

BRAND EQUITY AND COUNTRY OF ORIGIN MODEL IN PHARMACEUTICAL INDUSTRY

Manijeh Bahrinizadeh¹, Majid Esmailpoor², Masoud Haraghi^{*,3}

¹*Department of Management, Assistant Professor, Persian Gulf University of Bushehr, Iran*

²*Department of Management, Assistant Professor, Persian Gulf University of Bushehr, Iran*

³*Department of Management, MA student of marketing, Persian Gulf University of Bushehr, Iran*

Abstract

This study aimed to investigate the country of origin effects on brand equity and its dimensions in pharmaceutical product. In this cross-sectional survey, we studied 134 Pharmacist in bushehr province. Respondents were asked to describe how much they are paying attention to country of origin and brand equity when they order and purchase pharmaceutical product. Result show that Country of origin effects has a direct and positive impact on brand awareness, perceived quality, brand loyalty, brand equity. And country of origin effects has an indirect and positive impact on brand equity through brand awareness, brand image, brand loyalty. The finding suggests that marketing managers in pharmaceutical industry should pay attention into country of origin, because it creates brand value for pharmacist.

Keywords:country of origin effects, brand equity,brand awareness, brand loyalty, SME model

1. Introduction

Branding has become a top priority for both managers and academics with the acceptance that brands are among the most important assets that many firms possess. [1]Since the beginning of the last decade, many changes have occurred in the international economic environment, including the globalization of markets and the fast growth of Asian markets, which overall offered new potential for deeper investigation of the subject. [2]

Increased global competition and the need for attention to international issues lead to an extensive research on a major marketing subject that called "country of origin effect". Despite of the trend that marketing have towards globalization, "country of origin" still can be considered as a separate factor that have major affect in the success of international marketing. But this affect is variable compared to the brand's subjective place among people. [3]

Survey the country of origin effect on consumer behavior is as one of the most widely discussed issues in international marketing research. Samli (1995) suggests that country of origin effect as

the concept plays major role in product acceptance in global markets. Country of origin effects also can be a barrier to entry new markets that reveal as negative consumer's perceptions towards imported products. [4]

Today, for many organizations creating strong brands, due to advantages such as revenues has become a priority into marketing programs. Strong brand will help company by creating identity in the market; less vulnerable against competitive action; earn higher profit margins; more cooperation and supports of intermediaries with company and earn the brand's development opportunities. [5]

Brand equity is the result of savvy consumers to a particular brand, that is influenced by many factors and it cannot be understood entirely without scrutiny of its resources, which factors shape brand equity in the minds of consumers. [6, 7]

In the purchasing process, consumer are not merely considered factors such as price and quality, but also other factors such as country of origin, affect consumer purchasing process. Many consumers are used some stereotypes like country of origin effect to assess brands [8]. Studies prove this point, that "made in [. . .]" label is very important for consumer while evaluating product. [9]

Present study attempts to assess the impact of country of origin effect on brand equity through mediator of four brand equities' factors, that are contains, brand loyalty, brand awareness, brand image and perceived quality in pharmaceuticals product in bushehr zone.

2. Literature Review

2.1. Country of Origin

In products purchasing, consumers face many decisions related to the product itself, its purchase and intended usage. Consumer researchers have extended considerable effort to better understand how such decisions are frames. Among the myriad parameters that are influence the purchase and consumption of a product, its country of origin is conspicuousness. [10]

Country of origin refers to information pertaining to where a product is made (the "made in" concept). It is also defined as the positive or negative influence/associations that a product's country of manufacture may have on consumers' decision processes or subsequent behaviour. [11]

Imagery of Country of Origin is defined as "the picture, the reputation, and the stereotype that businessman and consumers attach to products of a specific country. This image is created by such variables as representative products, national characteristics, economic and political background, history, and traditions. [10]Country of origin is also defined as the country where corporate headquarters of the company marketing the product or brand is located. Though we recognized that the product might not necessarily be manufactured in that country because of multinational sourcing, we assume the product or brand is identified with that country. [11] In this study we want to explore brand's country of origin effect .

Moreover, Gurhan-Canli and Maheswaran (2000) argued that the extent to which a product's country of origin cue is utilized depends on the level of consumer involvement in its purchasing. [2] In this study, we want to survey pharmaceutical product which have high involvement.

2.2. Brand Equity

Brands represent enormously valuable pieces of legal property, capable of influencing consumer behavior, being bought and sold, and providing the security of sustained future revenues to their owner. The value directly or indirectly accrued by these various benefits is often called brand equity. [7]

Leuthesser (1988) offers a broad definition of brand equity as: the set of associations and behaviour on the part of a brand's customers, channel members and Parent Corporation that permits the brand to earn greater volume or greater margins than it could without the brand name. [12]

2.3. Brand Awareness

Brand awareness is the strength of a consumer's ability to recall and recognize the favorable attributes and uniqueness of the brand. [13] Brand awareness refers to "the ability for a buyer to recognize or recall a brand is a member of a certain product category". [10] Mostly brand awareness is represented either as brand recognition or brand recall. [13] Consumers' brand awareness is likely to be high when they perceive the quality of the brand to be high. [14] Awareness and understanding of consumers' perception and the way that they interact with COO image in target markets is also crucial. [9]

2.4. Brand Loyalty

From marketing strategy point of view, customer brand loyalty is considered as one of the most significant upshots. Brand loyalty is considered to provide greater leverage to trade, condensed marketing costs and building an augmented market share. [15]

Brand value or brand equity is mainly caused by brand loyalty. Brand loyalty, reduce marketing costs (probably keep a customer less costly than find a new one); improve business relationships with retailers, brings knowledge and confidence for customers who know brands as important factor in emerging their previously first purchases of new products. [5] Aaker (1996) stated that most of brand's value depends on the number of people who regularly buy it. Regular buyers have significant value because they represent a stable income stream for company. Thus, the concept of "brand loyalty" is a critical component of brand equity and has a direct and positive effect on brand equity. [16]

2.5. Brand Image

Keller (1993) defined Brand image as: "perceptions about a brand as reflected by the brand associations held in consumer memory" Brand image perception, which is built on the consumer's brand associations and attitude, has been considered an integral component of brand equity and has been widely employed in brand equity frameworks. [14]

First, brand image and associations are formed in ways to help process or retrieve information related to the brand, providing the customer with reasons to buy. Second, the customer differentiates one brand from another, based on uniqueness of the brand's image or associations with other objects. Image and associations may also create positive attitudes and feelings through spreading activation that are conducive to commitment, loyalty, and choice. [16] Finally, brand image or associations are a primary basis for brand extension because the extension brand's acceptability is judged largely by the degree of fit between the mother and extension brand, as shown in brand extension studies.

Empirical results support that corporate image was found to determine customer loyalty both directly and indirectly through customer satisfaction and that its effect was substantial particularly when customer satisfaction was not modeled together. Other studies reported that both image and satisfaction were positively associated with loyalty, even when satisfaction sharing a large amount of variance with image was modeled simultaneously (e.g., Brunner, Stocklin, and Opwis 2008). Therefore, it is expected that brand image is positively associated with brand loyalty. Brand awareness and brand image are connected. Several studies have supported the assertion by [13] that when customers remember a brand clearly, they are better able to create an image for the brand. [17, 18]

2.6. Perceived Quality

A consumer's subjective assessment of the brand is referred to as the perceived quality of the brand. [19] Consumer's perceived quality of a brand is greatly dependent on their perception's process that contain decision making. The high perceived quality occurs, when the consumers taking distinction and recognize the superiority of one brand toward other competitor brands. In fact, high perceived quality by consumer are affected their purchase decisions and stimulate them to select one brand over competitors. This means that high perceived quality influences consumer's choice, which will consequently lead to increased brand equity. [20]

3. Methodology

3.1. Data collection

An experimental design was used to test the hypotheses. The data for this study were gathered through questionnaire. The questionnaire consists of a five-point Likert scale ranging from "never" to "always" option. The questionnaire contains 28 items measuring; the Scale encloses 5 variables measuring; Brand equity, Brand awareness, Brand loyalty, Brand image and Country of origin. Also respondents were asked in the end of the questionnaire to deliver some personal information related to the gender, age and Job Experience. The reliability (Cronbach's Alpha test) of this scale was 0/91 and it show there was a good intercorrelations between scale items.

The questionnaires were to be responded by the pharmacies and employees of the drug store. To choose the sample for this study, random sampling technique was used. The survey was done in Bushehr Province. Table I show the summery of KMO and Reliability for each variables of scale.

Variable	Reliability (Cronbach's Alpha)	KMO index
Country of origin	0/883	0/762
Brand Equity	0/861	0/857
Brand Image	0/914	0/843
Brand Loyalty	0/910	0/829
Perceived Quality	0/912	0/791
Brand Awareness	0/894	0/839

Table I - Summary of KMO and Reliability of scales

The KMO Index measure of sampling adequacy tests whether the partial correlations among variables are small. The KMO should be greater than 0.5 for a satisfactory factor analysis to proceed. In this study all of the variable's KMO indexes are greater than 0/5. These data interpret that there is relative compactness of correlation in the data matrix. These data also clarify that factor analysis is highly appropriate for these data.

4. Finding

4.1. Sample description

In total, 134 questionnaires were available for statistical use. The answer's rate is 76 per cent. 79 were males and 65 were females. The most respondent are in the range of 35-45 years old and have 5-10 years Job Experience.

Gender	Frequency	Percentage
Male	79	0/59
Female	55	0/41

Table II - gender distribution

Age	Frequency	Percentage
25-35	34	0/25
35-45	42	0/32
45-55	39	0/29
55 and above	19	0/14

Table III-age distribution

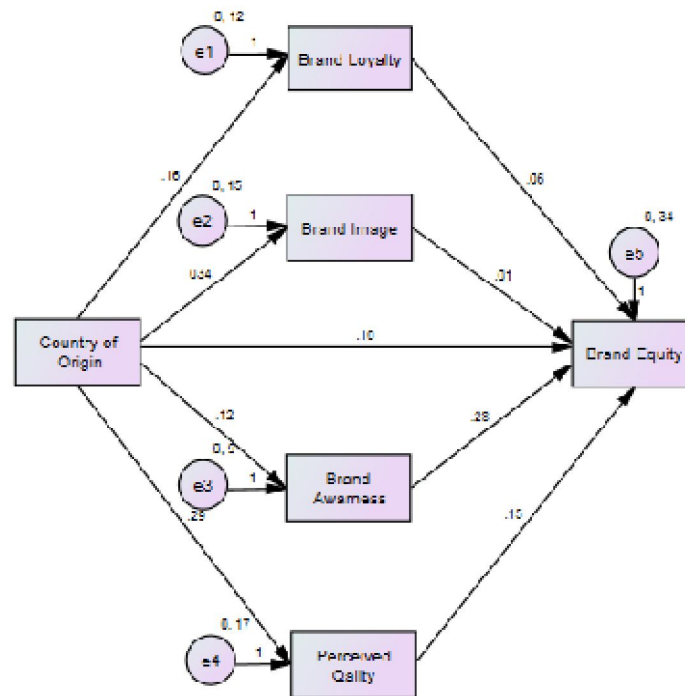
Job Experience	Frequency	Percentage
0-5	20	0/15
5-10	50	0/37
10-15	13	0/10

15-20	36	0/27
20 and above	15	0/11

Table IV-Distribution of work experience

4.2. Model Test

To test the research model and hypotheses, structural equation modeling (SME) and path analysis were used. Data analysis was conducted with using Amos software. The output of the software after the initial test of a conceptual model is shown in Figure 2.

**Figure I**- initial test of a conceptual model

After overall fit of the conceptual model, we will test the hypotheses. The purpose of overall fit of the model is to answer this question “whether the empirical data collected, supports the conceptual model of the study or not?” Therefore the overall fit indices of the research model are presented in Table V.

The fit indices	χ^2/df	CFI	NFI	RMSEA
Acceptable value	between 1- 3	CFI>0.9	NFI>0.9	RMSEA<0.1
Estimated value	7/910	0/638	0/627	0/162

Table V- The initial conceptual model fitting index

As reported in Table V, fitted model's indexes were not desirable, so first we should fit overall conceptual model of study, then fitting part of the conceptual model, or test the hypotheses. In Figure II, we see fit model and the final study.

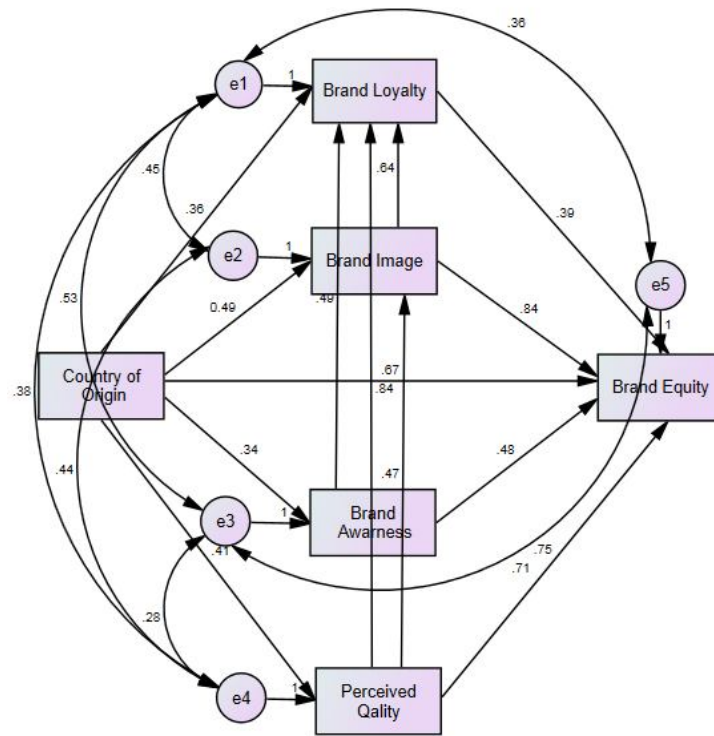


Figure II- Final and modified conceptual model

The modified conceptual model's Index is given in Table VI. As seen, fitted model is desirable. RMSEA Index of modified model is 0/04, this index is one of the important index that show fitting of the model. Other indexes are shown in bellowing table.

The fit indices	χ^2/df	CFI	NFI	RMSEA
Acceptable value	between 1- 3	CFI>0.9	NFI>0.9	RMSEA<0.1
Estimated value	1/489	0/990	0/97	0/04

Table VI- The modified conceptual model fitting index

After overall fitting the model we can test the hypothesis. At this stage, the impact factor and the significance of each variable's coefficient is investigated. Table VII lists the estimated coefficients for the test to demonstrate the model's assumptions. Accordingly, we can decide for accept or reject of the research hypotheses.

Hypothesis	p-value	C.R	S.E.	Result
Country of origin effects has a direct and positive impact on brand awareness.	0/009	2/617	0/34	Pass
Country of origin effects has a direct and positive impact on brand on perceived quality.	***	5/586	0/41	Pass
The effect of country of origin has a direct and positive impact on brand image.	***	4/064	0/49	Fail
Country of origin effects has a direct and positive impact on brand loyalty.	***	5/658	0/36	Pass
Country of origin effects has a direct and positive impact on brand equity.	0/264	1/624	0/67	pass
Country of origin effects has an indirect and positive impact on brand equity through brand awareness.	***	3/658	0/14	Pass
Country of origin effects has an indirect and positive impact on brand equity through perceived quality.	0/164	1/139	0/31	Fail
Country of origin effects has an indirect and positive impact on brand equity through brand image.	***	7/627	0/41	Pass
Country of origin effects has an indirect and positive impact on brand equity through brand loyalty.	***	8/642	0/14	Pass

Table VII- Hypothesis test

5. Conclusion

Expect other variables that are involved in the brand chosen by the buyers, the countries of origin effects are an important factor in choosing durable consumer goods by order of importance providers, purchasers and consumers are. In this particular study, we tried to examine the country of origin effect on brand equity in pharmaceutical products at pharmacies, in Bushehr province. According to the research findings, it is important to pay attention to three main points: First, the country of origin effects have a large impact on brand equity and its components (brand awareness, perceived quality brand, brand image, brand, and brand loyalty). And thirdly, that all four variables, brand awareness, brand image, perceived quality of the brand and brand loyalty partially mediated by country of origin effect on brand equity. The Result showed that 59 percent of samples are male and 41 percent are female. Also, result showed that Country of origin has a direct and positive impact on brand awareness, perceived quality, brand equity, brand loyalty and have indirect and positive impact on brand awareness brand image and brand loyalty.

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