomenti trattati spaziano dal marketing del country of origin (COO) al ruolo che le differenze culturali su base etnica esistenti all'interno di una stessa nazione hanno nella valutazione di prodotti e di paesi, fino al ruolo di moderazione della mass customization (MC) sugli effetti del COO. Il primo manoscritto classifica le diverse strategie di marketing di COO che sono adottate per comunicare il paese di origine di un prodotto o di un'azienda ai clienti, e fornisce diversi esempi pratici. Il secondo manoscritto prende le mosse dall'osservazione che la globalizzazione, il commercio internazionale, le società multiculturali e l'introduzione di strategie manifatturiere innovative, come la MC, richiedono un continuo aggiornamento e rivalutazione dei costrutti e dei modelli relativi al COO. A tal fine, si è replicato uno studio pubblicato nel 2003, calandolo in un diverso contesto culturale e geografico, con risultati che confermano quelli dello studio originale. Infine, il terzo manoscritto, sviluppa un legame tra i filoni di ricerca del COO e della MC, portando evidenza empirica dell'impatto della strategia manifatturiera sulla valutazione di prodotti da parte del consumatore.

In sintesi, i tre manoscritti rispondono alle seguenti domande di ricerca:

- 1) *Quali sono le diverse strategie di marketing che vengono adottate dalle aziende per comunicare ai clienti il proprio COO e/o quello dei propri brand?*
- 2) *Gli effetti del COO variano in base alle sottoculture all'interno di uno stesso paese?*
- 3) *Esiste un effetto di moderazione della strategia manifatturiera (produzione di massa vs. MC) sulla relazione tra COO e valutazione del prodotto da parte dei clienti?*

### 3. Zusammenfassung (German)

Bei der vorliegenden Arbeit handelt es sich um eine kumulative Dissertation, die aus drei Manuskripten besteht. Die Forschungsarbeit positioniert sich im Bereich des internationalen Marketing und bietet einen Beitrag zur Consumer Culture Theory. Konkret geht es um Country-of-Origin (COO) Marketing, die Unterschiede bei der Produkt- und Länderbewertung zwischen ethnischen Subkulturen, die in einem Land zusammenleben und den moderierenden Einfluss von Mass Customization (MC) auf Herkunftslandeffekte. Das erste Manuskript klassifiziert verschiedene COO-Marketing-Strategien, die verwendet werden, um das Herkunftsland von Produkten oder Unternehmen den Kunden gegenüber zu kommunizieren und stellt mehrere praktische Beispiele vor. Im zweiten Manuskript wird argumentiert, dass die sich verändernden Rahmenbedingungen wie Globalisierung, internationaler Handel, multikulturelle Gesellschaften und die Einführung innovativer Fertigungsstrategien wie MC eine kontinuierliche Überprüfung und Neubewertung bestehender COO-Konstrukte und -Modelle notwendig machen. Zu diesem Zweck wurde eine Studie aus dem Jahr 2003 in einem anderen kulturellen und geographischen Umfeld repliziert, deren Ergebnisse bestätigt werden konnten. Das dritte Manuskript verbindet die beiden Forschungsstränge COO und MC und zeigt empirisch, dass die Fertigungsstrategie einen signifikanten Einfluss auf die Produktbewertung von Kunden hat.

Folgende Forschungsfragen werden in den drei Manuskripten beantwortet:

- 1) *Welche verschiedenen Marketingstrategien werden von Unternehmen angewandt, um das Herkunftsland des Unternehmens und/oder seiner Marken den Verbrauchern zu kommunizieren?*
- 2) *Unterscheiden sich Herkunftslandeffekte zwischen Subkulturen innerhalb eines Landes?*
- 3) *Hat die Fertigungsstrategie (Massenproduktion vs. MC) einen moderierenden Einfluss auf die Beziehung zwischen dem Herkunftsland und der Produktbewertung durch die Kunden?*

### **III. PREAMBLE**



# 1. The Relevance of Country-of-Origin Marketing

*“La tutela del ‘Made in Italy’ è la prima battaglia del nostro paese.”*  
(The protection of ‘Made in Italy’ is the primary battle of our country.)

Adolfo Urso, 2010

Vice Minister, Italian Ministry of Economic Development

According to the Office for Harmonization in the Internal Market (OHIM), which is the largest intellectual property agency of the European Union, the manufacture and distribution of fake fashion products such as clothes, shoes and accessories take over 26 billion Euro every year from European businesses (OHIM 2015). Counterfeit products “Made in Italy” account for 4.5 billion euro, or 17% of the total in lost sales. Italy is therefore the most frequently falsified origin when it comes to fashion products. A look at the food sector reveals an even more impressive picture: On a global scale, two out of three products that seem to originate from Italy are actually not “Made in Italy”, with an estimated net worth of sales of more than 60 billion euro in 2014 (Caselli et al. 2015). In other words, this means that fake Italian or Italian-sounding food products account for twice the value of authentic Italian products in terms of global sales.

One example of an Italian-sounding product, whose country of origin (COO) is not Italy is the *Sartori SarVecchio Parmesan*, a hard cheese produced in Wisconsin, USA, which has chosen a brand name in the style of the two traditional Italian pendants *Parmigiano Reggiano* and *Grana Padano*. The American cheese has a market share of around 90% on the US market. Another example is based on the genuine Italian *Olio Extravergine di Oliva Toscano*. The non-Italian brand *Tuscan Extra-virgin Olive Oil* was bottled in the United Kingdom and sold for £12.95 by the famous London-based department store Harrods until 2014. Harrods was forced to remove the bottles from its shelves because the whole manufacturing process, from growing to processing to bottling, must be executed in the Italian region of Tuscany in order to be allowed to label the product as Tuscan olive oil.

The Italian Ministry of Economic Development (2015) underlines that the label “Made in Italy” may prove to be a winning strategy in global competition. By looking at the above-mentioned numbers it becomes clear that this substantial potential is trying to be exploited by both Italian companies and foreign competitors. To communicate the (actual or alleged) origin, companies may use a number of different strategies. The use of these strategies may be legally regulated, such as in the case of *Tuscan Extra-virgin Olive Oil*, or not legally regulated, such as in the case of *Sartori SarVecchio Parmesan*. The first manuscript of the present thesis deals with these differences and identifies two legally regulated strategies and six unregulated strategies. The focus is on European products, especially products “Made in Italy” and “Made in Germany”, however with a global perspective by providing practical examples from around the world for each of the eight COO strategies.

#### *Globalisation and Subcultural Differences in COO Practice and Research*

It is generally accepted to state that there is a trend of globalisation, which involves cultural homogenisation and reflects the process of an increasing domination of one societal culture over all others (Robertson 2012). However, a number of researchers argue that globalisation is a myth that has never happened or, if anything, that it has already come to an end and that its effects are therefore overestimated (Rugman 2001; Rugman 2005; Collins and Rugman 2008). Even though this view has been questioned (e.g. Osegowitsch and Sammartino 2008), there is some evidence in practice and research that highlights the ongoing importance of regional trade and subcultural marketing.

Globalisation theory assumes that one culture is going to dominate all the others, but in reality there are established minorities and newly emerging subcultures within countries that are not being integrated into the dominant culture of the respective country. Examples include, but are not limited to, Hispanic minorities or Chinese communities in the US, e.g. in Greater Los Angeles or San Francisco Bay Area, Turkish minorities in Germany, French and English Canadians, Flemish and French Belgians and indigenous communities in Latin America. Companies are aware of these differences and employ so-called ethnomarketing to advertise their products

and services to subcultural groups within a country (Badot et al. 2009), e.g. by using Arabic or Chinese language in Western countries.

With very few exceptions (e.g. Laroche et al. 2003), empirical COO research has not taken into account these subcultural differences. In contrast, most researchers have analyzed differences in product evaluation between customers from different nationalities, assuming that customers with the same nationality form a homogeneous group that is suitable for comparison, rather than differentiating between customers' cultural backgrounds. For example, Laroche et al. (2003) have shown that French-speaking Canadians rate foreign products significantly differently from English-speaking Canadians. If it is possible to generalize this evidence from the Canadian market to other markets around the world and especially to Europe, which is known for its cultural diversity (Georgiou 2005), many findings from empirical COO research may be viewed more critically. To this end, the second manuscript of this thesis replicates and validates the original study from Laroche et al. (2003) in a similar setting on the European continent, namely between German-speaking customers and Italian-speaking customers in the Italian region of South Tyrol.

The findings of the second manuscript about the necessity to differentiate between subcultures and to use language rather than nationality as a proxy for culture were incorporated in the research design of the third manuscript, whose main purpose is to assess the moderating effect of the manufacturing strategy on COO effects.

## **2. Mass Customization: The Future of Manufacturing**

*“Mass customization is an imperative, it’s something that businesses must do  
[...] to find the individual value in each and every customer.”*

B. Joseph Pine II, 2009

Scholar and management advisor, Strategic Horizons LLP

In mechanical engineering, customization has always played an important role. Known as application engineering (Ansoff and Stewart 1967), the strategy of

producing custom products such as machinery started its continued success story in the B2B area more than 50 years ago. Thanks to the introduction of modern robotics and computerization in the 1980s, the first companies successfully implemented mass customization (MC) in the B2C area. In 1993, B. Joseph Pine II subtitled his book on MC with “The New Frontier in Business Competition.” While this strategy to mass produce customized products was certainly a frontier more than 20 years ago, today it is a consolidated strategy in industrial/manufacturing engineering, operations management and related areas both in research and practice (Fogliatto et al. 2012). MC of products has been implemented successfully by a very large number of companies from various sectors including fashion (Dietrich et al. 2007), food (McIntosh et al. 2010), electronics (Partanen and Haapasalo 2004) and engineering (Lu et al. 2009).

A look at the multitude of big and small companies from start-ups to world market leaders, which offer MC shows that it is not just an innovative manufacturing strategy, but that it may be the future of service delivery, too. Especially since the mid-1990s, thanks to a more powerful internet, the concept of mass customization became also relevant for services, e.g. for air travel (Liou et al. 2010), financial services, electricity contracts and online learning. Another trend that has again been widely accepted as standard in B2B, but became more diffused in B2C only during the last few years, is the customized combination of products and services. When the supplier is not simply selling its product but is also offering an individual consultancy, this is generally referred to as the business of solutions (Jacob 2013). This trend is in line with the service dominant logic of marketing (Vargo and Lusch 2004), meaning that the real value of a product is created only in combination with the respective service, e.g. in the case of curated shopping. In recent years, customization has also started playing an increasing role in online- and TV-advertisement as well as with regard to the online shopping experience itself. For example, we can expect that, in the near future, no two customers will see the same version of a website (Dempster and Lee 2015).

All these examples demonstrate that the customer of the future will live in a customized world, regardless of whether he or she wants to or not. The customer of the future will be reading custom news streams, watching TV shows when he or she has time, seeing ads that actually matter and/or that are considered to generate the

highest return for the advertiser and, most importantly, buying mass customized products that are manufactured or 3D-printed according to his or her individual needs and personal preferences.

The third manuscript of this thesis bridges the MC literature with the COO literature in an attempt to contribute to both fields of research and to provide valuable insights and practical implications about COO effects for MC companies.

### **3. Introduction to the Manuscripts**

The manuscripts in this thesis are about country of origin (COO) marketing, country-of-origin (COO) effects and the moderating role of mass customization (MC). The research is positioned in the area of international marketing and aims to make a contribution to consumer culture theory, which addresses the dynamic relationships between consumer actions, the marketplace and cultural meanings (Arnould and Thompson 2005). More specifically, we assess ethnic subcultural differences in product and country evaluation and the moderating role of manufacturing strategies, specifically MC as compared to mass production. Ethnic subcultures are based on shared beliefs and habits (Usunier and Lee 2005), in contrast to subcultures of consumption that share a commitment to a particular product class or brand (Schouten and McAlexander 1995).

As highlighted above, the ongoing worldwide changes with regard to globalization, international trade, multicultural societies and the diffusion of MC make it necessary to continuously assess and re-assess the COO construct, e.g. by introducing new variables and by critically reviewing previously tested relationships and models. In this context, we have bridged the two research streams of COO and MC. Based on an in-depth review of the COO literature, I have identified a number of additional gaps, for example the missing classification of COO marketing strategies and a great number of calls for replications in quantitative COO studies. In line with the current discussions and criticism of the traditional COO constructs, we have replicated a study that had found language to be a better proxy for culture and therefore a more suitable variable than nationality for comparing groups of customers. Given that the results of the original study have been confirmed, these findings formed the basis for

a third manuscript. The following research questions have been formulated and examined (see Table 2 for an overview including the relevance for research/practice):

- 1) *Which different marketing strategies are employed by companies in order to communicate the COO of the company and/or of its brands to customers?*
- 2) *Do COO effects vary across subcultures within a country?*
- 3) *Does the manufacturing strategy (mass production vs. mass customization) have a moderating effect on the relationship between COO and consumer's product evaluation?*

<b>Manuscript #1</b>	<i>Research question</i>	Which different marketing strategies are employed by companies in order to communicate the COO of the company and/or of its brands to customers?
	<i>Relevance for research</i>	Conceptualization of COO marketing strategies
	<i>Relevance for practice</i>	List of alternatives to the use of the phrase "Made in..."
<b>Manuscript #2</b>	<i>Research question</i>	Do COO effects vary across subcultures within a country?
	<i>Relevance for research</i>	The customer's nationality may not be a suitable dimension for COO studies and lead to wrong implications
	<i>Relevance for practice</i>	Support for the concept of ethnomarketing rather than national marketing
<b>Manuscript #3</b>	<i>Research question</i>	Does the manufacturing strategy (mass production vs. mass customization) have a moderating effect on the relationship between COO and consumer's product evaluation?
	<i>Relevance for research</i>	Examination and introduction/exclusion of mass customization as a possible moderator for COO effects
	<i>Relevance for practice</i>	Implications for mass customization companies that are using or planning to use COO elements as part of their marketing strategy

**Table 2:** Research questions and relevance for research/practice of the manuscripts

To answer the first research question, a literature review on COO effects, different COO dimensions (e.g. country of assembly), and legally regulated COO strategies (e.g. the use of the phrase "Made in..." Italy/Germany/USA etc.) has been conducted. In addition, a number of exploratory case studies were carried out to identify other strategies that are not legally regulated (e.g. the use of language). The goal was,

first, to find COO elements that are used by a number of companies in television, print, and online-advertisements as well as in logos, on packaging and in website design, and, second, to formulate a set of additional, non-legally-regulated strategies, based on this practical evidence. The major relevance of the research is the conceptualisation of COO marketing strategies, which has filled an existing gap in the literature. The list of alternatives to the use of the phrase “Made in...” is accompanied by a number of practical examples which show that a number of companies use two or more COO marketing strategies in combination with each other (see manuscript #1).

The second research question has been answered by replicating a study from about a decade ago, which assessed the differences in country and product evaluation between French-speaking Canadians and English-speaking Canadians with regard to their homelands (Great Britain/France) and culturally affiliated countries (e.g. the USA for the English speakers). In a paper-based survey, German-speaking South Tyroleans and Italian-speaking South Tyroleans from the Italian Region of South Tyrol were asked to evaluate four dimensions of product and country evaluation. Based on the use of language, a cluster analysis was used to classify the respondents into three groups: German South Tyroleans, Italian South Tyroleans and acculturated South Tyroleans. Overall, using analysis of variance (Fisher test) and pairwise comparison (Scheffé test), group differences in product and country evaluations were assessed, confirming that COO effects may vary significantly across subcultures within a country (see manuscript #2).

Manuscript #1	<i>Type</i>	Qualitative
	<i>Method</i>	Literature review
		Exploratory multiple-case study
<i>Case studies (selection)</i>	Deutsche Bank, Ricola, Toblerone, Volkswagen, William Hill	
Manuscript #2	<i>Type</i>	Quantitative
	<i>Method/data collection</i>	Drop-off/pick-up survey at households in two cities
	<i>Sample</i>	n=212, female=43.9%, age 17-76 years (median 30, mean 33.7)
	<i>Data analysis</i>	Cluster analysis, analysis of variance
Manuscript #3	<i>Type</i>	Quantitative
	<i>Method/data collection</i>	Intercept survey in a shopping centre
	<i>Sample</i>	n=165, female=48.5%, age 14-87 years (median 37, mean 36.7)
	<i>Data analysis</i>	Cluster analysis, hierarchical multiple regression models

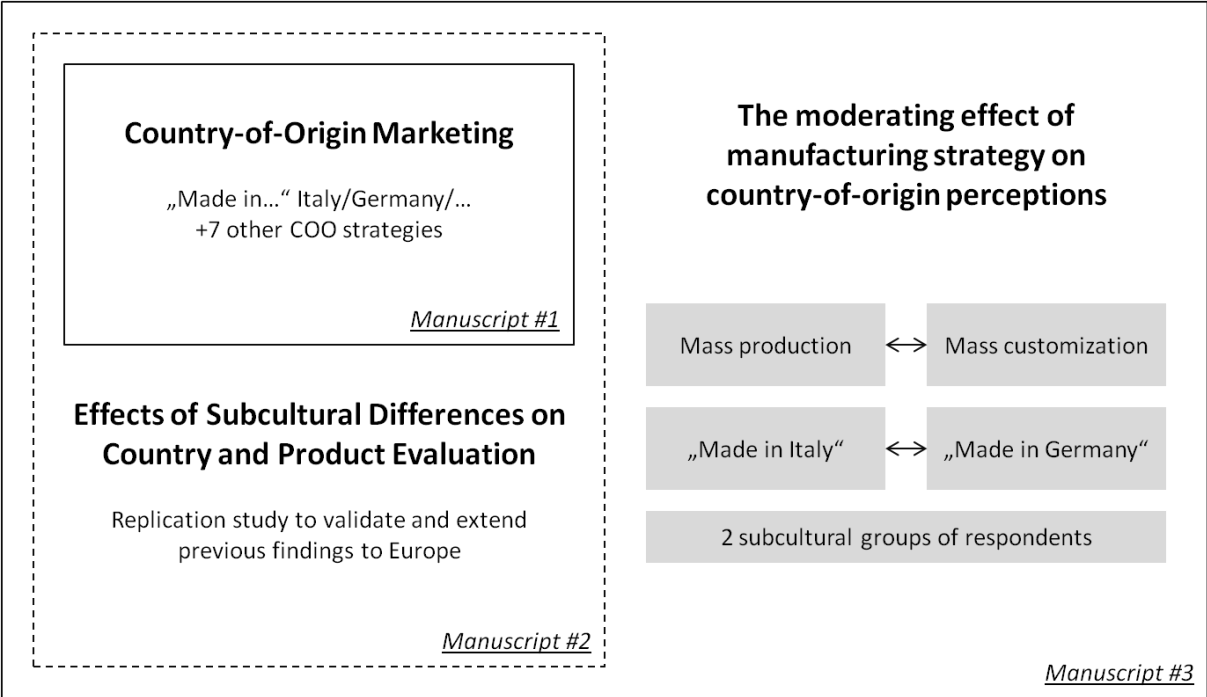
**Table 3:** Research design of the manuscripts

Finally, the third research question has been studied by using an intercept survey in a shopping mall. Two different, physical and unbranded pairs of sneakers were presented to the survey participants and had to be evaluated in terms of product quality and design quality. To indicate the origin of the respective pair of sneakers, both explicit (“Made in Italy” and “Made in Germany”, respectively) and implicit (Italian flag and German flag, respectively) COO elements were used. The two different pairs of sneakers were alternately presented as “Made in Italy” and “Made in Germany” respectively. Based on the findings of the above described research, this study has not been designed as a cross-national study but as a cross-cultural study among the subcultural groups of Italian-speaking and German-speaking South Tyroleans. The research design therefore allowed an investigation of the effects of culture (Italian vs. German) and manufacturing strategies (mass produced vs. mass customized) on country-of-origin perceptions. It has been found that both culture and manufacturing strategy have significant effects on the perceived product quality and on the perceived design quality of sneakers (see manuscript #3). Table 3 provides an overview on the research design of the three manuscripts.

The following figure visualises how the three manuscripts are connected and how they are positioned in this thesis. Manuscript #1 is a partial basis for manuscript #2 and manuscript #3, especially with regard to the use of the phrase “Made in...” and



other explicit and implicit COO strategies, e.g. the use of a country flag as stimulus in the survey of manuscript #3. Manuscript #2 provides the conceptual basis for the clustering in manuscript #3 and justifies the use of language as a proxy for culture, rather than the customer’s nationality.



**Figure 1:** Interaction between the manuscripts

In the following section, the three manuscripts are presented. Please note that any difference with regard to the use of British English or American English in this thesis is due to the specific requirements of the respective Journal. This also applies to the in-text citation style. The sections of each manuscript are numbered starting from one, while the figures and tables of the whole thesis are consecutively numbered. This is intended to enhance readability while maintaining the necessary distinction between the individual manuscripts. The complete list of references can be found at the end of the thesis and includes all references of the preamble and conclusion of the thesis as well as of all the individual manuscripts. References that are cited in two or more sections and/or manuscripts are therefore included only once.

## **IV. MANUSCRIPTS**

## Manuscript #1

Title: Country-of-origin marketing: A list of typical strategies with examples

Version: Pre-published (first revision)

Status: published

Journal: Journal of Brand Management

For the final, published article please refer to:

Aichner, T. (2014) Country-of-origin marketing: A list of typical strategies with examples. *Journal of Brand Management* 21(1), 81-93.

# 1. Introduction

The country of origin (COO) is considered to be a significant cue in consumer choice behavior because it has a significant effect on consumer product evaluation (Scholer, 1965; Al-Sulaiti and Baker, 1998) and is important in buying decisions (Beverland and Lindgreen, 2002). The COO of a product is an extrinsic product cue, i.e. an intangible product attribute similar to price, brand name or warranty, as none of these is directly based on product performance and therefore distinct from a physical product characteristic or an intrinsic attribute (Peterson and Jolibert, 1995). Since several decades, product variety is exponentially increasing. This is true for almost all product categories and in most countries around the world. Thus, customers have started to choose products not based on intrinsic product cues, but because they have an appealing packaging, a cool brand name or because they originate from a country with a positive image.

Generally, consumers are ready to spend more money for a branded product from a COO with a more favorable country image (Koschate-Fischer et al, 2012). This can be explained by the fact that the COO is often interpreted by consumers as a signal of quality and is used to prevent information overload in the purchase decision process (Hausrucking, 1993). The dimensions of quality which are influenced by the customer's individual perception of the COO include the product's aesthetics, conformance, durability, performance and reliability. For example, German cars may be considered to be very durable and reliable, Italian cars to be more aesthetic and American cars to have a better overall performance compared to cars with a different COO. Further examples include French cosmetics, Swiss watches, and Argentinean beef. All of these products are generally considered to be of a high quality, just because of their origin.

## 1.1 Country-of-Origin Effect

In the literature, this impact of the products' origin on customers is called country-of-origin (COO) effect, a scientific subfield of consumer behavior (Kotabe and Jiang, 2009) and international marketing research (Homburg and Krohmer, 2003). According to different authors, it is the most researched international aspect of consumer behavior (Tan and Farley, 1987), the most widely studied phenomenon in

international business, marketing and consumer behavior literature (Peterson and Jolibert, 1995), one of the most significant phenomena impacting the evaluations of foreign products (Kumara and Canhua, 2010), and it represents an important competitive factor for the commercialization of goods and services in foreign markets (Vianelli and Marzano, 2012). Even though the COO effect has received considerable attention in research, current knowledge is still limited (Mai, 2011). Areas where knowledge is still lacking include COO effects for products and services originating from non-industrialized countries and how products from industrialized countries are perceived in emerging markets.

The COO is, of course, not exclusively relevant for research, but of great interest for companies as well. International companies should be aware that consumers may use stereotypes to judge product quality (Hamzaoui and Merunka, 2006). In order to increase competitive advantage, it is crucial that companies know and understand the customers' perceptions in the target market (Moradi and Zarei, 2011). As the COO impacts the purchase decision of foreign customers (Marino and Mainolfi, 2010; Godey et al, 2012), country-specific stereotypes should be analyzed and used in the company's communication strategy. This can be done by either underlining the COO of the product or by deliberately not mentioning it. As an illustration, the British car brand Jaguar had to adopt a high-tech image and avoid mentioning the COO in foreign markets (Kaynak et al, 2000) because consumers' stereotypes about British cars were not favorable for their buying decision.

The major benefit of a product's strong COO is that it acts as a signal of product quality and directly affects the likelihood of purchase (Koschate-Fischer et al, 2012). The higher the price of a product, the more likely it is that customers from industrialized countries prefer buying the domestic product rather than a similar product from a less developed country (Cordell, 1991). Other studies examining the effect of COO provide evidence that COO has its maximum influence on product evaluations when it is the only product cue available (Lim et al, 1994) and that its impact is moderated when other information, such as price or quality, is provided (Pharr, 2005). This means, more precisely, that "when COO is negative or weak, high price cues have no significant impact on product quality perceptions. Similarly, when price is low, strong positive COO information has no significant product quality effect" (Pharr, 2005). For example, assuming China has a bad and Switzerland has a good

reputation for producing watches, a high price of the Chinese watch would not positively impact the perceived quality. In the case of watches made in Switzerland, the positive effects of the strong COO on the customer's quality perception may disappear if the price of the Swiss watch is too low.

## 1.2 COO Dimensions

There are at least five dimensions of COO for products (see Table 4) and at least four dimensions of COO for services (see Table 5). Branding competition has led to the use of different dimensions of COO, e.g. the country of design (COD) (Hamzaoui and Merunka, 2006). Given the complexity of these different dimensions of COO in an increasingly global production environment, the influence of this information on consumers' product evaluations may be a more complex issue than researchers originally thought (Pharr, 2005). For services, employee-related COO is of particular interest to customers. Imagine an Italian language school in any country of the world. Native Italian teachers (country person image – CPI) or teachers who received training and education in Italy (country training image – CTI) could translate into a competitive advantage for the company, and may be used as a unique selling proposition in advertisement and communication.

<b>Country of Design (COD)</b>	Companies may choose to locate their R&D in countries different from the country of production.
<b>Country of Assembly (COA)</b>	Companies from countries with low reputation can move the assembly of their products to other countries with higher reputation.
<b>Country of Parts (COP)</b>	In some cases, companies give particular importance to the source of the products' raw materials.
<b>Country of Manufacture (COM)</b>	Some companies may find it convenient to produce their products in countries different from their original COO.
<b>Country of Brand (COB)</b>	COB is the country in which the brand originated. There are a number of reasons why this may not coincide with the country where the company has its headquarters.

**Table 4:** COO dimensions for products, based on Vianelli and Marzano (2012)

<b>Country of Brand (COB)</b>	COB is the country in which the brand originated. There are a number of reasons why this may not coincide with the country where the company has its headquarters.
<b>Country of Service Delivery (COSD)</b>	Depending on the country in which the service is delivered, the perceptions and needs of customers may differ considerably.
<b>Country Person Image (CPI)</b>	CPI is the country in which the person providing the actual service was born.
<b>Country Training Image (CTI)</b>	CTI is the country in which the service provider received training/education and is of particular importance for those activities that require experience and specific skills.

**Table 5:** COO dimensions for services, based on Vianelli and Marzano (2012)

As can be seen, COO is a complex construct and its effect is neither universal nor uniform (Beverland and Lindgreen, 2002). From a customer's perspective, it is rather difficult to identify the actual origin of a product, as a product may be designed in the USA, produced in China and assembled in Mexico. However, from a company's perspective, this opens up opportunities with regard to their communication strategy. Some companies, such as the US consumer electronics brand Apple, use COD ("Designed by Apple in California") in order to reduce the possible negative effects related to the country of assembly (COA), which for most of its products is China. Although COO of services is an important part of COO research, this paper places more emphasis on the COO of products, which is typically communicated through the phrase "Made in..." (Bilkey and Nes, 1985). There are, however, a number of other strategies that companies use to make the origin of their products known.

## 2. Country-of-Origin Strategies

The COO can influence the quality, brand loyalty, brand choice and brand preference perceived by customers (Moradi and Zarei, 2011). Most obviously, companies can only benefit from the COO if customers are aware of it. Companies are therefore seeking to communicate the COO and to increase their customers' COO awareness with a number of different strategies, which are discussed in the following. The term strategy is typically used to describe long-term goals of a company (Chandler, 1997). In the present context, strategy is intended to be a synonym of (strategic) approach how to communicate the COO of a company or of its products to customers.

## **2.1 Legally regulated COO strategies**

Legally regulated COO strategies include the use of the phrase “Made in...” or of quality and origin labels. Companies are generally not free to use these elements if they do not fulfill a number of requirements, which are prescribed by national law, regional law and/or regulations of public, semi-public or private organizations. As these requirements differ from country to country, this chapter provides a comprehensive overview on the regulatory framework of the use of the phrase “Made in...” in Germany, the USA, and Italy.

### **2.1.1 Strategy 1: Made in...**

The use of the phrase “Made in...” is the most frequent and easiest strategy used to communicate the COO of a product. Customers do not need to associate signs, words or slogans with a country, like in most other strategies, as the COO is mentioned explicitly, e.g. in “Made in Taiwan” or “Made in India.” What is more, “Made in...” (or “Assembled in...” and other synonyms) is the only COO element which is compulsory for products in most countries around the world. The reason for this is that legislators want to be able to immediately identify products from certain countries, e.g. in the case of import bans on one hand, and, on the other hand, to ensure that customers know the country in which the product was produced/assembled and may be able to boycott products from certain countries, if necessary. In the European Union, the legislation for the use of the phrases “Made in...” is not clearly defined and partially affected by the Madrid protocol, national trade mark laws, customs legislation, and competition laws.

In this regard, the Commission of the European Communities presented a “proposal for a Council Regulation on the indication of the country of origin of certain products imported from third countries” in 2005, as there is no legislation in the European Community on the use of “Made in...” for industrial products. In 2010, the European Parliament adopted the position of the Commission of the European Communities at first reading and instructed the President of the European Commission to forward the matter to the Council, the Commission and the national Parliaments.



However, a committee of European partners emphasizes that labeling the COO of imported products should not be legally required for all member countries of the European Union, but remain voluntary. The committee is composed of organizations such as the British Chamber of Commerce, the Danish Chamber of Commerce, the Finland Central Chamber of Commerce, the Association of German Chambers of Industry and Commerce, the Assembly of French Chambers of Commerce and Industry, the Cyprus Chamber of Commerce, the Foreign Trade Association, the Federation of German Industries, the Federation of German Wholesale, Foreign Trade and Services, the International Chamber of Commerce, the Swedish Chambers and the Austrian Economic Chambers. They state that “mandatory country of origin label ‘Made in...’ for imported goods arriving from third countries in the EU does not give reliable information to the consumer” and “would be a clear statement of the European Union against free trade” (British Chamber of Commerce et al, 2010). It is therefore difficult to say whether or not it is necessary or reasonable to enforce companies to use “Made in...” in order to indicate the COO of the product. If not prescribed by national laws, companies usually use “Made in...” marks because they believe that it would positively influence the image of the product and therefore increase sales.

While some products and companies have used regional or local geographical indications instead of countries, such as the two Italian cities and provinces “Made in Bergamo” or “Made in Prato” (Guerini and Uslenghi, 2006), this appears to be the exception rather than the rule. Nevertheless, the use of regional or local geographical indications seems to be appropriate in two cases. First, if the COO has a poor reputation in general or in a specific business sector, e.g. watches made in China. In this case, it could be beneficial to mention that watches have been made in Tianjin or Guangzhou rather than in China in order to avoid the negative COO effects related to China. In addition, it is easier to build a good reputation for products originating from a certain region rather than from a whole country. This argument becomes clearer by thinking of the COO reputation as a scale ranging from minus one to one, with zero meaning that customers have neither positive nor negative associations with the COO for the specific product. Assuming Chinese manufacturers have a reputation of minus 0.8 for making watches, it would cost more money and effort to bring it up to a positive level, whereas watches made in Tianjin start from a score of zero and are therefore more likely to obtain a positive reputation in the future. Of course, this only

applies if the majority of watches made in Tianjin are of an acceptable quality and if the COO is adequately advertised. Second, the use of regional or local geographical indications seems to be appropriate if a certain region/province/city gains already a particularly high reputation in a specific business sector, e.g. bacon made in South Tyrol (Italy).

The “Made in...” image applies to all of a country’s products and services, even if there are so-called key industries, which play a crucial role in its development (Lebrenz, 1996). The country image can rarely be influenced by a single company and should rather be seen as an opportunity or a constraint to be handled (Jaffe and Nebenzahl, 2001). This means that companies from all industries and business sectors benefit from a country’s good reputation and suffer from its poor reputation, even if they did not positively or negatively impact the image in the past and have no individual power to influence it in the future. In this light, Germany, the United States of America and Italy will be briefly assessed in the following, giving examples of which industries may be considered national key industries with regard to the COO effect.

#### *2.1.1.1 Made in Germany*

In Germany, there is no institution in charge of controlling or confirming the accuracy of the use of “Made in Germany.” The producer of a product can decide whether or not to use the mark. Companies are, however, prosecuted if they are using “Made in Germany” incorrectly. According to German precedents, if a company wishes to use “Made in Germany” for its products all essential manufacturing steps must be carried out in Germany. In 1887, the British “Merchandise Marks Act” made it mandatory for foreign, particularly German, industrial products to be labeled with “Made in Germany” (Conrad, 2006). At this time, German products were considered to be of a lower quality compared to British products and officials wanted them to be clearly recognizable so that British customers could boycott them, if desired (Lieser, 2010). Interestingly, what was meant to be a warning soon became a mark of quality and a recommendation to buy (Conrad, 2006), as German products were perceived to be of high quality and reliability (Lieser, 2010). In 1896, a British journalist and writer confirmed, that the “Merchandise Marks Act” actually worked as a free recommendation for German products (Williams, 1896).

Key industries for the development of the German COO image in the past and present are mainly the automobile (Fechtner, 2006), chemical, mechanical engineering (Turek, 2004) and electrical engineering industries (Hirsch-Kreinsen, 2009; von Wartenberg and Haß, 2005). Examples of companies from these business sectors are VW, Mercedes, Audi, BMW, Porsche (automobile industry), Bayer, BASF, I.G. Farben, Henkel, Evonik (chemical industry), Siemens, ThyssenKrupp, Gildemeister, Gea, ABB (mechanical engineering industry), and Bosch, Miele, Neff, Siemens (electrical engineering industry). Other successful companies operating in business sectors different from the above-mentioned, which may also influence the image of “Made in Germany” include Deutsche Telekom (telecommunication industry), Lufthansa, Deutsche Bahn (transportation industry), SAP (software industry), and Dr. Oetker (food processing industry).

#### *2.1.1.2 Made in USA*

In the United States of America, there is an agency in charge of enforcing the standard use of “Made in USA” and ensuring commercial compliance, namely the Federal Trade Commission (FTC). Similar to Germany, products that are advertised as “Made in USA” are required to be all or virtually all made in the United States of America. Except for automobiles, textiles, wool and fur products, the use of “Made in USA” is voluntary and not required by law. Companies from other business sectors may choose whether or not to use “Made in USA” to label their products. The FTC does not pre-approve the claim and only intervenes if it is not truthful and not substantiated.

Industries essential for the development of the American COO image in the past and present include mainly the financial, automobile (Munkirs and Knoedler, 1987), consumer electronics (Hannay, 1986), fashion/textile, and food processing/gastronomy industries (Munkirs, 1983; Gaster, 1992). Examples of companies from these business sectors are JPMorgan Chase, Bank of America, Citigroup, Wells Fargo (financial industry), General Motors, Ford, Chrysler (automobile industry), Apple, Texas Instruments, Hewlett-Packard, Dell (consumer electronics industry), Tommy Hilfiger, Lewis, Nike (fashion/textile), and Coca-Cola, McDonald’s, Dunkin’ Donuts, Subway, Starbucks (food processing/gastronomy industry). Other well-known companies operating in business sectors different from those mentioned above, which may also influence the image of “Made in USA” include Microsoft

(software industry), Harley Davidson (motorcycle industry), Universal Studios, Disney (movie and entertainment industry), and Philip Morris (tobacco industry).

### *2.1.1.3 Made in Italy*

In Italy, the use of “Made in Italy” is legally regulated by a number of laws, according to which a product may be labeled as “Made in Italy” if the entire process of design, development, production and packaging is carried out exclusively on the Italian territory. Compared to Germany (“all essential manufacturing steps”) and the United States of America (“all or virtually all”), Italian regulation is more restrictive (“exclusively”) in determining what qualifies for the use of the “Made in Italy” label. Whoever makes use of other indications suggesting that the product was entirely realized in Italy, such as “100% made in Italy,” “100% Italia” (100% Italy), or “tutto italiano” (all Italian) in any language may pay an administrative sanction ranging from 10,000 to 250,000 Euro.

Key industries for the development of the Italian COO image in the past and present are mainly found in the fashion/textile (Hirschmann, 1980; Delai, 2012), food processing, and automobile industries (Alquati, 1975). Examples of companies from these business sectors are Armani, Gucci, Prada, Benetton (fashion/textile industry), Barilla, Ferrero, Campari, Parmalat (food processing industry), and FIAT, Ferrari, Maserati, Lancia, Alfa Romeo (automobile industry). Other companies operating in business sectors different from those listed above, which may also influence the image of “Made in Italy” include Luxottica (eyewear industry), UniCredit, Intesa Sanpaolo (financial industry), and Pirelli (tire industry).

### **2.1.2 Strategy 2: Quality and Origin Labels**

The European Union, with two Council Regulations, has regulated the use of three different schemes which allow the protection and promotion of the origin for quality agricultural products and foodstuffs both for member countries of the European Union and for non-member countries. When a group of producers defines a product according to specific specifications, it can be registered as a Protected Designation of Origin (PDO), Protected Geographical Indication (PGI), or Traditional Speciality Guaranteed (TSG). The regulations of the European Union are just one example of a

central COO strategy, namely the use of quality and origin labels. In Europe, the use of such geographically-based labels to brand products has a long tradition (Moschini et al, 2008). In this specific example, they allow protection of the origin connected to the food processing industry, one of the most important industries in terms of image building of a COO. Generally, such systems ensure credibility, allow ex ante quality verification, and minimize externality costs for customers (Hobbs, 2004). Under a situation where customers cannot easily verify the quality of the product before they actually purchase it, quality labels diminish the perceived risk of purchasing an unsatisfactory product (Resano et al, 2012).

The use of the PDO, PGI, and TSG labels is regulated by law on an international level. There are, however, countless other examples of local, regional, and national seals which are partly regulated by national or regional law or simply administered and awarded by public or private corporations based on certain criteria, e.g. membership, country of assembly, country of brand, country of manufacture, etc. By August 2013, the total registrations amount to 1,164 products from 29 countries, including the five non-European countries of China (10 products), Colombia (1), India (1), Thailand (1) and Vietnam (1). The following table shows the top ten countries with the highest number of registered products. Note that the number of registrations from these countries amounts to more than 90% of the total products registered.

<b>Rank</b>	<b>Country</b>	<b>Registered Products</b>
1	Italy	254
2	France	200
3	Spain	164
4	Portugal	118
5	Greece	99
6	Germany	91
7	Great Britain	49
8	Poland	35
9	Czech Republic	28
10	Slovenia	16

**Table 6:** Top ten countries by PDO, PGI, and TSG registrations

Even though Italy is clearly at the top of the list in absolute numbers, Portugal, and Greece have a larger relative number of registrations by taking into account the smaller size of the country in terms of population. In any case, the top five countries Italy, France, Spain, Portugal and Greece are commonly known for their tradition in food processing and agricultural specialities, which explains the high number of registrations.

<b>Italy</b>	Terre Aurunche   Prosciutto Amatriciano   Ricotta di Bufala Campana   Pizza Napoletana   Salame S. Angelo   Prosciutto di Parma   Pecorino di Filiano   Ricotta Romana   Salamini italiani alla cacciatora   Agnello di Sardegna   Pancetta di Calabria   Speck Alto Adige / Südtiroler Markenspeck / Südtiroler Speck
<b>Germany</b>	Rheinisches Apfelkraut   Bayerisches Rindfleisch / Rindfleisch aus Bayern   Lüneburger Heidekartoffeln   Kölsch   Bayerisches Bier   Lüneburger Heidschnucke   Lausitzer Leinöl   Allgäuer Bergkäse   Altenburger Ziegenkäse   Schwarzwälder Schinken   Lübecker Marzipan   Nürnberger Lebkuchen

**Table 7:** Italian and German PDO, PGI, and TSG examples

Regarding the relation between PDO, PGI, TSG and trademarks, the regulations state that the registration of a trademark is refused if an application for one of the seals has been submitted. However, there might be specific cases where a trademark co-exists with a PDO, PGI, or TSG. The fact that, on one hand, the quality and origin seals of the European Union have similar legal effects as trademarks and, on the other hand, not all registered products are actually using the respective seal as part of their marketing and communication strategy show that the legal protection against misuse and imitation is a major success factor for PDO, PGI, and TSG. Nevertheless, origin labels can create a competitive advantage in agricultural markets and positively influence the purchase decision of customers (Moschini et al, 2008). Therefore, it constitutes a useful and popular strategy for benefitting from the COO effect.

**2.2 Unregulated COO Strategies**

Companies can employ a number of strategies, other than the use of the phrase “Made in...” or of quality and origin labels to communicate the COO of the company

itself or of its products to customers. Often, these strategies are used in combination with each other, e.g. by using an Italian brand name and the Pisa tower, a famous Italian building, on the packaging to promote Italian pizza. As the use of these elements is usually not legally regulated, there is no need to communicate the company's actual origin. This means that a Russian company may use an actor with a French accent for its TV commercials, in order to make the advertised product look French and to benefit from positive stereotypes Russian customers may have about France and French products. Companies who want to ensure that the product appears to originate from a more favorable origin than it actually does (Josiassen and Harzing, 2008) are considered to follow a foreign branding strategy (Leclerc et al, 1994). This chapter tries to give an exhaustive overview on all unregulated COO strategies, providing examples for each of them. In order to avoid complexity, no examples of foreign branding are used, meaning that all companies and products in this article actually originate from the communicated COO.

### ***2.2.1 Strategy 3: COO Embedded in the Company Name***

Some companies have the COO embedded directly in their company name. This can be the name of the country, a region, a city, or any related modification, e.g. adjectives.

Examples for such companies are: Alitalia (airline, Italy), Air France (airline, France), British American Tobacco (tobacco, United Kingdom), Deutsche Bank (bank, Germany), Bank of America (bank, United States of America), Royal Dutch Shell (oil and gas operations, Netherlands), Munich Re (insurance, Munich, Germany), Telecom Italia (telecommunication, Italy), Swisscom (telecommunications, Switzerland), Texas Instruments (digital signal processors and consumer electronics, Texas, United States of America), China Railway Group (construction, China), Singapore Airlines (airline, Singapore), Vienna Insurance Group (insurance, Vienna, Austria). The logo of Alitalia also includes the colors of the Italian flag: green, white and red. The company is therefore combining the two COO strategies of embedding the COO in the company name and the use of the COO flag. Most of those companies have the COO embedded in their name because they were founded by the national government. Nevertheless, one of many exceptions is Deutsche Bank, a

German bank which was founded in Germany by a number of private bankers in 1870. The benefits of this company name are well known: An undefined number of foreign companies assumed and still believe that Deutsche Bank is the German central bank, which is actually Deutsche Bundesbank.

### ***2.2.2 Strategy 4: Typical COO Words Embedded in the Company Name***

Companies may use certain stereotypical names (e.g. first or second names) and/or elements (e.g. a country-specific animal) in their company name. It does not usually make a difference whether the word actually means something, as long as it is perceived as typical to the COO in the target market (White III et al, 2007).

Examples for such companies are: Husky Energy (oil and gas operations, Canada), Sumitomo Metal Industries (materials, Japan), Novo Nordisk (drugs and biotechnology, Denmark), Lincoln National (insurance, United States of America), Dollar General (retailing, United States of America), Sandvik (capital goods, Sweden), Dr. Oetker (food processing, Germany). The Canadian oil and gas operations company Husky Energy not only uses the word “Husky” as part of its company name, it tries to increase the COO effect by using the picture of a husky in its company logo, as well.

### ***2.2.3 Strategy 5: Use of the COO Language***

The use of language is another possible strategy for how to use the COO effect for the marketing of products. This can be done by using the COO language for the company or brand name itself and for slogans or entire advertisements in any media, from print to radio to television.

For example, the German automobile producer Audi uses the German slogan “Vorsprung durch Technik” (advance through technology) in both German and foreign advertisements, similar to the German automobile producer VW who uses “Das Auto.” (the car). Ricola, a Swiss manufacturer of herbal cough drops, used the language of the target market in its late 2000’s TV commercials, e.g. Italian in its commercial for Italy and German in its commercial for Germany, but with a strong



Swiss accent. Ricola is, however, not simply using language, but combines a number of other COO strategies. First, the main character role is played by a stereotypical person, who is wearing a loden coat. Second, the use of the Swiss flag combined with the question “Who invented it?” further underlines the COO of Ricola’s products. The central role of language in this context is undoubtedly evident when the brand name of the company or of a product is formed by one or more words from the COO. Examples of Italian companies are Dolce&Gabbana, Pomodoro Mutti, Brunelli, Giotto, and Intimissimi. The actual meaning of the brand name is of secondary importance, especially when the target market is not the domestic market. In that case, the crucial criterion is that the customers from the target market, e.g. the USA, perceive the brand name to be French, like in the case of the French cosmetics company L’Oréal, whose company name sounds and looks French but has no actual meaning.

#### ***2.2.4 Strategy 6: Use of Famous or Stereotypical People from the COO***

It is also possible to communicate the COO of the product by placing famous or stereotypical people from the COO in advertisements. Stereotypes are attributed to the characteristics of a person based on their group membership (Hinton, 2000) and can be related to the person’s look, behavior, clothes, and other elements.

In addition to the aforementioned use of stereotypes by Ricola, an excellent example for the use of both famous and stereotypical people in order to underline the COO of the product is the 2011 TV commercial of Giotto, a chocolate cookie brand by the Italian company Ferrero, launched in Germany. First, the main character of the TV commercial is Elisabetta Canalis, an Italian actor and model with a typical Italian name. Second, other names such as “Paolo,” “Francesco,” and “Giacomo” are used and may be considered as typical Italian names. Third, these three characters are all dark-haired which may also be considered typical for Italian men. Other COO strategies used by Ferrero are the language, as the TV commercial is completely in Italian with German subtitles. In addition, the Italian sounding brand name “Giotto,” which is probably inspired by the notable Italian painter Giotto di Bondon, and the famous landscape of the Italian capital Rome, which is used as background in some scenes and also indicated at the first frame of the TV commercial, in Italian: “Roma.”

Finally, in the last frame there appears the writing “Genießen auf italienische Art.” (enjoy the Italian way), leaving no doubt about the Italian origin of the product.

### **2.2.5 Strategy 7: Use of COO Flags and Symbols**

Another COO strategy is the use of official flags, emblems, symbols and other national elements. The COO strategy of using flags and symbols is widely used on product packaging for so-called typical products, such as hamburgers, popcorn, ketchup (USA), bratwurst, beer (Germany), and pasta or pizza (Italy), to mention just a few examples.

Even more so than Ricola, the British bookmaker William Hill uses British flags in its 2012 TV commercial for the German market. In addition, John Cleese, a British comedian, actor, and writer uses what may be considered typical British humor in Germany. Parts of the spoken text are in English rather than in German and, in any case, with a British accent, using language as a COO strategy. In addition, the texts “Wetten wie die Briten” (betting like the British) and “Englands größter Wettanbieter” (England’s biggest bookmaker) appear on the screen. William Hill also uses the British flag as a background for the texts, as design for the seat in the studio, and as little swinging flags. Finally, a crown appears in the TV commercial, which may be considered a typical symbol for Great Britain and the British Royal House.

### **2.2.6 Strategy 8: Use of Typical Landscapes or Famous Buildings from the COO**

Buildings such as the Eiffel Tower (France), the Statue of Liberty (USA), the Leaning Tower of Pisa, the Coliseum (Italy), the Taj Mahal (India), the Great Pyramid of Giza (Egypt) and the Sydney Opera House (Australia) and landscapes such as the Corcovado with the statue of Cristo Redentor (Brazil) are just some examples in which buildings and landscapes may be used to communicate the COO of a product. Well-known landscapes and buildings may allow customers to quickly associate a product to its COO. This strategy includes single buildings, mountains, rivers, cities, and more.

Toblerone, a Swiss chocolate brand produced by Kraft Foods in Bern, Switzerland, uses a picture of the Matterhorn, a Swiss mountain in the Alps, on its packaging. In addition, the shape of the chocolate itself is similar to the mountain. Finally, Toblerone outlines a bear in its mountain logo, which is the heraldic animal of the city of Bern, where Toblerone is produced. The example of Toblerone is interesting because the company plays with its COO and builds in a certain “wow” factor. This may be something people remember and talk about, which certainly increases brand awareness.

### **3. Conclusion**

Besides the two legally regulated strategies, namely the use of the phrase “Made in...” or of quality and origin labels, companies can employ written and spoken language, symbols, landscapes, buildings, flags and famous or stereotypical people from the COO to communicate their origin to customers. There are examples of companies using five or more of the described strategies in combination with each other in order to leave no doubt about their origin, such as the British bookmaker William Hill, whose 2012 TV commercial for the German market is used as an example above. This great effort to communicate the British origin and the heavy reliance and rather aggressive use of COO elements proves that William Hill considers its origin to be particularly important, if not their unique selling proposition. Great Britain is generally seen to be the home country of betting, which explains and justifies the communication strategy of William Hill. Other companies employ COO strategies in a less obvious way, e.g. by hiding COO elements on their websites, in their logos or on their packaging, such as the previously mentioned Swiss chocolate brand Toblerone.

Even though there are several companies that use just one COO strategy to communicate the COO, most companies combine two or more COO strategies, which differ in terms of their communication complexity. This means that some COO strategies, e.g. the use of language or the use of stereotypical people from the COO in TV commercials, require a certain degree of knowledge about the customers from the respective target market. The customer’s knowledge, perception, and stereotypes about certain foreign countries can differ significantly depending on their own

nationality and culture. For example, German customers may be more familiar with Swiss habits and traditions than customers from Australia. Therefore, the two would have different stereotypes about Switzerland. For companies, it is important to know those differences and adapt the communication and marketing strategies accordingly. The following table summarizes all strategies and classifies them with regard to the typology (implicit/explicit), and communication complexity from a company's perspective.

	<b>Strategy Name</b>	<b>Strategy Type</b>	<b>Communication Complexity</b>
1	"Made in..."	explicit	low
2	Quality and origin labels	explicit	low
3	COO embedded in the company name	explicit	low
4	Typical COO words embedded in the company name	implicit	medium
5	Use of the COO language	implicit	medium/high
6	Use of famous or stereotypical people from the COO	implicit	medium/high
7	Use of COO flags and symbols	explicit/implicit	low/medium
8	Use of typical landscapes or famous buildings from the COO	implicit	medium

**Table 8:** COO strategies

## **Manuscript #2**

Title: Effects of subcultural differences on country and product evaluations: a replication study

Version: As submitted

Status: Under review (passed “desk reject”)

Journal: International Marketing Review

For a more advanced version of the manuscript please contact the author

# 1. Introduction

Today, it is generally recognised that consumer choice behaviour is influenced by the product's country of origin (COO). This impact of the product's origin on consumers is called the country-of-origin effect (COO effect), which is a scientific subfield of international marketing research (Bowe et al., 2013) and one of the most researched international aspects of consumer choice behaviour. In this light, Laroche et al. (2003) published an article on the effects of subcultural differences on country and product evaluations. Their results indicate that COO effects or, in other words, product-country image (PCI) effects, vary across subcultures within a country. More specifically, the researchers show that English-speaking Canadians (English Canadians) and French-speaking Canadians (French Canadians) evaluate countries and their products differently, based on their cultural affiliation.

This article replicates the original work of Laroche et al. (2003) with regard to subcultural differences in the views of affiliated countries and, as a result, contributes to the "desperate need for replication" (Hunter, 2001). Campbell and Stanley (1963) underlined that "The experiments we do today, if successful, will need replication and cross-validation at other times under other conditions before they can become an established part of science, before they can be theoretically interpreted with confidence." In the past decades, there have been a growing number of researchers, editors and marketing journals, which have further stressed the importance of replication studies in business and marketing research (e.g. Brown and Coney, 1976; Madden et al., 1979; Leone and Schultz, 1980; Brown and Gaulden, 1982; Bornstein, 1990; Hubbard and Armstrong, 1994; Tsang and Kwan, 1999; Easley et al., 2000; Hunter 2001; Wells, 2001; Singh et al., 2003; Evanschitzky et al., 2007). The major reason that replications are necessary is the need to validate the results of previous studies, not least because of an increasing number of frauds and falsified results (Simmons et al. 2011).

Surprisingly, despite these many calls for more replications, the percentage of replication studies has substantially decreased. An assessment of all articles that were published in the *Journal of Marketing*, *Journal of Marketing Research* and the *Journal of Consumer Research* over the period from 1990 to 2004 showed that the percentage of published replication studies has halved from 2.4% to 1.2%, compared to the period from 1974 to 1989 (Evanschitzky et al., 2007).

Replication studies in COO research are especially important, for two main reasons. First, many researchers expressed the need to examine the applicability of theories and models across countries and cultures (Hui and Triandis, 1985; Lee and Green, 1991; Häubl, 1996) and second, very few COO studies have actually addressed this issue, which may result in invalid cross-national inferences (Dinnie, 2004). COO research sees a great number of individual studies that investigate the same effect, but they differ in a number of factors, resulting in imperfect replications (Verlegh and Steenkamp, 1999). An extract from COO literature of recent calls for replications in terms of different products, product categories, brands, samples, methods and COOs is provided in Table 9. Even though many COO researchers acknowledge the need for replication, very few replication studies are conducted and/or published by relevant journals (e.g. Thakor and Pacheco, 1997).

Author(s), year	Quote
Laroche et al., 2003	"more research is needed to assess whether the results obtained here can be replicated with various different origin definitions, which would, in turn, be useful to producers who need to make location of production versus exporting decisions"
Laroche et al., 2003	"investigations involving subcultural groups in other countries is clearly necessary and would help researchers to better understand the nature and effects of cultural links on product and country evaluations"
Dinnie, 2004	"it would be interesting to replicate the Ofir and Lehmann study to determine whether the country images held by American skiers of Switzerland, France and Austria have become more distinctly defined than they were at the time of the original study"
Hsieh et al., 2004	"to address this validity issue, future replications might use multiple methods to eliminate the rival explanation of shared method dissent"
Laroche et al., 2005	"future research would also benefit from replicating this study in different research settings and across different situations, possibly using more than the two origin countries"
Laroche et al., 2005	"it would be interesting, for example, to replicate the study using countries in which the bias is negative to see if the same evaluation structure holds"
Hamzaoui and Merunka, 2006	"it therefore would be relevant to replicate (and augment) this study in other emerging markets"
Hamzaoui and Merunka, 2006	"our study certainly would benefit from replications and extensions"
Yasin et al., 2007	"replication of the study with different product categories in different industries would be beneficial"
Zeugner-Roth et al., 2008	"it would therefore be particularly enlightening for future research to replicate our study using different product categories and moderating conditions [...] as well as different countries as reference countries"
Mai, 2011	"it could be beneficial to completely or partially replicate published studies"
Hamzaoui-Essoussi et al., 2011	"the results of this study could benefit from replications with other product categories and brands"
Hamzaoui-Essoussi et al., 2011	"replications of this research in other settings would be useful"
Koschate-Fischer et al., 2012	"future research should try to replicate our findings using other COOs and product categories as stimuli, as well as respondents from different countries"
Koschate-Fischer et al., 2012	"replications and/or extensions of our study using nonstudent samples would also enhance the external validity and generalizability of our findings"
Koschate-Fischer et al., 2012	"field study replications to validate our findings would therefore be highly desirable"
Gerke et al., 2014	"we identify country and industry sector as important influencing factors for our research question which should be considered and reassessed in replications or further development of this study"
Nes et al., 2014	"other categories of products and brands than automobiles would make good candidates for study to replicate the measurements"

**Table 9:** Recent calls for replications from COO literature

The authors of the original study emphasise that subcultures from regions other than the one examined in the original study should be investigated to validate their results



(Laroche et al., 2003). While the original study assessed differences between English Canadians and French Canadians, this article looks at the differences between German speaking South Tyroleans (German South Tyroleans) and Italian speaking South Tyroleans (Italian South Tyroleans), who live in South Tyrol, a bilingual region in Northern Italy, European Union that was part of the Austro-Hungarian Empire until 1919. In addition to the replication study, this article provides an updated review of the literature and compares the results of the two studies.

## **2. Updated Review of the Literature**

We acknowledge the theoretical considerations that lead to the creation of the term “product-country image” (PCI), which is the country with which marketers associate a product to enhance its appeal, rather than the country of manufacture or assembly (Papadopoulos et al., 2000). In fact, there are many dimensions of a product’s origin, such as the country of design, country of manufacture, country of parts, country of assembly and country of brand (Chao, 2001; Insch and McBride, 2004; Vianelli and Marzano, 2012), which means that a product may be designed in Finland, manufactured and assembled in China with some Japanese parts and finally sold under an American brand name. Nevertheless, as the term PCI has not become customary in the literature, COO is used as a synonym of PCI in this article.

Since the beginning of COO research (Dichter, 1962; Schooler, 1965), many studies have confirmed that consumer choice behaviour is influenced by the product’s COO, meaning that there are more favourable and less favourable origins in terms of consumer product evaluation and that this bias exists for both products in general and for specific products, for both end-users and industrial buyers and for both developed countries and less developed countries (e.g. Bilkey and Nes, 1982; Nes and Bilkey, 1993; Dzever and Quester, 1999; Laroche et al., 2005).

### **2.1. Is COO Research Still Relevant?**

Besides the fact that more than 1,000 empirical COO studies have been published (Usunier, 2006), the large number of literature reviews (e.g. Verlegh and Steenkamp, 1999; Dinnie, 2004; Riefler and Diamantopoulos, 2007; Bhaskaran and Sukumaran,

2007; Roth and Diamantopoulos, 2009) is another indicator for the ongoing relevance of COO.

It must be noted that COO research has received some general criticism in recent times, e.g. with regard to the reliability of scales and the use of non-representative samples or because customers are not aware of the COO of products (Pharr, 2005; Samiee, 2010; Mai, 2011; Usunier 2011; Josiassen et al., 2013). In addition, researchers have questioned the validity of previous findings, e.g. because of the effects of globalisation (Gelbrich et al., 2005).

The majority of researchers, however, state that this criticism is unfounded because consumers' perceptions of brand origin still matter (Magnusson et al., 2011), confirm that COO is a construct worthy of continued research (Diamantopoulos et al., 2011) and underline its importance for both research and practice. The replication of existing COO studies will further help to validate the findings and strengthen the theories about the effects of a product's origin on consumer product evaluation.

## **2.2. Subcultural Differences**

Like in the original study, subcultures are defined as subdivisions "of a national culture, composed of a combination of social situations such as class status, regional, rural, or urban residence, religious affiliation and ethnic background, that together form a functional unity which has an integrated impact on the participating individual" (Lenartowicz and Roth, 2001; Laroche et al., 2003). The fact that different subcultures have diverse consuming patterns and behaviour (Heslop et al., 1998; Laroche et al., 2003) has been the grounding for the creation of so-called ethnomarketing (Pires et al., 2003). This means that companies advertise certain products or brands to specific subcultures, e.g. to Hispanic minorities in the USA, to Turkish minorities in Germany or, as suggested in the original article by Laroche et al. (2003), to French Canadians and English Canadians, respectively.

Even though marketers have demonstrated a growing interest in subcultural targeted marketing (Ouellet, 2007), the majority of studies from the past decade have continued to focus on the comparison of consumers from different countries or, at best, from different regions, without taking into account the fact that culture plays a

relevant role in COO research. Even though nationalities are used as a proxy of culture because nationals often share a similar language, history, religion and sense of identity (Soares et al., 2007), this approach represents a dangerous simplification of facts. The underlying problem becomes most evident when looking at the USA as an example. Many studies compare American consumers with Japanese or Mexican consumers, when there is in reality a huge number of large and smaller subcultures within the USA, such as Spanish speaking Americans and English speaking Americans, respectively.

Some notable exceptions include the studies from Davidson et al. (2003), Fong and Burton (2008) and Chattalas et al. (2008), who see culture as a moderator of COO effects. Other authors suggest that future COO research should incorporate culture as a moderating factor (Yasin et al., 2012) or confirm that any differences are more likely to occur because of the different schemas that consumers have toward product COO across cultures (Ryu et al., 2006). In this light, the replication of the most cited study about the effects of subcultural differences on country and product evaluations (Laroche et al., 2003) is not only a validation of the original study's results but also a step into the right direction in COO research, namely the consideration of major subcultures that exist in most regions around the planet.

### **3. The Case of South Tyrolean Consumers**

The "Autonomous Province of Bozen/Bolzano" (South Tyrol) is Italy's northern-most province, situated in the middle of the Alps and bordering Austria and Switzerland. Today South Tyrol belongs to the wealthiest and most developed regions in Italy and the European Union. Its population of slightly more than half a million people is mainly composed of German-speakers (63.3%) and Italian-speakers (23.4%). Like Canada, where both French and English are official languages, both German and Italian are official languages in South Tyrol. The ability to speak both official languages is nearly always a prerequisite for working in both the public as well as in the private sector. The cultural diversity of South Tyrol's people and their bilingual abilities opens the region up to additional economic advantages, especially transport and wholesale trade between Southern Germany and Austria on one side and

Northern Italy on the other side. In fact, many companies from Germany or Austria enter the Italian market through South Tyrol or set up their Italian headquarters there.

Even though many South Tyroleans speak both languages fluently, there exist two clearly distinct subcultures, namely German South Tyroleans and Italian South Tyroleans, with different cultural traits, customs and traditions (Eichinger, 2002). The two cultures are often separated, in part officially, by public or private institutions and organizations in education, culture, sport and politics, subsequently yielding differences in their consumer-related behaviour. Differences between the two subcultures can be found, on one hand, in demographic indicators such as fertility rate or age structure and, on the other hand, in the dominant school system, the sector in which they prefer to work and in many consumer preferences. For example, nine out of ten apprentices in South Tyrol are German speakers which is based on the fact that South Tyrol is the only Italian province applying a special “dual form” of apprenticeship, a concept that is usually applied in Germany and Austria. There are also differences with regard to the consumption of books, newspapers and television, not only with regard to the language itself (there is a wide variety of German and Italian newspapers and televisions channels), but also with regard to the frequency. German-speakers read newspapers more often than Italian-speakers, whereas the latter group read books more often books and use Personal Computers more intensively. The two subcultural groups also differ strongly with regard to the active participation in associations of every kind, such as political (except labour unions), social, cultural, and recreational associations, with German-Speakers being considerably more active (ASTAT, 2014). Based on these cultural differences, on its level of economic development and on the linguistic duality, South Tyrol is a multicultural society that is comparable to Canada and therefore a suitable target for the replication of the original study by Laroche et al. (2003).

### **3.1. The “Motherlands”**

The reasons of ethnic diversity in South Tyrol are to be found in the two World Wars. Until 1919, South Tyrol was part of the Austro-Hungarian Empire, mostly populated by German-speaking people with Austrian and Bavarian roots. Following the defeat by Austria-Hungary in World War I, South Tyrol was annexed by Italy. Since then, the

Italian-speaking population has risen steadily, not lastly because of a strategy of “Italianisation” during the Fascist regime of Mussolini during the 1920s and 1930s, which included the exclusive use of the Italian language in public offices, the closure of the German schools and massive incentives that promoted the immigration of Italians from other Italian regions. In 1972, Italy granted South Tyrol a high level of self-government rights, consisting of the introduction of German as an official language and a broad range of exclusive legislative and administrative powers. German South Tyroleans have preserved strong cultural ties with Austria, whereas Italy remains the main reference point for the Italian-speaking inhabitants. It is therefore hypothesised that:

*H1: German South Tyroleans will demonstrate more positive perceptions towards Austria and its products than will Italian South Tyroleans.*

*H2: Italian South Tyroleans will demonstrate more positive perceptions towards Italy and its products than will German South Tyroleans.*

In the original studies, Great Britain has been defined as the “motherland” of English Canadians and France as the “motherland” of French Canadians.

### **3.2. Culturally Affiliated Countries**

Laroche et al. (2003) define four countries as culturally affiliated to English Canadians (Hong Kong, Australia, the USA, Israel) and do not test any culturally affiliated country with regard to French Canadians. In this study, Germany and Switzerland have been identified as culturally affiliated with German South Tyroleans, who speak the same language and have similar traditions and customs to people living in these two countries. It is therefore hypothesised that:

*H3: German South Tyroleans will demonstrate more positive perceptions towards Germany and its products than will Italian South Tyroleans.*

*H4: German South Tyroleans will demonstrate more positive perceptions towards Switzerland and its products than will Italian South Tyroleans.*

## 4. Methodology

The applied methodology in this article does not differ from the original study (Laroche et al., 2003) and is identical in terms of sampling method, data collection and statistical analysis. This includes the same use of questions and scales. The main difference is that the questionnaire of the replication study was not developed for a broader study, but was limited to the scope of replicating the original research.

The questionnaire was originally developed in English and translated into German and Italian using a translate/back-translate procedure (Harzing et al., 2013). The targeted population consisted of adult German and Italian South Tyroleans in the two biggest, bilingual cities of the region, Bolzano (106,000 inhabitants) and Merano (39,000 inhabitants). The choice of these two cities is motivated by the fact that both contain high percentages of residents whose mother tongue is either German or Italian, while there is a very scarce presence of Italian speakers in smaller villages and rural areas. Within both cities, streets were picked randomly. Of each house in the street, one household was chosen randomly to take part in the survey, and was returned to up to three times in case nobody was present at the specific time. If the chosen household did not agree to take part in the survey or if nobody was present at any of the three times, another household from the same house was picked. As in the original study, the drop-off/pick-up technique was chosen for the data collection. At each household, the interviewer presented himself, explained the nature of the study and left a questionnaire when the respondent agreed to participate. Completed questionnaires were collected usually within four to five hours or within the next two to three days.

In total, 528 questionnaires were distributed, 285 in German and 243 in Italian. After removing questionnaires with too many missing values or those where respondents reported the use of languages other than German or Italian, the usable questionnaires for German and Italian South Tyroleans totalled 114 and 98, respectively. Thus, the study used 212 questionnaires, which corresponds to a 40.2 per cent response rate after data editing and purification. The original study had a response rate of 31.7 per cent with a total of 525 usable questionnaires.

First, products from different countries were evaluated on the following two seven-point bipolar adjective items, using Austria as an example: 'The products of Austria

are poor overall → good overall', and 'I am not → I am willing to buy Austrian products'. The second part of the questionnaire measured respondents' views on the selected countries and their people using the following seven-point bipolar adjective items: 'We should not → We should have closer ties with Austria', and 'Austria is not → Austria is an ideal country'. These product and country variables were used from the original study, without any variation, and aimed to reflect, for each of the product and country images, the cognitive (good products, ideal country) and conative (willingness to buy, closer ties) aspects of attitude. The third part of the questionnaire consisted of standard demographic questions, and the fourth part measured German/Italian South Tyroleans' ethnicity, following the original research of Laroche et al. (2003), who have adopted the multidimensional index of ethnicity from Kim et al. (1989), which is a reliable measure of the strength of ethnic affiliation. The set of questions assessed language usage across 11 activities (at home, with relatives, with close friends, reading newspapers, watching television, listening to radio, reading magazines or books, shopping, at work, while at school). Respondents were asked to give a distribution in terms of the percentage of time (from 0 (never) to 100 (all the time)) that they use German, Italian, or another language during these activities.

## **5. Analysis and Results**

In this section, we analyse the results of the replication study and present the results in comparison with those of the original study. After a description of the demographic profile of the sample, the four hypotheses are tested and compared. Analysis of variance was used to address group differences in product and country evaluations, and Scheffè tests were used to assess the pairwise comparison. The country variables (good products, willing to buy) and product variables (closer ties, ideal country) are measured on a seven-point bipolar adjective scale where 1 is negative and 7 is positive.

### **5.1. Demographic Profile of the Sample**

The sample is well balanced for gender, while slightly balanced towards the young; modal education is high school and household size is the standard 3-4 people. Modal

yearly income is in the 40,000-60,000€ interval, with only 3 subjects above 60,000€ who have been grouped into the “more than 40,000€” interval. The sample is thus composed of young, educated and comfortable subjects. Table 10 contains the demographic characteristics of each group after the clustering has been done.

Variable	Measure	German South Tyroleans	Italian South Tyroleans	Acculturated South Tyroleans	All sample
Gender	<i>Male</i>	31 (54%)	57 (58%)	31 (54%)	119 (56%)
	<i>Female</i>	26 (46%)	41 (42%)	26 (46%)	93 (44%)
Age		31.8 (15.2)	35.8 (15.0)	31.7 (11.4)	33.6 (14.3)
Education	<i>10 years</i>	16 (29%)	31 (32%)	8 (14%)	55 (26%)
	<i>13 years</i>	32 (57%)	47 (48%)	27 (48%)	106 (51%)
	<i>16 years or more</i>	8 (14%)	19 (20%)	21 (38%)	48 (23%)
Household size		3.46 (1.42)	3.01 (1.21)	3.38 (1.13)	3.23 (1.26)
Household income	<i>Less than 20,000€</i>	5 (9%)	11 (11%)	7 (14%)	23 (11%)
	<i>20,000-40,000€</i>	16 (31%)	40 (41%)	16 (31%)	72 (36%)
	<i>More than 40,000€</i>	31 (60%)	47 (48%)	28 (55%)	106 (53%)

**Table 10:** Demographic characteristics of the sample

We then test differences among groups with Person’s chi-square for nominal variables and with Kruskal-Wallis and ANOVA for scale variables. Even though some differences seem to be relevant, in particular for age and household size for the Italian group, no statistical test gives significant results. There are only two notable differences among the groups. Chi square test for education reveals a significance of 0.101, probably due to the preponderance of university degrees in the group of acculturated South Tyroleans. ANOVA test for age has a significance of 0.062, with the acculturated and Italian groups showing the most striking difference with Student’s t-test significance of 0.058. Since age is often associated with foreign product acceptance (Baughn and Yaprak, 1993), the age variable is entered as a covariate in the analysis.



## **5.2. Identification of German, Italian and Acculturated South Tyroleans**

Laroche et al. (2003) have found three clusters, namely English Canadians, French Canadians and acculturated Canadians. We use scores on the language scale from Kim et al. (1989) in a cluster analysis to classify the respondents into three groups: German South Tyroleans, Italian South Tyroleans and acculturated South Tyroleans. The clustering technique is based on the hierarchical Ward algorithm to group the subjects into clusters until three clusters remain (see Table 11). The first cluster is composed of German-speaking people who show very high values in the use of German language with relatives, close friends and newspaper reading together with close-to-zero values in Italian language usage. The second cluster is represented by Italian-speakers with symmetric behaviour, while the third cluster is mainly composed of German speakers who, however, show a significant usage of Italian language. In addition, Table 11 provides an overview of the same table from the original study.

<i>(Laroche et al., 2003)</i>	Mean (standard deviation)			Fisher test <sup>b</sup> F <sub>(2,545)</sub>	Scheffé test
	Cluster 1 English Canadians (n=212)	Cluster 2 French Canadians (n=221)	Cluster 3 Acculturated Canadians (n=107)		(Pairwise cluster comparisons, 1:2, 1:3, 2:3)
<b>Language and culture measures<sup>a</sup></b>					
I speak English with relatives	97.9 (5.5)	1.6 (5.2)	43.6 (29.3)	2192.8	All pairwise cluster comparisons were significant at p<0.01
I speak French with relatives	0.8 (2.7)	97.5 (6.9)	36.5 (32.3)	1869.4	
I speak English with close friends	96.4 (7.0)	6.6 (13.3)	62.5 (29.1)	1518.4	
I speak French with close friends	3.6 (7.0)	92.3 (13.8)	31.0 (26.9)	1673.5	
I read English newspapers	96.3 (7.0)	8.2 (13.5)	68.5 (27.0)	1728.3	
I read French newspapers	3.6 (7.0)	91.2 (13.5)	29.0 (25.1)	1936.3	
<i>(This study)</i>	Mean (standard deviation)			Fisher test <sup>b</sup> F <sub>(2,211)</sub>	Scheffé test
	Cluster 1 German South Tyroleans (n=57)	Cluster 2 Italian South Tyroleans (n=98)	Cluster 3 Acculturated South Tyroleans (n=57)		(Pairwise cluster comparisons, 1:2, 1:3, 2:3)
<b>Language and culture measures<sup>a</sup></b>					
I speak German with relatives	98 (5.3)	4 (11.9)	86 (23.5)	946	All pairwise cluster comparisons were significant at p<0.01
I speak Italian with relatives	1 (4.4)	95 (15.8)	11 (19.9)	726	
I speak German with close friends	92 (11.2)	11 (13.6)	79 (17.8)	1185	
I speak Italian with close friends	5 (7.5)	86 (14.3)	17 (17.5)	909	
I read German newspapers	96 (7.2)	3 (10.4)	85 (19.9)	787	
I read Italian newspapers	3 (5.9)	94 (13.5)	10 (12.5)	1504	1:2, 2:3 p<0.01 1:3 p=0.013

<sup>a</sup>Items measured with a percentage from 0 (never) to 100 (all the time) of speaking the language.

<sup>b</sup>All Fisher test statistics were significant at p<0.001.

**Table 11:** Clusters of the original and replication study

### 5.3. Austria and Italy – The “Motherlands”

The first two hypotheses state that German South Tyroleans would demonstrate more positive attitudes towards Austria and its products, while Italian South Tyroleans would do so for Italy and its products. Data supports both hypotheses: German and acculturated South Tyroleans have significantly higher mean scores to Austria than Italian South Tyroleans and significantly lower mean scores to Italy with regard to all tested dimensions. These results are in line with what Laroche et al. (2003) found about the ties of Canadians with Great Britain and France. Unlike the

results of the original study, there is no significant difference between German South Tyroleans and acculturated South Tyroleans on any question, with the exception of ties with Italy, for which acculturated South Tyroleans show a significantly higher mean value (4.96 vs. 4.14) but still much lower than the mean ties expressed by the Italian cluster (6.26). Overall, the results are to be attributed to the respective groups' cultural associations with Austria and Italy and are stronger and more coherent than the results reported in the original study (see Table 12).

<i>(Laroche et al., 2003)</i>	Mean (standard deviation)			Fisher test $F_{(2,525)}$	Scheffé test		
	Cluster 1 English Canadians (n=210)	Cluster 2 French Canadians (n=214)	Cluster 3 Acculturated Canadians (n=106)		Pairwise comparison		
					1:2	1:3	2:3
<b>Great Britain</b>							
Good products	5.16 (1.20)	5.11 (1.24)	5.14 (1.27)	0.07 <sup>NS</sup>	NS	NS	NS
Willing to buy	5.64 (1.49)	4.72 (1.45)	5.22 (1.55)	21.00 <sup>b</sup>	b	d	c
Closer ties	4.75 (1.24)	4.04 (1.26)	4.32 (1.32)	17.09 <sup>b</sup>	b	c	NS
Ideal country	5.03 (1.42)	4.35 (1.45)	4.68 (1.46)	11.95 <sup>b</sup>	b	NS	NS
<b>France</b>							
Good products	4.82 (1.39)	5.69 (1.07)	5.22 (1.38)	24.57 <sup>b</sup>	b	c	b
Willing to buy	4.99 (1.68)	5.66 (1.21)	5.43 (1.36)	11.77 <sup>b</sup>	b	c	NS
Closer ties	3.76 (1.72)	5.52 (1.35)	4.42 (1.68)	67.31 <sup>b</sup>	b	b	b
Ideal country	3.78 (1.45)	4.60 (1.29)	4.09 (1.37)	19.22 <sup>b</sup>	b	NS	b
<i>(This study)</i>	Mean (standard deviation)			Fisher test $F_{(2,211)}$	Scheffé test		
	Cluster 1 German South Tyroleans (n=57)	Cluster 2 Italian South Tyroleans (n=98)	Cluster 3 Acculturated South Tyroleans (n=57)		Pairwise comparison		
					1:2	1:3	2:3
<b>Austria</b>							
Good products	5.42 (1.00)	4.20 (1.30)	5.19 (1.00)	25.0 <sup>a</sup>	a	NS	a
Willing to buy	5.72 (1.11)	4.27 (1.72)	5.56 (1.05)	24.5 <sup>a</sup>	a	NS	a
Closer ties	5.25 (1.26)	3.71 (1.88)	5.30 (1.28)	25.5 <sup>a</sup>	a	NS	a
Ideal country	5.18 (1.26)	3.67 (1.51)	4.98 (1.14)	28.3 <sup>a</sup>	a	NS	a
<b>Italy</b>							
Good products	5.18 (1.59)	6.46 (0.90)	5.25 (1.29)	27.5 <sup>a</sup>	a	NS	a
Willing to buy	5.46 (1.74)	6.60 (0.77)	5.58 (1.57)	17.8 <sup>a</sup>	a	NS	a
Closer ties	4.14 (1.83)	6.26 (1.09)	4.96 (1.76)	37.9 <sup>a</sup>	a	b	a
Ideal country	3.35 (1.79)	5.82 (1.45)	3.82 (1.73)	50.8 <sup>a</sup>	a	NS	a

**Table 12:** Subcultural differences in views of the “motherlands” from the original and replication study (Significance levels: (a)  $p < 0.001$  (b)  $p < 0.01$ ; (c)  $p < 0.05$ ; (d)  $p < 0.1$ ; NS=not significant.)

#### 5.4. Germany and Switzerland – Culturally Affiliated Countries

Our third and fourth hypotheses predict that German South Tyroleans exhibit a more positive attitude towards both Germany and Switzerland rather than Italian South

Tyroleans. The results show that German and acculturated South Tyroleans have significantly higher average scores towards country and product evaluation of these two countries than Italian South Tyroleans. The most striking difference in the four tested variables (good products, willing to buy, closer ties, ideal country) is the fact that the quality of German products is perceived as very high by all three clusters, maintaining the significant difference of our hypothesis at a 5%  $\alpha$  level. These results are in line with Laroche et al. (2003) and confirm what they have found about the attitudes of English Canadians about the culturally affiliated countries of Hong Kong, Australia, the USA and Israel. Similar to the case of the “motherlands”, the results of this study are stronger and more coherent than the results of the original study (see Table 13).

<i>(Laroche et al., 2003)</i>	Mean (standard deviation)			Fisher test $F_{(2,525)}$	Scheffé test		
	Cluster 1 English Canadians (n=211)	Cluster 2 French Canadians (n=212)	Cluster 3 Acculturated Canadians (n=105)		Pairwise comparison		
					1:2	1:3	2:3
<b>Hong Kong</b>							
Good products	4.66 (1.45)	4.19 (1.52)	4.53 (1.48)	5.54 <sup>b</sup>	b	NS	NS
Willing to buy	4.88 (1.56)	4.14 (1.56)	4.74 (1.48)	13.18 <sup>b</sup>	b	NS	b
Closer ties	4.83 (1.61)	4.11 (1.45)	4.40 (1.36)	2.96 <sup>c</sup>	c	NS	NS
Ideal country	3.44 (1.30)	3.21 (1.33)	3.29 (1.31)	1.64 <sup>NS</sup>	NS	NS	NS
<b>Australia</b>							
Good products	4.97 (1.05)	4.71 (1.04)	4.72 (1.03)	4.00 <sup>c</sup>	c	NS	NS
Willing to buy	5.76 (1.12)	4.86 (1.37)	5.27 (1.20)	27.06 <sup>b</sup>	b	b	c
Closer ties	5.66 (1.20)	4.89 (1.35)	5.38 (1.25)	19.07 <sup>b</sup>	b	NS	b
Ideal country	5.27 (1.00)	4.58 (1.05)	4.91 (1.20)	21.53 <sup>b</sup>	b	c	c
<b>USA</b>							
Good products	5.42 (1.19)	4.73 (1.34)	5.28 (1.38)	16.36 <sup>b</sup>	b	NS	b
Willing to buy	6.07 (1.10)	4.80 (1.32)	5.84 (1.30)	60.72 <sup>b</sup>	b	NS	b
Closer ties	4.77 (1.59)	4.33 (1.66)	4.66 (1.69)	4.01 <sup>c</sup>	c	NS	NS
Ideal country	4.44 (1.53)	4.13 (1.51)	4.32 (1.78)	2.16 <sup>NS</sup>	NS	NS	NS
<b>Israel</b>							
Good products	4.51 (1.42)	3.98 (1.32)	4.17 (1.55)	7.44 <sup>b</sup>	b	NS	NS
Willing to buy	4.78 (1.72)	3.70 (1.64)	4.14 (1.75)	21.18 <sup>b</sup>	b	b	d
Closer ties	4.19 (1.70)	3.51 (1.52)	3.65 (1.68)	9.52 <sup>b</sup>	b	c	NS
Ideal country	3.03 (1.45)	2.43 (1.22)	2.73 (1.34)	10.47 <sup>b</sup>	b	NS	NS
<i>(This study)</i>	Mean (standard deviation)			Fisher test $F_{(2,211)}$	Scheffé test		
	Cluster 1 German South Tyroleans (n=57)	Cluster 2 Italian South Tyroleans (n=98)	Cluster 3 Acculturated South Tyroleans (n=57)		Pairwise comparison		
					1:2	1:3	2:3
<b>Germany</b>							
Good products	5.93 (1.25)	5.46 (1.27)	6.23 (0.73)	8.5 <sup>a</sup>	c	NS	a
Willing to buy	6.5 (0.79)	5.16 (1.39)	6.35 (0.77)	28.2 <sup>a</sup>	a	NS	a
Closer ties	5.37 (1.11)	4.17 (1.67)	5.44 (1.23)	19.8 <sup>a</sup>	a	NS	a
Ideal country	5.12 (1.39)	3.99 (1.69)	5.33 (1.11)	18.7 <sup>a</sup>	a	NS	a
<b>Switzerland</b>							
Good products	5.81 (0.86)	4.78 (1.07)	5.61 (0.89)	24.3 <sup>a</sup>	a	NS	a
Willing to buy	5.61 (1.22)	4.72 (1.30)	5.48 (1.22)	11.3 <sup>a</sup>	a	NS	a
Closer ties	5.12 (1.10)	4.40 (1.24)	5.18 (1.25)	10.0 <sup>a</sup>	a	NS	a
Ideal country	5.23 (1.20)	4.43 (1.23)	5.21 (1.49)	9.5 <sup>a</sup>	a	NS	a

**Table 13:** Subcultural differences in views of culturally affiliated countries from the original and replication study (Significance levels: (a)  $p < 0.001$  (b)  $p < 0.01$ ; (c)  $p < 0.05$ ; (d)  $p < 0.1$ ; NS=not significant.)

In general, it is worth noting that acculturated South Tyroleans are generally more prone towards Germany than German South Tyroleans, while for Austria it is the exact opposite. However, these differences turn out to be always insignificant.

## 6. Discussion, Implications, and Future Research

This research confirms that the findings of Laroche et al. (2003) are valid on another continent (Europe vs. North America), between two completely different subcultural groups (Italian and German vs. English and French), despite the alleged effects of globalisation and about one decade after the original study had been conducted. It can be confirmed that both country and product evaluation differ between subcultural groups within the same country or region because they are influenced by cultural ties and language, e.g. in the case of Italian South Tyroleans with their “motherland” Italy.

Amongst German South Tyroleans, German products have the highest perceived quality, followed by Swiss and Austrian products. Their willingness to buy German products is also higher than their willingness to buy Austrian and Swiss products. Remarkably, Italy scores the lowest average values in the cognitive (good products, ideal country) and conative (willingness to buy, closer ties) aspects of attitude amongst German-speakers. On the other hand, Italian South Tyroleans rate Italian products and Italy as a country significantly higher than any of the other tested countries. Given the clear distinction between German South Tyroleans and Italian South Tyroleans and because this replication does not just confirm but also strengthens and expands the findings of Laroche et al. (2003), there are a number of implications for practice and research.

Overall, the results of this replication study are statistically more significant than in the original study, meaning that the two subcultural groups of German-speakers and Italian-speakers are more clearly distinct in terms of country and product country preferences than English and French Canadians. This might be explained by the fact that Canada is a more multicultural and ethnically diverse society than the Central European, Alpine society of South Tyrol. The boundaries between English and French Canadians seem to have blurred to a higher extent since their independence from Great Britain and France than in the present case. Another possible explanation is the combination of cultural and historical affinity with geographical proximity, which is given in the case of South Tyrol with Italy, Austria, Switzerland and Germany, but not in the case of Canada, where the analysed countries of Great Britain, France, Hong Kong, Israel and Australia are located on different continents. In fact, the original study shows the least significant results for Hong Kong, which is located

around 12,400 km (7,700 mi) away from Montreal, where the original survey was conducted.

### **6.1. Practical Implications**

Our findings support the concept of ethnomarketing and further imply that companies with an origin-based marketing strategy should take into account the strong subcultural differences in certain geographical areas. These findings can be equally important for a company's international marketing strategy as is the area of brand and slogan translation. For example, it was problematic when the American Coors Brewing Company translated its slogan "Turn it loose" into "Suffer from diarrhoea" in Spanish (Haig, 2003). Similarly, our findings imply that companies may experience negative effects on brand acceptance and, ultimately, on sales, if they use COO marketing strategies such as the phrase "Made in...", flags or foreign language (Aichner, 2014) on product packaging and in marketing communication in areas where different subcultural groups live together. In our case, when a Swiss company explicitly or implicitly communicates its origin on the South Tyrolean market, this may have a positive impact on sales amongst the German-speaking, but a negative impact amongst the Italian-speaking customers.

When companies are conducting market research, e.g. because they want to enter a new market or when they plan to launch a new product, they should assess whether there are relevant subcultural groups with converging product and country preferences in order to adapt their marketing efforts. In some cases, it might be sufficient to not actively mention the product's origin to avoid a potential polarization between the different groups. However, the company may also consciously choose to focus on one rather than on the other subcultural group because they see a bigger potential in targeting them. Generally, the same practical implications and opportunities for marketers apply that have been described more in detail in the original study by Laroche et al. (2003).

## **6.2. Limitations and Future Research**

The above-mentioned example of Swiss products highlights an important limitation of this study, which is common in COO literature: we have not assessed different product categories, products or product sub-categories but products in general from a specific country. It can be expected that the results would differ if watches rather than products in general were assessed, given that watches are a product category closely associated with Switzerland and Swiss manufacturing excellence (Shimp et al., 1993). However, certain national key industries such as Swiss watches, French perfume and American jeanswear, to mention just a few, are and will always be an exceptional case in COO research and should be treated as such. This means that general findings about a country should not be generalised to these product categories.

To a certain extent, the research design of this study is also limited by the fact that there were not assessed differences between the various dimensions of COO, e.g. between the country of brand and the country of manufacture. However, and in contrast with other researchers, we believe that this is a minor limitation, as the perceived COO of a product is usually limited to one single, specific country and not to a number of different countries. This is mainly due to the fact that companies are trying to inject the most favourable COO dimension into the overall perception of the product's or the company's origin.

A further limitation of both the original study and the replication is that the surveys have been carried out in major cities, and not in rural areas which typically have different socio-demographic characteristics.

Finally, the fact that subcultural differences in country and product evaluation have been found in two such diverse settings as in Canada and in South Tyrol underlines the necessity for researchers to generally rethink the exclusive use of countries and/or nationalities as proxy for culture and, more specifically, to consider the possibility of using subcultures more frequently in COO studies. In addition, we strongly recommend both conducting and publishing more replication studies in COO literature in order to consolidate the findings and implications in the field. This is especially important because of a growing number of researchers who question the validity of previous studies and of the concept of COO as a field of research.



## **Manuscript #3**

Title: The moderating effect of manufacturing strategy on country-of-origin perceptions: mass production versus mass customization

Version: Working paper

Status: Registered at University of Padova, Department of Management and Engineering, Stradella S. Nicola 3, 36100 Vicenza, Italia. WP N. 1/2015

# 1. Introduction

From the beginning of human civilization, proto-brands such as signs, writings and images were used as a conveyor of information for both product origin and product quality. The earliest evidence that information with the purpose of indicating the origin of the product was used can be found on artifacts that were manufactured around 2,250 BC by the Indus Valley or Harappan civilization (Moore and Reid 2008), one of the three first known civilizations of humankind. Since then, in all periods of history, from civilizations such as the ones in Indus Valley (2,250-2,000 BC), to Shang China (2,000-1,500 BC), to Cyprus (1,500-1,000 BC), to Tyre (1,000-500 BC), to Ancient Greece (825-336 BC), to the Roman Empire (27 BC-476 AD) to modern civilization, the origin of the product has always played a crucial role in marketing and selling products, as it allowed consumers to reduce uncertainty and risk in their purchase decisions (Moore and Reid 2008). This is especially true until the late 19<sup>th</sup> century, as most manufacturers' merchandise was sold unbranded or with the store name of the retailer (Schuttle 1969). With the rise of international trade and multinational companies, together with the possibility to extensively advertise a company's name and its products, brands gained a growing importance. Nevertheless, certain products became strongly associated with a specific origin rather than with the brand name of individual company. Initially, this was mainly caused by the fact that certain products were exclusively manufactured in that specific region and, only at a later point in time, because product quality varied depending on the place of manufacture. In the second case, the origin of the product also served as an indicator for product quality. One famous example is porcelain from China. Indeed, porcelain is generally referred to as "chinaware," which is a clear demonstration of the importance that consumers may attribute to the origin of a whole product category. Other examples of products and product categories that are historically associated with a specific country include Chinese silk, German beer, Swiss watches, American sportswear, French cosmetics, Japanese electronics and Italian sports cars.

Since these very early days, when products used to be craft-manufactured, to the time when the first academic studies (e.g. Dichter 1962; Schooler 1965) assessed the impact of the product's country of origin (COO) on customer's product evaluation, which is called country-of-origin effect (COO effect), two major things with regard to the manufacturing of products have happened. Firstly, the first attempts of mass

production in the pre-industrialization period and, secondly, the introduction of assembly line technology in the early 20<sup>th</sup> century. With the introduction of assembly lines, standardized products could be mass-produced and sold for a lower price that made the products accessible to larger segments of the population. All products that were produced up to the late 20<sup>th</sup> century were therefore either mass-produced or craft-manufactured. This has only changed in the last two to three decades, with the introduction of a revolutionary new manufacturing strategy that combines the advantage of producing high volumes with the possibility to make the product exactly according to the customer's specifications, called mass customization.

This article is positioned within the stream of COO literature, which traditionally has been assessing the impact of the product's COO on the customer's perceived product quality, purchase intention or willingness to pay, to mention just a few dependent variables. We introduce manufacturing strategy as a new potential moderator for COO effects by comparing the perceived product quality of mass produced and mass customized sneakers "Made in Italy" and "Made in Germany", respectively.

## **2. Background**

### **2.1 Country-of-origin research**

Typically, the country of origin (COO) of a product is the country where the product has been made. For almost the entire course of humankind this approach has actually reflected the real situation. All operational activities from design, to fabrication, to assembly were actually performed in the same country, by a craftsman or by a company that was most likely born or founded in that particular country. This situation changed in the second half of the 20<sup>th</sup> century, with an increase of international trade, the rise of multinational corporations and the globalization of production. As a result, nowadays, a large number of products are designed in one country, fabricated in a second country and assembled in a third country before they are sold worldwide.

From the first COO study in 1962 to the late 1980s, COO researchers used exclusively a one-dimensional approach for the design of their studies, assuming that a product originates just from a single place, usually from a country. This means that

it was not differentiated between different COO dimensions such as the country of brand, country of design, country of parts, country of manufacture and country of assembly (Vianelli and Marzano 2012). The result was a rather simplistic problem definition and a narrow COO construct that did not reflect reality (Papadopoulos and Heslop 1993). Early studies have essentially found that certain countries have a more favorable image than others, which results in significant differences in customers' product evaluations (Bilkey and Nes 1982), especially when no other information than the origin of the product was available (Lim et al. 1994). In addition, it has been criticized that many studies analyzed the customers' perception towards all products originating from a specific country, e.g. Italian products, rather than for specific products or product categories, e.g. Italian fashion products, thereby resulting in inaccurate implications (Dinnie 2004). COO studies became more complex when, in addition to the COO of the product, other variables were introduced, such as product category, target market and personal characteristics or preferences of the customers, to mention but a few. When researchers started to recognize and acknowledge that, given the globalization of production, bi- and multidimensional products need to be assessed in order to reflect the real situation (e.g. Han and Terpstra 1988), COO research became more complex than researchers had originally thought (Pharr 2005).

In an attempt at reducing complexity for researchers and at better reflecting the real situation, the term "product country image" (PCI) has been introduced (Papadopoulos et al. 2000; Liefeld 2004). The PCI is the country or place with which marketers or consumers associate a product, rather than the country where the product has been manufactured and/or assembled, e.g. Nike is American and Nintendo is Japanese, even though their products are mainly "Made in Vietnam" and "Made in China". This approach is in line with the findings and suggestions of Usunier (2011), who has recently criticized the traditional COO construct and underlined the increasing importance of the country of brand, as compared to the country of manufacture.

The complexity of the COO construct and the necessity to introduce the PCI notion become clear by taking a closer look at the different COO dimensions of an international company, for example the German automobile manufacturer Volkswagen AG (Volkswagen). According to its 2014 annual report, the company had a total number of 118 production plants in 31 different countries in Europe, the

Americas, Asia and Africa and is assembling 49% of its vehicles in countries other than Germany (see Table 14). Table 14 also shows that 63.9% of Volkswagen's expenditures for materials, services and capital are in favor of non-German suppliers. Despite its globalized production, Volkswagen is clearly positioning itself and its products as German, presumably because of the positive association of customers with German engineering (Chao 1998; Magnusson et al. 2011). In addition to its German brand name, which literally means "people's car", the company is using the same German slogan worldwide: "Das Auto." Why does Volkswagen not translate its slogan into the language of the respective target market, e.g. to "The car." in English or to "L'automobile." in Italian? Because the key message to its customers is not that the advertised product is a car or the (best) car, but that the car is German. Given that the company's cars are not completely or not at all manufactured and/or assembled in Germany, Volkswagen is legally not allowed to explicitly advertise its products as being German, e.g. by using the phrase "Made in Germany". Instead, Volkswagen is using language, which is one example of an implicit COO marketing strategy (Aichner 2014), to underline its German origin and to generate a German PCI.

<b>COO DIMENSION</b>	<b>COUNTRY/REGION</b>
Country of brand	Germany
Country of design	Germany
Country of parts (% of purchasing volume)	36.1% Germany 28.1% other European countries 26.9% Asia-Pacific 4.6% Southern America 4.3% Northern America
Country of manufacture (number of sites, including both 69 assembly plants and 49 powertrain and component sites)	29 Germany 43 other European countries 29 Asia-Pacific 9 Southern America 4 Northern America 4 South Africa
Country of assembly (number of sites, including only the 69 assembly plants and % of total vehicle production)	39 Europe (51% of vehicle production) 17 Asia (36%) 6 Southern America (6%) 4 South Africa (1%) 3 Northern America (6%)
<b>Product country image (PCI) = COO</b>	<b>Germany</b>

**Table 14:** COO dimensions and PCI of Volkswagen

Please note that, based on the assumption that most products' COO dimensions do not completely coincide, from here COO is used as a synonym for PCI. The COO is therefore the country or place that is associated with a product, brand or company.

In less than 45 years, more than 1,000 empirical COO studies have been published (Usunier 2006) and, as of the end of 2011, more than 1,600 works on all various aspects of COO (Papadopoulos 2012), which makes COO one of the most researched fields in international marketing (Tseng and Balabanis 2011) and the most researched issue in international buyer behavior (Jaffe and Nebenzahl 2006). Recent studies show, for example, that customers are ready to spend more for branded products originating from a country with a more favorable country image (Koschate-Fischer et al. 2012) and that the COO impacts the purchase decision of foreign customers (Godey et al. 2012). Researchers highlight that COO is relevant for both international marketing theory and practice and is worthy of continued research (Diamantopoulos et al. 2011). The world's ongoing changes with regard to globalization, international trade, multicultural societies and manufacturing strategies, such as the introduction of mass customization, make it necessary to continuously

assess and re-assess the COO construct, e.g. by introducing new variables and by critically reviewing previously tested relationships and models.

## **2.2 Mass-customization research**

The underlying idea of mass customization is to produce customized products to satisfy individual customer needs at a similar price of mass-produced products (Davis 1987). While researchers have not always agreed with regard to whether mass customization refers exclusively to products (e.g. von Hippel 1998; Kaplan and Haenlein 2006; Franke et al. 2010) or to both products and services (e.g. Lampel and Mintzberg 1996; Zipkin 2001; Fogliatto et al. 2012), the latter view is predominant in all areas of mass-customization research including general management, industrial and manufacturing engineering, information systems, marketing, operations management and operations research and management science (Fogliatto et al. 2012). A more general, pragmatic definition of mass customization that has found support from researchers, views it as a process for aligning organizations with their customer's needs (Salvador et al. 2002). In other words, this means that it might be enough for companies to offer a sufficiently big variety of products so that every customer can find exactly what they want, without offering any real customization.

Indeed, one trending strategy of companies to satisfy the increasingly different and individual needs of customers in modern economic systems is product proliferation and an increase in product variety (Forza and Salvador 2008). Based on the various practical and visionary definitions of mass customization (Fogliatto et al. 2012), it can be assumed that as soon as companies will be able to achieve the same economies of scale as in mass production environments, product variety management will not anymore play a substantial role. With the help of smart factories, cyber-physical systems and the internet of things, generally referred to as Industry 4.0 (Agarwal et al. 2015) and with 3D printing or additive manufacturing (Weller et al. 2015), companies may finally be able to successfully combine the two conventional manufacturing strategies that were traditionally considered to be mutually exclusive: mass production on one hand and craft manufacturing on the other hand. After more than 30 years of research, the goal of producing customized products with mass production efficiency is now closer within reach than ever before.

One trend in mass customization is to offer interactive, web-based sales-configurators that allow customizing the product (Fogliatto et al. 2012). Typically, such a configurator (i) guides the user in generating or searching for product configurations, (ii) supplies information in real time on the customization feasibility, price and other technical details and (iii) generates a sales offer (Forza and Salvador 2008). Customization options may include but are not limited to the possibility to print individual patterns, images or writings on the product or packaging, to determine the exact height, width or thickness of certain components and to choose the exact composition of raw materials or the to-the-gram mixture of ingredients in the case of food products. When one or more of these customization options are offered to the customer, there can be nearly an infinite number of possible outcomes.

Customers derive benefits not only from the possession of the customized product but from the experience of customizing the product itself (Merle et al. 2010). What makes the experience during the customization process valuable to the customer is twofold: The gamification of the process (Merle et al. 2010) and the so-called “pride of authorship” (Franke et al. 2010). The benefits that are obtained from the possession of customized products can also be grouped in different categories: (i) utilitarian benefits, such as better fit and increased comfort, (ii) the facilitation of self-expression and (iii) the assertion of personal distinctiveness (Schreier 2006; Franke and Schreier 2008; Merle et al. 2010).

Researchers confirm that mass customization is a noteworthy research area (Luchs and Swan 2011), as it is one of the most important competitive strategies (Blecker and Friedrich 2006) and one of the most relevant production trends in developed countries (García and de las Morenas 2012), which is also becoming more diffused in developing countries (Liao et al. 2013).

### **3. Research question**

Customers are likely to think that Chinese silk, German beer, Swiss watches, American sportswear, French cosmetics, Japanese electronics and Italian sports cars are superior products, in contrast to Chinese watches, German cosmetics, Swiss sports cars, Italian electronics, Japanese sportswear, American silk and French beer. These differences can be explained by the fact that people form stereotypical images



of countries (Josiassen and Harzing 2008) which vary for specific products or product categories (Roth and Romeo 1992) and are often based on superficial information. How does this picture change if products are mass customized rather than mass produced? Customers may prefer American sportswear and Japanese electronics when they are mass produced but not when the product needs to be manufactured according to the customer's individual specifications. Accordingly, we address the following research hypothesis:

*H: The manufacturing strategy (mass production vs. mass customization) has a moderating effect on the relationship between COO and consumer's product evaluation.*

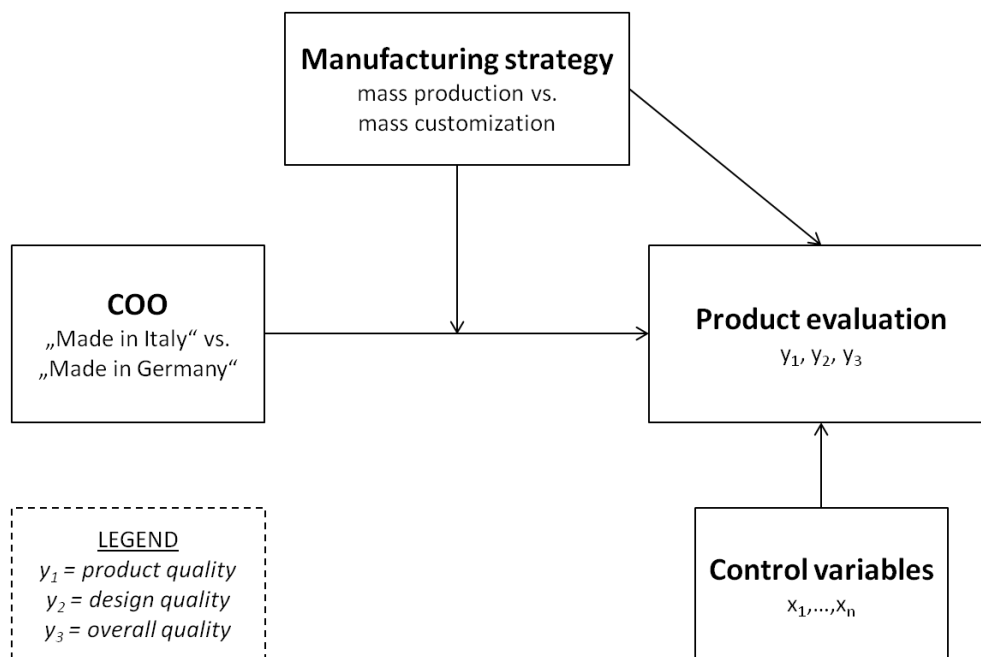
Generally, customers have more favorable attitudes towards industrialized countries and less favorable attitudes towards developing countries (Papadopoulos et al. 2000). To avoid possible interfering effects, it is therefore advantageous to compare industrialized countries with each other rather than with developing countries. This is why we have selected Italy and Germany as countries of origin (COOs) for the preset study, which are two of the most cited examples when it comes to countries with a positive country image (e.g. Hamzaoui and Merunka 2006, Yasin et al. 2007, Chattalas et al. 2008).

<b>AUTHORS (YEAR)</b>	<b>TITLE OF ARTICLE</b>	<b>MODERATING VARIABLE/S</b>
Laroche et al. (2005)	The influence of country image structure on consumer evaluations of foreign products	a) product familiarity b) country image
Ahmed and d'Astous (2007)	Moderating effect of nationality on country-of-origin perceptions: English-speaking Thailand versus French-speaking Canada	a) customer nationality b) economic development c) cultural heritage d) ethnocentrism
Peng and Zou (2007)	The moderating effect of multicultural competence in brand-of-origin effect	multicultural competence
Ahmed and d'Astous (2008)	Antecedence, moderators and dimensions of country-of-origin evaluations	a) product-country familiarity b) shopping behavior (involvement, product ownership, ease of purchase, extent of information search)
Chattalas et al. (2008)	The impact of national stereotypes on the country of origin effect: A conceptual framework	a) product type b) consumer characteristics (cultural orientation, product experience, consumer involvement, consumer ethnocentrism)
Nijssen and Herk (2009)	Conjoining international marketing and relationship marketing: Exploring consumers' cross-border service relationships	trust
Demirbag et al. (2010)	The moderating effect of multicultural competence in brand-of-origin effect	consumer materialism
Jiménez and San Martín (2010)	The role of country-of-origin, ethnocentrism and animosity in promoting consumer trust. The moderating role of familiarity	product familiarity
Koschate-Fischer et al. (2012)	Are Consumers Really Willing to Pay More for a Favorable Country Image? A Study of Country-of-Origin Effects on Willingness to Pay	brand familiarity
Jin et al. (2015)	The relationship between consumer ethnocentrism, cosmopolitanism and product country image among younger generation consumers: The moderating role of country development status	country development status

**Table 15:** Examples of articles about moderating variables in COO research

The COO of a product is an extrinsic cue that influences consumers' evaluation of it (Laroche et al. 2005). However, this relationship depends on a wide range of different influencing factors, which have been subject to a large number of COO studies in the past decades. These studies have been characterized by the identification and analysis of exogenous (e.g. culture) and endogenous (e.g. demographics) antecedents that determine country-specific beliefs on one hand and of moderating

variables (e.g. product-country familiarity) that are amplifying or mitigating the COO effect on the other hand (Ahmed and d’Astous 2008). We are interested in testing the manufacturing strategy as such a moderating variable and whether it needs to be considered as part of the overall COO construct, which is still considered to need further refinement (Laroche et al. 2005). For an overview on recent articles that have assessed moderating variables in COO research please see Table 15.



**Figure 2:** Research model

Our proposed research model (see Figure 2) is in line with previous research, assuming that the product’s COO has an impact on customer’s product evaluation. We expect that manufacturing strategy of mass production vs. mass customization moderates this COO effect and has a direct impact on both product quality ( $y_1$ ) and design quality ( $y_2$ ), which together form the overall quality ( $y_3$ ).

## 4. Methodology

In November 2015, we have collected data for an experimental study with a 2 (COO) x 2 (manufacturing strategy) between-subjects design. Customers were asked to evaluate two pairs of physical, non-branded sneakers “Made in Italy” and

“Made in Germany”, respectively, which were either mass produced or mass customized (see section 4.3 for more details about the procedure and the presentation of the stimuli). The use of actual, physical products rather than of a paper and pencil (verbal) product representation is a necessary response to the criticism with regard to verbal product representation for its lack of realism and its inflation of effect sizes (Bilkey and Nes 1982, Verlegh and Steenkamp 1999). A meta-analysis of Peterson and Jolibert (1995) showed that realistic experimental set-ups lead to much lower COO effects compared to single cue studies, which in reverse means that the validity of the results in the present study is increased.

In order to avoid another common weakness of many COO studies, namely the bad generalizability of results due to the use of student samples (Dinnie 2004), we have conducted an intercept survey with real customers in a shopping center. Special attention was put to have a balanced number of female (48.5%) and male (51.5%) respondents, as well as on an equal opportunity to include both employed people who work during office hours and non-employed people such as students and housewives in our sample. This was tried to achieve by collecting data over the whole course of the day (from morning to evening) and on different days of the week, including the weekend.

The sample consists of 165 customers from the bilingual region of South Tyrol. South Tyrol is the northernmost Italian Region and was part of the Austro-Hungarian Empire until the end of the First World War in 1918. The region has a population of slightly more than half a million people and was selected because it is a melting pot of Italian and German culture, which has been mixed for almost 100 years. The majority of COO studies has been assessing differences in product evaluation between groups of customers with different nationalities, which has led to findings such as the home country bias, that describes the general preference of customers for products from their home country (e.g. Klein 2002, Balabanis and Diamantopoulos 2004). However, other studies suggest that it is the customers’ cultural orientation rather than nationality to impact customer product evaluation (Sharma 2012), which means that nationality may not be a suitable proxy for culture (Laroche et al. 2003), in contrast to language (Sojka and Tansuahaj 1995). This is especially true when people from different cultures live together in one region, such as in the case of German/French/Italian Swiss, Flemish/French/German Belgians, English/French

Canadians or Italian/German South Tyroleans. To acknowledge these findings and to assess possible differences in product evaluation between cultural groups, further analysis is provided.

#### **4.1 Product selection**

We have chosen sneakers as an exemplary B2C product to study the moderating effect of the manufacturing strategy on country-of-origin perceptions, for the following three reasons. First, footwear or shoes, and sneakers in particular, are one of the most frequently cited products in mass customization literature (e.g. Barnett et al. 2004, Boër et al. 2004, Piller et al. 2004, Dietrich et al. 2007) and have been subject to quantitative consumer studies in both mass customization research (e.g. Merle et al. 2010, Trentin et al. 2014) and COO research (e.g. Roth and Romeo 1992, Insch and McBride 2004, Zeugner-Roth et al. 2008, Koschate-Fischer et al. 2012). Second, the trend to mass customize sneakers is in line with the exponential increase in product variety of this product category. For example, in the USA there has been an increase from 5 sport shoe models in 1970 to 285 models in 1998 to 3,371 models in 2012 (Aichner and Coletti 2013). As of November 2015, Zalando AG, which is Europe's biggest online retailer, offers a number of 2,117 sneaker models from 272 brands in 5,662 different color variants (4,095 variants for man and 3,048 variants for woman). These numbers show that in practice there is a substantial pull and/or push for individuality and mass customized sneakers. Third, most global sneaker brands such as Adidas, Converse, Nike, Puma, Reebok, Timberland and Vans actually offer mass customization of their products and almost 2.5% of all online product configurators offer customization of footwear (Blazek et al. 2014). Our analysis of 24 online footwear configurators showed that one in three websites uses explicit and/or implicit COO marketing strategies such as the use of the phrase "Made in..." or the use of flags and city names from countries with a favorable country image, even though most global brands produce their mass customized sneakers and fashion shoes in China (Hsu et al. 2014).

In addition to these considerations, we wanted to make sure that sneakers are not considered to be a product that is more typical for any one of the two assessed COOs, as compared to the other. To this end, we have conducted a pretest (n=64)

and asked customers to rate whether they think sneakers are a typical Italian or a typical German product, using a 7-point bipolar semantic differential scale ranging from “not a typical Italian (German) product” to “a typical Italian (German) product”. We found that there are neither any significant differences in the evaluation with regard to the two COOs in general ( $M_{\text{typical\_ITA}}=4.37$  vs.  $M_{\text{typical\_GER}}=4.48$ ;  $t(61)=0.388$ ,  $p=0.699$ ) nor between Italian-speaking and German-speaking customers with regard to sneakers being typical Italian ( $M_{\text{typical\_ITA\_by\_ITA}}=4.42$  vs.  $M_{\text{typical\_ITA\_by\_GER}}=4.33$ ;  $t(50)=0.18$ ,  $p=0.858$ ) and with regard to sneakers being typical German ( $M_{\text{typical\_GER\_by\_ITA}}=4.77$  vs.  $M_{\text{typical\_GER\_by\_GER}}=4.28$ ;  $t(58)=1.008$ ,  $p=0.318$ ). In other words, the results of the pretest show that neither of the two cultural groups in South Tyrol considers sneakers to be a more or less typical product of Italy or Germany. Thus, by selecting sneakers which are equally typical for both COOs, it is possible to rule out ex ante any latent impact of the product category on the effect of the product’s COO on the customer’s perceived product quality (COO effect).

Other products that were found to be equally suitable in the pretest included soap, baseball caps and smartphone covers. However, sneakers were selected given that they offer a higher degree of customization options and based on the above mentioned considerations.

## **4.2 Constructs and questions**

We have used previously tested constructs and questions and integrated a number of new elements to build our questionnaire. To determine that all the constructs are reliable, we have performed Cronbach's Alpha Reliability Test (see Table 16).

CONSTRUCT	NUMBER OF ITEMS	N	CRONBACH'S ALPHA
Product quality (y <sub>1</sub> )	4	164	0.928
Design quality (y <sub>2</sub> )	3	163	0.921
Overall quality (y <sub>3</sub> )	7	162	0.921
Purchase involvement	3	165	0.779
Product experience	5	164	0.882

**Table 16:** Cronbach's Alpha Reliability Test for all multi-item constructs

In addition, the constructs of Chao (1998), namely product quality (y<sub>1</sub>) and design quality (y<sub>2</sub>), have been tested using a factor analysis with Maximum Likelihood Extraction and Oblimin Rotation. The factor loadings of the items workmanship, durability, reliability and quality are clearly associated with the construct y<sub>1</sub> and the factor loadings of the items imitative-innovative, common-exclusive and conventional-stylish are clearly associated with the construct y<sub>2</sub> (see Table 17). Cross-loadings are greater than 0.3, but this is in line with the fact that both constructs together form the overall quality (y<sub>3</sub>).

VARIABLE	PATTERN MATRIX		STRUCTURE MATRIX	
	Factor 1	Factor 2	Factor 1	Factor 2
Workmanship	,868	-,003	,866	,557
Durability	,856	-,059	,833	,567
Reliability	,801	,050	,825	,559
Quality	,797	,044	,818	,494
Imitative - Innovative	-,060	,868	,501	,829
Common - Exclusive	,065	,779	,568	,821
Conventional - Stylish	,026	,756	,514	,773

**Table 17:** Results of factor analysis of the items measuring product quality and design quality

The questionnaire was developed in English and then translated into Italian and German, using a translate/back-translate procedure as suggested by Harzing et al. (2013). It originally included a number of additional questions, which will be used for future studies. The following four sections were actually used for this research:

(i) demographic information, (ii) use of language, (iii) product evaluation and (iv) purchase involvement and product experience. In reaction to current events, an additional question was added with the aim to assess whether the respondent's answers in the questionnaire were influenced by the fact that Volkswagen has used software to falsify the emission values for cars with diesel engines. The impact of the so-called "Volkswagen emissions scandal" on the respondent's answers in this study is negligible, as the majority of the participants indicated that their answers were not at all influenced (88.8%). Only 8.1% were slightly and 3.1% were moderately, very or extremely influenced. For the complete list of all used questions and scales please refer to Table 18.



SECTIONS AND QUESTIONS	SCALE	CONSTRUCT / SOURCE
<b>(i) Demographic information</b>		
Sex	female / male	
Age	(...)	
Nationality	(...)	
Cultural identity: I consider myself to be...	Italian / German / (...)	Based on Laroche et al. (2003).
Education	middle school / high school / university	
Household income in Euro, gross per year	<20.000 / 20.000–39.999 / 40.000–59.999 / 60.000–79.999 / >80.000	
<b>(ii) Use of language</b>		
To what extent do you use the following languages... (at home, with relatives, with close friends, reading newspapers, watching television, listening to radio, reading magazines, reading books, shopping, at work, while at school)?	Italian (%) / German (%) / Other (%) <i>for each of the 11 activities</i>	This construct (11 items) measures the ethnic affiliation of the subcultural groups. Based on Kim et al. (1989), as used by Laroche et al. (2003).
<b>(iii) Product evaluation (all questions are answered twice, for each of the 2 sneaker)</b>		
Please rate the sneaker <i>7-point bipolar semantic differential scale</i>	poor workmanship – excellent workmanship not durable – very durable not reliable – very reliable poor quality – excellent quality	This construct (4 items) measures the product quality (y <sub>1</sub> ). As used by Chao (1998).
	imitative – innovative common – exclusive conventional – stylish	This construct (3 items) measures the design quality (y <sub>2</sub> ). As used by Chao (1998).
	Together, product quality and design quality form the overall quality (y <sub>3</sub> ).	

**(Table continues on next page)**

(Table continued)

<b>(iv) Purchase involvement and product experience</b>		
I choose my sneakers very carefully. Which sneakers I use matters to me a lot. Choosing sneakers is an important decision to me. <i>7-point bipolar semantic differential scale</i>	strongly disagree – strongly agree <i>for each of the 3 statements</i>	This construct (3 items) measures purchase involvement. Based on Mittal and Lee (1988), as used by Koschate-Fischer et al. (2012).
How often do you use sneakers? How familiar are you with sneakers? How well-acquainted do you consider yourself with sneakers? How much of an expert would you call yourself regarding sneakers? How regularly do you use sneakers? <i>7-point bipolar semantic differential scale</i>	never – permanently unfamiliar – familiar not at all acquainted – very well acquainted novice – expert intermittently – regularly	This construct (5 items) measures product experience. Based on Roehm and Sternthal (2001), as used by Koschate-Fischer et al. (2012).
<b>Additional question</b>		
Were your answers in this questionnaire influenced by the fact that Volkswagen has used software to falsify the emission values for cars with diesel engines?	not at all / slightly / moderately / very / extremely / I don't know / I did not hear from the scandal	

**Table 18:** Questions and scales of the questionnaire

### 4.3 Procedure and stimuli

A team of trained interviewers, including one of the authors of the present study, have collected data in an intercept survey in the region's major shopping center. The sampling of different cultural groups in one geographic region is a more appropriate approach than using different regions or countries, because the customers are equally exposed to foreign-made products (Laroche et al. 2003, Schaninger et al. 1985), to advertisements and to technological progress. The respondents were asked to fill in a printed questionnaire, without the possibility to speak to other respondents or to personal companions, while it was always possible to ask questions to one of the interviewers. The interviewer explained the academic background of the study and presented the two sneakers, indicating that one was "Made in Italy" and the other one "Made in Germany".

To answer the product-related questions of section (iii) of the questionnaire (see Table 18), two pairs of physical, non-branded sneakers were presented to the customer. The COO of the respective sneaker has been communicated both explicitly (by writing on the questionnaire the phrase "Made in Italy" and "Made in Germany", respectively) as well as implicitly (by placing the respective country flag right next to the image of the sneaker), in addition to being indicated orally by the interviewer. The survey participants were asked to touch the sneakers and to assess the set of product and design quality items for both the Italian and the German model. For each respondent, both sneakers were always either mass produced or mass customized. Given that we use a between-subject design it is necessary to verify whether the two groups of respondents that have assessed the mass produced (MP) sneakers or mass customized (MC) sneakers, respectively, are comparable. To this end, we have assessed the mean differences of the continuous variables with the Student t test for independent samples and found no statistical significant differences for age ( $M_{age\_MP}=36.51$  vs.  $M_{age\_MC}=36.81$ ;  $t(154)=-0.135$ ,  $p=0.893$ ), purchase involvement ( $M_{PI\_MP}=5.77$  vs.  $M_{PI\_MC}=5.61$ ;  $t(158)=-0.957$ ,  $p=0.340$ ) and product experience ( $M_{PE\_MP}=5.19$  vs.  $M_{PE\_MC}=5.04$ ;  $t(156)=-0.813$ ,  $p=0.417$ ). Nominal variables have been assessed in terms of differences in the distribution of percentages with a Chi-Square test, again with no statistical significant differences for sex ( $\%_{female\_MP}=52.5$  vs.  $\%_{female\_MC}=47.5$ ,  $\%_{male\_MP}=49.4$  vs.  $\%_{male\_MC}=50.6$ ; Chi-Square=0.692), education ( $\%_{middle\_school\_MP}=47.2$  vs.  $\%_{middle\_school\_MC}=52.8$ ,

%high\_school\_MP=51.0 vs. %high\_school\_MC=49.0, %university\_MP=52.4 vs. %university\_MC=47.6; Chi-Square=0.908) and income (%under\_20k\_MP=51.7 vs. %under\_20k\_MC=48.3, %20k-40k\_MP=47.5 vs. %20k-40k\_MC=52.5, %40k-60k\_MP=47.1 vs. %40k-60k\_MC=52.9; Chi-Square=0.917). The two groups of respondents are therefore suitable for comparison.

Both the MP sneakers and the MC sneakers are based on the same models, i.e. model A (brown) MP, model A (brown) MC, model B (white) MP and model B (white) MC. Model A and model B are similar and comparable, but they were manufactured by different producers and have different shapes as well as slightly different attributes such as 1 vs. 2 zippers or 7 vs. 6 holes for the shoelaces. The MC sneakers are based on the respective MP sneakers and were realized by customizing the respective MP model with a printed pattern and a writing pattern, respectively (for more details, please refer to the appendix). In addition, an informational sheet showed the different customization options such as the number of possible colors for four elements (upper leather, zipper, shoelaces, sole) and the possibility to select the material of the sole (see Figure 4 and Figure 5 in the appendix).

To increase the external validity of the study, the COO of model A and model B was regularly exchanged, thus removing any effect that derives from actual, objective differences in product quality and product design between model A (brown) and model B (white). As the respective model was printed on the questionnaire, there were used four different versions of the questionnaire (see Table 19), all available in both Italian and German. For each participant, the version of the questionnaire was assigned randomly.

n=165		Made in Italy	Made in Germany
		50%	50%
<b>Mass produced sneakers</b>	Version 1: 27.3%	model A (brown) MP	model B (white) MP
	Version 2: 23.6%	model B (white) MP	model A (brown) MP
<b>Mass customized sneakers</b>	Version 3: 26.1%	model A (brown) MC	model B (white) MC
	Version 4: 23.0%	model B (white) MC	model A (brown) MC

**Table 19:** Experimental setting and distribution of questionnaires

In addition to the closed-ended questions of the questionnaire, the respondents had the possibility to express their motivation for rating the product in a certain way in writing or verbally, in which case the interviewer took notes and added them to the respective questionnaire, thus ensuring a clear allocation of quantitative and qualitative data. The comments and annotations expressed by the survey participants were used to help interpreting the quantitative results.

#### **4.4 Data entry and preparation**

After having excluded those questionnaires with a substantial number of missing values in the product evaluation section, all data were transcribed manually into the database. The process was repeated twice in order to avoid incorrect transcription, which may affect about 2 to 4 percent of the data (Swab and Sitter 1974; Forza 2002). In addition, each one of the variables was checked in a frequency output, to identify possible errors.

After the insertion and examination of the data, the mean scores of the single items were used to build the respective constructs. These constructs include product quality (4 items), design quality (3 items), overall quality (product quality and design quality), purchase involvement (3 items) and product experience (5 items).

Finally, the respondents were clustered into the two clusters of Italian South Tyroleans and German South Tyroleans, as described above in order to analyze whether there are subcultural differences in product evaluation between the Italian and German culture.

## **5. Results**

First, the complete sample is analyzed, without differentiating between Italian South Tyroleans and German South Tyroleans or, in other words, the cultural affiliation of the respondents.

When it comes to the mass produced (MP) sneakers, Italian MP sneakers are rated significantly higher than German MP sneakers in terms of product quality, design quality and overall quality (see Table 20). For mass customized (MC) sneakers,

Italian MC sneakers are also rated slightly higher on average than German MC sneakers, but these differences are not significant at a 5% significance level for neither product quality nor design quality and consequently also not significant for the overall quality (see Table 20). We have tested whether the distribution of the variables product quality, design quality and overall quality are normal using the one-sample Kolmogorov-Smirnov test, which accepts the null hypothesis in all cases.

The results of this analysis support our hypothesis. They show that customers regard sneakers “Made in Italy” to be generally superior in terms of product quality and design quality as compared to sneakers “Made in Germany” when the sneakers are mass produced (standard). However, when the sneakers are mass customized, these differences are not any more significant which means that the production strategy mass customization seems to have a mitigating effect on COO effects.

All respondents; n=165		Mean Difference	Significance (p)
<b>Mass produced sneakers</b>	product quality “Made in Italy” - product quality “Made in Germany”	0.368	0.048
	design quality “Made in Italy” - design quality “Made in Germany”	0.478	0.007
	overall quality “Made in Italy” - overall quality “Made in Germany”	0.417	0.014
<b>Mass customized sneakers</b>	product quality “Made in Italy” - product quality “Made in Germany”	0.154	0.273 (NS)
	design quality “Made in Italy” - design quality “Made in Germany”	0.290	0.085 (NS)
	overall quality “Made in Italy” - overall quality “Made in Germany”	0.213	0.130 (NS)
NS = not significant			

**Table 20:** Student t test for paired variables with mean differences in product evaluation for mass customized sneakers and mass produced sneakers “Made in Italy” vs. “Made in Germany”

## **5.1 Subcultural differences in the evaluation of mass produced vs. mass customized products**

To identify Italian South Tyroleans and German South Tyroleans, the respondents were grouped based on the use of language in eleven activities (see Table 18) as suggested by Kim et al. (1989), by using a hierarchical Ward algorithm cluster analysis that groups the subjects into clusters until two clusters remain. To handle the missing data about the use of language at work or the use of language at school, which was high due to the fact that the majority of people is either working or going to school, these two activities were transformed into a single variable, using the mean average of the two values where both activities were described or the indicated variable only, where one of the two was missing. With this approach, we were able to allocate 162 customers to the two clusters, thus identifying 85 respondents to be Italian South Tyroleans and 77 to be German South Tyroleans. The two clusters are comparable in terms of sample size, sex, education and household income (see Table 21).

VARIABLE	CLUSTER (CULTURE)	DESCRIPTION	VALID PERCENT
<b>Cultural identity</b>	Cluster 1: Italian South Tyroleans	Italian	86.3%
		German	1.3%
		both German & Italian	2.5%
		South Tyrolean	1.3%
		European	2.5%
		Other	6,1%
	Cluster 2: German South Tyroleans	Italian	23.9%
		German	49.3%
		both German & Italian	7.0%
		South Tyrolean	7.0%
		European	5.6%
		Other	7.2%
<b>Sex</b>	Cluster 1: Italian South Tyroleans	female	50.6%
		male	49.4%
	Cluster 2: German South Tyroleans	female	45.5%
		male	54.5%
<b>Education</b>	Cluster 1: Italian South Tyroleans	middle school	23.1%
		high school	61.5%
		university	15.4%
	Cluster 2: German South Tyroleans	middle school	23.3%
		high school	64.4%
		university	12.3%
<b>Household income in Euro</b>	Cluster 1: Italian South Tyroleans	<20,000	24.6%
		20,000-39,999	41.0%
		40,000-59,999	34.4%
	Cluster 2: German South Tyroleans	<20,000	22.0%
		20,000-39,999	55.9%
		40,000-59,999	22.0%

**Table 21:** Descriptive statistics of the two subcultural clusters of Italian South Tyroleans (n=85) and German South Tyroleans (n=77)

At this point, the same analysis as in section 5 is repeated, for each of the two subcultural groups, namely for Italian South Tyroleans (see Table 22) and for German South Tyroleans (see Table 23). It is shown that Italian customers rate both the product quality and the product design of MP sneakers “Made in Italy” significantly higher compared to the respective measure of MP sneakers “Made in Germany”. These differences become non significant for MC sneakers, which additionally supports our hypothesis.



Cluster 1: Italian South Tyroleans; n=85		Mean Difference	Significance (p)
<b>Mass produced sneakers</b>	product quality "Made in Italy" - product quality "Made in Germany"	1.165	0.000
	design quality "Made in Italy" - design quality "Made in Germany"	1.053	0.000
	overall quality "Made in Italy" - overall quality "Made in Germany"	1.116	0.000
<b>Mass customized sneakers</b>	product quality "Made in Italy" - product quality "Made in Germany"	0.287	0.234 (NS)
	design quality "Made in Italy" - design quality "Made in Germany"	0.455	0.116 (NS)
	overall quality "Made in Italy" - overall quality "Made in Germany"	0.355	0.151 (NS)
NS = not significant			

**Table 22:** Student t test for paired variables with mean differences in product evaluation for mass customized sneakers and mass produced sneakers "Made in Italy" vs. "Made in Germany" by Italian South Tyroleans

In contrast to Italian customers, German customers rate the product quality of MP sneakers "Made in Italy" significantly worse compared to MP sneakers "Made in Germany" (see Table 23). The opposed mean difference values between the two clusters are a valuable indicator that validates our decision to split the sample according to the cultural affiliation of the respondents and shows that the customers prefer products from culturally affiliated countries, which is in line with the results of previous research (e.g. Laroche et al. 2003). However, in terms of design quality the mean difference for MP sneakers is not significant for the German cluster. From a theoretical point of view, this difference in design evaluation may be grounded in the fact that Italy is generally more associated with design than Germany, which in turn is more associated with engineering (Papadopoulos 2012). For MC sneakers, the differences between the evaluations of the products from the two COOs are also non significant, just like for the Italian cluster. This means that when sneakers are mass customized, it is irrelevant whether they originate from a culturally affiliated country or not in terms of customers' product evaluation. These results provide additional evidence that suggests that the manufacturing strategy (mass production vs. mass

customization) has a moderating effect on the relationship between COO and consumer's product evaluation and are therefore supporting our hypothesis.

Cluster 2: German South Tyroleans; n=77		Mean Difference	Significance (p)
<b>Mass produced sneakers</b>	product quality "Made in Italy" - product quality "Made in Germany"	-0.550	0.044
	design quality "Made in Italy" - design quality "Made in Germany"	-0.212	0.349 (NS)
	overall quality "Made in Italy" - overall quality "Made in Germany"	-0.400	0.094 (NS)
<b>Mass customized sneakers</b>	product quality "Made in Italy" - product quality "Made in Germany"	0.019	0.899 (NS)
	design quality "Made in Italy" - design quality "Made in Germany"	0.121	0.481 (NS)
	overall quality "Made in Italy" - overall quality "Made in Germany"	0.067	0.615 (NS)
NS = not significant			

**Table 23:** Student t test for paired variables with mean differences in product evaluation for mass customized sneakers and mass produced sneakers "Made in Italy" vs. "Made in Germany" by German South Tyroleans

## 5.2 Hierarchical multiple regression model

To assess the moderating role of the manufacturing strategy, we performed hierarchical multiple regression analysis using, as dependent variable, product quality ( $y_1$ ), design quality ( $y_2$ ) and overall quality ( $y_3$ ), respectively. The independent variables are the COO of the product (0="Made in Italy", 1="Made in Germany") and the manufacturing strategy (0=mass production, 1=mass customization). The control variables that are expected to influence the dependent variables are sex (0=female, 1=male) and age as well as purchase involvement (PI) and product experience (PE), which have been previously shown to have an impact on COO perceptions (e.g. Tse and Lee 1993, Koschate-Fischer et al. 2012, Parkvithee and Miranda 2012).

The following tables show the hierarchical multiple regression models for the three dependent variables product quality (see Table 24), design quality (see Table 25) and overall quality, which includes all questions from product quality and design quality (see Table 26).

To justify the use of linear regression models, we have tested the following four assumptions. First, Mason and Perreault (1991) suggest that the variance inflation factors (VIF) should be below the value of 10 to make sure that the results are not contaminated by multi-collinearity. The requisite of non-collinearity is therefore met for all variables (see Table 24, Table 25 and Table 26). Second, we have assessed the normal distribution of our data by plotting the histogram of the residuals and the QQ graph of standardised residuals, concluding that there is no concrete evidence that the requisite of normal distribution is not met. Third, we rejected any evident violations of homoscedasticity, through scatterplots with the regression standardised predicted value on the x-axis and the regression standardised residual on the y-axis. Fourth, to test for non-time-series violations of independence, we have looked at plots of the residuals versus independent variables. The residuals are randomly and symmetrically distributed around zero under all conditions and therefore statistically independent.

VARIABLE	MODEL 1	MODEL 2	MODEL 3	VIF
Intercept	5.612***	5.569***	5.626***	
Sex (x <sub>1</sub> )	-0.185	-0.194	-0.194	1.010
Age (x <sub>2</sub> )	.005	0.005	0.005	1.178
PI (x <sub>3</sub> )	.086	0.093	0.093	1.431
PE (x <sub>4</sub> )	-0.197**	-0.194**	-0.194**	1.439
COO		-0.269*	-0.383*	1.988
MS		0.261*	0.147	2.006
COOxMS			0.229	2.988
R <sup>2</sup>	0.046	0.074	0.076	
Adj. R <sup>2</sup>	0.034	0.056	0.003	
F-value	3.838**	4.234***	3.757**	
Δ R <sup>2</sup>		0.028	0.003	
F-value for Δ R <sup>2</sup>		4.843**	0.903	
*** p<0.001, ** p<0.01, * p<0.05				

**Table 24:** Hierarchical multiple regression model for dependent variable = product quality (y<sub>1</sub>)

Model 1 contains the control variables sex, age, purchase involvement (PI) and product experience (PE). In Model 2, the product's country of origin (COO) and the manufacturing strategy (MS) is entered. The term of interaction between the COO and the MS are added in Model 3. The results suggest that MS (mass production vs. mass customization) does not moderate the impact of the COO on product quality. These findings are in contradiction with our hypothesis and do not provide additional support. This conclusion is further supported by the fact that the F-value (0.930) for the incremental R<sup>2</sup> from Model 2 to Model 3 is not statistically significant. Due to that, Model 2 has to be used for further interpretations. It is therefore shown that PE, COO and MS have a statistically significant impact on the perceived product quality.

VARIABLE	MODEL 4	MODEL 5	MODEL 6	VIF
Intercept	2.921***	2.732***	2.775***	
Sex ( $x_1$ )	-0.015	-0.035	-0.035	1.010
Age ( $x_2$ )	0.020***	0.020***	0.020***	1.178
PI ( $x_3$ )	0.203*	0.217**	0.217**	1.431
PE ( $x_4$ )	-0.118	-0.111	-0.111	1.439
COO		-0.378**	-0.465*	1.988
MS		0.557***	0.469*	2.006
COOxMS			0.175	2.988
R <sup>2</sup>	0.055	0.116	0.117	
Adj. R <sup>2</sup>	0.043	0.099	0.097	
F-value	4.678	6.962	6.009	
$\Delta R^2$		0.061	0.001	
F-value for $\Delta R^2$		10.950***	0.372	
*** p<0.001, ** p<0.01, * p<0.05				

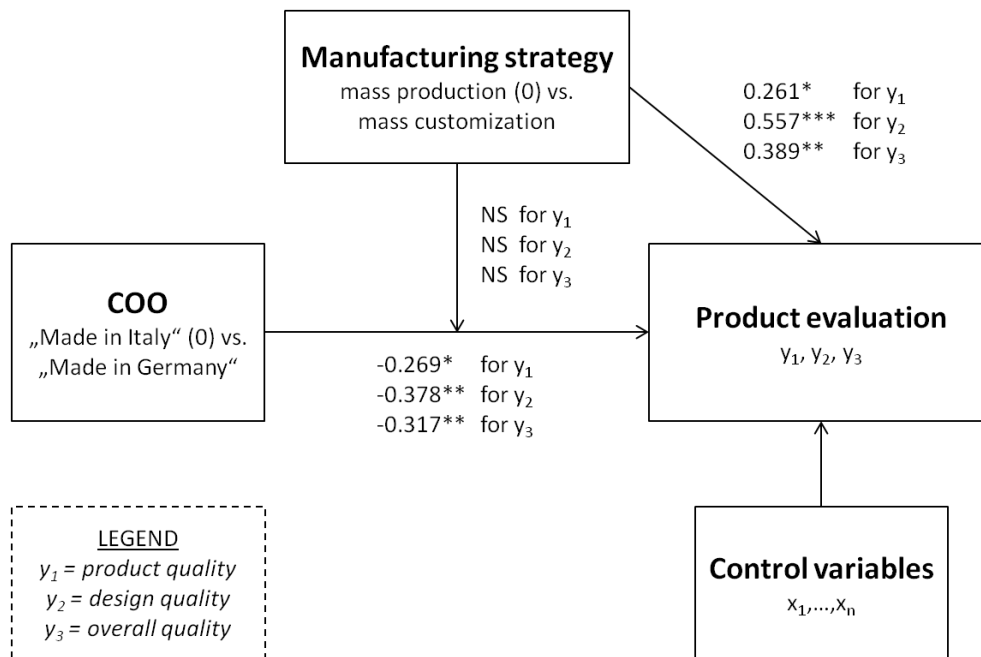
**Table 25:** Hierarchical multiple regression model for dependent variable = design quality ( $y_2$ )

When it comes the design quality, we can again observe that MS does not moderate COO effects (Model 6). Again, the F-value (0.372) for the incremental R<sup>2</sup> is not statistically significant and our hypothesis finds no additional support. In comparison to Model 2, Model 5 shows that MS has a stronger and more significant direct, positive impact on the perceived design quality. This may be grounded in the fact that the customization options for the presented sneakers were mainly of a hedonistic nature, i.e. related to colors, writings and images, with only one utilitarian customization option, i.e. the material of the sole. This is actually also the predominant case in practice, especially in the fashion sector.

VARIABLE	MODEL 7	MODEL 8	MODEL 9	VIF
<b>Intercept</b>	4.456***	4.350***	4.402***	
<b>Sex</b> ( $x_1$ )	-0.110	-0.124	-0.124	1.010
<b>Age</b> ( $x_2$ )	0.011*	0.012**	0.012**	1.178
<b>PI</b> ( $x_3$ )	0.135*	0.145*	0.145*	1.431
<b>PE</b> ( $x_4$ )	-0.162*	-0.157*	-0.157*	1.439
<b>COO</b>		-0.317**	-0.420*	1.988
<b>MS</b>		0.389**	0.285	2.006
<b>COOxMS</b>			0.208	2.988
<b>R<sup>2</sup></b>	0.051	0.103	0.105	
<b>Adj. R<sup>2</sup></b>	0.039	0.086	0.085	
<b>F-value</b>	4.275**	6.101***	5.340***	
<b><math>\Delta R^2</math></b>		0.052	0.002	
<b>F-value for <math>\Delta R^2</math></b>		9.311***	0.799	
*** p<0.001, ** p<0.01, * p<0.05				

**Table 26:** Hierarchical multiple regression model for dependent variable = overall quality ( $y_3$ )

Model 9, which shows the regression model for the overall quality, a measure based on the product quality and the design quality, is likewise not supporting our hypothesis that MS moderates the effect of the product's COO on the customer's product evaluation. The F-value (0.799) for the incremental  $R^2$  is again not statistically significant when the interaction term is introduced, which means that Model 8 must be used as a basis for our discussion. It is shown that the COO has a strong impact on the perceived overall quality, with sneakers "Made in Italy" being rated significantly ( $p<0.01$ ) better than sneakers "Made in Germany". The MS has a strong direct, positive impact on the perceived overall quality and achieves a statistical significance at the 1% level. This means in conclusion that when MS is changed from mass production to mass customization, sneakers are perceived as significantly better in terms of product quality (Model 2), design quality (Model 5) and consequently overall quality (Model 8), while the COO effect is not moderated. The effects and significances of COO, MS and COOxMS are graphically visualized in Figure 3.



**Figure 3:** Effects and significances of COO and the manufacturing strategy on customer product evaluation and the moderating effect of the manufacturing strategy on COO effects (\*\* $p < 0.01$ , \*  $p < 0.05$ , NS = not significant)

In the following section we will discuss the implications of our results related to both the hypothesis and a number of additional, interesting findings that may lead to future research.

## 6. Discussion, future research and limitations

First and foremost, it is not possible to confirm our hypothesis at this point. While the  $t$ -tests suggest that the manufacturing strategy (mass production vs. mass customization) has a mitigating impact on COO effects, the regression analysis does not provide additional support for this observation. This may be caused by the co-existence of other moderators that have not been included in the regression analysis, e.g. moderating effects of the cultural affiliation of the customers, moderating effects of the purchase involvement or moderating effects of the product experience on the COO effect.

However, the current state of this research allows reporting a number of interesting findings, deriving implications for both research and practice and formulating suggestions for future research.

### **6.1 There is a COO effect**

The fact that we have found a COO effect is a result by itself and worth a deeper look at how this finding needs to be positioned in current COO literature.

In light of recent criticism with regard to COO research, we have tried to create a setting that minimizes COO effects in order to draw more robust conclusions, e.g. by selecting two COOs with an equally positive image rather than selecting one COO with a positive and one COO with a less positive image, by selecting a product that is not typical for neither one of the assessed COOs and by using a physical product presentation. This is because when little or no information about the product is provided, customers search for heuristic simplifications and COO effects are inflated (Verlegh et al. 2005, Josiassen et al. 2008). In contrast, when more information such as the actual product is available, the origin of the product tends to lose its importance (Gürhan-Canli and Maheswaran 2000, Verlegh et al. 2005). Furthermore, COO effects are generally stronger for complex, technical products (Batra et al. 2000), which is not the case for sneakers.

The actual preference of customers for sneakers “Made in Italy” as compared to sneakers “Made in Germany” is less relevant for research but still an interesting side note. From an academic point of view, the differences in product evaluation between the two subcultural groups may be of higher interest and relevance.

### **6.2 Subcultural differences in product evaluation**

When, instead of looking at the sample as European customers, Italian customers or South Tyrolean customers, we consider the actual cultural affiliation of the respondents, based on their use of language, the results provide additional insights. South Tyrolean customers who have been identified as being affiliated with the Italian culture (Italian South Tyroleans) perceive both the product quality and the design



quality of sneakers “Made in Italy” significantly higher than sneakers “Made in Germany” (see Table 22). In contrast, German South Tyroleans rate sneakers “Made in Germany” only higher for product quality and not for product design (see Table 23).

From a practical point of view, this implicates that Italian customers (please note that when speaking of Italian or German customers, we do not refer to nationality but to culture) have a general preference for Italian sneakers, while German customers attribute a higher ability to German manufacturers in terms of workmanship, durability, reliability and quality with no general preference for products from any of the two COOs in terms of product design.

The opposed product evaluations by the two subcultural groups are also relevant for academia, especially for COO research. To some extent, the results confirm the existence of a home country bias or a preference bias for products originating from culturally affiliated countries, even though German customers do not show a general or similarly strong preference for German products as do Italian customers. More importantly, it is shown that nationality is an inadequate proxy for culture and that it should not be used as a criterion in COO research and in related areas that strive to find differences that are expected to be grounded in cultural or ethnic diversity between two or more samples.

### **6.3 The manufacturing strategy makes a difference**

Despite the fact that we could not confirm our hypothesis that the manufacturing strategy moderates COO effects, the manufacturing strategy has a significant impact on customers’ product evaluation.

The survey participants were asked to rate the product quality and design quality of either two mass produced or two MC sneakers. As the sneakers were identical in both cases except for a custom printing pattern and a custom writing pattern, it could be expected that they do not differ in terms of perceived product quality (workmanship, durability, reliability and quality). Nevertheless, the allegedly MC sneakers were rated significantly higher than the standard ones. When it comes to the perceived design quality, the manufacturing strategy is the strongest determining factor. Even though the presented MC sneakers were not different except for the

above-mentioned patterns (see appendix) customers found them to be more innovative, exclusive and stylish.

Apparently, the mere possibility of customizing a product leads to an increase in the perceived design quality. In our opinion, this is the major implication for mass customization companies: Customers will perceive their products to be generally of a better quality and to be generally more innovative, exclusive and stylish as compared to standard products. This explains in part the fact that customers are willing to pay a price premium for mass customized products (Piller et al. 2004) and adds a possible new dimension to mass customization research. Maybe customers do not just derive benefits from the possession of the customized product or from the customization experience (Merle et al. 2010, Franke et al. 2010), but also from the fact they could customize a product, if they would like to.

#### **6.4 The role of purchase involvement and product experience**

Both the purchase involvement and the product experience have a significant impact on the perceived overall quality of sneakers (see Table 26). However, it gets more interesting if we look on a deeper level, namely the impact of the two constructs on product quality (see Table 24) and design quality (see Table 25), respectively.

The results show that the product experience has a negative effect on the perceived product quality, i.e. the more often customers use the product and the more familiar they are with it, the lower they rate the product's workmanship, durability, reliability and quality. On the other hand, the purchase involvement does not significantly influence the perceived design quality.

In contrast, product experience does not play a role in the evaluation of the product's design quality. The purchase involvement, however, affects the perceived design quality. In other words, if customers indicate that they are emotionally involved in the choice and use of sneakers, they perceive the design quality as superior, independent of the actual design of the sneakers.

## **6.5 Limitations and future research directions**

COO research, including this manuscript, is generally limited by the type of COO (e.g. industrialized vs. developing, favorable vs. non-favorable country image, culturally affiliated vs. culturally not affiliated), the number of COOs, the origin of the sample and the selected products. It is always questionable to draw general conclusions, e.g. from sneakers to footwear to fashion products and to consumer goods.

The selection of Italy and Germany, two industrialized countries with a generally favorable image, may limit the findings of this study, as it does not allow inference to developing countries, which play an important and growing role in worldwide economy. It would be highly interesting and relevant to see how the results of such an analysis change if one of the two (or more) assessed COOs is, for example, China, a leading global player with a perhaps wrongly negative country image. Does mass customization help companies from emerging markets overcome negative stereotypes of Western customers about the product quality and design quality of their products? Or is the manufacturing strategy not mitigating but amplifying COO effects because customers might be afraid that the product is not manufactured correctly according to their individual specifications? This possible fear of receiving badly produced, custom products might be something that applies to companies from emerging markets but not to Italy and Germany, which are two of the most advanced industrialized countries.

Finally, our model might be further developed by taking into account more moderating variables such as the cultural affiliation of customers, which has been shown to have a significant impact on product evaluation.

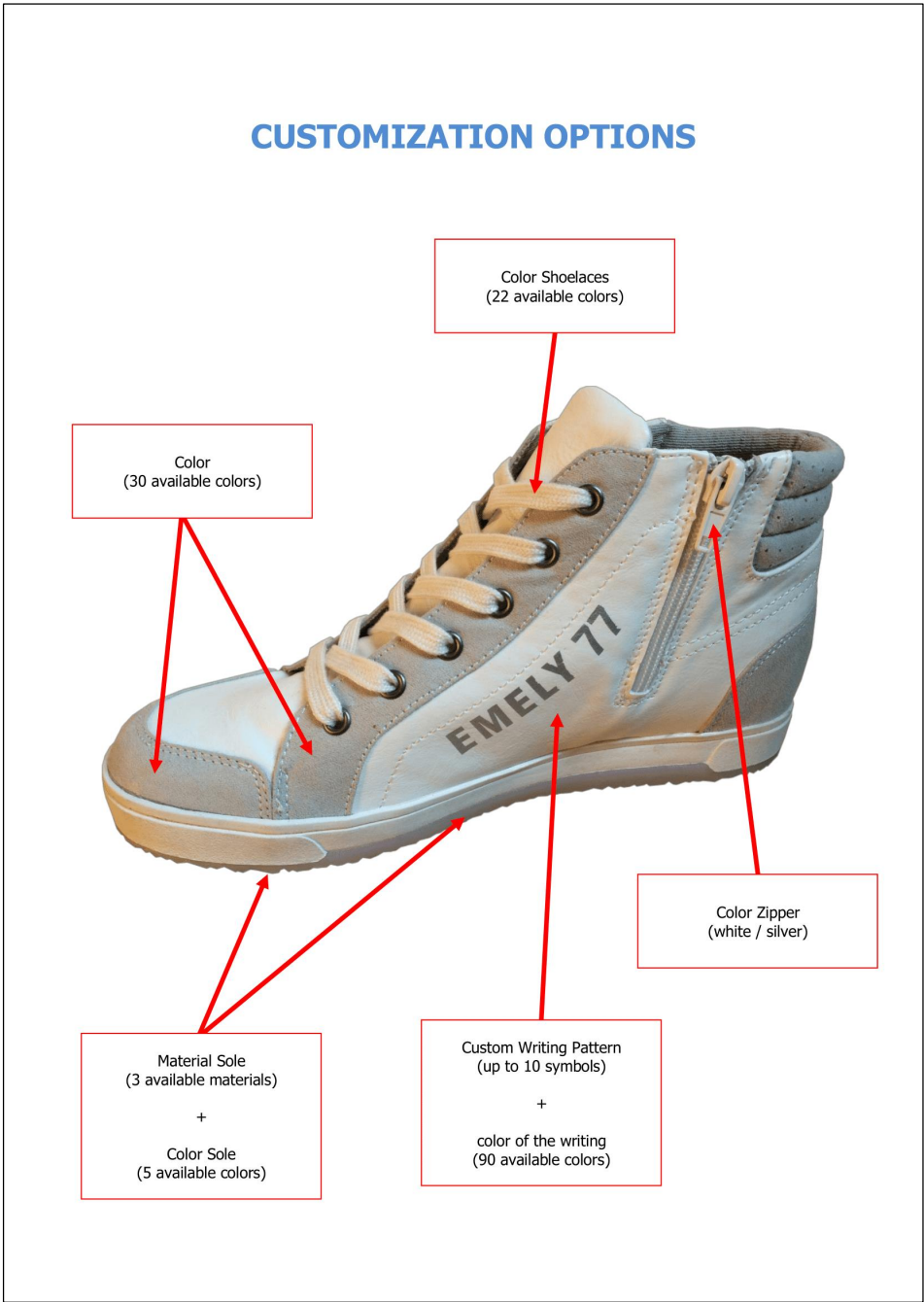
## **7. Appendix**

The appendix includes the informative sheets that showed the MC sneakers including the respective customization options. However, all the customization options were read and explained to each survey participant to make sure that all the options were fully understood. Please note that the respondents were not just provided with the informative sheet but with the actual, physical sneakers. In the case of MP sneakers,

the sneaker was not customized and in the case of MC sneakers, the physical sneaker was actually customized as shown on the informative sheet (see Figure 4 and Figure 5). The respective MP sneakers are exactly the same models, but without the printing pattern (brown sneaker) and without the writing pattern (white sneaker), respectively.



**Figure 4:** MC sneakers model A (brown) informational sheet provided in addition to the physical sneakers



**Figure 5:** MC sneakers model B (white) informational sheet provided in addition to the physical sneakers

## **V. CONCLUSION**

# 1. Implications for Research and Practice

As all the three manuscripts are fully integrated in this thesis, though not in their final versions, and each one fully reports results, implications, limitations and suggestions for future research, these parts are not repeated at this point. Rather, this concluding section of the thesis provides a number of additional considerations that have emerged after the submission and/or publication of the single manuscripts.

## *Implications for Research*

In typical empirical COO research, a sample of students or customers is asked to assess products that originate or that seem to originate from different countries or regions. One of the most critical issues in the design of this type of studies is the presentation format of the products. It ranges from situations where the survey participants assess products in general, without referring to a specific brand, product or product category (e.g. Manuscript #2, Laroche et al. 2005, Wang et al. 2012) to the use of paper and pencil (verbal) product representations (e.g. Roth and Romeo 1992, Hsieh et al. 2004) to graphical product representations (e.g. Lim et al. 1994, Insch and McBride 2004, Lee et al. 2013) to the use of actual, physical products that are handed to the participants (e.g. Manuscript #3, Koschate-Fischer et al. 2012).

Even though researchers are already applying explicit and/or implicit COO stimuli, both legally regulated and unregulated, the fact that Manuscript #1 conceptualizes and summarizes the different COO marketing strategies that are actually employed by companies is of academic relevance. This is because it facilitates the selection of a stimulus that matches the individual research objective in the respective study and that best reflects the situation in the real world. For example, the use of the phrase “Made in Italy” is only appropriate when the researcher wants to suggest that the entire process of design, development, production and packaging has been carried out exclusively on the Italian territory, in contrast to suggesting that the product is an Italian brand, in which case the use of an Italian brand name may be sufficient. The formulation of a set of COO marketing strategies enables also an easier comparison of different studies, as it allows for a simple classification of which kind of stimulus/stimuli have actually been employed in the study design.

The data that were used in Manuscript #2 and Manuscript #3, respectively, originate from two different, distinct, paper-based surveys with different data collection techniques, i.e. drop-off/pick-up survey in residential areas vs. intercept survey in a shopping centre. The participants in both studies originate exclusively from the Italian region of South Tyrol and the surveys were conducted within a short period of time, which minimises the influence of external events on the respondents' answers. While the scales to measure COO perceptions differ between the two surveys, the cultural affiliation has been determined by using the same construct that measures, in percent terms, the use of Italian and German language across eleven activities (e.g. at home, with relatives, with close friends, reading newspapers, etc.). In this regard, a comparison of the two samples shows that there are no statistically significant differences in the use of the Italian and German language between the two samples, with one single exception: the use of language when shopping. On average, the individuals comprising the sample of Manuscript #2 indicated that they use German more often when shopping than the individuals comprising the sample of Manuscript #3. The respondents in both samples indicated using Italian ( $M_{\text{drop-off/pick-up\_shopping\_ITA}}=51.94$  vs.  $M_{\text{intercept\_shopping\_ITA}}=61.45$ ;  $t(375)=-9.510$ ,  $p=0.003$ ) generally more frequently than German ( $M_{\text{drop-off/pick-up\_shopping\_GER}}=45.52$  vs.  $M_{\text{intercept\_shopping\_GER}}=37.21$ ;  $t(375)=-8.311$ ,  $p=0.009$ ). However, given that with the exception of shopping, all other items show no significant differences, it can be concluded that the two samples do not differ in terms of distribution of cultural affiliation. This indicates that researchers may indifferently use any of the two survey methods to sample comparable subsets of subcultures within a region or country. Noteworthy, the average age of the survey participants differs significantly between the two studies, with participants in the drop-off/pick-up survey being younger on average and participants in the intercept survey being older on average ( $M_{\text{drop-off/pick-up\_age}}=33.62$  vs.  $M_{\text{intercept\_age}}=36.66$ ;  $t(373)=-3.040$ ,  $p=0.042$ ), which is somewhat contrasting to what one would expect. Possible limitations and opportunities for future research that derive from this difference are further discussed in the following section 2.

### *Implications for Practice*

Amongst the most relevant findings for companies is the fact that a specific COO may not be generally positive or generally negative when marketing a product in a



specific market, even if this is not immediately clear at first sight. This does not refer to such obvious cases as South Korean products being sold in North Korea or vice versa, but to regions and countries where people with different ethnic backgrounds live together, as it is the case in the Northern-most Italian region of South Tyrol, which was studied in the second and third manuscript. For example, if a foreign company decides to adopt an origin-based marketing strategy in South Tyrol that has previously worked well in another Italian region, this may backfire as the German-speaking South Tyroleans show significantly different preferences for Italian and foreign products than Italian-speaking South Tyroleans do. Especially when a company is growing fast and trying to enter new markets quickly without doing the necessary market research, there is a considerable risk in adopting a COO-based marketing.

On the other hand, the existence of subcultural groups in one country, with possibly contrasting COO perceptions, creates a number of opportunities for companies. First, new brands may be created and positioned accordingly, with different alleged COOs for different ethnic groups of customers. In alternative, companies may not use COO marketing at all, as it is the case of the British car brand Jaguar which decided to adopt a high-tech image and avoid mentioning the COO in foreign markets (Kaynak et al, 2000). Second, foreign companies may use their well-established marketing routines, brand names, packaging and advertisements from the home market to enter foreign markets with culturally affiliated subcultures, e.g. when a French company wants to approach French-speaking minorities in Canada, Switzerland or Belgium. This approach of looking for promising within-country or cross-country market segments is generally referred to as intra-national or integral market segmentation, respectively (Kutschker and Schmid 2011). Third, using again South Tyrol as an example and assuming that South Tyrolean customers that are affiliated with the German culture do not significantly differ from other German cultures and subcultures, Italian companies may test certain marketing strategies in this Italian region before entering the Austrian or German market, which considerably reduces legal and administrative efforts and financial risks. For these reasons, the findings of Manuscript #2 and Manuscript #3 may be also relevant for some companies' international target market strategy as they illustrate potential advantages of an insular expansion into non-neighbouring markets rather than a concentric expansion (Lee and Yang 1990).

For additional implications, opportunities and threats, please refer directly to the respective section of the three manuscripts.

## **2. Limitations and Future Research**

First and foremost, it must be emphasised that COO images are just one of several extrinsic cues that determine customers' product evaluation and its importance should therefore not be exaggerated or generalised to all product classes or situations (Papadopolous et al. 2000). Here, I discuss some limitations and research opportunities that have not or only partially been mentioned in the individual manuscripts.

The findings of Manuscript #1 are mainly limited by the restricted number of cases that were examined. The cases include practical examples that cover approximately the last five to ten years, which were accessible online at the moment of the research and cover exclusively brands that advertised in English, German or Italian language, thus excluding a considerable share of brands and companies from Asia, the Arabic world or Latin America that do not employ any of these three languages. Nevertheless, the eight described COO marketing strategies may offer a number of opportunities for future research. The most promising opportunity is the empirical comparison of legally regulated strategies with unregulated strategies in terms of their impact on consumers, e.g. with regard to willingness to buy, willingness to pay and product evaluation. More specifically, do customers understand and value the difference between the use of "Made in Italy" as compared to the use of an Italian flag, given that the latter COO marketing strategy does not guarantee that the product is actually Italian? Furthermore, researchers may assess the value of combining two or more COO marketing strategies, possibly finding the best combination in general or for specific products or product categories, different target markets and types of customers. For example, to what extent is the combination of the phrase "Made in..." with the respective country flag more effective than using only the country flag? Finally, the classification can help in assessing if there are combinations or situations that may result in a reversal effect, e.g. because important product attributes or the complete product itself is forced too much into the background. These results would be not only interesting to, but also highly relevant

for companies, in order to facilitate the selection of the most suitable combination of COO marketing strategies.

A limitation that is shared by both Manuscript #2 and Manuscript #3 is that we have not differentiated between different COO dimensions, i.e. country of design, country of assembly, country of parts, country of manufacture and country of brand (see Table 4). In Manuscript #2, we argue that this might be a minor limitation for two reasons. Firstly, because companies are trying to communicate one single COO dimension, presumably the most favourable one, as the product's overall origin and, secondly, because the customers' perceived COO of a product is consequently limited to one single, specific country. For example, from a Western European perspective it is hard to believe that the South Korean company Samsung Electronics could be considered to be anything else than South Korean, even though it operates 38 production sites in 15 countries around the globe. The same applies to the German car manufacturer Volkswagen, which has a high interest in maintaining a German image, even though it operates 118 production plants in 31 worldwide countries, with every second car being assembled in a country other than Germany (see Table 14). Nevertheless, we cannot preclude that the consideration of different COO dimensions may lead to interesting and contrasting findings.

With regard to the difference in the age distribution between the samples of Manuscript #2 and Manuscript #3 (see section 1 of this chapter), the following potential limitation emerges. This difference could be an indicator of self-selection bias, as it seems that older customers are more willing to stop their shopping experience to take part in a survey. This conjecture that there has been self-selection bias in the study reported in Manuscript #3 could appear even stronger if one assumes that younger customers are more likely to shop and hang out in shopping centres (Jackson et al. 2011) while older customers are more likely to shop in traditional stores. However, this conjecture could be refuted if one considers that e-commerce has been growing strongly at a recent annual growth rate of 13.7% on average in the European Union, 17.5% in Italy and up to 25.4% in Russia (Ecommerce Europe 2015) and younger customers are much more prone to shop online (Lian and Yen 2014). It is therefore hard to say whether there was self-selection bias or if there were simply a higher number of older customers in the

shopping centre as compared to the respondents that were reached through the drop-off/pick-up survey in the residential areas in Manuscript #2.

Finally, both empirical manuscripts assess the perception of Western European customers about Western European products. Given that Manuscript #2 is a replication of an original study that has been carried out in Canada, its results, which corroborate those of the original study, may be considered to be robust and generalisable for a number of markets and economies. By contrast, Manuscript #3 assesses a new and unstudied hypothesis, namely the moderating effect of the manufacturing strategy on COO effects. The study design may be refined and the inclusion of additional variables and terms of interaction in the regression model should be considered. Furthermore, future studies that assess this hypothesis may include products from emerging countries or from countries with a less favourable image than Italy and Germany, respectively.

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