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## Local brand origin knowledge of young consumers in a developing country

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**Abstract:** The aim of the study was to explore local brand origin knowledge among young consumers in a developing country, specifically Indonesia. The study followed inductive logic and qualitative approaches. The research process was characterised by a hermeneutic process through which the search for meaning and understanding moved from pre-understandings to understandings on a higher level. The study relied on a small number of young consumers who had a very limited knowledge of local brands. The study suggests that young consumers in a developing country do not seek to find information on brand origin. They misclassified local brands based on their evaluation of the brand name, brand associations and the image of their home country and the misperceived country of origin. The paper is valuable for local brand owners seeking strategies to enhance competitiveness in the domestic market. They need to develop positive brand associations since it will lead to a more favourable home country image of and greater commitment to their brands.

**Keywords:** local brand origin knowledge; brand associations; home country image; brand commitment.

**Reference** to this paper should be made as follows: Sulhaini, Rusdan, Dayani, R., Sulaimiah and Ismiwati, B. (2019) 'Local brand origin knowledge of young consumers in a developing country', *Int. J. Applied Management Science*, Vol. 11, No. 1, pp.72–90.

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This paper is a revised and expanded version of a paper entitled 'Local brand origin knowledge of young consumers in a developing country' presented at The 1st Asia Pacific Management Research Conference, Lombok-Indonesia, 8–10 November 2017.

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## 1 Introduction

The most recent wave of publications on the concept of country of origin (COO) shows that attention has shifted from the country of product origin to the country of brand origin. The globalisation of manufacturing has shifted manufacturing bases from

developed-high cost countries to developing-low cost countries, making the concept of country of manufacture less important. Information on 'made in...' can change frequently as the country of manufacture is shifted, but brand origin information may remain. A number of studies have revealed that the country of brand origin is more important than the country of manufacture (Phau, 2010; Dikcius and Stankeviciene, 2010). Consumers are generally unconcerned about the origin of the products that they purchase, but their behaviour is underlined by information or their knowledge of the origin of the brands. Indeed, consumers no longer rely on the information of the country of manufacture to evaluate product quality (Lim and O'Cass, 2001); instead, their evaluations are greatly affected by other information including brand origin and further research is thus needed to explore the issue (Diamantopoulos et al., 2009). Therefore, future research on COO should focus on consumers' brand origin knowledge.

Previous studies have generally found that brands from developed countries are perceived as better than those from developing countries (Zhuang et al, 2008; Dikcius and Stankeviciene, 2010). Similar to the 'made in...' concept, the level of economic, political and technological development of a certain country has been shown to influence the image of the country and its brands. Brands will be evaluated more favourably when they are aligned with countries that are viewed favourably (Shimp et al., 2001). Brands from developing countries tend to suffer both in the global and domestic markets as economic, politic and technological development remains behind developed countries. Consumers in developing countries have stronger preferences for foreign brands. Zhuang et al. (2008) strongly argued that the country of brand origin can motivate consumers in developing countries based on symbolic and status enhancement in addition to quality evaluation. They believed that the effect is stronger in developing countries than developed ones due to the greater expense of imports. Consumers in developing countries tend to imitate the consumption patterns and lifestyles of consumers in the developed world and the increase in the number of cosmopolitan people who wish to participate in the global consumer community. They warn that a serious consequence of the growing admiration for foreign brands in developing countries is a loss of confidence and pride in local goods and brands. Consumers in developing countries have a lack of knowledge regarding brands from their own country; they admire and misperceive the brands as foreign ones (Zhuang et al., 2008; Zhou et al., 2010). This is particularly true among young consumers in developing countries (Balabanis and Diamantopoulos, 2011; Sulhaini and Sagir, 2015).

Despite a consensus that the country of brand origin is more powerful in explaining the image of particular country, there is little evidence of this conclusion from developing countries (Dikcius and Stankeviciene, 2010). Therefore, further research on country image should uncover the phenomena in developing countries (Phau and Suntornond, 2006). Accordingly, it is necessary to investigate of why consumers in a developing country tend to have a lack of knowledge regarding local brands as the extant literature does not provide the understanding. This study is therefore aimed at exploring local brand origin knowledge among young consumers in a developing country, specifically Indonesia.

## **2 Literature on brand origin knowledge**

Keller (2003) defined consumer brand knowledge as the personal meaning of a brand stored in a person's memory, including all descriptive and evaluative brand-related information. The place or country of origin of a brand can be the secondary source of this knowledge. Meanwhile, the country of brand origin or home country of a brand is defined as the country in which the headquarters of the company that owns the brand is located (Dikcius and Stankeviciene, 2010) regardless the country of manufacture (Zhou et al., 2010). It is also known as the country from which the brand appears to originate and describes the nationality of the brand (Essoussi et al., 2011). It further refers to the place, region or country to which the brand is perceived to belong by its target consumers (Thakor and Kohli, 1996). Furthermore, brand origin knowledge is defined by Shimp et al. (2001) as the consumer's ability to correctly identify where well-known brands originate. Consumers distinguish between knowledge of domestic and foreign brands. To this end, local brand origin knowledge is defined as the local consumer's ability to identify well-known domestic brands owned by domestic companies. Consumers with lack of such knowledge will hold misperception on the source country of local brands or to misclassify them as foreign ones. Therefore, these terms are used interchangeably in the paper.

Consumers often misperceive the origin of popular brands. Balabanis and Diamantopoulos (2011) argue that consumers often do not know the true origins of global brands and associate them with the wrong COO or are even unable to identify them with any country. This means that consumers may not know the correct COO of well-known brands. This seems to be true for strong domestic brands in emerging country markets such as India (Batra et al., 2000) and China (Zhuang et al., 2008). Consumers in developing countries are often confused and carry misperceptions of the nationalities of famous brands. Indeed, they may be unable to distinguish between local or domestic brands and foreign brands (Batra et al., 2000; Zhuang et al., 2008; Sulhaini and Sagir, 2015).

There are two interrelated situations leading to consumers' limited brand origin knowledge. First, insufficient information is available to consumers. Zhou et al. (2010) argue that information on brand origin is not always communicated by the owners as they tend to mask the true origin of their brands, leading to a lack of consumer brand knowledge and their inability to correctly identify brand origins. Nonetheless, the authors believe that consumers' confidence in brand origin, regardless of whether their notions are correct, will play a significant role in brand evaluations. This sustains the explanations from Balabanis and Diamantopoulos (2011) and Magnusson and Westjohn (2011). The strategy is deliberately developed as companies attempt to create the illusion that brands come from a country with a more favourable image (Magnusson and Westjohn, 2011)

Second, consumers conduct inadequate information searches. Lim and O'Cass (2001) argue that most consumers lack the time and intention to search for information on a brand's country of origin in the evaluation process. They may rely on the country of brand origin information disseminated as the result of the marketing activities of the

brand in various channels. Marketing activities influence consumers' perceptions of the origin of the brand by using spelling and pronouncing a brand name in another language – especially the language of a country with a more favourable image. Therefore, those authors propose the concept of culture of brand origin to explain why consumers associate certain cultural characteristics with a particular brand when they do not have information about the country of origin.

Consumers may not always be able to correctly identify the origin of a brand; however, they are able to classify culture of brand origin better than country of brand origin (Lim and O'Cass, 2001). This means that consumers find it easier to identify the correct culture of brand origin than the correct country of brand origin. Nonetheless, a consumer may harbour misperceptions of the culture of brand origin when he/she relies on a particular brand's marketing activities for information. The misperception is greater when the marketing activities deliberately cultivate the idea that the brand originates in a more favourable-viewed country. This occurs because companies in developing countries tend to apply foreign-sounding brand names and foreign symbols and endorsers to their branding and communication strategies (Zhou et al., 2010).

Creating a foreign-sounding brand name refers to the approach of spelling or pronouncing a brand name in a foreign language (Thakor and Lavack, 2003). In the context of developing countries, this generates perceived-brand foreignness, which represents the generalised perception that a brand comes from a foreign country, usually a developed country (Zhou et al., 2010). Brand names are often intentionally developed to associate the brand with another origin, i.e., Hinari and Matsui in the UK (Balabanis and Diamantopoulos, 2011; Chinen and Sun, 2011). The brand owner utilises a Japanese name to create the illusion that its products come from a more reputable country (i.e., Japan) in the electronic product category. China's Jasonwood and TCL apply a similar strategy. This strategy drives confusion among consumers about the origin of a brand and leads them to perceive it as a foreign brand. The brands owner takes advantage of local consumers' preferences for western brands and products to mislead them about brand origins (Zhuang et al., 2008).

Previous studies of consumers' brand origin knowledge provided different results for developed countries versus developing countries. Consumers in developed countries tend to have a better knowledge of and a more favourable attitude towards local brands than consumers in developing countries (Zhuang et al, 2008). The greater admiration for foreign brands in developing countries encourages more companies to build and enhance the appeal of their products by using foreign-sounding brand names in addition to foreign symbols and language in their advertising and product labels (Zhou et al., 2010).

Similar to brand origin knowledge, Zhou et al. (2010) introduce a new construct, confidence in brand origin identification, which is defined as consumers' belief in their judgement of a brand's country of origin. Consumers' evaluations are favourably/unfavourably determined by the image of the source country. Consumers infer the country reputation in a particular product category (Phau and Suntornnond, 2006), which influences the image of a brand (Speece and Nguyen, 2005). This implies that country image also influences consumer behaviour involving consumer knowledge of a particular country from which a brand originates. The effect of the country image involves the issue of loyalty to the source country (Lantz and Loeb, 1996). Because it includes brand origin, it is embedded within brand image. Therefore, the more favourable

image of brand origin, the more positive the brand image and vice versa (Speece and Nguyen, 2005; Essoussi and Merunka, 2007). This reflects the home country of a particular brand and its image in consumers' minds; the image underlines the image of the brand and drives consumers' preferences for the brand. Therefore, consumers tend to purchase a branded product that originates from a country with a favourable image rather than branded products from a country with a less favourable image (Koschate-Fischer et al., 2012). This suggests the role of brand origin knowledge and brand origin image cannot be ignored in explaining consumer behaviour.

There are two main streams of thought regarding brand origin knowledge and its association with consumer behaviour. Samiee et al. (2005) hold that consumers tend to lack brand origin knowledge and are unfamiliar with the true origins of famous brands. This means that the image of the source country may not play a role in their buying behaviour. In contrast, the work of Batra et al. (2000), Zhuang et al. (2008), Zhou et al. (2010), Magnusson and Westjohn (2011) and Magnusson et al. (2011) eschews the implication that inaccurate brand origin knowledge renders COO information irrelevant to consumer behaviour. They further assert that accurate brand origin knowledge is not a prerequisite for COO to affect consumers' attitudes towards a brand. Consumers associate a brand with a country that they perceive as being its origin country and that association influences their behaviour. Magnusson and Westjohn (2011) ignore the accuracy of consumers' brand origin knowledge and focus on the relevance of consumers' perceived COO associations. They suggested that the perception, regardless of accuracy, influences consumers' attitudes towards brands. This stream of thought suggests that consumer behaviour is underlined by their perception on the origin of brands regardless the accuracy; consumers will show favourable behaviour toward brands that they (mis) perceived from favourable countries. This study stands on the later. Nonetheless, there has been no published research on why consumers in a developing country tend to have a lack of local brand origin knowledge. This issue will be explored in the study.

### **3 Methodology**

#### *3.1 The context of the study*

Indonesia is a developing country with population of more than 230 million people and reaches the world's 10th largest economy in terms of purchasing power parity (World Bank, 2015) making Indonesia an attractive market for various brands and products from all over the world. Indonesia's markets have grown increasingly free, especially after the country's inclusion in the ASEAN-China Free Trade Area in 2010. Imported products are increasingly flooding the market and are easily found even in rural areas. Young consumers in this country had limited local brand origin knowledge and a rather weak intention to buy locals (Sulhaini and Sagir, 2015). For the purposes of the study, data were collected on Lombok Island, one of Indonesia's fastest growing tourist destinations. Young people on the island have become used to the existence of and increasingly interact with foreigners and tourists from whom they have grown familiar with foreign products/brands. This defined the context of the study.

### 3.2 *Informants selection*

Age is noted to affect the degree of consumers' brand origin knowledge (Shimp et al., 2001) and it has been argued that young consumers in developing countries behave more favourably towards imported products from developed countries. They have a greater preference for foreign brands (Zhuang et al., 2008; Zhou et al., 2010; Balabanis and Diamantopoulos, 2011). Accordingly, Sulhaini and Sagir (2015) finds that young Indonesian consumers tend to have a limited knowledge of domestic brands in various product categories, including fashion, toiletries, mobile phones and laptop computers. Their respondents were unable to identify most local brands. Therefore, the informants for this study were young Indonesian consumers, who became the unit of analysis.

In order to enhance trustworthiness of the study, the author applied techniques, such as: doing iterative triangulation between literature review, data and authors' subjective intuitions as well as defining scope and boundaries of reasonable analytical generalisation. These were to enhance validity of the study. The authors developed semi structured interview protocols and recorded interviewed data, revisited/re-contacted the informants. The authors also used triangulation of source of evidences by combining data collection methods such as archives (documentation), in-depth interviews and questionnaires (i.e., lists of local brands in fashion and electronic product categories).

Purposive sampling was adopted; the respondents were purposively selected when they misperceived famous local brands as foreign ones. Since qualitative approach does not rely on statistical generalisation, large number of respondents and representativeness, 31 potential informants were gradually approached from January to May of 2015. Then, they could not be regarded as representation of the whole young consumers in Indonesia. At the preliminary stage, each of them were given lists of well-known local brands and asked to classify each as local or foreign. There were seven famous local brands in the fashion product category (Peter Says Denim, Lea, Buccheri, Piero, Eiger, Export and Elizabeth) and five brands in the electronic product category (Polytron, Advan, Nexian, Evercoss and A\*\*\*\*). Of the 31 respondents, 19 potential informants stated that they recognised some local brands, such as Peter Says Denim, Eiger, Advan, Nexian and Polytron, they seemed to have knowledge of those brands. Then, they were excluded for the next stage of the study. Ultimately, only informants with a very brand limited knowledge who mistakenly perceived all the brands as foreign or unable to classify the origin were selected. As dictated by the research objective, the selection was necessary in order to obtain a deeper understanding of why they did not know those famous local brands. A total of 12 informants were interviewed two or three times, with each interview lasting approximately one to two hours. They were aged 17–23 years and ten of them were students at the University of Mataram, Lombok. The remaining two informants were still in the highest level of senior high schools; the first was a young sprinter and the second was a pupil who lived in a rural area. To ensure rich information, variations among the informants' gender, GPA and non-academic activities was also considered. This can enhance the generalisability of the findings (Curtis et al., 2000).

### 3.3 *Data gathering and analysis*

The authors first carried out unstructured interviews with two informants from which the authors were able to develop a semi-structured interview guide for the other informants. Follow-up interviews were conducted with each informant after analysing data obtained

from an earlier interview. In the early unstructured interviews, three main themes emerged during the discussion: how the informants misclassify the local brands, what brand associations they evaluate and home country image. The general inductive approach (GIA) developed by Thomas (2006) was utilised to analyse the qualitative data. GIA was applied because it provides an easily used and systematic set of procedures for analysing qualitative data that can produce reliable and valid findings. This approach offered a simple, straight forward process for deriving findings from qualitative data by identifying themes that are most relevant to research objectives.

Studies in management have been dominated by model building and hypothesis testing in which quantitative methods and data analysis techniques are popularly used (Zhang et al., 2013). On the contrary, Orth and Firbasova (2003) and Dinnie (2004) pointed out that qualitative approach has been under-utilised in comparison to quantitative methodology in international marketing management research especially in lieu of country of origin effect. They encouraged future research to apply qualitative methodology to enrich the literature. This means further researches shall follow inductive logic for theory generation emergent from natural settings. Therefore, the study adopted inductive logic, the study did not specify any previous theory of body of literature to test. Nonetheless, the literature provided critical background understanding that stimulated the move to the next phase of the research process, particularly the data analysis; thus, in order to facilitate the interpretation of the data, a further examination of the literature was required. The research process formed a hermeneutic process for the conscious search for meaning and understanding as it moved from pre-understandings to understandings on a higher level (Gummesson, 2005). In the process of interpretation, a hermeneutic process incorporated the pre-understanding and understanding: the data were interpreted and reinterpreted as a continuous process of establishing pre-understanding and obtaining a deeper understanding during the research journey. After analysing data gathered from the first stage of interviews, understandings of the informants' local brand origin knowledge, how they classify brands' origins and their images of their home country were obtained. This deeper understanding led to the identification of two questions that needed to be addressed in the next stage of interviews. In order to obtain more comprehensive information and develop an understanding on those issues, the authors searched out various public documents, such as newsletters, newspapers, magazines, etc., published offline and online by various organisations to further enhance the trustworthiness of the findings. During the second phase of interviews, the documents were shown to the informants to prove that the brands were actually local.

## **4 Results and discussion**

### *4.1 Local brand origin knowledge: how they misclassify the local brands*

As the informants misperceived the origin of all the local brands, they were asked to identify the national origins of each brand. The results are summarised in Table 1.

All the informants stated that they had never paid attention to information about 'made in...' or brand origins and had no intention to search for that information because they viewed it as unimportant. One possible source of brand origin knowledge among informants was marketing communication activities carried out by the owner. Based on careful observations, it seemed that none of the brands' owners clearly stated the origin

of the products and brands in their advertising. Brand owners carried out a variety of advertising on television and the Internet, but most of the advertisements used local language and endorsers. Indeed, the advertisements used themes specific to the national culture and Indonesia's Independence Day. Additionally, some of the brand owner's websites, such as Eiger, Buccheri, Peter Says Denim, Piero, Nexian and Polytron, indicated that the company founders were born in Indonesia. These should not lead the respondents to perceive the brands as foreign. This suggests that the informants did not actively search for brand origin information, leading to a lack of local brand origin knowledge.

**Table 1** Local brands and their misclassified countries

<i>Local brands</i>	<i>Misclassified/misperceived COO</i>	<i>Image of the misclassified COO</i>	<i>Informants</i>
<i>Fashion products</i>			
Peter says denim	USA	Favourable	IN3, IN7, IN8, IN9, IN10, IN11, IN12
Lea	USA	Favourable	IN2, IN3, IN5, IN8, IN9, IN10, IN11, IN12
Buccheri	Italy	Favourable	IN1, IN2, IN5
Piero	Italy	Favourable	IN2, IN3, IN10, IN12
Eiger	Germany	Favourable	IN5, IN7, IN8, IN12
Export	UK	Favourable	IN2, IN3, IN5,
Elizabeth	UK	Favourable	IN1, IN6, IN8, IN9, IN10
<i>Electronic products</i>			
Polytron	Japan	Favourable	IN1, IN5, IN6, IN7, IN8, IN10, IN12
Advan	China	Favourable	IN1, IN3, IN5, IN6, IN10, IN12
A****	China	Unfavourable	IN2, IN4,
Evercoss	China	Favourable/Unfavourable	IN1, IN5, IN4, IN7, IN9,
Nexian	China	Favourable/Unfavourable	IN3, IN4, IN6, IN11

Note: Informants in italic had unfavourable image on the misperceived country of origin.

All informants misclassified the reputable domestic brands as foreign due to the use of the foreign-sounding brand strategy because the brands all used Western names. None of the brands used local names, which seems to explain why they were perceived as foreign or non-local brands. Reputable local brands in the fashion product category were classified as being from Western countries such as the USA or UE (UK, Italy and Germany). Surprisingly, in the electronic product category, the data suggested that the informants tended to classify those brands as Asian despite the use of Western or non-Asian names. They were classified as originating in Asian countries such as Japan (Polytron) or China (Nexian, Advan, Evercoss and A\*\*\*\*).

The use of the foreign-sounding brand strategy successfully led the informants to perceive the brands as foreign or imported. The local brands tended to apply Western

names to create the impression that their products were imported from developed (Western) countries; however, Western names did not lead the informants to think that all those brands were from Western countries such as the USA, UK, Italy, France and Germany. Some of the brands were perceived as being Eastern in origin. This is in contrast to Lim and O'Cass's (2001) explanation that the culture of brand origin (such as Western or Eastern) is more readily evaluated based on the brand name where Western brand names are perceived as stemming from Western product origins. The foreign-sounding brand strategy creates the illusion that a brand comes from a Western country with a favourable image. This is true in the fashion product category. In the electronic product category, however, the use of a Western name did not lead the informants to perceive the brands as being from the countries above. It seems that brand name may lead a local brand to be classified as foreign, but it may not always be classified according to the culture of brand origin or to a more favourable country as intended by the brand owner.

Balabanis and Diamantopoulos (2011) identify two possible types of brand misclassification by consumers: adverse and favourable. Adverse misclassification occurs when a brand is mistakenly perceived as being from a country with a less favourable image than the actual country of actual origin. On the other hand, favourable misclassification refers to a situation when a brand is mistakenly perceived as being from a country with a more favourable image than the country of its true origin. Both misclassification types are the result of limited brand knowledge. Moreover, consumers may also exhibit an inability to classify a brand with a country because they may not have the knowledge, necessary information and perceptual experiences with the brand.

All local brands in the fashion product category were favourably misclassified as originating from a more developed (Western) country. Similarly, in the electronic product category, the local brands also seemed to be misclassified with a more favourable country, except China, which was viewed differently by the informants. In comparison to Indonesia, the informants regarded China as a source of better brands, which were seen as having advanced technology with good value. In sum, as seen on Table 1, six of the informants (IN1, IN3, IN5, IN8, IN10, IN12) favourably misclassified at least five local brands (both product categories). They did not have unfavourable misclassification but were unable to classify some brands. Meanwhile, five other informants (IN2, IN6, IN7, IN9, IN11) favourably misclassified three or more local brands in both product categories while unfavourably misclassifying a local brand. They were also unable to classify some brands as belonging to a particular country. Only one informant (IN4) unfavourably misclassified three local brands because he had unsatisfactory experiences with the brands; he was also unable to classify most of the brands as being from a particular country. He strongly emphasised his experiences during the interview. The variation is also consistent to the data regarding brand associations as seen in the next discussion. This variation dictated the identification of three categories that were named as follows: favourable misclassification, mixed misclassification and unfavourable misclassification.

#### *4.2 Local brand origin knowledge: what brand associations they evaluate*

The data suggest that all the familiar local brands were misclassified as foreign due to their brand names. When the informants were asked to classify the brands as belonging to a specific country, however, their judgement appeared to be based on their evaluation of

dimensions other than the brand name and advertising information. The informants tended to justify the origin of a brand from their evaluations of a brand's attributes, such as price, feeling and experience and brand benefits, i.e., functional, symbolic and perceived quality. These are the primary brand associations that were linked to the brands and stored in memory and it was from these associations that the informants' image of and knowledge about the brands were developed (Keller, 1998, 2003). The informants frequently stated the importance of these dimensions in their evaluation of a particular brand in the absence of brand origin information or knowledge. They also obtained knowledge about those associations from their reference groups, such as family and friends. The lack of local brand origin knowledge is due not only to foreign-sounding brand names, but also to consumers' evaluations of the primary brand associations. The excerpts below illustrate this:

- Price:
  - “China's brands offer a better value for money than those from Indonesia.” (IN1)
  - “Students search for Chinese brands due to their low prices.” (IN4)
  - “China's brands are better value for money, but Indonesian brands are cheap with a very low quality.” (IN5)
- Feeling:
  - “I do not feel good when using Chinese brands.” (IN2)
- Functional:
  - “I used my handphone for three months and then it stopped working properly.” (IN4)
- Experience:
  - “I like Polytron because it never let me down.” (IN1)
- Symbolic:
  - “We always feel that Chinese products or brands are more prestigious than those from Indonesia.” (IN1).
  - “We tend to be proud of having foreign brands.” (IN3)
- Perceived quality:
  - “Foreign products or brands are far more favourable. They can produce high quality products.” (IN1)
  - “I would choose Chinese brands over Indonesian ones because I think that they are better quality” (IN5)

Accordingly, Table 2 summarises the misperceived country of origin and the brand associations. The data show that the primary brand associations seemed to play a great role in the misclassification of the local brands.

The informants did not actively search for information on the origin of the brands; rather, they relied on brand associations to justify the origin. This means that local brands are classified as being from a particular foreign country depending on the brand associations. Hence, misperception of country of origin of those popular local brands is underlined by not only the use of foreign brand name strategy but also favourability of

brand associations. Favourable brand associations will lead consumers to classify the brand as coming from a more favourable country and vice versa. Brand associations entail the image of the misclassified/misperceived source country.

Phau and Suntornnond (2006) explain that consumers may rely on internal and external searches for information in brand evaluation. In reality, consumers may not actively search for country of origin information as they may not think it is important. This means that when consumers know of and are familiar with a brand, the less need they have to find information about the brand’s origins. Their evaluation is instead based on perceived benefits of the brand. Most consumers may also tend to simplify their evaluation process i.e. using their rational evaluation or by relying on their cognitive ability in identifying the brand origin. Consumers, however, sometimes face challenges in learning the true origins of famous brands, leading them to develop inaccurate perceptions of brand origins. When a brand is advertised without clear information about its origins, consumers tend to use the language (local vs. foreign) of its name to determine brand origins, which may not always be an accurate method. Nevertheless, there is no explanation on how the misclassification relates to consumers’ image of their home country. This, in turn, needs to be explored further.

**Table 2** The misperceived country of origin and brand associations

<i>Misperceived country of origin</i>	<i>Brand associations</i>	<i>Informants</i>
Western countries	High perceived quality, high priced but good value, very good design	IN1, IN2, IN3, IN5, IN6, IN7, IN8, IN9, IN10, IN11, IN12
Japan	High perceived quality, high priced but good value, low perceived risk, advanced technology, innovative products, a prestigious brand	IN1, IN5, IN6, IN7, IN8, IN10, IN12
China (favourable image)	Good consumer value and advanced technology	IN1, IN3, IN5, IN6, IN10, IN12
China (unfavourable image)	Low quality and low price, high perceived risk, low consumer value, unprestigious brands	IN2, IN4, IN7, IN9, IN12

### 4.3 Home country image

During the first stage of in-depth interviews, the informants were asked about their perceptions of their own country. They seemed to hold a common view that Indonesia was still far behind other countries and unable to develop good or strong brands, suggesting that they have an unhealthy self-image. These feelings were transferred to local brands, as demonstrated below:

“We always think that advanced technology comes from overseas. Indonesia is just a follower nation. Our human resources are not sufficient.” (IN3)

“Indonesia has a lack of human resources. We are not mastering advanced technology and we are not so innovative because we are lazy.” (IN1)

“Indonesia is unable to produce electronic products.” (IN4)

“Of course I don’t want to buy one of them, Indonesians could not produce good products or even brands.” (IN8)

The variations on local brand origin knowledge were not apparent in the data regarding home country image above and informants tended to hold similar views of their own country. They viewed their country as lacking in human resources, unable to produce advanced technology, lacking in innovativeness and producing only low quality products and brands. This suggests inferior home country associations and thus an inferior image of the home country, leading the interviewees to believe that Indonesia cannot create strong brands even in the domestic market and that all the familiar brands come from foreign countries, which tend to be viewed more favourably. The image of the home country underlines the informants’ misclassification of the local brands. The informants seemed to underestimate and undervalue their own country, leading them to believe that there are no strong and popular local brands.

Image of a country is the total of descriptive, inferential and informational beliefs held by consumers about a particular country (Martin and Eroglu, 1993). It is constructed from consumers’ subjective perception of the country (Jeffe and Nebenzahl, 2002) regarding technological and economic development and the standard of living (Chinen and Sun, 2011). Young consumers in a developing country are exposed to various sources of information regarding their country from which they develop opinions, feelings and an image of their home country. The data suggested that the informants did not have sufficient information regarding their own country’s development. This is shown below:

“Bad news over good news and we are just blind so far.” (IN3)

“We used to know that Indonesia could produce airplanes, but nobody told us that we can make mobile phones.” (IN2)

This study suggests that Indonesia has inferior image among young domestic consumers, they might have insufficient information of the nation’s development. The economic crisis in 1998 led to the fall of Suharto’s regime after 32 years in power during which mass media was the main tool for strengthening the regime’s power. The regime strictly controlled the media, allowing only good news could be published and systematically suppressing bad news that could damage the government’s reputation. After living under a non-democratic system for decades that appeared on the surface to be very stable, the nation experienced a euphoric revolution in economic, political and mass media knowledge. After the 1998 political reform, Indonesia’s mass media business grew rapidly into an industry consisted of strong business groups with politician owners. The euphoria may have gone too far, leading to publication of subjective, sensational and non-educational news (Saptohadhi, 2011) and capitalism (Hapsari, 2012) have increased the public appetite for a hedonistic lifestyle (Santoso, 2013). This developmental trajectory appears to have stifled news coverage of the country’s development in science and technology, which was not a reporting priority. This is in contrast to the kind of news that used to be reported: the Suharto regime’s ambition to turn Indonesia into a reputable airplane producer was well known by society. Nonetheless, the country’s recent achievements in international science olympiades, technology and industries are largely unknown due to media underreporting. This may have led to Indonesians holding rather negative views of their home country. This study suggests that consumers’ image of their home country reflects how they think and feel when they obtain information and

knowledge about their country's brand associations. In turn questions emerged regarding how brand associations alter domestic consumers' image of their home country and brand commitment after learning the true origin of local brands. With all this in mind, the authors explored further of how the interviewees' images of their home country changed after learning the true origin of the brands used in this study. This became the third research question and the focus of the second set of interviews as elaborated as follows.

During the second round of interviews, a number of documents were shown to the informants showing that the brands they evaluated were actually local. At first, the respondents seemed to be very surprised to learn the brands' true origins. Then, they were asked a second time about how they perceived their own country and their commitment towards the brands, as illustrated as follows:

"I never thought Polytron is actually Indonesian and I never thought that Indonesia is able to build such a strong brand." (IN1)

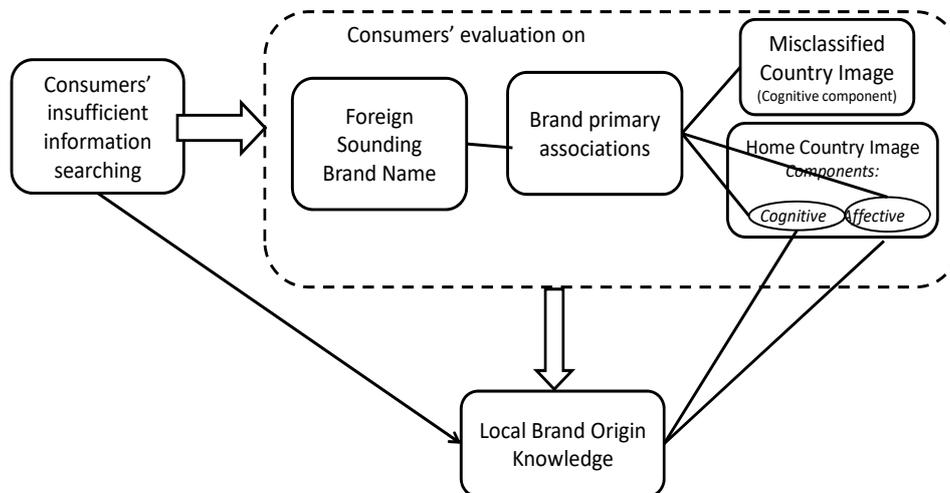
"We have to be proud of Lea, we have been not well informed." (IN3)

Country image relates to brand associations where countries with positive images will be perceived as producers of strong brands (Yasin et al., 2007). It entails consumers' overall perceptions not only of products but also of brands from a particular country. This is underlined by Diamantopoulos et al. (2009), who found that consumers often associate a country not only with specific capabilities relating to particular industries or product categories but also with the more comprehensive capabilities of producing strong brands. Consumers may not intend to find information on the true origin of a brand and may therefore carry misperceptions. Their attitude towards a brand often changes after learning a brand's true origin. When consumers know that a brand's actual origin is a country viewed more favourably than the country from which the brand was assumed to originate, their attitude towards the brand improves (Magnusson et al., 2011). The study, however, extend the understanding that consumers' images of their home countries can be strengthened through developing more positive associations with local brands. This study suggests that home country image can shift dynamically as consumers gain favourable knowledge of local brand origins. Consumers may show a more favourable image of their home country as long as they have favourable local brand associations. When the informants learned that the strong brands were locals, they developed a better image of their home country. It seems that the home country image can be enhanced by building strong local brands and positive brand associations. The data suggest that informants in the favourable misclassification category and the mixed misclassification category tended to have better images of their own country. Their favourable associations with local brands led them to feel more pride and positivity about their country. Indeed, informants in the mixed misclassification group seemed to ignore their unfavourable associations with local brands as they love and pride of their home country. This may mean that their affective/emotional feeling toward their own country improved as they learnt that the well-known brands are actually local. Favourable brand associations have a greater contribution to the improvement of home country image while negative brand associations remain silence. They tended to rely on their positive brand associations to develop their home country image. Informants in the third category, however (unfavourable misclassification), maintained their rather unfavourable image of their country. This suggests that favourability associations towards local brands alter domestic consumers' views of their own country. When a consumer has favourable associations

with local brands, he/she will have a better image of his/her own country. The more positive the associations, the more positive image of the home country will be.

Country image consists of affective and cognitive components (Chlivickas and Smaliukiene, 2009). The first component reflects the emotional feeling consumers harbour towards brand origins. The second component leads consumers to rationally think of a country as being superior in certain product categories. This relates to the economic and technological developments achieved by different countries. Favourable information about and associations with a country will generate favourable associations with a brand from the country. Country of origin associations are related to brand associations. A brand from a country with a positive image will have a better image and be more widely accepted than a brand from a less favourable country, which will be seen as inferior. This suggests that a country with a favourable image is perceived as having good brands or that good brands come from countries with positive associations. The study further suggests that cognitive component of home country image and misclassified country image tend to play greater role on the misclassification. Nonetheless, affective component of home country image will be stronger when local consumers know the true origin of strong local brands. Indeed, it strengthens consumer commitment toward the local brands. This means that those components differ in their importance according to the level of consumers' local brand origin knowledge. In sum, the analysis can be described in Figure 1.

**Figure 1** Local brand origin knowledge



#### 4.4 Commitment to local brands

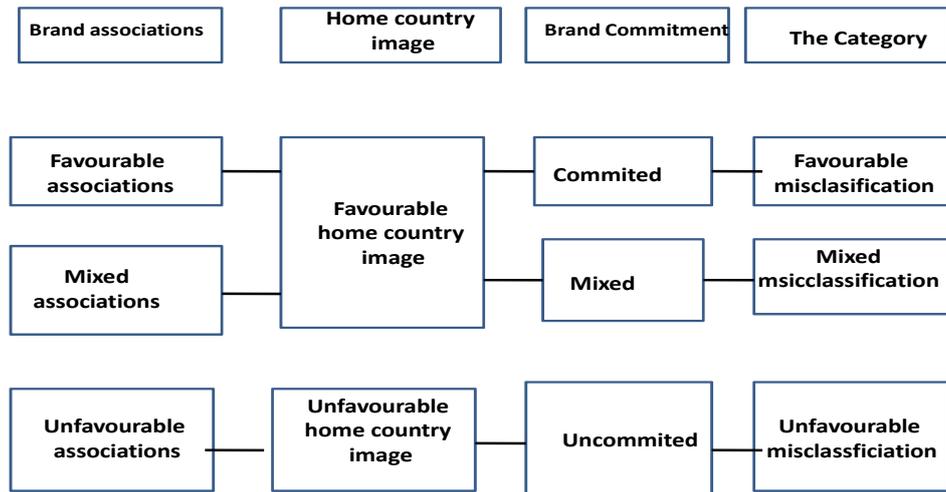
Regarding commitment to brands, the variations seemed to be consistent with the variations identified in the local brand origin knowledge discussion. The first category tended to be proud of and loyal to the brands because the informants had positive associations on the local brands. The second category showed both high and low commitment (mixed commitment) depending on the favourability of the brands' associations. This suggests that consumers' brand associations play a large role in their

commitment to the local brands. According to Bhardwaj et al. (2010), brand commitment can be seen through brand loyalty and purchase intention. The informants' commitment towards the tested local brands after learning they were actually local is shown as follows:

- “I am proud of Polytron and thank God it is an Indonesian brand.” (IN1)
- “Really...? I thought Polytron is Japanese. It is a really good brand and my parents bought some of their home electronic appliances.” (IN 6)
- “Thank God, I have made a good decision to buy a domestic brand.” (IN12)
- “Indonesians do not know the quality of those brands, but we tend to feel that they are all foreign. When we know that they are local brands of good quality, of course we tend to buy them again.” (IN3)

In sum, the analysis above can be described in Figure 2.

**Figure 2** The emergent categories on the local brand origin knowledge (see online version for colours)



## 5 Conclusions

Overall, this research suggests that young consumers in a developing country have lack of local brand origin knowledge as they do not actively search for information and rely on brand name, primary brand associations and their image of the misclassified country and home country. Brands' primary associations act as cues to misclassify brands' origin, which can be incorrect because consumers have insufficient information regarding brands' true origins and their home country's development. The study provides an understanding of how and why young consumers misclassify the origins of famous local brands. Home country image plays a large role in the misclassification of strong local brands as consumers have unfavourable images of their own country and do not expect that quality brands are actually local. Nonetheless, further exploration suggests that when

consumers learn a local brand's true origins, the effects on home country image and brand commitment depend on the favourability of brand associations. Favourable brand associations lead to a more favourable image of the home country and a greater brand commitment and vice versa.

The research objective was to explore local brand origin knowledge among young consumers in a developing country, specifically Indonesia. Unstructured and semi-structured interviews were conducted with young consumers. After analysing the qualitative data, it was discovered that when consumers have limited information regarding brand origins, they simply misclassify the brands based on the brand name, brand associations and their image of the misclassified country and home country. Favourable brand associations and thus brand image will lead consumers to classify a brand as being from a country with positive reputation because they do not expect their country to be able to nurture strong brands. Nevertheless, when they learn brands' true origins, the results shows that local brands with positive associations lead to an increasingly favourable home country image and brand commitment.

## **6 Managerial implications and future research directions**

The managerial implication for owners of favourably-viewed brands is to uncover their origins, as their brands have already been favourably evaluated by local consumers. As suggested by the results reported here, this will not lead to negative consequences for the brands but rather to a better image of the home country among domestic consumers. Meanwhile, for the owner of unfavourably misclassified brands, the findings strongly suggest the need to develop more positive brand associations in order to strengthen local consumers' brand commitment. The local government must encourage brand owners to clearly inform domestic consumers about their brand's origins in their marketing communications. More interestingly, the research outcomes suggest that when the home country image is unfavourable, young consumers in developing countries tend to misclassify strong local brand as belonging to other countries with a positive image because they have low expectations and think that domestic manufacturers are unable to build strong brands. This indicates that further studies on country of origin, home country image in particular, should include the availability of strong local brands and domestic consumers' knowledge of those brands in various developing countries and how these relate to foreign brand admiration or ignorance on local brands. Last but not least, future research shall employ quantitative methods with a rigorous statistical measurement to extend and verify the findings of the study.

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