The Effects of Brand Origin on Brand Perception and Purchase Intention in a B2B Context

Management Summary

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The machine on the left side of this assembly line is German!
- What about the one on the right side? Is that one identical?
- Yes and no, it produces the same output, but it is Italian ...
- ... [Silence]

Conversation between controller and engineer in a major steel plant,

THE EFFECTS OF BRAND ORIGIN
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Just as a reputable brand name adds to the credibility of a
comp any and its products, a reputable source country adds to
the credibility of a brand name. The source country of a brand
name – the brand origin – can be a factor to help build a strong
brand name among target customers. In the present report, we
summarize the findings of a study on whether and how the
perceived country of origin of a brand impacts on the purchase
intention of managers operating in a business-to-business
context. First, we elaborate the logic and conceptual pillars of the
study. Next, we discuss the major findings of a survey among
STEM members. Finally, we discuss major managerial
consequences and suggested brand strategies.

Perceived brand origin (PBO)

Creating a respectable corporate or product image in the mind of
your (future) customer lies at the heart of any B2B branding
strategy. Apart from your branding strategy, this image is
formed by a multitude of factors such as business conduct,
performance of your products, the customer orientation of your
sales force, and so on. Customers also judge your company or
products on the basis of other associations, one of which is the perceived brand origin (PBO).

PBO refers to the country a brand is perceived to belong to. The PBO of a product or company should not be identical to the real origin of your products, the ‘made in’ label, or where your HQs are located. Rather, every potential origin cue may be used by your (potential) customers to shape a PBO. Figure 1 shows some of the information that can be used by customers to help form the brand’s origin in their minds.

![Figure 1. Information used in company brand origin association](image)

Based on: Effects of perceived brand origin associations on consumer perceptions of quality. Thakor & Lavack (2003), p. 396

**Country Images: Stereotyping versus Normative Beliefs**

To understand the potential of PBO, we have to distinguish between country image and product image. Think about the desired characteristics of robotics for the automotive industry. Some of these characteristics can be linked easily to the stereotypes we may have about certain countries. In fact, automotive robotics is fairly easily linked to the stereotypes we have on Japan or South Korea, yet more difficult to link with the country image of Portugal or Russia. The fact that the latter
countries (may) have high level players in this industry is close to irrelevant to the potential impact of PBO.

These stereotype beliefs (either correct or incorrect) on countries help form an attitude towards doing business with the company (see Figure 2). Research on consumer behaviour shows that these attitudes can be used as predictors of purchase intention and purchase behaviour. Stereotyping is common in the industrial sector, but the effect size on purchase intention is specific to different situations. France is praised for its luxury products as wine, extravagant clothing, perfume, not for its advanced electronics. Japan is famous for its electronics, but not for its perfume. Also, stereotyping behaviour itself can be more prominent in some (e.g. highly patriotic) cultures or countries than in others, and even differ among individuals in the same country. Research as shown that inhabitants of smaller, internationally oriented countries do not give the same weight to stereotypes as do large, isolated countries.

“Think about a German shoe ... compare it to an Italian one. Now, compare a German machine with an Italian.”
- Prove given

Next to evoking stereotype-associations, the PBO may also influence purchase intention through subjective norms (Figure 2). Subjective norms are experienced by a person stemming from social pressure from either outside (e.g. special interest groups), or inside the company (e.g. colleagues, boss). Outside the company, political tensions can give rise to subjective norms in the form of boycotts. Other norms can be related to guidelines from Corporate Social Responsibility (CSR) programs. Inside the company, managers are at times judged by their peers according to the companies in their accounts. Normative responses affect purchase intention irregardless of a person’s own attitude.
towards the brand. The actual magnitude of the effect is determined by the managers tendency to comply to these norms.

**Figure 2. The effects of country image on purchase intention**

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Country of brand origin image

Social pressure

Subjective norms

Purchase Intention

Beliefs about the brand origin

CSR programs
Esteem among colleagues
Other

Attitude towards the brand

Product performance
Business conduct
Other (friendliness, service, etc.)
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The effect of PBO on purchase intention can be due to a combination of the above described processes. It is important to know the reasons behind the effects of your PBO on customer purchase intention. For reasons described later on, the implications of both processes for branding strategy are different.

First, we describe a study in which we investigated the relative importance of these two explanations of the impact of perceived brand origin on the purchase intention of managers.

**The Study**

To test the effects of brand origin in a B2B setting, two questionnaires were developed. Japan and China were selected as the virtual source countries. Japan was chosen because it is famous for its superior design and manufacturing capabilities.
China contrasts sharply: it is a communist country, and still in the difficult transformation process from a planned economy to a more open economy (World Bank, 2003). Yet, China has received very high interest from companies all over the world, and the past five years the economy is booming. The questionnaires were distributed among members of the Stichting Techniek en Marketing (STEM). In total, 136 managers responded to the questionnaire.

136 Dutch STEM members completed a questionnaire on buying from a Chinese or a Japanese supplier

Major Findings

Our research confirmed the hypothesis that perceived brand origin (PBO) significantly impacts on the buying intention of Dutch B2B managers. The image of Japan and China was used to form beliefs about the performance and conduct of the originating company. This stereotyping effect occurred for both people familiar and unfamiliar with the country, and no large differences in strength were found between the groups. The size of the stereotype effect on attitude is the same as those for consumer goods, reported in earlier studies.

In contrast to Japan, the image of China also seemed to evoke subjective norms strong enough to influence purchase intentions. Although this normative process constitutes a smaller effect on purchase intention, the fact that it is only observed for China, highlights the complexity of PBO effects.
Perceived Brand Origin and Branding Strategy

The relevance and impact of perceived brand origin (PBO) in a B2B context has several implications for marketers. First, marketers should be aware of their company’s PBO and its related country image. It should be noted that the PBO is not either one of the physical locations your company is associated with, but an origin association deeply embedded in the customer’s mind. Hence, changing manufacturing locations or HQs will not necessarily affect customer perceptions. From a positive side, this also implies that shifting operations to developing countries need not necessarily influence brand origin perceptions. PBO is more complex, as it is shaped by a subjective combination of many, if not all, origin cues known to your customer.

Understanding the processes behind PBO effects is of importance to international marketers. Effects of your company’s PBO can be different in each international market for each product category. Insights into the strength of the country stereotype image and into the existence of subjective norms can help make your branding strategy more effective.

Foremost, your customer will use the country stereotype of the PBO as a predictor of your company’s performance and conduct. If the image of the country of PBO is favourable, using it in marketing efforts can help build a strong brand image. Marketing communications (through sales presentations, brochures, white papers, references in the brand name, etc.) can highlight the favourable elements of the PBO, to make customers more aware of it. Associations with other products or industries with the same favourable PBO can also be made. If the country image is unfavourable, your company should try to disassociate itself from the undesired PBO. Foreign branding is one way in which company’s try to attempt to create a more international image. The company can also emphasize other (desired) origin associations and stress their importance in brand evaluation. Changing distribution channels is a third option; for instance by
selling products through subsidiaries, International Joint Ventures or local distributors.

Normative responses to the PBO are not present for every PBO. If customers, however, do experience negative subjective norms, it is important to know the reasons behind it. Next to manipulating customer origin perceptions, complying with the social values that trigger the norm could give managers arguments not to give in to social pressure. To overcome part of the objections to buying foreign-made cars, Honda opened plants in the U.S. If worries about inadmissible working conditions trigger strong public reactions, your company should live up to ethical standards and make arguments stressing the firm’s leading role in social development. However, the key to success is getting the message to the target customer.

Conclusion

This report discussed if and how PBO influences customer purchase intentions. Our study showed that even in a Dutch industrial context – can you get more rational? – Perceived Brand Origin impacts on customer purchase intentions through (mainly) stereotyping and subjective norms. Depending on the country of PBO, both effects can occur simultaneously.

Even in a Dutch industrial context – can you get more rational? – Perceived Brand Origin impacts on purchase intentions

For managers, this means they should be aware of their company’s PBO. If favourable, the PBO can be a valuable association to tie to the brand image. If unfavourable, managers need to distinguish between the processes behind the negative appreciation to control the potential negative image associations on the company brand.
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Suggestions for further reading


