

HOW DOMESTIC OR FOREIGN IS THE PASSENGER CAR YOU DRIVE? GLOBALIZATION AND THE CHALLENGE OF COUNTRY-OF-ORIGIN ATTRIBUTION FOR BRANDED PRODUCTS

Tahi J. Gnepa, College of Business Administration, California State University-Stanislaus, Turlock, U.S.A.

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ABSTRACT

Country-of-origin (COO) is among many criteria that buyers consider when they evaluate competing automobile brands. However, in a world where components and parts for most manufactured products are globally outsourced, “made in” labels may no longer represent the reliable cognitive shortcuts they used to. In this study, multiple factors drawn from the American Automobile Labeling Act (AALA) data were used as proxies to determine the country of origin of passenger cars sold in the United States. Holding the “Country of corporate headquarters” as the anchor criterion, the findings indicate that “Country of final assembly” is the most accurate proxy for COO attribution, while “Country of origin of the transmission” is the least accurate. At the brand level, nine automobile brands exhibited high spatial homogeneity (concordance) meaning that the preponderance of their parts, final assembly, engine, and transmission originated from a single country. In contrast, four brands exhibited high spatial heterogeneity (discordance) on the same criteria. Implications for economic nationalism policies or campaigns during which consumers are incentivized or otherwise encouraged by governments and labor unions to “buy domestic” are derived.

Keywords: Globalization, country-of-brand-origin, buy American, American Automobile Labeling Act (AALA), spatial homogeneity (heterogeneity), economic nationalism.

1. INTRODUCTION

The country where a product originates is often presented in COO studies as one of the factors with significant influence on buyers' perceptions and evaluations of branded products. From Schooler's (1965) seminal work to Bilkey and Nes (1982) early review of the literature on COO effects, the “made in” label displayed on a product has been presented as an important cue in the consumer decision-making process. Indeed, a company like Volkswagen has successfully used “German engineering” excellence for many years as a positioning strategy to differentiate their cars from the competition, until their diesel emission scandal in 2015 when half-million diesel Volkswagen models were cited for emissions violations, and when the Justice Department sued Volkswagen on behalf of the EPA. Only after this scandal did the company drop its “das Auto” campaign and start to de-emphasize the meticulous engineering theme in its marketing communications efforts. In another illustration of positive COO consideration by consumers, in the fast-food industry, Tonsor, Schroeder, and Lusk (2013) explain that Wendy's decision to continue advertising their meat as “a product of North America” was motivated by the perceived benefit on consumer affect, even though the company was no longer legally required by the FDA to disclose such information.

Traditionally, COO has been operationalized based on various measures of country image (Hertz and Diamantopoulos, 2013). However, the often-limited generalizability of findings based on this cognitive measure has prompted some researchers to call for the concurrent use of affective criteria (Hertz and Diamantopoulos, 2013; Maher & Carter, 2011). To be sure, discordant voices (Liefeld, 2004; Samiee et al, 2005, Samiee, 2010) have emerged at times to question the continued relevance of the COO concept in a world where cross-border outsourcing seems to be the rule rather than the exception, and where most consumers surveyed did not know or did not care about the importance of the country-origin of the branded products they buy. Usunier (2006; 2011), for his part, implies that globalization has sufficiently emptied the COO concept from any practical meaning and that it should be de-emphasized. Such provocative calls seem to be the exception, however, as the bulk of research on the topic tends to explore or validate its sectoral, geographic, and other types of applications and refinements. This ongoing debate raises the interesting