EFFECT OF PROMOTING COUNTRY OF ORIGIN AS AN ETHNOCENTRIC APPEAL IN DEVELOPING LOCAL BRANDS: SPECIAL REFERENCE TO TELECOMMUNICATION INDUSTRY OF SRI LANKA

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Abstract: Sri Lanka is emerging as service sector driven economy with the GDP penetration of 50%-60% from service sector. After imposing the open economy policy in 1977, local brands had to gear ahead with intensive competition came from international brands. Telecommunication industry of Sri Lanka has been dominated by international brands, but local brands are strategically promoting the concept of country of origin (CO) or being local as a motive for citizens to deliberately purchase locally originated brands. In this context researchers viewed this branding practice, and selected 200 respondents from four geographical areas under the stratified probability sampling method to investigate the effect of country of origin in terms of brand performance. Both descriptive and inferential statistical analysis executed by PCA (principal component analysis) factor analysis accompanied with testing two hypotheses revealed that Country of Origin (CO) or promoting as being local had impacted less significantly on brand awareness and recalled power development of telecommunication brands against the competitive foreign brands. However, it has a significant impact on brand recalling power.

Background of the study

Ethnocentrism is one of the determinants that guides the consumer behavior, and often entails the belief that one's own race or ethnic group is the most important and/or that some or all aspects of its culture are superior to those of other groups. Other matter is brand developers consider both functional and emotional appeals in the context of developing and promoting their brands competitively. Hence, the association of country of origin along with cultural values, inheritance and other sort of socio-cultural morals that nourish the feelings of patriotism would make different impacts on customers' behavior and performances of local brands.

These local brands follow brand promotional strategies by highlighting their ethnocentric values tied up with emotional appeals to acquire a significant mind share and market share over the multinational brand competition. Locally originated telecommunication brands of Sri Lanka stimulate local customers on "Be Lankan, Buy Lankan" concept to acquire substantial results against foreign owned brands.

Multinational brands aggressively perform against local brands except for very few scenarios. Customers of third world countries have psychological perception that foreign made products are higher in quality and performances. This is a huge problem for local brands. Even though, local brands highlight the importance of being local for the customers to encourage them to purchase what is made in Sri Lanka where there are plenty of foreign brands available in customers' awareness set, would it be the key purchasing determinant in customers purchasing decision making process? This issue has been diplomatically considered in this study to investigate the effect of promoting CO on performance of local brands over the multinational brands available in the same market space.

Researchers figured out two research objectives:

1. To analyze the importance of stimulating country of origin (CO) as a positive perception to enhance brand awareness of local telecommunication brands.

2. To analyze the effect of ethnocentrism towards country of origin to enhance recalling power of local telecommunication brands.

This study is an empirical piece of work and the methodology is based on the deductive method. Researchers used structured questionnaire to interview 200 respondents represent different socioeconomic characteristics. This sample has been selected randomly and stratified sampling method was the methodology. Both descriptive and inferential statistics had been used to analyze the data and PCA model has been used as the main statistical model to analyze the data.

Related literature review

Country of origin and the heritage values of a brand are very significant in the international branding scenario. Papadopoulos and Heslop (2002) noted that CO influences consumer perceptions in at least 3 dimensions: as a purchasing cue for quality indication, as symbolic and emotional attachment to consumer and as a match with consumer's social and personal norms Ahmed *et al.*(2002) and Verlegh and Steenkamp(1999) stated that the CO effect is criticized as one of the least understood phenomena Furthermore, in an age of intensive international competition and globalization, the concept is increasingly under scrutiny. According to Thakor and Kohli (1996), the Sony Walkman might be designed in the USA, manufactured in Thailand but sold in Europe. Yet it is perceived as a Japanese product. The country of manufacture of Sony Walkman becomes less important than the cultural value associated with the Sony brand. The connotations associated with such different layer and depth of product-country image as "made/designed/assembled/distributed/sold-in" make

conventional CO research less relevant. Verlegh and Steenkamp (1999) concluded that the CO effect is not affected by multi-national production. Some scholars have argued that the concept of CO should be replaced by a more appropriate culture of origin or brand origin concept (Thakor and Kohli, (1996). According to Lim and O'Cass(2001) culture of origin or brand origin could be a more influential cue in determining consumer purchasing behaviour.

Bilkey and Nes(1982), Peterson and Jolibert (1995), Verlegh and Steenkamp(1999) noted that country-of-origin effects on product evaluations. Instead of presenting country of manufacture as the only available product cue, a number of recent studies have attempted to compare the relative salience of country of manufacture and brand effect on product evaluations (e.g. Nebenzahl and Jaffe, 1996). According to Kim and Chung (1997) unlike fictitious brands, every known brand possesses a certain value, known as brand equity, which is determined by the popularity, reputation and associated beliefs of the brand). Whether a high equity brand is able to supplement the effect of positive country-of-manufacture information and/or to compensate for the effect of negative country-of-manufacture information represents an intriguing research question.

Conceptual framework

As per the literature evidences and other findings of previous researches, it has figured out four variables for the dependent variables. Country of origin has been considered as the independent variable. The conceptual relationship of independent and dependent variables have been given in Figure 1.

Hypotheses. There are two hypotheses developed to test on PCA values. **H1:** Country perception of local brands has a significant impact on brand awareness building. **H2:** Degree of ethnocentrism towards country made products has a significant impact on brand recalled power.

Sample profile. The profile of 200 respondents those who were interviewed to collect empirical data had been given below. The demographic profile of the consumers consists with age, gender, area and profession of the consumers.

Age: Four categories were used as 18-25 years, 25- 35 years, 35- 50 years and above 50. Researchers wanted to get the responses from those who make purchasing decision themselves, and that was why age category began from 18 years.

Gender: Both male and female respondents were considered with equal quota (100 from each segment).

Professional background: It has considered four professional categories namely government service, private sector employees, business men and farming / self employed. Another category was under graduates or A/L leavers but make their purchasing decisions themselves. All the five categories were considered in each geographical area when it decided the sample units to collect the data on judgmental basis.

Areas: Researchers used the judgment sampling technique to gather data from four areas from three districts. Those four areas are considered to be diversified too differently in terms

of culture, social backgrounds, beliefs and social norms. Gampaha, Negambo, Galle and Kandy were the four areas.

FIGURE 1. CONCEPTUAL FRAMEWORK
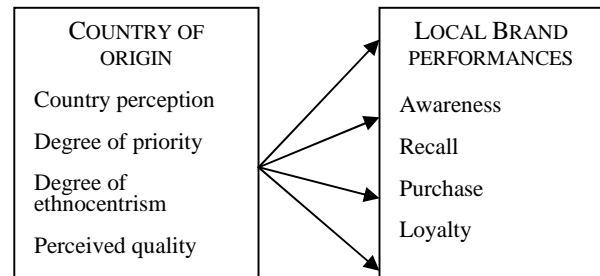
Methodological justification of applying PCA model (Principal Component Analysis). PCA in marketing research is most often used to explore dependence structures in multivariate data (Belk, 1985; Belk et al., 1984; Childers et al., 1985; Jaccard et al., 1986; Kale, 1986; Newman and Sheth, 1985; Zaichowsky, 1985). For example, a researcher may be interested in exploring the underlying structure of various attributes of designated brands and their importance in impacting overall preference. Alternatively, PCA is often utilized in resolving problems with multi-collinearity (Rangaswamy and Krishnamurthi, 1991) where a reduced set of principal components is often employed in a subsequent regression framework to explain some designated dependent variable. A principal component analysis is concerned with explaining the variance - covariance structure through a few linear combinations of the original variables. Although *P* components are required to reproduce total system variability, often much of this variability can be accounted for by a small number, *K*, of the principal component. In this model:

Y - local brand performance {these dependent variables consist with four variables such as awareness (Y_1), recall (Y_2), purchasing decision (Y_3) and loyalty (Y_4)};

X - country of origin (independent variables);

X_1 - country perception, X_2 - degree of priority;

X_3 - degree of ethnocentrism, X_4 - sign of perceived quality.

Based on the relationship between independent and dependent variables, the PCA model can be constructed as follows.

$$Y = aX_1 + bX_2 + cX_3 + dX_4$$

This model has been specified under four variables of local brand performance namely brand awareness, recall, purchase and loyalty.

Data analysis and discussion of tested hypotheses

Statistical data tables of PCA values had been used to test the two hypotheses developed above, and managerial interpretation has been discussed along with the results stated below.

Testing hypotheses. As per the tabulated values measured for each variable, hypotheses have been tested. The idea behind the PCA is data reduction by several steps among different selected variables in which affect to identical main factor, hence the final objective was to interpret the data set using few meaningful factor. Statistically it is impossible to conduct significance test under PCA analysis.

H1: Country perception of local brands has a significant impact on brand awareness building. H1 is rejected with the first principal component value of 0.033. However, H1 is accepted with the second principal component value of 0.910 (Table 1).

$$Y_1 = 0.033x_1 + 0.613x_2 + 0.554x_3 + 0.567x_4$$

$$Y_2 = 0.910x_1 + 0.036x_2 + 0.293x_3 + 0.193x_4$$

According to the principal component values, the tabulated figures revealed that this hypothesis is rejected under the first principal component value because the respective probability is 0.033. This value is far behind than the average value of 0.5. However, under the second principal component value, it has been accepted because it describes the function by 0.910 of value. It has 0.662 (66%) of probability to impact on brand awareness of the local brands . Therefore, country perception is not significantly impacting on developing strong brand awareness for local brands.

TABLE 1: PRINCIPAL COMPONENT VALUES OF LOCAL BRAND AWARENESS

Variable	PC1	PC2	PC3	PC4
X11	0.033	0.910	0.345	0.082
X12	0.613	0.036	0.035	0.789
X13	0.554	0.293	0.640	0.441
X14	0.567	0.193	0.679	0.427

Source: Analyzed Data SPSS 2009

TABLE 2 PRINCIPAL COMPONENT VALUES ON BRAND RECALL POWER

Variable	PC1	PC2	PC3	PC4
X21	0.523	0.401	0.467	0.589
X22	0.507	0.325	0.792	0.043
X23	0.392	0.853	0.116	0.324
X24	0.558	0.071	0.365	0.737

Source: Analyzed Data SPSS 2009

H2: degree of ethnocentrism towards country made products has a significant impact on brand recalled power. H2 is rejected as per the first principal component values of 0.392. But H2 is accepted as per the second principal component value of 0.853 (Table 2).

$$Y_1 = 0.523x_1 + 0.507x_2 + 0.392x_3 + 0.558x_4$$

$$Y_2 = 0.401x_1 + 0.325x_2 + 0.853x_3 + 0.071x_4$$

As per the first principal component value this hypothesis is rejected because tabulated figures revealed that it has 0.392 of impact on brand recall power on local brands. However, under the second principal component values, it has been accepted because the tabulated value was 0.853 and this is an above average impact. The probability of this incident is 66% as per the second principal component values. Therefore, it is found that the degree of ethnocentrism for being local of a local brand did not impact significantly on brand recall power of local brands against foreign brands.

Conclusion

It revealed that the gravity of developing local brands is largely set on rational appeals and it has little emphasis for the country of origin. It has to have a vigorous focus on country perception as a quality or performance artifact rather a matter of emotional attachment.

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