



Cross Cultural Consumers Perceptions of Country-of-Origin and Luxury Brands

HANDINI AUDITA¹, MICHAEL MARCK²

¹Faculty of Economics and Business, Universitas Gadjah Mada, Indonesia

²Department of Marketing, University of Strathclyde, United Kingdom

Abstract

Understanding consumer behavior in the luxury industry is important. The extant literature suggests that cross-cultural conditions reflect the existence of differences in behavior and perceptions of consumers. This research investigated the way consumers in different countries and cultures perceive the country-of-origin concept in the luxury sector and also their perception about luxury brands itself. The purpose of this research was to investigate how the perception of the country-of-origin concept and the concept of luxury brands differs across nations. The value of this research is to provide empirical evidence describing how the different perceptions of country-of-origin issues and luxury brands contribute in the development of the fashion luxury brands industry. This quantitative research utilized online questionnaires attended by 190 respondents distributed from June 2012 to July 2012. Questionnaires were distributed online to different nation groups. The findings of the research indicate two interesting outcomes. First, for the case of fashion luxury brands, there were no significant differences of perceptions among the nation group perceptions regarding the country-of-origin concept. Second, there were significant differences of perceptions among the different nation group perceptions regarding to the luxury brand concept.

Keywords

Luxury brand, brand, fashion marketing, country-of-origin, cross culture, international consumers, consumer behavior

INTRODUCTION

The issue of country-of-origin image is a very important issue because it has a strong indirect impact on purchase intention (diamantopoulos, schlegelmilch, and palihawadana, 2011). Although several researchers have previously investigated the issue of country-of-origin and brands (aiello et al., 2009; kotler and gertner, 2002; chen et al., 2011), adding the issue of luxury brands to the topic has remained unique. This is due to the uniqueness and exclusivity of luxury brands which will tend to engage in relatively different consumer behavior compared to other ordinary brands (chevalier, and mazzalovo, 2008, p.2).

The issue in which today's globalization plays a "dual role as driver of luxury" (Kapferer and Bastien, 2009, p.13), has added to the interest to this research. The intrigue in issues related to brands and their country-of-origin rise due to the fact that several luxury high-end brands have

expanded their production factory to less developed countries/areas, in order to fulfill an increase in demand and to better satisfy their shareholders with greater equity. European luxury fashion brands such as Prada are currently manufacturing 20% of their range of the men and women fashion goods in China (Passariello, 2011). The practice of expanding their factory locations provoked debates among several fashion and marketing experts (Armoudom, 2012 ; Carreon, 2011). Some customers might argue that having the luxury brand products produced outside the home country of the luxury brand will fade the pride and exclusiveness of the brand itself (Binlot, 2011). With the explanation given, combining the concept of COO and luxury brands' perception makes it a very interesting subject to research.

The aim of this research is to investigate how the perception of the country-of-origin

✉Correspondence to :

¹Faculty of Economics and Business, Universitas Gajah Mada, Indonesia.

E-mail: audita@ugm.ac.id

²Department of Marketing, University of Strathclyde, United Kingdom.

E-mail: m.marck@strath.ac.uk

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concept and the concept of luxury brands differs across nations. The first objective of this research is to determine the cross-cultural perspective of the country-of-origin (COO) concept. The second objective of this research is to determine the cross-cultural perception on the luxury brand concept. Cross-nation samples were formulated in order to better understand the cross-cultural phenomenon of the issue on COO and luxury brands. Some networks of luxury consumers from 9 different nation groups (Indonesia, Thailand, United Kingdom, United States of America, India, China, Italy, France, and Germany) were generated in order to address the aim of the research. This research paper defines the final quantitative results and the exploration of the analysis of the research.

LITERATURE REVIEW AND HYPOTHESES

Country-of-origin (COO) and its Linkage to Brands

Globalization today has led businesses to operate without limits and geographical borders which have resulted in the issue of country-of-origin (COO) to become a forefront issue for many researchers. "The COO concept evolved into a more complex notion as global production operations became increasingly diverse, and new market opportunities continue to emerge in both developed and developing countries" (Aiello et al, 2009, p.324). Business efficiencies and effectiveness today have made the luxury producers expand their production activities. For example, one brand might design their product in France, ordered the materials in Italy, then manufacture the product counterparts in China, and in the final end the product is resembled again in Paris.

In the past, the perception of COO was simply more likely to be perceived as the 'made-in country' in discussions regarding the brands (Nebenzahl, Jaffe, and Lampert, 1997). The 'made-in country' is also defined as the 'country-of-manufacture' (COM) (Samiee, 1994). Thus, in the early stages, the country in which a certain product is completely assembled was perceived as the country of origin of the product.

The 'country-of-design' (COD), which is associated to the location where the product is designed and developed, also plays an important role in building the COO image (Kotler and Gertner, 2002). However, the

topic of COO becomes even more complex taking into account the fact that, to enhance creativity and productivity, many businesses will have different combinations of COM and COD in producing a product which sits under the umbrella of their well-known brand. Because of that matter, the concept of 'country-of-brand' rises, which refers to the specific country in which a certain brand is highly attached to: usually it will refer to the central headquarters location of the brand (Aiello et al, 2009). "The COO is commonly considered the country that consumers typically associate with a product or brand, regardless of where it was manufactured" (Aiello et al, 2009, p.325).

As COO becomes one of the subjects of great interest to many researchers, several researchers had been able to identify the interaction of brand with the COO. Nebenzahl, Jaffe, and Lampert (1997) stress the fact that the country image associated with the COO will play a major role in building the perception of the product and brand. This assumes that when consumers have no previous experience with a certain brand, consumers will view the product or brand based on the country image attached to the particular product or brand. Because of that matter, it is interesting to investigate how the luxury consumers perceived about the COO concept in order to confirm the significance to the brand image. Diamantopoulos, Schlegelmilch, and Paliawadana (2011) noted that the COO image of a brand delivers an indirect impact towards the purchase intention of the consumers, the brand image playing a role as the mediator. This indicates the importance of the COO perception of the consumers in building the brand image.

The Luxury Brands

The definition of luxury has remained debatable, resulting in no single definitive meaning to clarify the parameters of luxury (Atwal and Williams, 2009). Luxury brands themselves are very democratic, meaning that defining luxury depended highly on the perception of the potential clients or consumers (Kapferer and Bastien, 2009). However, several researchers have suggested numerous alternative opinions to capture the parameters of luxury brands. Chevalier and Mazzalovo (2008, p.vii) mentioned that "luxury brand is a selective and exclusive one; that is, it is almost the only brand in its product category, giving it the desirable attributes of being scarce,

sophisticated and in good taste". Luxury brand should have performed the elements of artistic contents, craftsmanship, and being able to be valued equally in an international perspective (Chevalier and Mazzalovo, 2008, p.xi). Beverland (2004, p.446) also mention that "luxury brands are complex combination of dedication to product quality, strong set of values, tacit understanding of marketing, a focus on detail, and strategic emergence".

The consumption of luxury brands is considered as a conspicuous consumption, in which different groups of consumers have different perceptions in regards to luxury brands (Phau and Prendergast, 2000). Extant literature indicates the country-of-origin of the luxury brand contributed positively in the purchase decision process, although there is an indication that there is a difference in the perception of the importance level across different nations (Godey et al, 2012). Due to the contribution of the country-of-origin in the purchase decision process, it indicates the needs to conduct further investigation on the cross-cultural perception of this issue.

Building Luxury Brands

Studies have indicated that in order to achieve success for luxury brands, there is a need to create a "quality craftsmanship, heritage and history" (Roberts, 2012). French-based brands like Hermes, which has been known as the "world's most elegant business" have highly maintained the quality of their products by giving attention to every single detail in their manufacturing process and their "uncompromising quality", that are represented in the brand credo "que l'utile soit beau" or "that the useful be beautiful" (Derdak and Pederson, 1998). The product is produced in such sophisticated ways in order to produce quality and exclusivity. As an example, authentic Hermes bags all have an authentic code, which ensures the consumers are aware of the quality that the product delivers (Yusuf and Dewi, 2011, p.147). This action reflects that the trusted value of the brand is highly important in delivering the luxury brand.

Some brands associates their luxury brand to an influential individual that represents sophistication, elegance, and power (Richard, 1995, p.750). In some radical cases, there is a need of the luxury

brands to reposition itself in the luxury market after years of establishment by associating their brands to a specific influential individual (Moore and Birtwistle, 2005). This leads to the opinion that brand identity is a very important element in the luxury business, which will define the strength of the luxury brands (Chevalier and Mazzalovo, 2008, p.81). In countries like China, which is currently home to one of the largest groups of luxury consumers, people will buy the latest item of luxury fashion to represent to the rest of society that they are wealthy and should be respected accordingly (Carreon, 2011). This creates an impression that the consumption of the luxury brands would represent the enhancement of "quality of life" for individuals. One might agree that the reason some groups of consumers treat luxury goods as a means to express their quality of life is due to the strong historical attachment of desired identity stemming from the brand associations. This has led to developing the aim of this paper to investigate how consumers perceive luxury

METHODS

This research is a Quantitative research using a descriptive analysis. Descriptive research will generally provide answers to the "who, what, where, how, and when" of the research (Wilson, 2012, p.35). In this manner, descriptive research is the best way to describe the current trend of the luxury industry and how the consumers perceive COO and luxury brands. This also means that the information that will be defined by the descriptive research will be likely to be a "precursor to explanation" (Saunders et al, 2012, pp.171).

Online questionnaires were utilized in order to generate responses from respondents from many parts of the world which is an efficient data collection mechanism when the researcher knows exactly what is required and how to measure the variables of interest (Sekaran and Bougie, 2010, p.197). Open ended and closed ended questions were developed in order to answer the research objectives of this research.

Table 1 Respondents Characteristics

Nation Groups	Male	Female	Total
Indonesia	38	38	76
Thailand	4	13	17
United Kingdom	14	19	33
United State of America	4	9	13
India	2	8	10
China	4	16	20
Italy	5	4	9
France	2	7	9
Germany	1	2	3
Total	74	116	190

Online questionnaires were distributed from June 2012 to July 2012. The population of interest in this research was males and females ranging in age from 18 to 65, who have experience of buying and using luxury brands products. Through a judgmental sampling method, 190 valid respondents from 9 different nations participated in the research. In the Table 1 is determine the characteristics of the sample participated in this research.

RESULTS AND DISCUSSION

Objective 1: The perception of the Country-of-origin (COO)

For objective 1, consumers were asked to define if country-of-manufacture (COM) or country-of-design (COD) were the most appealing factors in perceiving the country-of-origin (COO) of the luxury brands. One-way ANOVA analysis was performed to indicate the potential differences of preference between each national group.

Table 2 the Level of Importance of COD and COM among Nations

No.	Nation Groups	Importance of COD mean score*	Importance of COM mean score*
1.	Indonesia	3.28	3.47
2.	Thailand	3.76	3.47
3.	United Kingdom	3.39	3.27
4.	United States of America	3.46	4.00
5.	India	3.80	3.60
6.	China	3.85	3.30
7.	Italy	4.33	3.89
8.	France	3.44	3.78
9.	Germany	3.67	4.00
International Perspective		3.66	3.64

*Minimum Score = 1, Maximum Score = 5

Table 2 represents the comparison of the level of importance between country-of-design (COD) and country-of-manufacture (COM) with the different nationality of respondents. Looking at the average result, in an international perspective, the COD were perceived slightly more important than COM. However, comparing the result among the nation groups, for COD, there is no major statistical difference between groups ($F=1.397$ with $p=0.200$). The same result occurs for the COM where there is no large statistical difference between groups ($F=1.129$ with $p=0.346$). This indicates that between each nation, there are not many differences in the way the respondents perceived the level of importance of the COD and COM in purchasing the luxury brand. The result shown in this research can be an

indication of the aggressiveness of globalization in which borders of nations becomes to fade. Consumers in different nation groups are able to access similar information which resulted in the similarity of priority perceptions when choosing a luxury brand.

The next analysis to be conducted is to evaluate how strongly the element of COD and COM represents the country-of-origin (COO) of a luxury brand. The analysis is done by conducting a crosstab analysis to compare how much these two elements (COD and COM) represent the COO of a luxury brand among different national groups. The Chi-square test for independence indicated no significant association between the national groups with COD and COM, with $p=0.179$ ($p>0.05$) and $\phi=0.245$. This means

that the proportion of each national group that considers COD to be a representative of COO is not significantly different from the proportion of other national groups that also consider a link to exist between the two.

Table 3 The COO Concept According to Respondents (in per cent)

No.	Nation Groups	COD	COM	COO
1.	Indonesia	59.2	40.8	100
2.	Thailand	64.7	35.3	100
3.	United Kingdom	72.7	27.3	100
4.	United States of America (USA)	61.5	38.5	100
5.	India	80.0	20.0	100
6.	China	45	55	100
7.	Italy	100	0	100
8.	France	55.5	44.5	100
9.	Germany	66.7	33.3	100
Total Average Score		67.25	32.75	100

Table 3 shows that the majority of respondents value COD to represent COO more compared to the COM. This indicates that most people within all national groups chose COD to be better in representing the COO of a luxury brand, as 63.7% of the respondents perceived COD to be better at representing COO. Meanwhile only 36.3% of the respondents value COM to be better at representing COO.

Unique results were shown in the USA and China nation groups. The USA nation group, for instance, when they were asked to evaluate the level of importance of COD and COM in evaluating the luxury brands, the USA nation group considered the location where the product is being physically manufactured (COM) to be more important than the location where the product is being designed (COD). However, when the USA nation group were asked for their opinion of the COO concept, it is surprising that the majority of the USA respondents (61.5%) perceived COO more as the location where the product is being designed (COD) compared to the location where the product is being manufactured (COM).

The difference of results in the level of importance regarding the perception of the COO creates the assumption that these elements cannot be viewed in the same way. Consumers might perceive the manufacturing location (COM) to be highly important in

evaluating their likeness to a certain luxury brand. However, this does not always mean that the same condition applies when they perceive the COO of the brand. For example, when an American consumer purchases a Prada bag, they will make sure that the Prada bag was not manufactured in the location that they preferred less. However, when he or she is being offered a Prada bag, the individual will consider Italy to be the country-of-origin of the brand due to the awareness that the brand has been designed in Milan, Italy.

Objective 2: Consumers perception of luxury brand purchase decision

In order to investigate the reason which best describes the process that stimulates the purchase decision of a luxury brand, using a Likert scale, the respondents were asked to evaluate statements which define different purchase decision reasons. Using descriptive analysis, the mean score of each element determines the average reason for the purchase decision made by the luxury brand consumers. Using a One-way ANOVA, the differences of the average reason for the purchase decision made by each national group were determined. Table 4 determines the differences of mean scores among nation groups allocated to every purchase decision element.

Table 4 Cross Culture Ratings on Luxury Brand Purchase Decision Elements

No.	Nation Groups	Trusted Value	Unique	Represent Personality	Relates To Other Desired Individuals
1.	Indonesia	4.22	4.06	3.66	3.31
2.	Thailand	3.70	4.35	3.76	3.70
3.	UK	3.88	3.84	3.36	2.97
4.	USA	4.77	4.61	4.23	3.54
5.	India	4.10	4.50	4.20	3.50
6.	China	4.80	3.85	3.80	3.35
7.	Italy	4.00	3.45	3.33	3.22
8.	France	3.44	3.56	3.22	3.11
9.	Germany	4.33	3.33	3.00	2.33

The One-way ANOVA analysis showed that there was a statistically significant difference at the $p < 0.05$ level in the reason for buying luxury products where consumers perceived the trusted value of the brand to be important ($F(8, 181) = 2.89, p = 0.005$). This also applies to other reasons such as the ability to provide a unique identity ($F(8, 181) = 2.47, p = 0.14$) and the ability to represent the consumer's personality ($F(8, 181) = 2.06, p = 0.42$). This indicates that there is a slight difference in the opinion given to these three reasons by the nine national groups participating in this research. For the element of "buying luxury brands because of the trusted value given", for example, the Chinese group of respondents' response to this statement was extremely strong, to the extent that they almost completely agreed (mean score = 4.80). On the other hand, the French groups of respondents responded to the statement in an almost neutral manner, in

which sense they are close to neither agreeing nor disagreeing with the reason (mean score = 3.44).

Aside from the significant differences in the mean score of the three purchasing decision reasons among the nine nation groups, the reason of "buying luxury brands because of the relatedness of the brand to an individual that the consumer desires" appears to result in no significant differences among the national groups ($F(8, 181) = 1.058, p = 0.395$). This means that there is a similarity on the perception among the national groups towards this particular purchasing decision reason. This makes sense if we refer to Table 4. The numbers in Table 4 reveal that every national group participating in this research had rated the reason of "purchasing luxury product because of the ability of the brand to relate to an individual that respondents desire" to be the least agreed reason for purchase.

Table 5 Top 6 Most Common Key Words of Luxury Brands

No.	Keywords	Amount
1.	Quality	50
2.	Expensive	38
3.	Association to a brand	34
4.	Lifestyle/identity	28
5.	Famous designer/design	22
6.	Prestige	21

After observing the reasons of purchasing luxury brands, respondents were asked to define their definition of luxury using an open-ended question. Table 5 shows the top six most mentioned keywords by the respondents that define their perception of what a luxury brand is. From the results of this research, it is revealed that within an international perspective, a *luxury brand is a brand designed magnificently by great designers, which defines quality offered at a high price, which is able to create a special identity status or lifestyle*. Interestingly, there were 34 responses that directly associate luxury to a specific brand such as Louis Vuitton, Prada, or Hermes. This creates the assumption that some consumers perceive a brand to be luxury, simply because other consumers generally believe the brand is luxury.

CONCLUSION

This research has been conducted by collecting online questionnaire responses from 190 luxury consumers of nine different national groups (Indonesia, United Kingdom, Thailand, China, United States of America, India, Italy, France and Germany). It was observed from the analysis that there were no significant differences of perceptions among the nation groups' perceptions regarding the country-of-origin concept. This shows that the respondents perception in the concept of country-of-origin reflect the influence of globalization in the market. The increase in globalization, such as the lack of restrictions on national borders (individuals are able to move from one part of the world to another more easily) and the borderless nature of information technology (through the existence of the internet and social media), seem to have a large influence in creating similar knowledge and perceptions throughout the global luxury market.

In contrary, there were significant differences of perceptions among the different nation groups' perceptions regarding to the luxury brand concept. This indicates that there should be an adaptation of marketing approaches given to different national groups because of the differences in their attitudes. In defining the luxury brands, consumers described a brand that is designed magnificently by great designers, which defines quality, which is offered at a high price, which is able to create a special identity status or lifestyle. This supports the definition of luxury brands proposed by

previous researchers where the elements of quality, exclusivity, craftsmanship and others formulate the luxury brand definitions.

The results of this research deliver contributions to several aspects. First, this research delivers contributions to the academic literature, having the luxury brand definition being defined. Second, the cross-cultural phenomenon performed in this research could be guidelines for strategic actions performed by luxury brand firms in conducting internationalization of their luxury brands. This research is also beneficial for new entrants to luxury brands market.

A significant limit of this research is the distribution of the respondents, meaning the sample of 190 respondents was from nine different countries that are not distributed equally among the nation groups. Thus, for future research, using a cluster analysis with a larger sample size will be able to formulate equally distributed numbers of respondents in each nation groups, and thus cross-cultural studies could be better conducted on a similar research. Also, having the cross-cultural perception of luxury brand being defined, it is interesting to investigate factors that influences the differences in the way consumers perceived luxury brands.

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