

# The Importance of the Country-of-Origin Brand in Consumer Preferences

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*Abstract:* - This study presents a recently specially publicized issue – a need of preferring domestic brands by domestic consumers. It deals with the questions whether and how consumer preferences can be affected, and where they really work. The study presents the results of a representative research carried out in the Slovak Republic in 2013, which dealt with the significance of the importance of the country-of-origin brand in consumer preferences. It presents selected results of the research within the frame of relationship between brands and consumer preferences, brands in the Slovak Republic, brand and its origin and finally country-of-origin as the country-of-production.

*Key-Words:* - brand, country-of-origin, consumer, Slovak consumers, consumer behavior, brand and consumer preferences

## 1 Introduction

Marketing surveys of customer preferences and monitoring consumer behavior are currently common. It would be probably a problem to find a country in which such activities have not taken place. In our research project (VEGA 1/1051/11 The Analysis of Strategic Processes of Brand Building and Brand Management in the Context of Homogenization and Individualization of Consumer Needs approved by VEGA – scientific grant agency of the Ministry of Education of the Slovak Republic and of Slovak Academy of Sciences) a representative survey of the importance of brands for Slovak consumers was conducted. Evaluating it, it was not only its results that caught our attention – what directly resulted from the survey – but also the context of what can be deduced from the answers and pieces of information that consumers provided in the so-called open questions. Of course, a method of questioning respondents always needs be taken into consideration. There are many reasons how to ask questions, we know the main reason: We need to ask to get answer we can evaluate. The method of

questioning is closely linked with the main objective of the research and research questions. But there are different reasons for formulating questions. Finding answers to the hidden context is quite difficult. It is always possible to inspect the issue from several angles. Therefore we only offer some inferences for further reflection as well as a subject for further study in the field of marketing brands.

## 2 Brands and Consumer Preferences

The issue of consumer preferences is a complex issue. What consumers prefer and why, depends on the amount of rational and emotional factors that enter into the decision-making process. That the decision of purchasing goods and services depends on preferences and experience of consumers has already been known. However, consumers do not always make decisions based on their own preferences. Often, the decision is determined by other attributes, those that enter into this process and influence it. These include: the availability of goods and services, price setting, media communication,

own or foreign experience, both positives and negatives, lifestyle, preferred behavioral patterns and the amount of economic factors. Decision criteria are changing as well, depending on whether you purchase products of long-term or short-term consumption. The amount of Slovak companies today wants to build a brand. Customer preferences are in fact clear. Literary and other sources recommend any brand building even if all point to the fact that this is a long-term and resource-consuming process (see [1], [2], [3], [4]). Probably we could not find any source recommending production of non-branded goods and services.

When setting up a company only few businessmen define brand building as a company's strategic and marketing goal. However, if a company thrives, it has a competitive advantage, and the company is able to profit from it, so it wants to build their know-how and expand business activities - this leads to the beginning of building a strong brand. Companies will then make the decision, which is based on their own experience or on recommendations provided by consulting firms or strategic partners. An experience can be either positive or negative. A positive response is meant in terms of the quality of their own production and growth sales volume. A negative one, for example, in relation to retail chains or large enterprises that have high bargaining power and put pressure on their suppliers in pricing or in order to sell their produce under its own brand.

A decision to build your own brand is usually preceded by a specific experience. Building your own brand makes other factors associated with the development and implementation of the competitive advantages of the company as well as market saturation, and, of course, the preferences of customers. If we think about when it is necessary to build a brand we agree with those who say that investing in brands is paid in those sectors where there is a large number of competitors and substitutes. Brand effects are greater in sectors which we refer to as turbulent, in the technology sector, and wherever the supply greatly exceeds demand. Brand is no cure for lack of orders or sales; you may not even guarantee that a company's products will easily be enforced in the market. Today it is not enough "only" to create a brand. It is necessary to build a strong and successful brand and thus examine whether, when and how you can create such a brand.

### 3 Slovakia and Brands in the Slovak Market

When we have talked about the preferences of customers we also have to take into consideration real characteristics of the country we are talking about. Without doing it, it is impossible to create a realistic picture of sales of branded products and the range of brands offered in a particular market. Furthermore, it is impossible to talk about the specifications of the business environment or the preferences of customers.

In the last decade throughout Europe the volume of sales of branded products has multiplied. It clearly says that customers identify products and services based on the brand but also that the importance of brand building is still increasing. The European Union has paid a lot of attention to the fact that each Member State can have the space to build its own brand (alternating presidency of the EU and the possibility of supporting marketing activities), named products, which have national characteristics and the right to have its own country trademark, and through the promotion of regional development it also favors the development of tourism and small and medium enterprises. Unfortunately, despite the number of activities leading to building of strong brands within the EU, it can be stated that the brand called Slovakia as a country of origin or a country as a tourist destination is very drab and enforced only in few sectors such as the automotive industry [5]. Slovak Republic as a country in Central Europe is an EU Member State and a member of the monetary union. It is a 5.5 million-market, which can be regarded as very specific. This refers to consumer preferences in relation to brands and behavior of businesses in the Slovak market. In addition, the Slovak Republic was founded as an independent state in 1993 and economic growth is mainly based on engineering, especially on the automotive industry. Only a very small volume production with a higher added value determines the economic characteristics of the market, the state of the economy, its current status and development goals.

Consumers were used to encounter a lot of companies that simply disappeared and with them the large part of their production, which was considered traditional and therefore domestic. This is particularly visible in agricultural production, and it is crop as well as livestock, footwear and textile industries. We can only guess whether these businesses would have disappeared if they had made

investments in systematic brand building and proper positioning of the brand. Companies that owned the brand and were building it had two basic options: to develop it, or seen it as a commercial article. Even though the brand and production associated with it became part of a portfolio of multinational companies, most producers kept production in Slovakia. It is possible to identify those who have it transferred abroad (e.g. the Slovak brand Palma, whose production moved abroad in 2012). Part of the brand, traditionally regarded as Slovak, became part of a portfolio of global holding companies; others are in the hands of Slovak owners. In both cases, however, a brand is built in the background of where production arises because the volume of domestic sales is a factor on which companies owning the brand rely.

Growth in domestic sales is affected by support provided by the country from which the particular brand originates (although it cannot be said that it is a support domestic production, since all governments in the Slovak Republic has favored FDI inflows prior support domestic producers). In Slovakia there has been a tendency to support domestic production for 20 years, since the time the quality of the awards was awarded for the first time (e.g. Značka kvality SK or Slovak Gold). To get international award has an international context and impact and it aims to make successful Slovak brands more visible in the world. Many foreign corporations have also become familiar with philosophy of promoting domestic production of goods and services. These companies have made use of domestic sales perspectives and realized that many Slovak brands have a greater growth potential in foreign markets but their existing owners and their managements were unable to take advantage of it.

Support of domestic producers recorded unprecedented growth during the crisis and still persists. This is related to the publicized need to support the domestic economy by own consumers which also means support of brands according to the country of origin. Activities aimed at promoting sales of domestic production are meant to influence customers in a way that they take note of identifying marks on packages of products and "do not look at the price," because domestic production in such a small country as Slovakia is certainly not always the cheapest in the segment. But to achieve that the price was not a decisive factor in the decision making process of Slovak consumers brand building of Slovak products is needed. Additionally, when

the research shows that Slovak products are considered as high quality products (Fig. 1, scale: -2 strongly disagree, +2 strongly agree).

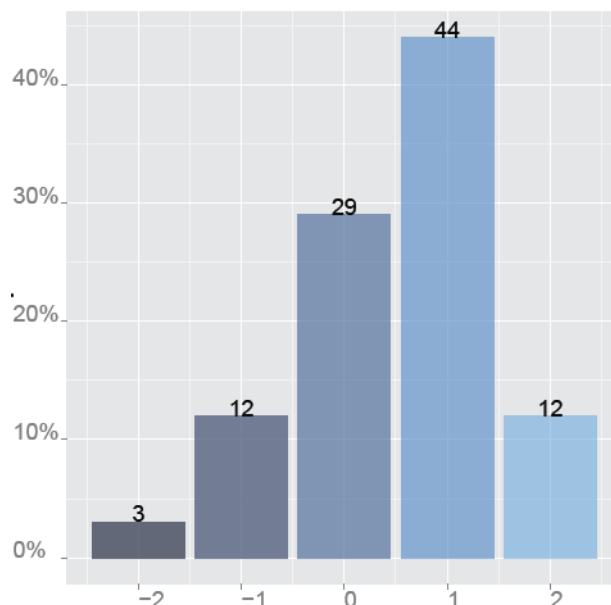


Fig. 1 Slovak products are high quality products  
Source: R Core Team, *R: A language and environment for statistical computing*, <http://www.R-project.org/>.

According to research in which a specific question relating to willingness to buy Slovak brands was asked, it seems that this only depends on the capabilities of domestic producers to build the brand and to utilize an emotional relationship with domestic country-of-origin (Fig. 2, scale: -2 strongly disagree, +2 strongly agree).

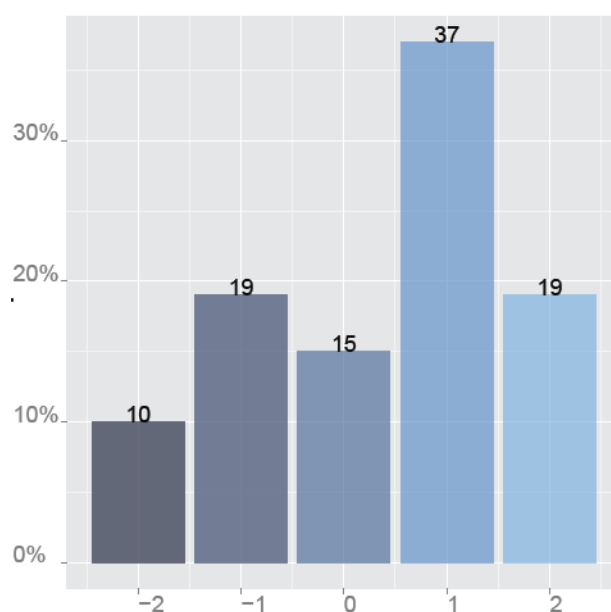


Fig. 2 I buy Slovak brands because I like Slovakia  
Source: R Core Team, *R: A language and*

*environment for statistical computing*, <http://www.R-project.org/>.

Most companies doing business in Slovakia and operating in this market expect from the government to undertake such political and economic steps that would create operational support systems for domestic business activities and create the conditions for building brands of domestic origin. Such system should "visualize" or "favor" domestic brands and create a space for their development. It can be said, however, that the support system does not provide a backup for domestic brands. Fortunately, things are changing and currently there are indeed activities of its creation, but as it is being designed is poorly motivating for entrepreneurs and managers of enterprises to invest in strong brand building of Slovak brands.

On the side of consumers, the situation is different, they trust Slovak brands. The current Slovak consumers of all ages have experience with branded products. Slovak consumers are targeted by campaigns promoting the growth of the domestic economy and employment. Slovak consumers understand the need for economic growth. Slovak consumers favor the purchase of Slovak brands, if possible (Fig. 3, scale: -2 strongly disagree, +2 strongly agree).

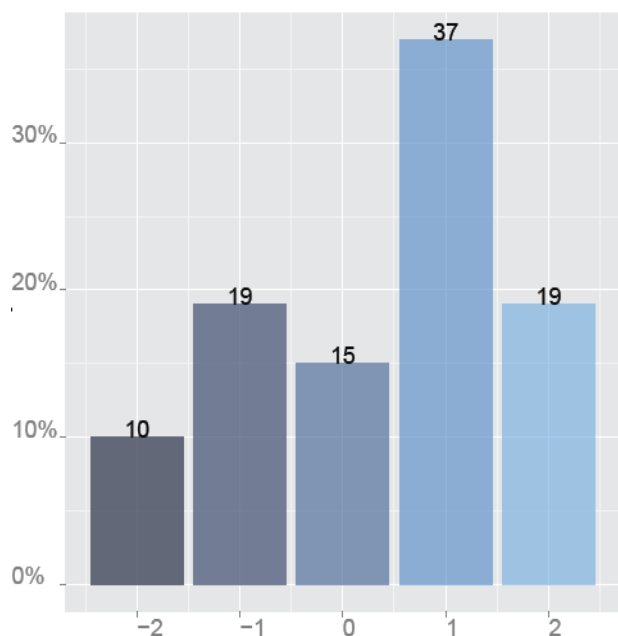


Fig. 3 I prefer Slovak brands

Source: R Core Team, *R: A language and environment for statistical computing*, <http://www.R-project.org/>.

But in contrary to that, a customer is often confused by the existing offer in the Slovak market (Fig. 4, scale: -2 strongly disagree, +2 strongly agree).

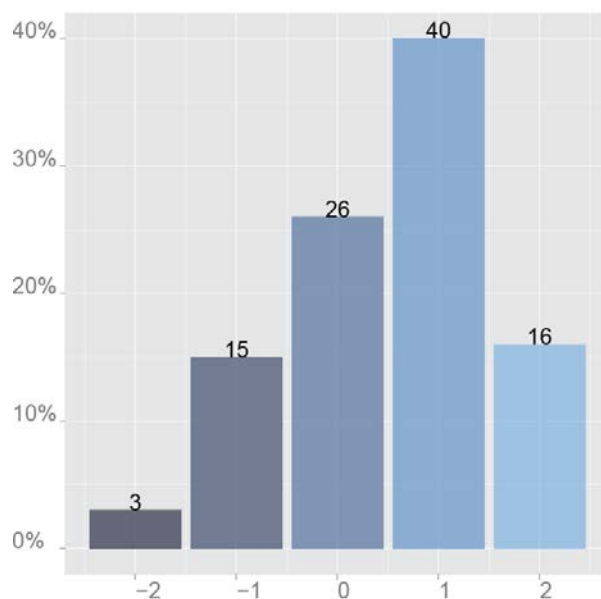


Fig. 4 Foreign brands are more available than Slovak

Source: R Core Team, *R: A language and environment for statistical computing*, <http://www.R-project.org/>.

## 4 Brand and its Origin

Which brands are Slovak? The answer to this question should be simple but it is not. As we have suggested, we cannot definitely say what is and what is not a Slovak brand. The criterion, as the title of this article implies, is the country of origin of the brand. This is not considered as a sufficient criterion by many people. The place where the brand started to exist does not necessarily need to be identical with the market in which it is operated. Which out of the two criteria: the country of origin or the country of production or providing services is the correct one cannot be clearly determined. Throughout the European market, including the Slovak market, different brands are present. In the market different brands, from local to global, then those that wholly or partly outsource production activities, and also those that concentrate production and brand building on a single market are operated. Therefore, it is important to view them from different angles and strictly determine the distinguishing criteria. Taking the macroeconomic view the most important factor is where products or services offered under a given brand are manufactured. If the marketing aspect dominates,

the country of origin of the brand is significant in terms of the perception of the country as a brand (for example, Made in Germany label symbolizes values such as precision and reliability) and brand loyalty to a particular market.

Some traditional Slovak brands are now in foreign portfolio holdings. Brand managers of major global companies either kept or rebranded the names of originally Slovak brands. They realize the importance of country of origin of the brand because it still plays an important role in consumer preferences. Research even showed that consumers perceive as Slovak brands those brands that arose historically in our country (for instance, the brand Bata introduced between the two world wars by its founder in the former Czechoslovakia both on the territory of Czech Republic and Slovakia, is considered by 2% of respondents as a Slovak brand although Bata after World War II transferred his business to Canada). This fact cannot be ignored.

Therefore, in Slovakia, like in other countries research is carried out annually, it examines which brands are most successful and why, rankings of successful brands in the Slovak market are made (The Superbrands status is awarded to brands that have obtained a reputation for excellence in their fields of business, and that have incorporated values that offer emotional and/or palpable advantages that consumers expect and recognise. The status, awarded through the thorough selection process, makes the brand eligible for inclusion in the Superbrands program which helps the brand publicise its results among the general public [6].

The theory of strategic marketing strongly convinces us that it is not worthwhile to invest in the local market and in case of a small market it is not worthwhile to invest in the national brand because such investment has a longer payback period and it is riskier. To position a brand as a global one is now worthwhile; managements in many sectors are trying doing it, for example, in information technology, manufacturing smart phones or cars. The country-of-origin of the brand plays in all above mentioned sectors a role but customers are basically not interested in the place of production of the branded product but they are interested in the brand – under which brand the product is presented and which brand the product represents.

A representative nationwide survey showed that consumers prefer branded goods and services, the sales volume of branded products is increasing and it is very likely that this trend will continue.

## 5 Country of Origin as the Country of Production

We have already mentioned that the applicable criteria concerning the place where a brand comes from vary and within these criteria various factors are taken into account. Surveys of customer preferences are always localized to a particular country or region. Legislative norms, cultural traditions, level of education and other economic and sociological factors can have quite a significant impact on how much respondents participate in the research but also on how they will respond. Surveys also summarize the factors which are applicable elsewhere in the world, because it is assumed that the variations are not statistically significant. In the Slovak Republic, but only in recent years, uncertainty from financial situation of the euro zone has expanded, and this situation is reflected in the selection process of goods and services. It depends on the regional distribution of wealth in the country, opportunities to buy designer products, or even go for their purchase. It is possible to ask the question: How many people would prefer a branded product if they could afford them? In recent years, in Slovakia, the price has become the determining factor that decides on purchasing the product. Therefore, in the Slovak Republic a concept for supporting domestic production was established - it is called „Quality from our regions“ [7], and we can currently encounter it at any store. Based on a certificate, producers state that products were manufactured in Slovakia – this affects and encourages customers to buy domestic production. Preferences and government initiatives (Slovak Republic is not alone facing this situation, similar concepts have been running in other countries for years) do not concern only the country of origin but also those companies that manufacture products. The objective of policies is easy to read, it is economic development, employment growth and support of domestic businesses. A secondary consequence of these activities is to support the process of creation and brand positioning. It is very difficult without the brand – a distinguishing mark – to select goods because many companies in Slovakia are building their brands. As we have indicated, many governments of the world support sales of domestic brands in many countries around the world. Their aim is to ensure that government support, supposing they decide to provide it, is given those companies that have an impact on the growth of the domestic economy.

At first, the issue of insourcing is only marginally related to the topic discussed in our

study. Insourcing is freely translated as integration. This term, however, is translated only rarely and it is considered to be the opposite of outsourcing. It means inclusion or incorporation of initially outsourced safety services, processes and activities directed back into the organization. The reasons for insourcing are mostly strategic; it may be lower transaction costs, failure of a strategic partner, increasing of the bargaining power the company that provides outsourcing and the subsequent increase in the cost of outsourcing. Based on the above mentioned governmental initiatives, however, insourcing can become a competitive advantage. Many politicians openly say that insourcing is part of their plans to support the development of employment and the economic development. Currently, governments actually support multinational companies that regularly “threaten” to transfer their activities to other countries.

#### 4 Conclusion

Anyone who presents results of research on customer preferences in relation to branded products and thinks about them had to record that in recent years consumers have a better orientation in branded consumer products and a fairly good knowledge of different brands of goods and services. Analysis, when, at what consumers, in which segments and age groups a brand plays a role in the process of deciding on the purchase of goods and services vary, in some analysis of the country of origin of the brand plays a role, in others the price or other factors that enter into the decision-making process for purchase of branded products. As we tried to suggest, customers do not always purposely select products of domestic manufacturers and service providers, and therefore our surveys are only indicative and the results do not lead to definite conclusions or recommendations. Nevertheless, it can be inferred from the survey that in the future the Slovak market will be dominated by those brands, which take into account not only their own interests and goals but also the purchasing power of their customers. And of course, brands that will have loyal customers regardless of whether they come from a country where their products are placed will dominate.

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