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The "Pricing Footprint" of Country-of-Origin: Conceptualization and Empirical Assessment

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ABSTRACT

Drawing on equity theory, we apply Van Westendorp's Price Sensitivity Meter (PSM) to compare the "pricing footprints" of a brand originating in countries differing in their country image favorability. This footprint is captured by the different price levels for which consumers perceive the brand to be (a) *too cheap* (i.e. raise concerns about its quality), (b) *cheap* (i.e. seem like a bargain), (c) *expensive* (i.e. not cheap but would still consider buying it), and (d) *too expensive* (i.e. priced so high as to prevent purchase). Based on two studies conducted in Ukraine and Brazil, and controlling for several consumer dispositions, we find that differences in country image do not always translate into significant differences across all components of the pricing footprint. Moreover, even if such differences are observed, they do not apply to all target countries. Implications for country-of-origin research and practice are considered and suggestions for future research made.

1. Introduction

Despite repeated warnings in the literature that "COO [country-of-origin] has significantly lesser impact as consumers move closer to the actual purchase situation from belief formation regarding the relative quality of brands" (Agrawal & Kamakura, 1999, p. 256; see also Peterson & Jolibert, 1995; Verlegh & Steenkamp, 1999), the bulk of COO research still employs brand evaluations and/or purchase intentions as dependent variables. There are two key limitations of such measures. First, they completely ignore the sacrifice incurred by a consumer when purchasing a brand. As Koschate-Fischer, Diamantopoulos, and Oldenkotte (2012, p. 20) point out, "it is possible for consumers to evaluate a product from country X more positively than a product from country Y but, at the same time, be unwilling to pay a price premium for it". Second, while positive product evaluations are often subsequently reflected in increased purchase intentions, intentions "may not accurately predict actual purchases" (Sun & Morwitz, 2010, p. 356; see also Sheppard, Hartwick, & Warshaw, 1988).

In an effort to overcome the above limitations, research has been increasingly focusing on addressing different *price-related* aspects of COO. Such a focus is exemplified by price tolerance studies (Drozdenko & Jensen, 2009; Nebenzahl & Jaffe, 1993), price acceptance studies (Agrawal & Kamakura, 1999; Hulland, Todiño, & Lecraw, 1996) and, most commonly, willingness-to-pay (WTP) studies (Aichner, Forza, & Trentin, 2017; Bernard & Zarrouk-Karoui, 2014; Koschate-Fischer et al., 2012; Siew, Minor, & Felix, 2018). What all these studies have in common is the realization and explicit acknowledgement that "[f]ocusing on price rather than quality evaluations or purchase intentions as a dependent variable offers a (much) stricter test of COO effects "(Koschate-Fischer et al., 2012, p. 20). This is because price represents "the amount of money we must sacrifice to acquire something we desire" (Monroe, 2003, p. 5)" and, therefore, it allows the consumer to reach an informed decision regarding whether a particular product or brand is worth having or not (i.e. whether the benefits offered by the product exceed the relevant sacrifice to purchase it).

While the aforementioned studies have furnished important insights on how COO perceptions may influence consumers' price-related responses, they all focus on individual/specific aspects of price behavior (e.g. the consumer's reservation price in WTP studies) and fail to provide a comprehensive picture of the overall 'pricing footprint' that consumers associate with a particular COO. This footprint is comprised of *different* price perceptions that consumers may *simultaneously* hold for a given

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product and which may lead to or prevent its actual purchase. For example, consumers may consider a particular price level as being too low and associate it with poor product quality (e.g. Ding, Ross, & Rao, 2010; Gabor & Granger, 1966). Or they may consider a particular price level as being excessively high and feel that they are being ripped off (e.g. Hunt & Nevin, 1981; Xia, Monroe, & Cox, 2004). Conversely, consumers might find a particular price level so attractive as to make the product appear like a "good buy" or even a "bargain".

In short, for a *single* product/brand, consumers are likely to simultaneously hold *multiple* price perceptions, all of which are of potential importance to managers. For example, when planning to follow an aggressive pricing strategy (e.g. in order to increase market share), managers should be careful not to price the product at too low a level (which may be perceived by consumers as a signal of inferior quality and thus discourage purchase). Similarly, when a product starts to be perceived as expensive, managers should focus on possibly transforming/repositioning it into a premium product thus inducing consumers to think that the high price is compensated by superior product benefits. Indeed, consumers must always feel that they are receiving benefits that justify the price paid. To encourage purchase, the price set by the company has thus to be lower than the value of the benefits as perceived by the consumer (Brandenburger & Stuart, 1996).

In this paper, we are interested in the following question: how do differences in country image perceptions translate into pricing footprint differences for a given product? We conceptualize this footprint as a profile construct (Law, Wong, & Mobley, 1998) capturing the different price levels which consumers perceive to (1) raise concerns about the quality of the product, (2) make the product appear to be a 'good buy' or 'bargain', (3) consider the product to be 'expensive' but not to such an extent as to prevent purchase, and (4) exceed their reservation price thus leading to no purchase. To empirically capture the pricing footprint, we use Van Westendorp (1976) Price Sensitivity Meter (PSM), which is widely used in practice (Steiner & Hendus, 2012) and has been found to produce highly acceptable results at relatively low cost (Müller, 2009; Reinecke, Mühlmeier, & Fischer, 2009).

Our contribution is threefold. First, we provide novel insights into whether and to what extent variations in country image assessments are also reflected in pricing footprint differences. These insights allow for a more nuanced understanding of how country image influences consumer's price-related responses. Although previous studies have investigated the COO → price link, this is the first attempt to analyze the impact of differences in country image on price levels corresponding to distinct consumer perceptions (too cheap, cheap, expensive, too expensive).

Second, by employing the PSM, we are able to "monetize" country image differences and thus quantify the "plus value" recognized by the consumer because of its origin. This is important from a managerial perspective as it offers guidance regarding the feasibility of implementing a premium pricing strategy by capitalizing on the brand's COO.

Third, we reveal the extent to which consumer dispositions (e.g., consumer ethnocentrism, price sensitivity, product involvement) also impact the COO pricing footprint beyond any country image differences. Identifying such characteristics is of managerial importance as it should facilitate the targeting of responsive consumer segments, particularly when comes to price.

2. Conceptual background

In the present study, we focus on the COO of the brand (i.e., the brand origin), defined as "the country which a consumer associates a certain product or brand as being its source, regardless of where the product is actually produced" (Jaffe & Nebenzahl, 2006, p. 29). We capture COO assessments by the well-established country image construct, namely "the overall perception consumers form of products from a particular country based on their prior perceptions of the country's production and marketing strengths and weaknesses" (Roth & Romeo, 1992, p. 480). Our central research question is whether and to what extent variations in country image assessments are also reflected in pricing footprint differences. This is an important question because "consumers may indicate a greater willingness to buy a product from country X, though they may not actually purchase the product because they find its price unacceptable" (Koschate-Fischer et al., 2012, p. 20). Note that such unacceptability may not only arise because the price is deemed to be too high but also because a price may be perceived to be so low as to raise concerns about the quality of the product involved (Gabor & Granger, 1966).

2.1. The pricing footprint: A profile construct

At an individual level, the pricing footprint can be conceived as a set of prices that a particular consumer associates with *distinct* inferences regarding a focal product. Drawing on Van Westendorp (1976), we focus specifically on prices associated with four such inferences, namely (1) p_1, the price perceived as indicating that the product is shoddy or unreliable, (2) p_2, the price perceived as indicating that the benefits offered by the product far exceed the financial sacrifice to acquire it, (3) p_3, the price perceived as indicating that the product is expensive but not excessively so, and (4) p_4, the price perceived as indicating that the financial sacrifice involved is so high as not to justify purchase. Clearly, $p_1 < p_2 < p_3 < p_4$ and, given a price p^*, no purchase is likely to take place when $p^* \leq p_1$ or when $p^* \geq p_4$; purchase is only possible when $p_1 < p^* < p_4$. Needless to say that, for a given product, the specific levels of p_1– p_4 will vary widely across consumers. Thus, at an aggregate level, the pricing footprint will be captured by the average levels of p_1– p_4.

The pricing footprint can be conceptually approached as a multidimensional construct as it comprises a number of distinct dimensions/components (here, prices). However, these dimensions/components cannot be algebraically combined, implying that the pricing footprint is best conceptualized as a *profile construct* which "can be interpreted only as a set of profiled characteristics of the dimensions; there is not a single theoretical overall construct that summarizes and represents all the dimensions" (Law et al., 1998, p. 747).

The pricing footprint can be empirically captured by Van Westendorp (1976) Price Sensitivity Meter (PSM) which exposes a sample of target consumers to the focal product and subsequently asks them to indicate the price levels for which they consider the product to be (a) *too cheap* (i.e. raise concerns about its quality), (b) *cheap* (i.e. seem like a bargain), (c) *expensive* (i.e. not cheap but would still consider buying it), and (d) *too expensive* (i.e. priced so high as to prevent purchase).[1] Taken in combination, their responses to (a)-(d) describe the pricing footprint of the focal product. Note that using the PSM to operationalize the pricing footprint is fully consistent with the profile nature of the latter since "profile constructs are theorized to exist at the same level as their dimensions (which may or not be correlated), and to represent a *combination* of these dimensions" (Polites, Roberts, & Thatcher, 2012, p. 32; added emphasis).

2.2. Linking the COO to the pricing footprint: An equity theory perspective

To conceptually underpin our investigation, we draw on equity theory (Adams, 1965), which focuses on how individuals form equity judgments and deal with perceived inequity in social exchange situations. According to the theory, individuals (e.g. X and Y) involved in an exchange relationship compare the outcome they receive from the exchange to the input they provide. Specifically, the fairness of the exchange is evaluated by comparing the input–output ratios ($\frac{O_X}{I_X}, \frac{O_Y}{I_Y}$) of the parties involved (where O_X, O_Y represent the outputs of the two parties

[1] For further details on the PSM, see Lipovetsky (2006), Müller (2009) or Reinecke et al. (2009).

and I_X, I_Y represent their corresponding inputs). Individuals perceive inequity in the exchange when either party enjoys a higher output-input ratio (i.e. when $\frac{O_X}{I_X} > \frac{O_Y}{I_Y}$ or when $\frac{O_X}{I_X} < \frac{O_Y}{I_Y}$). If the ratios are equal (i.e. when $\frac{O_X}{I_X} = \frac{O_Y}{I_Y}$), the transaction is perceived to be equitable. When individuals perceive inequity, they are motivated to adjust their behavior in ways that restore an equity equilibrium. This may involve changing one's inputs or outputs, changing the level of comparison, or leaving the exchange altogether (Huppertz, Arenson, & Evans, 1978).

The principles of equity theory also apply when individuals consider the input they need to provide to acquire outputs (e.g. products) from different sources (e.g. countries). Specifically, in a marketing context, equity theory suggests that consumers offer a certain input (e.g. money, shopping effort) in exchange for an output (i.e. the benefit of the product). Applying this principle to a COO setting, we argue that consumers evaluate products from different countries as distinct purchase options which provide outputs in response to consumers' inputs. The outputs represent the benefits consumers receive from purchasing a product from a certain country, while the inputs reflect the financial sacrifice they must make to acquire the product. Thus, when they receive a relatively high output (i.e. a greater benefit from the product), consumers are likely to provide a greater input (e.g. pay a higher price) thus leading to an equitable deal (Huppertz et al., 1978). Bearing in mind that, in the eyes of a consumer, "a product from a COO with a favorable country image is likely to be associated with a higher benefit than a product from a COO with a less favorable country image" (Koschate-Fischer et al., 2012, p. 23), one could predict that, *ceteris paribus*, consumers would be willing to incur a greater (lesser) monetary sacrifice to obtain a product from a country with a strong (weak) country image. As Jaffe and Nebenzahl (2006, p. 59) point out "a country having a better image than others, especially as a source for a product, has a comparative advantage that should translate to economic value".

While the above line of argument is intuitively appealing, it raises two important questions: First, will differences in country image assessments be reflected in *all* elements of the pricing footprint (e.g. will perceptions of too low as well as too high prices differ among the countries concerned)? As noted in Section 2.1, the pricing footprint comprises consumer perceptions about *four* distinct price levels (too cheap, cheap, expensive, too expensive) and the question is whether all four will differ due to country image differences.

Second, for those pricing footprint elements for which there *are* differences, will these be roughly the same in terms of magnitude? For example, if the perceived "cheap" (bargain) price for the product from the country with the stronger image is, on average, 25% higher than the "cheap" (bargain) price from the country with the weaker image, will this 25% difference also (approximately) apply when comparing, for example, their corresponding "too expensive" prices?

Answers to these questions are, unfortunately, not provided by extant literature, not least because – to the best of our knowledge – this is the first study specifically examining the COO pricing footprint. As a result, postulating concrete hypotheses about the exact nature and magnitude of cross-country differences for each and every element of the pricing footprint is difficult (and also premature in light of the limited current state of knowledge). Having said that, we *can* formulate some initial expectations – albeit it of a rather exploratory nature – as discussed below.

First, as Roll, Achterberg, and Herbert (2010) state, the price perceived as "expensive" (but still leading to purchase) is conceptually closest to the consumer's reservation price, that is, the maximum price a consumer is willing to pay for a given quantity of a product or a service (Wertenbroch & Skiera, 2002). Given that prior research shows a positive relationship between country image favorability and willingness-to-pay (Aichner et al., 2017; Bernard & Zarrouk-Karoui, 2014; Koschate-Fischer et al., 2012), we can expect that country image differences will be reflected in differences in the perceived "expensive" price levels. Moreover, given that "too expensive" prices (leading to no purchase) must, by definition, be higher than reservation prices (but only just), country image differences are also expected to be reflected in differences in the perceived "too expensive" price levels.[2]

Second, prior research by Nebenzahl and Jaffe (1993) reveals that consumers are much less sensitive to price discounts when the product originates in a country with a strong image, reflecting the "plus value" of the latter. Indeed, country image is the key driver of consumer-based country value, namely "the differential value to the consumers when the country is associated with products" (Jaffe & Nebenzahl, 2006). This "plus value" can be expected to be influential not only with regards to the maximum amount that a consumer will be prepared to buy for a product but also in shaping consumers' perceptions of what constitutes a "bargain" price. Thus, all other things being equal, we expect that differences in country favorability will also be reflected in differences in the perceived "cheap" price levels.

Finally, given that most consumers prefer to pay less than more (i.e. they are not totally insensitive to price), one could speculate that a price must probably be exceptionally low for them to question the product's quality to such a degree as *not* to buy the product. Furthermore, in considering what is "too cheap" to be unworthy of purchase, consumers are more likely to anchor their price perceptions on the product category *as a whole* rather than on a specific brand from a specific country. For example, when buying a new car, a price of, say, EUR 1000 would most likely raise concerns about quality, irrespective of whether the car was of German, Spanish or South Korean origin, simply because (new) cars are never that cheap. More generally, when the perception of the value of the benefits provided by the product is too distant from the price of the latter, consumers may start thinking that there is something wrong. Price partly includes the costs of the resources used to manufacture the product and such resources determine the final quality of the product; thus, perceptions of "too cheap" prices are likely to reflect consumer concerns that inferior resources have been used to produce the product (Brandenburger & Stuart, 1996). Based on this line of argument, we thus expect to find less pronounced differences in consumers' perceptions of "too cheap" price levels as a result of country image differences.

To summarize, we believe that differences in COO pricing footprints are more likely be manifested in perceptions of "too expensive", "expensive" and "cheap" price levels and less so in perceptions of "too cheap" price levels.

Regarding the *magnitudes* of the expected cross-country differences in the elements of the pricing footprint, we are unable to make any concrete predictions both because there is no prior relevant research from which to borrow a baseline and because such differences are likely to be product category-specific and dependent on the specific countries compared. This issue will, however, be explored during the empirical analysis.

3. Study 1

3.1. Data collection and measures

Two hundred Ukrainian consumers (69.6% female, $M_{age} = 26.73$, SD = 7.67) participated in an online survey using a between-groups design. The questionnaire was first developed in English and, following back-translation procedures (e.g. Behling & Law, 2000), was uploaded (in Ukrainian) on the *soscisurvey.de* online platform. The relevant link was then forwarded to several social media sites (*Instagram.com*, *Facebook.com* and *VK.com*). Additional respondents were recruited via a snowball sampling approach by distributing the questionnaire to work colleagues,

[2] If the "expensive" price is indeed close to the reservation price, then it would be expected that perceptions of the "expensive" and "too expensive" price levels should be very highly correlated (this is actually the case as reported in the Analysis and Results sections of Study 1 and Study 2 respectively; see Tables 1 and 4).

acquaintances, etc.

Respondents were randomly exposed to one of three versions of a fictitious shoe (sneakers) brand originating in Ukraine, Germany and China respectively. The ads were identical, the only difference being the COO of the brand (see Appendix). Importantly, the ads contained information on several product attributes so as not to sensitize/prime consumers to the COO (Samiee & Leonidou, 2011). A fictitious brand name ("D2R") was randomly generated for the study to eliminate confounds of accumulated brand equity and familiarity (Dimofte, Johansson, & Ronkainen, 2008). We opted for a fictitious brand because differences in real brands' size, strength or corporate reputation might confound the relationships between country image and the pricing footprint elements thus compromising internal validity (Davvetas, Sichtmann, & Diamantopoulos, 2015).

Shoes were selected as a focal product category as it has high social signaling value and consumption visibility (Davvetas & Diamantopoulos, 2016) and is also a category for which both domestic and foreign brands are available in the Ukrainian market. The choice of brand origins (i.e. Ukraine, Germany and China) was based on a pretest (N = 34) and intended to generate sufficient variation in terms of country image perceptions; moreover, all three countries have indigenous sneaker brands thus making them realistic product origins for the product category under study.

Following ad exposure, participants were asked to answer the four questions associated with Van Westendorp (1976) PSM which denote the prices at which they would find the focal brand to be (a) *too cheap*, (b) *cheap*, (c) *expensive*, and (d) *too expensive*. In answering these questions, respondents could choose one out of four suggested price levels (ranging from 500 UAH to 4000 UAH in increments of 500 UAH; 1 Euro = 33.9 UAH as at 12.12.2020) or, alternatively, write in whatever price they would consider appropriate (under an "other" category). The suggested price levels were determined by looking at market prices in Ukraine and by conducting a further pretest (N = 10). In accordance with PSM guidelines, respondents providing inconsistent responses (i.e. violating the *very cheap* < *cheap* < *expensive* < *very expensive* sequence) were excluded from the analysis, resulting in a final sample of 173 respondents.

In investigating pricing footprint differences, we explicitly control for several consumer dispositions that might conceivably influence consumer price perceptions over and above any country image differences.[3] Specifically, we consider (a) consumer ethnocentrism, namely "the beliefs held by […] consumers about the appropriateness indeed morality, of purchasing foreign-made products" (Shimp & Sharma, 1987, p. 280), (b) consumer cosmopolitanism, namely "the extent to which a consumer (1) exhibits an open-mindedness towards foreign countries and cultures, (2) appreciates the diversity brought about by the availability of products from different national and cultural origins, and (3) is positively disposed towards consuming products from foreign countries" (Riefler, Diamantopoulos, & Siguaw, 2012, p. 287), (c) consumer price sensitivity, namely "an individual difference variable describing how individual consumers react to price levels and changes in price levels" (Goldsmith & Newell, 1997, p. 164), and (d) product involvement, namely "a person's perceived relevance of the object based on inherent needs, values and interests" (Zaichkowsky, 1985, p. 342). By controlling for these consumer dispositions, we guard against overestimating the impact of country image on cross-country differences in their pricing footprints and also reveal the extent to which these dispositions also influence price footprint perceptions and might therefore represent potentially relevant segmentation variables.

After completing the PSM questions on price, respondents were therefore asked to complete established scales on country image (Roth & Romeo, 1992; $\alpha_{UKRAINE} = 0.79$, $\alpha_{GERMANY} = 0.85$; $\alpha_{CHINA} = 0.86$), consumer ethnocentrism (5-item version of CETSCALE by Verlegh (2007); $\alpha = 0.81$), cosmopolitanism (C-COSMO scale by Riefler et al. (2012); composite $\alpha = 0.90$), price sensitivity (4-item scale by Goldsmith and Newell (1997); $\alpha = 0.80$) and product involvement (5-item scale based on Mittal (1989); $\alpha = 0.72$).

3.2. Analysis and results

Manipulation check. To investigate the validity of the COO manipulation, we conducted an analysis of variance (ANOVA) with the manipulated COO (Ukraine vs. Germany vs. China) as the independent variable and the measured country image (based on the Roth and Romeo (1992) scale) as the dependent variable. This analysis confirmed that the three focal countries vary in terms of country image favorability ($F_{2,172} = 71.491$, $p < 0.001$), with Germany's image (M = 5.15, SD = 1.09) being significantly more positive than that of Ukraine's (M = 3.49, SD = 1.07) and China's image (M = 2.84, SD = 1.07). Moreover, all pairwise comparisons (Games-Howell tests) were significant at $p < 0.01$ or better, indicating that all three countries differ from one another in terms of their country images. Thus, the manipulation of the independent variable was successful.

Pricing footprint differences. We employed multivariate analysis of covariance (MANCOVA) to examine differences in the elements of the pricing footprint across the three target COOs. We opted for MANCOVA both because the dependent variables (i.e. the four price levels describing the footprint) are substantially correlated (see Table 1) and because the method allows for the inclusion of covariates (i.e. control variables). Such covariates, however, should not differ across the experimental groups (i.e. the three countries in our case) otherwise the experimental effect will be confounded with the effect of the covariates (Miller & Chapman, 2001). We thus first run a multivariate analysis of variance (MANOVA) with the control variables (i.e. consumer ethnocentrism, cosmopolitanism, price sensitivity, and product involvement) as dependent variables and COO as a factor to test this assumption. The results were not significant (Pillai's trace = 0.055, F = 1.182, $p = 0.309$; Hotelling's trace = 0.056, F = 1.168, $p = 0.318$) thus confirming that the experimental groups (i.e. the three countries) do not differ on the covariates.[4] Prior to running the MANCOVA, we also tested for homogeneity of the covariance matrices across the groups (countries) and obtained non-significant results (Box's test = 22.026, F = 1.064, $p = 0.381$).

The MANCOVA results were highly significant (Pillai's trace = 0.127, F = 2.769, $p < 0.01$; Hotelling's trace = 0.142, F = 2.884, $p < 0.01$) indicating that the three countries indeed differ in terms of their pricing footprints. However, none of the covariates turned out to be significant and, therefore, were dropped from further analysis which focused on identifying *specific* cross-country differences in terms of the *individual* elements of the pricing footprint. To this end, a series of (one-way) ANOVAs was conducted followed by multiple comparisons (Games-Howell tests); the results are summarized in Table 2.

Several noteworthy findings are evident from Table 2. First, as all

Table 1
Correlations among pricing footprint elements - Study 1.

	Cheap	Expensive	Too Expensive
Too Cheap	0.722	0.572	0.446
Cheap	–	0.776	0.618
Expensive	–	–	0.830

Note: all correlations significant at $p < 0.001$ (two-tailed).

[3] For example, there is evidence indicating that ethnocentric consumers are willing to pay more for domestic products (Tomić & Alfnes, 2018). A similar proclivity but for foreign products might apply to cosmopolitan consumers.

[4] This was further supported by a series of one-way ANOVAs, all of which produced non-significant results.

Table 2
Differences in COO pricing footprints – Study 1.

	Means (Std. Deviations)			
	Too Cheap	Cheap	Expensive	Too Expensive
Ukraine	816.07 (309.12)	1489.29 (450.73)	2366.07 (628.79)	3303.57 (736.57)
Germany	871.93 (309.81)	1550.00 (543.06)	2389.50 (725.77)	3254.39 (856.29)
China	700.00 (370.52)	1300.00 (655.10)	1908.33 (779.24)	2691.67 (916.38)
ANOVA	$F_{2, 170} = 4.101$ $p < 0.05$	$F_{2, 170} = 3.206$ $p < 0.05$	$F_{2, 170} = 8.451$ $p < 0.001$	$F_{2, 170} = 9.581$ $p < 0.001$
Multiple Comparisons (Games-Howell $p < 0.05$ or better)	Germany > China	Germany > China	Germany > China Ukraine > China	Germany > China Ukraine > China

ANOVAs are significant, it can be concluded that the three investigated countries differ in all elements of their pricing footprints relating to the focal brand. Second, significant differences relating to perceptions of "too cheap" and "cheap" prices are only noted between Germany and China, with the former country being associated with higher price levels. In contrast, significant differences relating to perceptions between "expensive" and "too expensive" prices are observed both between Germany and China as well as between Ukraine and China (with China, in both cases, being associated with lower price levels). Third, despite the fact that Germany and Ukraine differ significantly in terms of their country images, they do *not* differ in terms of their pricing footprint (none of the pairwise comparisons between Germany and Ukraine were significant).

Turning attention to the magnitudes of the significant cross-country differences, the average prices associated with Germany as a brand origin exceed those of China by 24.6% (too cheap), 19.2% (cheap), 25.2% (expensive) and 20.9% (too expensive). The average prices associated with Ukraine as a brand origin exceed those of China by 24% (expensive) and 22.7% (too expensive).[5]

Regarding within-country differences between adjacent elements of the pricing footprint, Table 3 shows the successive percentage increases starting from the "too cheap" price and ending at the "too expensive" price for each of the three COOs. It can be seen that, across all countries, the percentage rate of increase is not constant; there is a much greater "jump" between the "too cheap" and "cheap" prices than between the "expensive" and "too expensive" prices.[6] Moreover, again across all target COOs, "expensive" prices are perceived to be approximately 45–60% higher than what is considered by consumers to be a bargain (as captured by the "cheap" price). Finally, to be considered prohibitive (and thus prevent purchase as captured by "too expensive" perceptions), price levels have to be more than a third higher than "expensive" prices.

To provide a complementary picture to that painted by the MANCOVA results, we specified a structural equation model in Lisrel 8.80 with the four elements of the pricing footprint as dependent variables and country image, consumer ethnocentrism and consumer cosmopolitanism as predictors. Given that the elements of the pricing footprint are substantially correlated (see Table 1), their error terms were allowed to intercorrelate in this analysis.[7]

The results revealed that only country image favorability significantly (and positively) impacts pricing footprint perceptions ($\beta_{TooCheap} = 0.243$, $p < 0.001$; $\beta_{Cheap} = 0.316$, $p < 0.001$; $\beta_{Expensive} = 0.304$, $p < 0.001$; $\beta_{TooExpensive} = 0.293$, $p < 0.001$); neither consumer ethnocentrism nor cosmopolitanism had any effect.

Table 3
Average magnitudes of differences between adjacent pricing footprint elements – Study 1.

	Cheap	Expensive	Too Expensive
Ukraine	Too Cheap + 82.5%	Cheap + 58.9%	Expensive + 39.6%
Germany	Too Cheap + 78.0%	Cheap + 54.0%	Expensive + 36.0%
China	Too Cheap + 85.7%	Cheap + 46.8%	Expensive + 41.0%

4. Study 2

Following Lynch, Bradlow, Huber, and Lehmann (2015), to assess the robustness and external validity of Study 1, we conducted a conceptual replication of the latter in a new country, using a different product category and employing a revised set of consumer dispositions as covariates. Conceptual replications aim to answer the question: "[t]o what extent are the sign, significance, and effect size of original result robust with respect to changes in the stimuli, settings, participant characteristics, contexts and time of the study?" (Lynch et al., 2015, p.335). This is precisely what Study 2 aims to answer.

4.1. Data collection and measures

Six hundred Brazilian consumers (53.2% female, $M_{age} = 32.39$, $SD = 9.09$) took part in an online survey using a between-groups design. Following the same back-translation procedures as in the first study, the final questionnaire was uploaded online in Portuguese and then distributed to respondents through social media sites (*Facebook.com*, *Instagram.com* and *LinkedIn.com*).

Participants were randomly allocated into two experimental groups, in which they were exposed to a press release about a fictitious brand of sunglasses ("Slitt") mentioning the brand's origin: USA or China (see Appendix). The artificial brand name was randomly generated so as to avoid confounding effects due to brand equity and familiarity (Dimofte et al., 2008) and prevent associated internal validity problems (Davvetas et al., 2015). Both domestic and foreign brands of sunglasses are available in the Brazilian market and the choice of USA and China as target countries was, again, based on a pretest (N = 38).

The experimental procedure was comparable to that of Study 1. Following the exposure to the press release, respondents answered the four questions on Van Westendorp's (1976) PSM. They could freely choose the price for each pricing footprint element (in local currency, R $; 1 Euro = R$ 6.67 as at 01.04.2021) without any restrictions. To conform with PSM guidelines, inconsistent price responses were, again, excluded from the analysis, resulting in a final sample of 467 respondents.

[5] As noted earlier no significant differences between Ukraine and China were found regarding perceptions of "too cheap" and "cheap" prices and no differences on any element of the pricing footprint were detected between Germany and Ukraine.

[6] Some caution needs to be exercised when looking at percentage differences. For example, in absolute terms, the "too cheap" and "cheap" price perceptions for China differ by 600 UAH whereas the "cheap" and "expensive" perceptions by 608 UAH. Yet, the corresponding percentage increases in Table 3 are 85.7% and 46.8% respectively, due to the changing baseline (i.e. denominator).

[7] The authors would like to thank our anonymous reviewer for suggesting this additional analysis. Repeating the latter by also entering product involvement and price sensitivity as additional predictors, further confirmed that only country image significantly impacts the COO pricing footprint.

Next, participants completed Roth and Romeo (1992) country image scale ($\alpha_{USA} = 0.84$, $\alpha_{CHINA} = 0.80$) to check whether the manipulation of COO favorability was effective. As none of the consumer dispositions employed in the previous study (i.e., consumer cosmopolitanism, consumer ethnocentrism, consumer price sensitivity or product involvement) turned out to be significant, we did not include them in Study 2 with the exception of product involvement ($\alpha = 0.87$; the latter was retained in the light of the fact that we conducted this study in a different product category than Study 1). However, we added product ethnicity, namely "the stereotypical association of a generic product with a particular COO" (Usunier & Cestre, 2007, p. 36) as a new covariate, since products perceived to be typical of a certain country are usually more positively evaluated than atypical products from the same origin (Tseng & Balabanis, 2011). Product ethnicity was measured on a 4-item scale adapted from Halkias and Diamantopoulos (2020) ($\alpha_{USA} = 0.91$, $\alpha_{CHINA} = 0.90$). We also included price consciousness (5-item scale adapted from Lichtenstein, Bloch, and Black (1988); $\alpha = 0.65$) as a further covariate. Price consciousness is a different construct than price sensitivity and captures "the degree to which the consumer focuses exclusively on paying a low price" (Lichtenstein, Ridgway, & Netemeyer, 1993, p. 235). Consumers who actively concentrate their efforts on paying a low price (e.g., "bargain hunters") might respond with lower levels across all elements of the pricing footprint.

4.2. Analysis and results

Manipulation check. To ensure that the COO manipulation worked as intended, we conducted an analysis of variance (ANOVA) with the manipulated COO (USA vs. China) as the independent variable and the measured country image (Roth & Romeo, 1992) as the dependent variable. Consistent with our expectations, the manipulation check revealed that USA's country image (M = 5.62, SD = 1.11) was significantly more favorable than China's image (M = 4.20, SD = 1.21; $F_{1,466} = 173.88$, $p < 0.01$). Thus, the COO manipulation was successful.

Pricing footprint differences. As in Study 1, the substantial correlation between the four prices of the footprint (see Table 4) and the inclusion of covariates once again suggested MANCOVA as the analysis method of choice. However, unlike in Study 1, there were significant differences on some of the covariates across the two experimental groups (Pillai's trace = 0.054, F = 8.850, $p < 0.01$; Hotelling's trace = 0.057, F = 8.850, $p < 0.01$). Specifically, differences in terms of product ethnicity ($F_{1,465} = 28.999$, $p < 0.01$; $M_{USA} = 3.02$; $M_{CHINA} = 2.53$) and product involvement ($F_{1,465} = 28.152$, $p < 0.01$; $M_{USA} = 5.15$; $M_{CHINA} = 5.65$) but not in terms of price consciousness ($F_{1,465} = 1.536$, $p > 0.10$) were observed.[8] In the light of these results, we verified the assumption of homogeneity of slopes, that is, we checked whether the experimental effect could be confounded with the differences found in product involvement and product ethnicity. Thus, we initially specified a MANCOVA model incorporating the interactions between the independent variable (i.e., the two target countries) and the three covariates. However, none of the interactions turned out to be significant, suggesting that homogeneity of slopes could indeed be assumed and that the MANCOVA results including only the main effects could be trusted.

In line with Study 1, the MANCOVA was highly significant (Pillai's trace = 0.036, F = 4.254, $p < 0.01$; Hotelling's trace = 0.037, F = 4.254, $p < 0.01$) indicating that the USA and China do indeed differ in terms of their pricing footprints. Moreover, both product involvement and product ethnicity also had a significant impact on the pricing footprint elements. Specifically, product involvement had a positive effect on all four prices, whereas product ethnicity had a positive effect on the "cheap", "expensive" and "too expensive" prices. Therefore, we retained both involvement and ethnicity as covariates and subsequently conducted a series of (one-way) analysis of covariance (ANCOVA) to identify differences between the target countries in terms of the individual elements of the pricing footprint. As Table 5 shows, the results of this analysis reveal differences in all elements of the pricing footprint, with China being consistently associated with significantly lower price levels than USA.

With regards to the magnitudes of the cross-country differences, the average prices (adjusted for the covariates) associated with USA surpassed China's by 25.1% (too cheap), 25.2% (cheap), 21.9% (expensive) and 28.1% (too expensive). Interestingly, these percentages differences are very similar to those observed in Study 1, despite the fact that the two studies were conducted in different product categories and countries.

Focusing on the within-country differences between adjacent elements of the pricing footprint (Table 6), we corroborate the finding of Study 1 showing that the "jump" between "too cheap" and "cheap" prices is much greater than between "expensive" and "too expensive" prices. However, the percentage variations are – in absolute terms – much more substantial than in the first study.

Again, to provide a complementary picture to that painted by the MANCOVA results, we specified a structural equation model in Lisrel 8.80 with the four elements of the pricing footprint as dependent variables (allowing their error terms to correlate) and country image, product involvement and product ethnicity as predictors. The results showed that all three predictors positively and significantly influence pricing footprint perceptions. Importantly, inspection of the relevant standardized regression coefficients revealed that country image has the strongest relative impact on all elements of the pricing footprint ($\beta_{TooCheap} = 0.179$, $p < 0.001$; $\beta_{Cheap} = 0.241$, $p < 0.001$; $\beta_{Expensive} = 0.201$, $p < 0.001$; $\beta_{TooExpensive} = 0.151$, $p < 0.001$).

5. Discussion and conclusions

Although COO is probably the most intensely studied construct in international marketing, "price-related consequences of COO have been widely neglected in extant literature" (Koschate-Fischer et al., 2012, p.21). The present study contributes to the scant body of research on this issue, focusing specifically on the COO pricing footprint which is a profile construct that brings together multiple price perceptions of consumers for a given product/brand originating in a certain country. By using Van Westendorp (1976) PSM to operationalize this footprint, we overcome the limitation of using a single question to capture

Table 4
Correlations among pricing footprint elements – Study 2.

	Cheap	Expensive	Too Expensive
Too Cheap	0.719	0.587	0.373
Cheap	–	0.849	0.668
Expensive	–	–	0.850

Note: all correlations significant at $p < 0.001$ (two-tailed).

Table 5
Differences in COO pricing footprints – Study 2.

	Adjusted Means (Std. Deviations)			
	Too Cheap	Cheap	Expensive	Too Expensive
USA	60.45 (42.47)	149.79 (100.54)	259.85 (168.28)	462.24 (387.57)
China	48.33 (32.36)	119.60 (87.64)	213.25 (161.48)	360.82 (299.89)
ANCOVA	$F_{3, 463} = 8.938$ $p < 0.001$	$F_{3, 463} = 13.201$ $p < 0.001$	$F_{3, 463} = 11.309$ $p < 0.001$	$F_{3, 463} = 7.250$ $p < 0.001$

[8] These significant differences were also supported by a series of independent samples t-tests conducted on the covariates.

Table 6
Average magnitudes of differences between adjacent pricing footprint elements – Study 2.

	Cheap	Expensive	Too Expensive
USA	Too Cheap + 147.8%	Cheap + 73.5%	Expensive + 77.9%
China	Too Cheap + 147.5%	Cheap + 78.3%	Expensive + 69.2%

consumers' price perceptions as some previous COO studies have done (e.g. Aichner et al., 2017; Bernard & Zarrouk-Karoui, 2014). Such studies directly ask respondents to state the specific price they would pay for a product/brand; however, "asking only one question about WTP is not recommended; using multiple questions provides more realistic results for pricing decisions, regardless of the format (open-ended or discrete choice)" (Desmet, 2016, p.684). Moreover, our experimental design involving participant exposure to *identical* products (fictitious brands) coupled with the explicit control of several potentially confounding consumer dispositions, further ensured that the observed differences in price perceptions can indeed be attributed to country image differences between the target COOs thus enhancing internal validity.

Our findings offer several important insights into the relationship between COO and consumers' price perceptions. First, the fact that two countries may differ significantly in terms of their images does *not* necessarily transfer into pricing footprint differences. This is aptly illustrated in Study 1 by the lack of significant differences between Germany and Ukraine across all elements of the pricing footprint despite the fact that the two countries differ significantly in terms of their images. But it can also be the case – as Study 2 clearly illustrates – that country image differences may very well translate into pricing footprint differences and that such differences can be substantial. These contrasting findings suggest that the specific context involved (in terms of the studied country and particular product category) influences the relationship between country image favorability and pricing footprint perceptions. This is in line with past studies reporting that the extent of the COO effect can vary widely across countries and product categories (Tseng & Balabanis, 2011).

Second, and related to our previous point, differences in country image favorability may impact the pricing footprint fully or only partly. This is illustrated in Study 1 by the significant differences observed between Ukraine and China for the "expensive" and "too expensive" price perceptions but not for their "cheap" and "too cheap" counterparts. In contrast, consistent differences across all elements of the pricing footprint were observed between USA and China in Study 2. Again, the findings seem to highlight the context specificity of pricing footprint differences and suggest that caution needs to be exercised when generalizing results across countries and/or product categories. In Study 1, Ukrainian consumers evaluated a brand from their own (home) country and also from two foreign countries differing in their COO favorability, whereas in Study 2, Brazilian consumers accessed only foreign brands from countries with distinct country images. In both studies, when the foreign origins were contrasted (i.e., Germany vs. China and USA vs. China), country image differences were fully reflected in differences in the four prices comprising the pricing footprint. However, when the home country was also involved (as in Study 1), no consistent pattern in terms of pricing footprint differences emerged from the findings.

Third, the relative (percentage) magnitudes of differences between COOs across different elements of the pricing footprint are remarkably similar/stable in both studies. Whenever such differences are observed between any two COOs, the price level of the more favorable COO (in terms of its image) exceeds the corresponding level of the less favorable COO by 20–25% on average in Study 1 and by 21–28% on average in Study 2. These similarities also hold when each element of the pricing footprint is compared individually across the two studies (e.g., the difference between Germany and China in the "too cheap" prices was 24.6% in Study 1 while the difference between USA and China on the same footprint element was 25.1% in Study 2). It is thus interesting to note that, if detected, country image differences seem to be "monetized" by a more or less "fixed" percentage price premium (irrespective of which specific COOs are compared or which element of the pricing footprint is involved in the comparison).

Fourth, of all consumer dispositions examined as covariates in the current investigation, only product involvement and product ethnicity were found to influence the pricing footprint. Widely used consumer characteristics in international marketing such as consumer ethnocentrism or cosmopolitanism, included in Study 1, do not seem to impact price perceptions, and the same – surprisingly – also applies to constructs such as price consciousness and price sensitivity, employed in both studies. This suggests that the pricing footprint is more dependent on the importance of the product category and the extent to which the latter is typical of a specific COO rather than broader socio-psychological characteristics of the consumer in terms of in- and out-group orientation (Zeugner-Roth, Žabkar, & Diamantopoulos, 2015).

Fifth, according to our findings, using perceptions of "expensive" price as a WTP measure – as advocated by Roll et al. (2010) – is not advisable. The reason for this is that the "expensive" price is – irrespective of COO – *substantially* lower than the "too expensive price". Specifically, the latter lies between 36% and 41% above the "expensive" price in Study 1 and between 69% and 78% in Study 2. This means that there is *a lot* of leeway for price increases before consumers find the price unacceptably high and thus become unwilling to purchase the product. If WTP is approached under a conventional economic perspective, then it should represent the consumer's reservation price, that is the *maximum* price that a consumer would be willing to pay for the product/brand. Under this light, the "expensive" price level thus seems to be a gross underestimation of WTP. If researchers or practitioners, wish to use a single value as an estimate of individual WTP (and subsequently construct a price response function), we strongly recommend that they consider alternative approaches (e.g., see Miller, Hofstetter, Krohmer, & Zhang, 2011).

From a managerial perspective, our findings suggest that brands benefiting from a *really* strong COO will generally find it easier to implement a premium pricing strategy. Thus, calling attention to the brand's COO in communication activities (e.g. advertising or package design) will encourage consumers to first notice and subsequently process the COO cue, ultimately resulting in a more favorable pricing footprint (i.e. one characterized by higher price levels). A major advantage of a strategy that tries to exploit the "plus value" connected to the brand origin is that it does not have a great impact on the company's cost structure. Specifically, the favorable image of a country can be emphasized in brand communications and spread online through digital marketing channels at relatively low cost. In particular, the origin of the brand can be an important input to brand story telling which can be enriched by the brand's history and authenticity connected to a certain country, as well as the expertise of craftspeople residing in the country.

At the same time, managers absolutely have to avoid creating any dissonance between the perceived country image on the one hand and the signal deriving from the product price on the other. The perception of a positive country image associated to a low price may induce the consumer to consider the product as "too cheap" and feel that the company is offering a product with an inferior quality. In addition to leading to non-purchases, this may have negative consequences for word of mouth and, consequently, for the company's image and reputation. Indeed, there might be a fine line between the prices at which consumers might view a product as being a bargain vs. an inferior good. Companies should therefore seek to induce a "bargain effect", whereby unusually attractive prices are accompanied by assurances of good quality (e.g. warranties, money-back schemes and the like).

Practitioners should also be cognizant of the fact that differences in country image perceptions may *not* automatically translate into pricing footprint differences and that, even if they do, not all elements of the footprint might be affected. This is good news for brands originating in countries with a less favorable country image – as illustrated in Study 1

by Ukraine whose pricing footprint was not found to differ from that of Germany. Having said that, such brands will be unable to exploit the benefits of umbrella branding based on their origin and thus pursue premium pricing opportunities simply because of their COO. Thus, if the brand's origin is not particularly strong, it is probably wiser to engage communication activities that highlight product attributes other than the COO (see also Verlegh, Steenkamp, & Meulenberg, 2005).

Regarding future research, there is a need for further conceptual replications of the current investigation in different product categories with different COOs as stimuli and conducted in different countries. Of particular interest in this context is confirming (or otherwise) the magnitudes of the cross-country differences in the pricing footprint elements which, as already noted, were found to be remarkably similar across both our studies. Related to this, is the question of what determines (within-country) differences among adjacent elements of the pricing footprint. Here, the results of our two studies diverged substantially from one another (with much greater "steps" observed in Study 2) and the question is whether product category specificity or other factors (e.g., the consumer's financial situation) can explain the observed divergence in results. Furthermore, making a distinction between luxury versus mass-market products can be insightful, since a luxury brand's value may be particularly attributable to its connection to a certain country over time (e.g. Chanel and France or Burberry and the UK). In addition, conducting within-subject experiments whereby respondents are simultaneously exposed to multiple products from different COOs should generate complementary insights into the country image → pricing footprint relationship to those offered by our studies. Finally, attention to potential moderating influences such as country familiarity or country affinity/animosity should further refine our understanding of how country image impacts the COO pricing footprint by identifying relevant boundary conditions.

Declaration of Competing Interest

The authors declare that they have no known competing financial interests or personal relationships that could have appeared to influence the work reported in this paper.

Appendix. Stimuli

Advertisement - Study 1

Press Release - Study 2

The picture shows one of the models from the new line of sunglasses of the (COUNTRY) brand Slitt, available online and in the stores since January of 2019.

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