Understanding the Relationship between Country of Origin Image and Brand Equity-Case of Cosmetic Brands in Ho Chi Minh City

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Abstract. This study investigates into the reflections of "country of origin image" on consumers' brand equity through consumer-based brand equity model. The objectives of this paper are: (1) examining of current customer-based brand equity on cosmetic brands through Country of origin effect; (2) understanding the Country of Origin image and customers' brand equity relationship through three dimensions: brand awareness/brand association, brand loyalty and perceived quality; (3) providing applicable recommendations for domestic brands in improving competitive advantages against foreign brands regarding to country of origin effect. In this context, a research design was formed to measure the perceptions towards cosmetic products in Ho Chi Minh City. The data was collected from 350 female respondents at several malls located in Ho Chi Minh City, Vietnam through mall intercept survey by using structured questionnaires. The results proposed a model where extrinsic cue, Country of origin (COO), was shown direct positive and significant influence on consumers' brand equity through some intrinsic values like Perceived quality (PQ) and Brand loyalty (LO). Besides that, it was hypothesized that brand awareness/brand association had an insignificant influence on Overall Brand Equity (OBE) through COO effects.

Keywords: Country of Origin Image, Brand Equity, the Country of Origin-Brand Equity Relationship, Cosmetic Market, Customer-Based Brand Equity Model.

1. Introduction

Globalization and increased international business activity have caused the emergence of global market, where brands from one country are available to consumers in other countries [1]. According to Vietnam's Chemical Cosmetic Association's data [2], there are over 430 leading cosmetic brands on sale in the Vietnam, of which 90% is "well-known foreign brands". While local manufacturers are investing in more research and development, as well as marketing and distribution activities to capture more market share, they also need more effective strategic plans to be able to compete with superior international brands in their country.

From the current situation of cosmetic market in Vietnam, this study sought to explore elements which affect Vietnamese consumers' brand equity through Country of origin effect when they buy cosmetic products in Ho Chi Minh City. The aim of this paper is to describe and analyze the Vietnamese cosmetic users' perception with focus on skincare products in term of country of origin image and consumer's brand equity. The result will provide a foundation to build a constructive suggestion to the cosmetic companies in their marketing strategies planning and develop a better understanding of the effect of country of origin on the brand equity.

2. Literature Review

2.1. Country of Origin Image (COO)

According to Johansson [3], country of origin, COO, is an extrinsic information cue allowing buyers to make inferences about the intrinsic value of a product. Some other researchers view country image as consumers' general perceptions about the quality of products made in a particular country [4, 5]. Among many phenomenon, definition was provided by Roth and Romeo [6]:"country image is the overall perception

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consumers' form of products from a particular country, based on their prior perceptions of the country's production and marketing strengths and weaknesses" was mostly used.

2.2. Consumer-based Brand Equity (CBBE)

Yoo and Donthu [7] defined the brand equity as the difference in consumer choice between the focal branded product and an unbranded product. Atilgan [8] refined the definition by explaining the "difference" as "the utility difference in terms of a positive marketing outcome, which is created by a branded product compared to that of the generic version of the same product." According to Keller [9], the utility difference or a positive marketing outcome both refer to the "added value" that is placed on a branded product derived from past marketing efforts.

2.3. COO Effects on the Dimensions of CBBE

Both Aker [10] and Keller [11] claimed that COO could affects a brand' equity. By examining the relationship between COO of a brand and its CBBE, market practitioners would be able to understand the way of protecting and enhancing the core essence of the brand [12] with a better comprehension on two important issues, which are "quantification of a brand equity" and "identification of elements that could change consumer behavior and cause changes in brand equity" [13].

Srikatanyaoo and Gnoth [14] claimed that "consumers are known to develop stereotypical beliefs about products from particular countries and the attributes of those products." and therefore, the COO represents the home country for a company or the country that consumers infer from brand name [15]. The COO effects are thought to be an extrinsic cue [16] that brings out associations, influencing consumers' perceptions and leading consumers to cognitive elaboration [17]. These COO associations in consumers' mind could therefore influence dimensions of CBBE based upon a specific country level.

3. Research Model and Hypotheses

Keller and Lehmann [18] stated that CBBE concentrates on the perspective that represents customer mind-set. Theoretical understandings towards CBBE vary among literatures. Two conceptual models presented respectively by Aaker [10] and Keller [11] are perceived as prominent and valuable insights provided into the body of CBBE [19]. This model consists of four dimensions that are perceived quality, brand awareness, brand associations and brand loyalty [20]. All the dimensions are designed and measured in relation to consumer perceptions and in the pursuit of increasing brands' value [19, 21]. A study of Yoo and Donthu [7], by collecting data from America and South Korea and testing on three different kinds of products: film for camera (low cost), athletic shoes (middle cost) and color television sets (high cost), had validated the three dimensional model of ***brand awareness/brand associations, perceived quality and brand loyalty***. The research's result showed that brand awareness and brand association should be combined due to a lack of discriminant validity. This study applied this three dimensional model as conceptual framework in order to explore the relationship between COO and CBBE

From this three dimensional model, we posit the hypotheses of the study:

H1: The country of origin image has a positive influence on brand awareness and brand associations; H2: The country of origin image has a positive influence on perceived quality; H3: The country of origin image has a positive influence on brand loyalty; H4: Brand awareness and brand association has significant positive direct effect on brand equity; H5: Perceived quality has a significant positive direct effect on brand equity; H6: Brand loyalty has a significant positive direct effect on brand equity

4. Methodology

The data analysis will base on the results from the surveys. The data obtained from the survey are analyzed using demographics analysis, reliability tests, exploratory factor analysis (EFA), confirmatory factor analysis (CFA), and structural equation modeling (SEM) to examine possible results that bring to the understanding of

consumer knowledge, beliefs and behavior when purchasing counterfeit fashion products. In-depth interview method is applied to get a deeper understanding from respondents. The criteria for screening the respondents were that they were female, at least 18 years old, having had at least 3 years continuous consuming cosmetic products and live in Ho Chi Minh City. The sample size in this study is 350.

5. Data Analysis

After Reliability test and Exploratory factor analysis (EFA) test, Brand association factor (AS) was eliminated due to: (1)The Cronbach's Alpha if Item Deleted of the item AS3-"I have no difficulty in imagining X in my mind" (0.737) is too much higher than the overall Cronbach's Alpha (0.398); (2)The low loadings (<0.5) and cross-factor loadings of AS1- "Some characteristics of X come to my mind quickly", AS2- "I can quickly recall the symbol or logo of X". After deleting unsatisfactory items through five rounds of EFA test, the final result of EFA process showed that KMO at 0.814 (>0.600) and the Bartlett's test is significant (sig. =0.00<0.05). This result is considered as acceptable. The 16 remaining items are grouped into 5 new factors as table 1

Table 1: New measure scale after Exploratory Factor Analysis (EFA)

COO	COO1	The level of economic development of this country is high.
	COO3	The level of industrialization of this country is high.
	COO4	The standards of living of this country are high.
	COO5	The level of technically advanced of this country is high
	COO6	The product quality of this country is high level
LO	LO1	I consider myself to be loyal to X.
	LO2	X would be my first choice.
	LO3	I will not buy other brands if X is available at the store.
PQ	PQ1	The likely quality of X is extremely high.
	PQ2	The likelihood that X would be functional is very high
AW	AW1	I can recognize X among other competing brands
	AW2	I am aware of X
OBE	OBE1	It makes sense to buy X instead of any other brand,even if they are the same.
	OBE2	Even if another brand has the same features as X,I would prefer to buy X.
	OBE3	If there is another brand as good as X, I prefer to buy X.
	OBE4	If another brand is not different from X in any way,it seems smarter to purchase X.

Relating to Regression Weights, excepting the relationship between Brand awareness (AW) and Overall brand equity (OBE), all P-values of relationships were less than 0.05 and these relationships have statistical significance. It is proved that variables COO has positive effect on LO and PQ; LO and PQ also have positive effect on OBE; only AW has negative effect on OBE. So, eliminating AW factor was made.

In the final part, SEM (Structural Equation Modeling) is used to test the hypothesized causal relationships in a research model. In Figure 1, all measurement values of Structural Equation Modeling of this research study have satisfied the criteria for model measurement fit (Fig 1). Chi-square/df=1.827 (<2), GFI=0.936 (>0.9), TLI=0.933 (>0.9), CFI=0.946 (>0.9) and RMSEA=0.054 (<0.06).
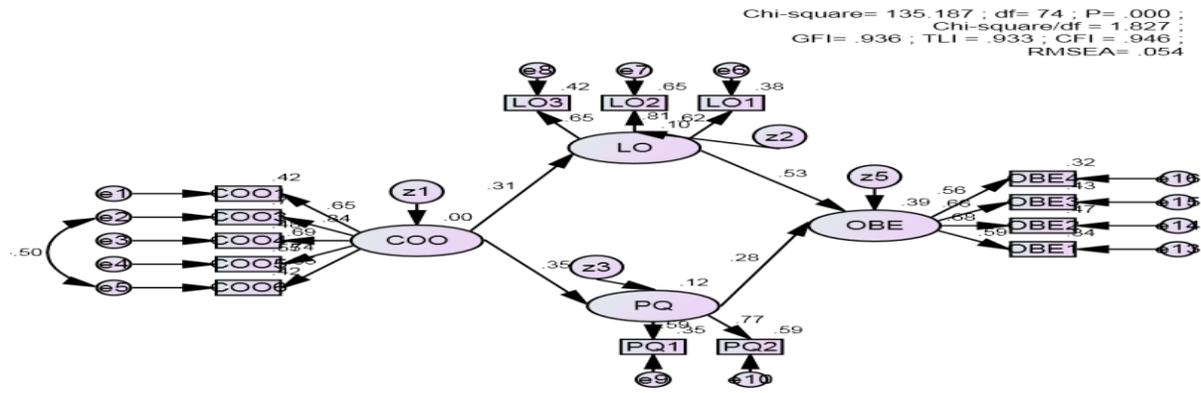
Fig. 1: Final Structural Equation Modeling of research study

After obtaining the results of data analysis and the test of research hypotheses, a revised research model is presented as Figure 2.
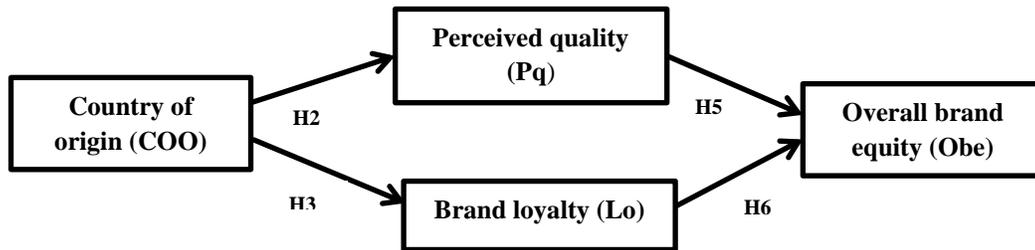

Fig. 2: The revised research model

6. Conclusion and Recommendation

The results of this study have shown that brand loyalty, perceived quality, and perceived country of origin have positive and significant influences on consumers' overall brand equity. However, a puzzling and contradictory result occurred in the role of brand awareness/brand association. In this study, it was hypothesized that brand awareness/brand association has a positive influence on overall brand equity. However, the results showed that brand awareness/brand association had a positive but insignificant influence on overall brand equity through Country of origin effects. These findings imply that brand awareness/brand association may not be an important cue in brand equity evaluation in the context of imported beautification items compare to other factors. Instead, other extrinsic cues are more important in brand equity evaluation.

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