COMM 4840
Thesis Proposal

EFFECTS OF A BRAND’S COUNTRY OF ORIGIN IN CONSUMER BEHAVIOR IN BRAZIL

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INTRODUCTION

Consumers in developing countries often face the challenge of choosing between local and nonlocal, foreign products. The motives and implications of this choice-making process are worth researching, because companies can use such information to more effectively market their products. In particular, the marketing literature has considered how a brand’s country of origin (CO), or the country with which a brand is associated, influences consumers’ perceptions of a brand’s quality, and of their own social status or identity. Most of the primary research in the area of country of origin “sought to understand risk-reducing biases used by Western consumers when evaluating products from, among others, less developed, and therefore, “risky” countries or regions” (Batra et al., 2000: 84). Much of the existing research focuses on quality, examining CO as a “halo” construct that influences consumers’ believes about a product’s quality (Han, 1989). However, recent research found that CO influences other aspects of consumers’ product evaluations, and that this relationship is affected by consumers’ level of national identification and ethnocentrism (Verlegh, 2007).

More specifically, it is important to study the country of origin effect in developing countries. While some country of origin effects may be the same as in Western countries, others may be unique to the developing countries context. Unlike Western consumers, consumers in developing countries often look up to American and Western Europe consumption practices and lifestyles, trying to emulate those practices by purchasing brands they see on movies, TV, or on their trips overseas (Batra et al., 2000). Therefore, it is essential to understand consumer behavior in developing countries due to increasing exposure to local and nonlocal brands, and increased importance of emerging markets in the world economy. This thesis proposal expands on the research of country of origin and explains the need for analyzing the impact of CO in Brazil, a developing country that lacks research on this topic. Additionally, it explains the hypotheses that will test the influence of national identity and admirations for foreign lifestyles in purchase intention and
perceived quality, and why they are relevant to this research. Finally, this study explains the methodology that will be used to test the hypotheses.

The CO literature in developing countries has focused on the implications of quality, status, and identity in consumer behavior mostly in Turkey and India. These countries have similarities in terms of inequality, economic growth in the past decades, and emergence of the middle class. Turkey, for example, went through a shift from scarcity to market abundance in the 1990s, and the experience of Turkish consumers can offer a perspective on how the same shift may affect consumers in other developing countries (Belk 1988). On the other hand, India has a history of colonization, the last being by the British. As a result, many people argue that Indians still have an “inferiority complex” and wish to reproduce foreigners’ behaviors and purchase nonlocal products (Batra et al., 2000). Overall, studies in both India and Turkey exemplify the context of country of origin in developing countries and provide a perspective on how this research can be extended into other emerging markets that lack research on this topic, such as Brazil.

In this study, I will test four different hypotheses that expand on the topic of country of origin in consumer behavior in Brazil, more specifically about purchase intentions and perceptions of quality. I suggest that, as the level of admiration of foreign lifestyle increases, Brazilian consumers will be more likely to purchase foreign brands and perceive those brands to have better quality than domestic brands. I suggest that the opposite effect will happen when the level of national identity increases. I will also examine the extent to which the level of admiration of foreign lifestyles and the level of national identity are both moderated by whether a product is privately or publicly consumed. I will then assess how the former two factors are moderated by the extent to which a given product category is identified with Brazil. Finally, I will use three different product categories that vary according to private and public consumption, and national identification, and will test the hypotheses through online surveys on Amazon Mechanical Turk.
LITERATURE REVIEW AND HYPOTHESIS

Marketing scholars argue that “a brand’s CO serves as an extrinsic cue (along with price and brand name) that supplements the use of intrinsic cues (perceptions of design, performance, etc.)” (Batra et al., 2000: 84). In other words, consumers may use a brand’s country of origin when drawing inferences about a product’s quality. Additionally, consumers may use CO to draw conclusions about their own social status and national identity. The research below has extended the discussion on CO and how it affects purchase decisions in both developed and developing countries.

In developed countries, a stream of literature suggests that country image serves as a halo to consumers’ product evaluations (Han, 1989). When evaluating unknown products, consumers may be unable to detect their true quality, therefore using country image to reach a conclusion (Huber and McCann, 1982). However, when consumers are familiar with a certain product, they use country image as a construct (Han, 1989). In other words, they use CO as a product characteristic that summarizes their beliefs about the product’s attributes. Another stream of literature suggests that, in developed countries such as the United States and the Netherlands, consumers tend to indicate high levels of consumer ethnocentrism. The latter is defined as the consumer desire to protect the domestic economy, as they view the purchase of foreign, or imported goods, as wrong because it hurts the economy (Verlegh, 2007). Therefore, those consumers tend to rate domestic products positively and foreign ones negatively as a way to protect their country’s economy (Verlegh, 2007).

Overall, consumers in developed countries tend to use country of origin to infer quality and as a way to protect their economies through domestic consumption. However, results may change when one tests country of origin effects in developing countries, given differences in culture, history, and institutions. Research has shown that consumers in those countries also use CO to infer quality, but may also use it for status enhancing purposes and as a result of high levels of admiration of
foreign lifestyles (Batra, et al., 2000).

Prior country of origin research in developing countries shows that there is a positive relationship between perceived quality and purchase intention of nonlocal brands. Kumar et al. study of “Indian consumers’ purchase intention toward a United States versus a local brand” found that, in India, there is a positive relationship between perceived quality and purchase intention of American products, such as with the Levi’s brand. Additionally, Indian consumers that have more positive attitudes toward American products tend to believe that local brands have inferior quality. These findings are in line with previous studies that show that, in terms of quality, consumers have the tendency to evaluate foreign or U.S. products more positively when compared to local products. That is because developed countries tend to have higher expertise in product development and lead innovations, more often than developing countries. That can be particularly true in the electronics product category with companies such as Apple and Microsoft.

Additionally, another study conducted by Kinra in India suggests that, contrary to studies in developed countries, high levels of consumer ethnocentrism and national identification does not indicate preference for local brands. In fact, those consumers evaluate nonlocal products higher than local ones in aspects such as technology, quality, status, esteem, and higher credibility (Kinra, 2006). The reason that different results are found in developing countries is because even though consumers in those countries may hold the same ideals as consumers in developed countries (e.g., a high level of ethnocentrism), additional factors influence their preferences for local and nonlocal brands.

Lastly, a stream of literature suggests that consumers in developing countries may use a brand’s country of origin to draw conclusions about a consumer’s, or their own social status when choosing between local nonlocal brands. If they purchase a foreign brand product, for example, that may signal higher social status to other members of the society in which one lives. As mentioned
above, consumers in emerging markets often praise consumer lifestyle in developed countries (Batra et al., 2000), whereas consumers in the latter often purchase local brands due to high levels of ethnocentrism (Verlegh, 2007). For consumers who have a greater admiration for lifestyles in developed countries, country of origin has a greater effect on the decision to purchase nonlocal brands. The same result was found for product categories that have high levels of social signaling value (Batra et al., 2000). In Turkey and Romania, consumers prominently favor foreign, mainly Western European products, as a way to enhance their social status since interpersonal relations are extremely important: “In Turkey, interest in consumption is obvious not only in wants but also in the prominent display of, and talk about, products – specially the status brands” (Ger et al., 1993: 105). In conclusion, results show that interest in consumption comes from the desire to display and talk about products, mainly those from foreign brands that signal high social status (Ger et al., 1993).

Overall, the effects of country of origin in consumer behavior in Turkey, Romania, and India may be an example of purchase behavior in other developing economies (Belk, 1988), making it important to study country of origin effects in other emerging markets such as Brazil.

The Brazilian Situation

Overall, prior research shows that a brand’s country of origin affects attributions made about quality and social status. National identity has also been documented to affect purchase behavior. This research has focused on the implications of those factors in developed countries such as the U.S, Netherlands (Verlegh, 2007), and developing countries such as Turkey, Romania (Ger et al., 1993), and India (Kinra, 2006; Kumar et al., 2008). However, this study proposes that similar factors will also affect consumer behavior in Latin America. More specifically, it is crucial to understand the consumer base in Brazil because of its large size and importance, given that lower social classes have rapidly moved socially and gained purchasing power in the past decade.
Additionally, Brazil is the world’s 7th largest economy, what makes it important to study the effects of country of origin in Brazil.

Like other countries in Latin America, Brazil has an export-oriented economy since colonization in 1500. During the period of industrial expansion between 1880 and 1930 in Europe and in the United States, different forms of production of raw materials expanded throughout Latin America, leading to a shift in class structure and political reorganization (Orlove, 1997). Consequently, “this export-based growth allowed the wealthy to import many luxuries and the masses to replace local crafts such as textiles and pottery with cheap manufactured items from Europe and North America” (Orlove, 1997: 2). After the Great Depression in 1929, demand for Latin America products dropped significantly, causing countries like Brazil to manufacture the products previously imported from developed regions, but not with the same knowledge, capacity and quality. The period thereafter was marked by strong state participation in the economy and leftist dictatorships that gave importance to the growing working class (Orlove, 1997).

Throughout the twentieth century, Latin America faced increased wealth and income inequalities. The elite in those countries, be it in the capital of Argentina, Brazil, Peru, or Chile, “imported grand pianos, European wines and liquors,” traveled abroad, and sent their children to European schools – and believed that in doing so, they were “sharing the same activities and attitudes of the international gentry” (Orlove, 1997: 5, Beezley 1987: 14). In other words, the elite had access to imported goods and consumption, looking up to foreign practices, and differentiating themselves from and leaving the masses with little accessibility to those products. In “The Allure of the Foreign”, Orlove argues that it is important to understand the social and cultural implications of export-oriented economies that emphasize affordability of imports. In other words, “foreignness is an attribute of the imported goods that merits consideration, like their affordability and cost.” (Orlove, 1997: 7)
The notions of modernity in Latin America that persist today provide context to the study of country of origin effects in consumer behavior in the region, such as in Brazil. It is “a break from the traditions of the past, a valuation of the present, an openness toward experimentation in seeking to construct a future different from both. Modernity appears almost always as an international movement, but Latin American participation in it was problematic, since the centers of modernity lay in Europe and the United States.” (Orlove, 1987: 8).

Lastly, it is important to study the effects of a brand’s country of origin in Brazil because of the history of cultural influence and because of the country’s significant participation in the global economy. With the increase of the middle class in the past decade, Brazilians have, more than ever, access to foreign products and trips abroad. Additionally, with the current exposure to international tourists through large sporting events, to the English language and the influential role of the TV, Brazilians are more susceptible to foreign lifestyle influence. The results of such study would provide valuable information to both local and nonlocal brands that currently sell in the country, and to those that wish to enter Brazil.

National Identity and the Purchase Behavior of Brazilian Consumers

Given Brazil’s history of cultural influence, I want to understand whether national identity is powerful enough to drive purchase intention of local brands. National identification is “rooted in consumers’ need to enhance group and self-esteem, and based on a desire for positive social identity” (Verlegh, 2007). More specifically, nationality is part of a consumer’s identity, and can be expressed in the purchase of domestic products, since they have important social and cultural connotations (Askegaard and Ger, 1998). This concept can be confounded with consumer ethnocentrism, which “reflects the desire of consumers to protect domestic economy, […] viewing the purchase of imported products as wrong, because it hurts the domestic economy” (Verlegh,
Since both concepts of national identity and consumer ethnocentrism can overlap, I will measure both in the data collection so that I do not confound them. However, given that social influence tightly relates to national identity, I will focus on analyzing this aspect in the hypotheses.

Furthermore, the same effect also pertains to national identification and perceived quality. The stream of literature in national identity also argues that this factor influences consumer’s perception of a product’s quality according to whether the product is local or nonlocal. The higher the level of national identity, the more favorable consumers are to domestic products and more likely they are to perceive them to have better quality than foreign goods. Therefore, I would like to test:

H1a: As a consumer’s level of national identity increases, their willingness to purchase domestic brands over foreign brands increases.

H1b: As a consumer’s level of national identity increases, their perception of quality of domestic brands over foreign brands increases.

Moving forward, Brazil has a history of foreign lifestyle admiration. As previously mentioned, wealthy and middle class individuals now purchase foreign goods for several reasons: export oriented economy, willingness to consume the same modern and high quality brands as Western Europeans and Americans, and the desire to emulate their lifestyles. As discussed, previous research has also found that in developing countries such as India, Turkey and Romania, consumers exhibit high levels of admiration of foreign lifestyles. They are also more likely to perceive a foreign brand to have better quality and are more willing to purchase the foreign brand (Batra et al., 2000; Ger et al., 1993). Thus, CO effects should be stronger when consumers have high levels of admirations of foreign lifestyles. Therefore, I would like to test the following in Brazil:
H2a: As a consumer’s level of admiration of economically developed countries’ lifestyles increases, their willingness to purchase foreign brands over domestic brands increases.

H2b: As a consumer’s level of admiration of economically developed countries’ lifestyles increases, the perceived quality of foreign over domestic brands increases.

Additionally, the reason many consumers prefer non-local brands is because they believe those products have a reference group appeal (Batra et al., 2000). In other words, a consumer in a developing country thinks that nonlocal brands appeal to certain social groups and will influence his or her social status in the eyes of those groups. However, these effects should be dependent on whether products are publicly consumed, given that only products that one observes another consumer use can influence his or her evaluations. Thus, in order to measure how attitude varies according to social status and admiration of foreign lifestyles, it is important to understand behavioral changes when a product or brand is publicly consumed compared to when a product is privately consumed. This hypothesis has not yet been tested in other studies of developing countries. Therefore, this study will contribute to the overall country of origin literature and more specifically about the latter in Brazil. I therefore hypothesize:

H3: The effects proposed in hypothesis 1 and hypothesis 2 will be moderated by whether or not the product is publicly or privately consumed, such that the effects are stronger when a product is publicly consumed.

Lastly, it is interesting to study how the effects of national identification and admiration of foreign lifestyles might differ for a product category that is strongly associated with Brazil versus a category that does not have this association. When a product category is associated with Brazil, one
would expect to see stronger effects of national identification and weaker effects of admiration of foreign lifestyle on the consumers’ perceptions of quality and purchase intention of local brands. As previously mentioned, national identity can be expressed through the purchase of domestic products, as they may have important social and cultural connotations (Askegaard and Ger, 1998). Therefore, it is expected that, the more consumers identify themselves with the country, the more likely they will be to consume a product that falls into a category that is identified with their country. Similarly, one would expect a weaker effect on high levels of admiration of foreign lifestyles, given that consumers would choose not to purchase a brand if that is highly associated with their own country. Therefore, I hypothesize:

H4a: The effects proposed in hypothesis 1 will be moderated by the extent to which consumers perceive the product category to be identified with Brazil. The effects will be stronger the more the product category is identified with Brazil.

H4b: The effects proposed in hypothesis 2 will be moderated by the extent to which consumers perceive the product category to be identified with Brazil. The effects will be weaker the more the product category is identified with Brazil.

**METHODOLOGY**

In this research, I will collect data for two studies by conducting online surveys with Brazilian consumers through Amazon Mechanical Turk (MTurk). The latter is a crowdsourcing marketplace that serves as an information gathering pool. This system has proven to be a valuable tool for data collection when the surveys used consider the domain of consumption and include screening questions that measure attention and language comprehension (Goodman et al, 2012). Across two studies, four hundred Brazilian respondents will be recruited to complete a short online
survey in exchange for 51 cents. A Portuguese version of the questionnaire (translated from the English version shown on Exhibit 1) will be used given that most Brazilians are not fluent in the English language. There is also no age or gender restriction in either of the studies.

**STUDY 1**

Design and Procedure

Study 1 will focus on testing the proposed relationships between national identity (hypotheses 1a & 1b) and admiration of foreign lifestyles (hypotheses 2a & 2b), and their effects on purchase intention and perceived quality. It will also test the moderating effects of public versus private consumption proposed in hypothesis 3. Thus, study 1 utilizes national identity (continuous), admiration of foreign lifestyles (continuous) and product category (publicly vs. privately consumed) as the factors of interest.

Two hundred Brazilian respondents will be recruited to participate in this study. First, they will be asked to answer items relating to demographics, national identity, consumer ethnocentrism, susceptibility to social influence and admiration of lifestyles in economically developed countries. As previously mentioned, national identity and consumer ethnocentrism are both included to ensure that these factors are not confounded. Susceptibility to social influence has also been commonly included in prior studies as a way to control individual differences that might also affect private versus public consumption. Then, respondents will be randomly shown one of four advertisements (please refer to exhibit 2 (N. Montgomery, personal communication, November 22) for an example of the type of ad). The ads will vary on whether or not they utilize a fictitious American or Brazilian brand name, and whether the product category presented is publicly or privately consumed – athletic shoes (publicly consumed) or toothpaste (privately consumed). Respondents will then answer
questions about brand quality and intent to purchase the advertised product. Please refer to exhibit 1 for a chart that indicates the survey questions.

The inclusion of two different product categories (toothpaste and athletic shoes) allows me to test how consumer behavior is influenced by reference group appeal and social status (hypothesis 3). Evaluations of athletic shoes (publicly consumed) will be compared to evaluations of toothpaste (privately consumed) to test hypothesis 3. Within each of these product categories, fifty respondents will answer questions about a fictitious Brazilian brand, and the other fifty about a fictitious American brand. The table on the right shows how study participants will be divided between conditions.

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<tr>
<th></th>
<th>US Brand</th>
<th>Brazilian Brand</th>
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<tr>
<td>Athletic Shoes</td>
<td>50</td>
<td>50</td>
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<tr>
<td>Toothpaste</td>
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<th>Total respondents: 200</th>
<th>Number of respondents per survey</th>
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<tr>
<td></td>
<td>US Brand</td>
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<tr>
<td>Athletic Shoes</td>
<td>50</td>
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<tr>
<td>Toothpaste</td>
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**STUDY 2**

**Design and Procedure**

Similar to study 1, study 2 will test the levels of national identity (hypotheses 1a & 1b), levels admiration to foreign lifestyles (hypotheses 2a & 2b), and their effects on purchase intention and perceived quality. Thus, study 2 will utilize a similar design and procedure to study 1 with one notable exception. Rather than examining the moderating role of public vs. private consumption, study 2 will test whether purchase intention and perceived quality change when presented with a product category that closely relates to national identity (hypotheses 4a & 4b). To test these hypotheses, this study will use two privately consumed product categories.

As with study 1, respondents will answer questions on demographics, national identity, consumer ethnocentrism, social influence and admiration of lifestyles in economically developed countries. Respondents will then be asked to view one of four advertisements that vary on brand
name (fictitious American vs. Brazilian brand) and product category (strongly vs. weakly linked to national identity), after which they will answer questions about quality and purchase intention. The product categories used for this study will be home-brewed coffee (strongly linked to national identity) and toothpaste (weakly linked to national identity). By dividing the survey into two different product categories, I am able to measure how respondents react to privately consumed products with different degrees of identification with Brazil, removing any reference group or social status effects. One category represents an everyday product (toothpaste), and the other category, coffee, represents a lot of the Brazilian national identity. In the 19th and 20th century, the Southeast region of Brazil specialized in coffee production and its exportation, which made this product known for its high quality worldwide. No previous study of country of origin in developing countries has tested this kind of hypothesis, which makes it interesting to test this product category influence in Brazil. Lastly, similarly to Study 1, within each of these product categories, fifty respondents will answer questions about a made-up Brazilian brand, and the other fifty about a made-up American brand.

Overall, by analyzing these studies, I hope to show that Brazilian consumers use a brand’s country of origin to make purchase decisions. More specifically, I hope to prove that Brazilian’s levels of national identity and admiration of foreign lifestyles influence their perception of quality and purchase intention of foreign versus local brands. Additionally, I want to bring new perspectives into the country of origin literature by testing two new hypotheses. The first one about the moderating effect of privately versus publicly consumed product categories in national identity and admiration of foreign lifestyle. The second one being about the moderating effect of the extent to which consumers perceive a product category to be identified with Brazil. Lastly, I want to highlight

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<th>Total respondents: 200</th>
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<tr>
<td>US Brand</td>
<td>Brazillian Brand</td>
<td></td>
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<tr>
<td>Coffee</td>
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<td>Toothpaste</td>
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the importance of researching country of origin in Latin America, more specifically in Brazil because of its economic importance, significant consumer base, and lack of research in the topic.
## Exhibit 1: Survey questions

<table>
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<tr>
<th>Constructs</th>
<th>Item</th>
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| National Identity                  | Being Brazilian means a lot to me (Verlegh) (1=strongly disagree - 7= strongly agree)  
I am proud to be Brazilian (Verlegh) (1-7) 
I don’t feel any ties with Brazil (Verlegh) (1-7) |
| Consumer ethnocentrism             | It’s not right to purchase foreign-made products (Batra et al.) (1-7)  
Brazilians should not buy foreign products, because this hurts Brazilian businesses and causes unemployment (Batra et al.) (1-7)  
A real Brazilian should always buy Brazilian-made products (Batra et al.) (1-7)  
I always prefer Brazilian products over foreign, American products (Verlegh) (1-7)  
I prefer buying American products than Brazilian products (Kumar, et al.) (1-7) |
| Level of admiration to economically developed countries lifestyles | To what extend do you yourself admire the lifestyle of people who live in the United States? (Batra et al.) (1 = Strongly criticize - 7 = strongly admire) |
| Susceptibility to social influence | If I want to be like someone, I often try to buy the same brands they buy (Batra et al.) (1-7)  
When buying products, I generally purchase those brands that I think others will approve of (Batra, et al.) (1-7)  
To be sure I buy the right product or brand, I often observe what others are buying and using (Batra, et al.) (1-7)  
This brand really makes me look good/bad in front of my friends (Batra et al.) (1-7) |
| Willingness to purchase the brand/Purchase intention | I intend to buy this brand (1-7)  
Given a choice, I buy American-made rather than domestic/Brazilian products (Kumar, et al.) (1-7) |
| Perceived Quality                  | This is a poorly made (well-made) brand (Batra et al.) (1-7)  
This brand is of inferior/superior quality (Prof. Montgomery) (1-7)  
This brand is better/worse than average (Prof. Montgomery) (1-7)  
American products are of higher quality than domestic products (Kumar, et al.) (1-7) |
| Brand                              | Dislike/like (Batra et al.) (1-2)  
I have a negative (positive) opinion about this Brand (Batra et al.) (1-7)  
I consider this brand to be a Brazilian (foreign/American) brand (Batra et al.) (1-7)  
This brand has a very poor/cheap image (Batra et al.) (1-7) |
| Consumer demographics              | Age (Verlegh)  
Education level (4 levels) (Verlegh)  
Gender (Male/Female) (Verlegh)  
Marital Status (Verlegh)  
Job Status (Verlegh) |
LOOKING FOR A POWERFUL TOOTHPASTE?

Bad news. Your toothpaste won’t make it past your first cup of coffee. Unless you use Colgate All-Day.

Most toothpastes only fight plaque for the length of time it takes to make your breakfast, making teeth more vulnerable to the bacteria that creep in and cause cavities. Other toothpastes can’t protect you against the bad breath that occurs after eating something as flavorful as garlic or drinking something as strong as coffee. But, Colgate All-Day is different. Its unique formula has an antibacterial ingredient that attaches to teeth to prevent bacteria from sticking to the enamel for 12 hours. Even after eating and drinking, you will find that Colgate All-Day fights through the aftertaste, preventing the embarrassment that comes with trying to talk to someone when you know your breath is less than fresh.

So, don’t worry about having that extra cup of coffee. Your teeth won’t mind, and neither will your next date.

COLGATE ALL-DAY
BIBLIOGRAPHY


