The effect of COO on retail buyers' propensity to trial new products

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Abstract

Purpose – The purpose of this paper is to theorize country-of-origin (COO) to be important to retail buyers in making purchase decisions. However, this question has not been addressed in the literature and leaves a critical gap in determining how COO ultimately affects consumer purchase options.

Design/methodology/approach – Retail buyer behavior is empirically tested with both premium and value brands from Italy. A sample retail buyers was taken from a LexisNexis database and provided 205 completed surveys. Construct scales were taken from existing literature and tested using composite reliability. SEM was used to analyze the data.

Findings – Results showed that retail buyers are affected by COO; that low involvement purchases are not differentially affected compared to high involvement; product typicality enhances likelihood of purchase and this typicality is more important for high involvement goods.

Practical implications – Retail buyers are affected by COO and will make product choices for their stores accordingly. Companies should be aware of this and take it into consideration to strengthen their acceptance by retail buyers. Trade organizations within countries may consider advertising approaches to distinguish themselves and stimulate positive COO among retail buyers.

Originality/value – This is the first time that retail buyer behavior has been studied with regard to COO effects using consumer models. Results showed that use of these models is more appropriate than only using industrial buying models. Retail buyers are found to indeed be affected by COO, which in turn influence buying choices for consumers and offerings from retailers.

Keywords Country-of-origin, International marketing, Involvement, Product typicality, Retail buyer behaviour

Paper type Research paper

Introduction

Numerous research studies have shown that country-of-origin (COO) has a substantial impact on consumers' choice (see Peterson and Jolibert, 1995; Phau and Chao, 2008; Saran and Gupta, 2012). The original concept of COO, reflecting only the actual manufacturing origin, has expanded to include the increasing role of the country of brand as well (Usunier, 2011). The origin of the product represents an important evaluation cue that has become more complex and contradictory. Thus, an ever-growing body of literature is investigating COO relevance in consumers' evaluation, enriching a debate which was born in the 1980s (Bilkey and Nes, 1982; Phau and Chao, 2008).

At the other end of the spectrum, the literature shows significant and prevalent impacts of country choice on entry mode for manufacturers (Fong *et al.*, 2014). The globalization and changing role of emerging market countries have inevitably impacted companies' entry modes and the perception of the origin effect. Thus, manufacturers must understand the effect of COO in order to build and position their brands in international markets (Fetscherin and Toncar, 2010).

What is almost completely missing is the impact of COO on a key intermediary, the retail buyer. How COO affects the purchase decisions of retail buyers has largely been overlooked and recently identified as an important area for study (Koschate-Fischer *et al.*, 2012; Chen *et al.*, 2014). This lack of research is especially apparent when compared to the impressive volume of literature related to consumer COO. Indeed, while Lee *et al.* (1991) and da Silva *et al.* (2001) looked tangentially at COO and retail buyers, the studies were either descriptive or focused on characteristics of the buyer that determined their opinion of a foreign supplier. The mechanism for how COO affects retail buyer decisions has not yet been investigated.

Retail buyers are gatekeepers, selecting the merchandise that will be displayed for sale to consumers (Sternquist, 1994). Manufacturers can enter countries for perceived positive COO by the end consumer. However, if the retail buyer does not have a similar positive COO image, the products will not end up on retail shelves. Similarly, consumers' COO may affect retail buyers' decisions or it may be ignored, potentially resulting in suboptimal choices for the consumer. Therefore, the present study has the objective of filling this research gap by applying, extending and empirically testing consumer COO theories on the complex decisions made by retail buyers. Specifically, Cue Theory, Categorization Theory and the Elaboration Likelihood Model (ELM) are adapted to the retail purchase process to test the effect of COO, product involvement and product typicality on retail buyers' decisions to trial new products. Thus the contribution of this research lies in: first, enriching the theoretical foundations applied to retail buyers from only industrial theories to include individual decision theories; second, filling in an important vacuum of knowledge in the literature by showing the effect of COO across all levels of the supply chain; third, expanding opportunities for coordination between manufacturers and retail buyers and finally, highlighting the importance of the findings for managers (industrial sales and branding) and government officials (e.g. place branding).

Retail buyer behavior models
Historically, research on retail buyers examines the process of buying from more prescriptive/descriptive frameworks including the stages of buying, most of which have been adapted from industrial buying or the consumer literature (Kline and Wagner, 1994; Hansen and Skytte, 1998). Typical models of the retail buyer process are grounded in industrial buying (Varley, 2014, p. 30). Thus, application of the major industrial buying theories such as power/control (Gaski, 1984; Gaski and Nevin, 1985), transaction cost (Williamson, 1979; Williamson, 2010) and relationship marketing (Morgan and Hunt, 1994) was deemed appropriate. These theories have been applied mostly to the retail-vendor relationship, choice or negotiations.

However, there is significant reason to believe that the retail buyer process is more similar to the buying process of the consumer than the typical industrial buyer (Kline and Wagner, 1994; Hansen and Skytte, 1998; Bahng and Kincade, 2014). Early studies demonstrate how both consumers and retail buyers show similar behavior related to preferences and product choice decisions (Sheth, 1973). Even if retailers can be considered more rational than consumers due to a lower degree of information asymmetry (Alpert *et al.*, 1993), it is likely that the COO effects exist. Unfortunately, to date, these effects have neither been explained nor tested.

Theoretical underpinnings of COO
If we presume that retail buyers' decision processes parallel those of the consumer, we must first examine the existing theory of COO at the consumer level. The term COO effect has been defined as "a specific marketing phenomenon, that is, consumers (sub)consciously incorporating a COO stimulus […] as an evaluative criterion in their formation of an attitude

towards a product" (Bloemer *et al.*, 2009). In general, three prevalent theories/models are used to identify the mechanisms of COO research at the consumer level: Cue Utilization Theory, ELM and Categorization Theory.

Cue Utilization Theory
Information cues allow consumers to form opinions and brand evaluations. These cues can be intrinsic (inseparable from the product or service) or extrinsic (e.g. price, brand, or COO) (Olson and Jacoby, 1972). According to Cue Utilization theory, when intrinsic cues are not available, consumers rely heavily or exclusively on extrinsic cues (Magnusson *et al.*, 2011). Extrinsic cues such as COO allow individuals to reduce cognitive demands and expedite a decision process when other information is not present.

Cue utilization is described as a cognitive process; alternatively, automatic information processing argues that the process can be unconscious and without awareness (Shiffrin and Schneider, 1977; Zajonc, 1980). From this latter perspective, the mere presence of a COO cue would activate stored associations in memory and stereotypes about the country (Liu and Johnson, 2005; Herz and Diamantopoulos, 2013b). Hence, even simple exposure to a COO cue would affect brand evaluations. This unconscious reaction is largely affective and relates to consumers' identity with a country or pride of ownership for items from a specific nation (Batra *et al.*, 2000; Oberecker and Diamantopoulos, 2011).

ELM
Taken together, cue utilization and automatic information processing constitute the two processing paths offered in the ELM – central (cue utilization) and peripheral (automatic information processing). The ELM (Petty *et al.*, 1983) describes two paths to process information, central and peripheral. These are generally construed as cognitive and affective processing. In cognitive (central route) processing, more effort is made and more evaluation cues are considered prior to rendering a decision. Peripheral processing tends to be affective – less consideration, less depth and more emotional reaction to stimuli. The moderating effect of involvement in ELM is discussed in Petty *et al.* (1983), showing that high involvement leads to central route processing and low involvement is associated with the peripheral route.

A revised ELM was offered by Bloemer *et al.* (2009), providing a more solid theoretical base for why COO factors affect decision making. They suggest that a halo mechanism results from weak COO effects brought on by insufficient information.

COO cues were traditionally considered to be affective in nature, especially when other information is lacking (Liu and Johnson, 2005; Herz and Diamantopoulos, 2013b). Related affective socio-psychological factors that influence product evaluation would include ethnocentrism (Shimp and Sharma, 1987), country affinity (Oberecker *et al.*, 2008) and animosity (Klein *et al.*, 1998). However, Bloemer *et al.* (2009) described a cognitive outcome resulting in central processing called a summary construct. Previous experience with a country and/or its producers would result in using a summary construct to determine selection.

Categorization Theory
This theory suggests that categorization is a process that involves determining which items "belong together" (Barsalou, 1983). Categories then affect consumer information processing through acting as a heuristic to make decisions more efficient (Hadjimarcou and Hu, 1999). A review of Categorization Theory can be found in Alba and Hutchinson (1987) and Cohen and Basu (1987).

Categorization Theory has been used to develop the concept of brand/product typicality (Loken and Ward, 1990; Tseng and Balabanis, 2011). Typicality, or strength of the

association with the origin of the brand, refers to how closely an object represents a category (Rosch, 1978; Barsalou, 1983). More typical members of a category tend to be named first in free recall and become the standard for the product class when products are compared (Tseng and Balabanis, 2011). In the COO literature, this is applied in the concept of country typicality, which occurs when a product appears to be more typical of a specific country. When a product fits the stereotype for the COO, it is expected to produce more favorable evaluations of the product and increase its likelihood of purchase (Tseng and Balabanis, 2011). For instance, products produced in advanced economies are more favorably evaluated than those from less developed countries, especially for more complex manufactured goods (Pappu *et al.*, 2007).

Application of consumer theory to retail buyers

The goal of the retail buyer is to maximize gross margin return on investment (GMROI). Thus margins and turnover play central roles in meeting their goals. On one side, both margins and turnover are determined by the consumer through price and sales volume (Hamzaoui-Essoussi *et al.*, 2011; Koschate-Fischer *et al.*, 2012). Conversely, margins are also determined by the cost and efficiency of the buying system in reducing cost of goods sold and transaction costs. Indirectly, the efficiency of the buying system also determines turnover through effective supply chain management that moves goods from vendor to retail shelf. Thus, the buyer attempts to maximize GMROI through an effective combination of consumer buying behavior and efficient/effective supply chain management (da Silva *et al.*, 2001). With multiple buying options, foreign and domestic, the choice behaviors of retail buyers are complex and have far-reaching consequences.

From a retail buyer's perspective, COO is important in three ways. Retail buyers may utilize COO to create an assortment that appeals to consumers; develop and reinforce the store image and operations and coordinate the supply chain.

Consumer focused. Retailers' buying decisions are affected by consumer preferences. Kline and Wagner (1994) showed that consumer preference is the second greatest influence on retail buyer decisions. Thus, traditional retail buying is now moving toward consumer-led product management in which profitable satisfaction of the retailers' customers is the central objective (Varley, 2014, p. 32). Research has also shown COO to affect both consumers' propensity to purchase a product as well as the price they are willing to pay for a product (Hamzaoui-Essoussi *et al.*, 2011; Koschate-Fischer *et al.*, 2012). However, there is little theory to suggest how the COO input of the retail customer affects which vendor, merchandise, lines or country is chosen by the retail buyer.

Store centered considerations. In addition to the demands of their consumers, retail buyers are influenced by how well products match their store image, the margins the product can produce and its ultimate salability (Broderick, 2007; Levy and Weitz, 2007; Mantrala *et al.*, 2009). Along with atmospherics, location and a host of other attributes, store image is determined by product assortments (Berry, 1969; Nijssen and Douglas, 2008). The congruency of the merchandise to the store image enhances store image and thus is a central decision for a retail buyer. In turn, it has been convincingly shown that positive store image increases consumer traffic and sales. While not the only factor affecting store image, in some cases COO can play a role in developing and reinforcing store image. For example, specific food items in an Italian restaurant or Chinese goods in a discount store may interplay with the other elements to help create a specific store image.

Supply chain considerations. Logically, COO can be a heuristic tool that retailers utilize in processing information regarding the supply chain. For instance, smaller retail buyers might perceive large manufacturers from advanced countries such as the USA, Japan or Korea as having asymmetrical power advantages, thus tend to avoid searching for vendors

in these areas. Likewise, a retail buyer might categorize manufacturers in remote locations as having significant transaction costs due to logistics, or conversely those from the EU or North America as having relatively lower transaction costs. In general, retail buyers might avoid or be attracted to vendors in specific regions because the development of a relationship and trust is easier due to higher (lower) psychic distance (Johnston *et al.*, 2012) or corruption. This seems especially true in early stages of a relationship such as with new product trials (Magnusson and Boyle, 2009).

COO and retail buyers
Retail buyers may use COO in multiple ways depending on the goal or consideration. First, since consumers use COO as a heuristic to determine preference, retail buyers may appeal to these preferences directly by buying goods from countries which the consumers prefer. For example, if a buyer sees that customers like Japanese goods, the buyer is more likely to offer Japanese products. In this case, the retail buyer is not using COO as a heuristic themselves, but rather as a direct appeal to consumer COO cues. However, this is not to say that the theories underlying COO effect cannot also be applied to the retail buyer. The retail buyer may also use COO cues as a heuristic to categorize quality, price and other product attributes just as consumers do. Thus, to create an appealing assortment, retail buyers might use COO both to directly appeal to consumer desires as well as a heuristic in their own decision process.

Retail buyers can also use COO to create an assortment that reinforces the store image. As an example, a Thai restaurant buys rice noodles rather than Italian spaghetti because the former reinforces their image while the latter would create incongruence between the product selection and store image. Thus the COO of goods has a direct effect on retail buyers' behavior in utilizing the buying process to form the store image. Operationally, retail buyers are faced with similar constraints to consumers: resource constraints are Open to Buy and shelf space, much like consumers have limited disposable income and storage space. Retail buyers' time is at least as scarce as that for consumers. Thus, when possible, retail buyers are likely to use heuristics to simplify decision making regarding store operations. For example, a buyer might perceive that certain countries, perhaps distant landlocked countries, might have higher shrinkage rates through the supply chain. Application of the COO heuristic would then save the retail buyer time and research costs. With the plethora of decision criteria and the vast number of potential vendors, retail buyers may also use COO as a cue and/or categorize countries based on the same theories as applicable to the consumer, thus simplifying the complex decision process. Based on experience, personal bias and opinions of other buyers, vendors and their products will be placed in country/region categories as to their ability to fulfill expectations based on previous performance (Da Silva *et al.*, 2001). Easier or more difficult relationships with vendors can tie in with psychic compatibility (e.g. England is more culturally close to the USA than to China) to influence these decisions (Magnusson and Boyle, 2009; Johnston *et al.*, 2012). Therefore, COO becomes a cue that the retail buyer can use as a heuristic to quickly narrow the choice set of vendors by country or region with less cognitive effort (Bloemer *et al.*, 2009). When choice decisions must be made, COO becomes the decision heuristic because processing about important factors has already been done before placing countries in specific categories. Depending on the demands of the immediate situation the buyer will narrow the list of vendors by region or country without expending cognitive resources and research time to specifically compare all possible vendors from which the products are available. Therefore:

H1. COO image will have a positive impact on retail buyers' likelihood of trialing a product.

COO will be a factor in determining price and margin, especially for low involvement goods, the turnover of which drives sales volume (Hamzaoui-Essoussi *et al.*, 2011;

Koschate-Fischer *et al.*, 2012). ELM suggests that low involvement goods are subject to lower levels of consumer cognition/attention (Herz and Diamantopoulos, 2013a). Further, cue utilization suggests that mere presence of COO cues will trigger stored associations (Koschate-Fischer *et al.*, 2012). Retail buyers likely have had broad experience with several foreign vendors and have clusters of information regarding each. For low involvement purchases, the need to replenish inventory may trigger an automatic response based on COO such that the country that can meet the block of needs most simply – price, sufficient assortment, matching store image and reliable delivery–would be chosen, without much consideration of more intrinsic cues. Thus COO might become a major determinant in low involvement conditions. For example, orders of high quantity, lower priced goods will likely trigger thoughts of the "usual suspects" depending on the product category (e.g. China for toys, Bangladesh for textiles, India for jewelry).

Alternatively, high involvement goods demand more thought from the retail buyer because of greater risk. If the choice is made poorly, such products are likely to necessitate high discounts when they do not meet customer acceptance, undermining the buyer's need to meet GMROI goals. Thus the buyer will consider many product cues before making a decision, including the same intrinsic cues used by consumer (e.g. quality, specific attributes, brand prestige). Buyers will also be expected to select vendors who can provide specific product selections that enhance and reinforce the store's image as higher involvement goods have a greater impact on store image. Finally, the buyer will want to weigh the relative advantages of supplier power, logistical efficiency and psychic distance before making a final decision. These higher involvement decisions will cause the retail buyer to rely more upon intrinsic cues and take more time to compare them with comparatively less reliance on COO. Based on these arguments:

H2. COO cues will have a relatively higher effect on retail buyers' propensity to trial a low as opposed to a high involvement brand.

Product typicality and involvement
Based on Categorization Theory, brands that are typical of their origin will activate stereotypical beliefs about the country and will bring about more favorable COO outcomes (Aboulnasr, 2006; Hamzaoui-Essoussi *et al.*, 2011). This, in turn, leads to greater likelihood of purchase by consumers, fulfilling the buyer's need to reach turnover goals.

In addition, the buyer will tend to select products that build and enhance the store's image by picking those items that are typical of their class and that fit notions of COO with regard to that product. A furniture store selling modern designs will choose products that match that image, such as Scandinavian designs, rather than more traditional lines from British designers, to avoid discontinuity in store image.

Categorization and Cue Utilization theories suggest that retail buyers will choose obvious matches of product and COO nearly automatically. Logically, this would occur not only based on consumer preference and product quality but also because vendors producing products typical of the region have the necessary supporting infrastructure to package, pack and deliver the product efficiently. For example, buyers looking for high quality crystal objects might look to Czech or Austrian vendors as a first choice. These countries are not only likely to have quality crystal producers with capacity, but also designers, freight packaging expertise and distribution systems capable of handling fragile products (i.e. related and supporting industries as per Porter's Diamond: see Porter, 1990; Rugman and Verbeke, 1993). Thus, product typicality may determine first search and screen criteria in vendor choice. Consequently:

H3. The typicality of the product line will have a positive effect on the retail buyer's likelihood of trialing a product.

According to ELM, low involvement goods are expected to be purchased with little processing of intrinsic cues, while high involvement goods demand more in-depth comparison of product features, salability and other factors. For retail buyers, low involvement goods have less financial risk and fewer obvious attributes – for example, a bar of soap has relatively few characteristics to evaluate. Thus, Categorization Theory suggests that products that conform closely to those typical of the country will be most desirable. COO tends to dominate the selection process because of the typicality link in memory between product and country.

ELM suggests central processing for high involvement products and that if such products fit expectations across all cues, including COO, they would be better accepted. Alternatively, central processing might dismiss a product that does not fit the typical COO perception due to cognitive dissonance. Concerns about COO are heightened for high involvement goods because of the risk involved if the product does not sell. Salability of the product and its alignment with store image are affected by COO, so the retail buyer considers these more carefully for high involvement products. For example, COO for fine wine becomes a central selling point and enhancer of store image when the wine is from Bordeaux rather than from Chad.

Vendor selection also enters into the decision process as well. Low involvement goods tend to be made by a wider range of producers and may well be interchangeable in the mind of the buyer. High involvement goods, on the other hand, typically carry reputations for quality, complexities of shipping, style differences and other factors that will tilt buyer decisions toward specific countries to better achieve a match with store image and produce the GMROI desired. Thus:

H4. Product typicality will have a relatively higher effect on retail buyers' propensity to trial as high as opposed to low involvement products.

Moderating impact of typicality on COO
Cue Utilization theory suggests that primary cue usage will become nearly automatic as the typicality of the object and the category converge (Shiffrin and Schneider, 1977). Roth and Romeo (1992) and Roth and Diamantopoulos (2009) showed that when a product's origin is typical of a specific country and there is a favorable and strong product-country match, desirability of the product is enhanced. Products that relate more closely to their COO benefit more by forging greater associations in memory and resulting in more likely transfer of COO perceptions to the brand (Thakor and Kohli, 1996; Thakor and Lavack, 2003; Hamzaoui-Essoussi *et al.*, 2011; Saran and Gupta, 2012).

From the perspective of the retail buyer, the positive moderating effect of typicality on COO results in products that are easier to sell, generate fewer counterarguments and create less cognitive dissonance for the consumer. Fewer consumer counterarguments leads to fewer lost sales and a more efficient sales process on one floor. Also, the reduction in cognitive dissonance results in fewer costly customer returns for the retail buyer.

Hence:

H5. The product typicality of the product line will have a positive moderating effect on COO and its effect on the retail buyer's likelihood of trialing a product.

A typical simplifying assumption of nearly all COO studies is that consumers pay attention to the made-in label or COO (Balabanis and Diamantopoulos, 2011). Here we include the degree to which the retail buyer perceives that the consumer pays attention to the COO as a covariate to avoid this assumption and specifically control for the potential variance of this effect. In this case, the buyers' perceptions of consumer attention are used because they are more likely to have a direct impact on the retail buyer behavior (Kline and Wagner, 1994).

In addition, the buyers may not factually know if the consumers accurately pay attention to COO, but rather form their perception from sales data, salespeople and market information.

Summarizing the hypotheses forms the model in Figure 1.

Methodology

Data collection

The population for this study consisted of retailer buyers in the USA. Since the purpose of this study is to examine the effects of COO on the retail buying process at a holistic level, the sample was not focused on a particular subsector or product category, as the theory should generally hold across all subsectors of a population. While such broad analysis uncovers general trends applicable to the general population that are useful in theory testing, it also suffers from the inability to ferret out specific differences within the sample, such as between categories of retailers.

The study is based on the development and administration of a self-administered questionnaire sent to retail buyers. The population list was obtained from LexisNexis® Academic with 14,579 potential respondents, of which 7,478 included the word 'buyer' in their title. Three emails, every two weeks, were sent that included a link to the Qualtrics® survey. Participation in the survey was voluntary and respondents were promised individual confidentiality. To help increase response, respondents were promised and given results of the study as an incentive to participate. In all, 221 responded, of which 205 were complete enough for analysis. The respondents represented a cross-section of the retail sector as shown in Table I. Nine retail buyers with otherwise complete information chose not to fill out information related to company characteristics.

Measures

After careful consideration, Italy was chosen as the focus of the study. Italy has been featured in consumer studies of COO (Balabanis and Diamantopoulos, 2004; Broderick, 2007). It is a G7 nation with a wide manufacturing base and diverse product offerings. In addition, consumers' perceptions of Italian-made items run the gamut from not favorable to excellent, allowing one to study both the effect of the country overall as well as product-specific perceptions in buying decisions (Balabanis and Diamantopoulos, 2004). This also mitigates a halo effect that might be seen when the country is presumed to do
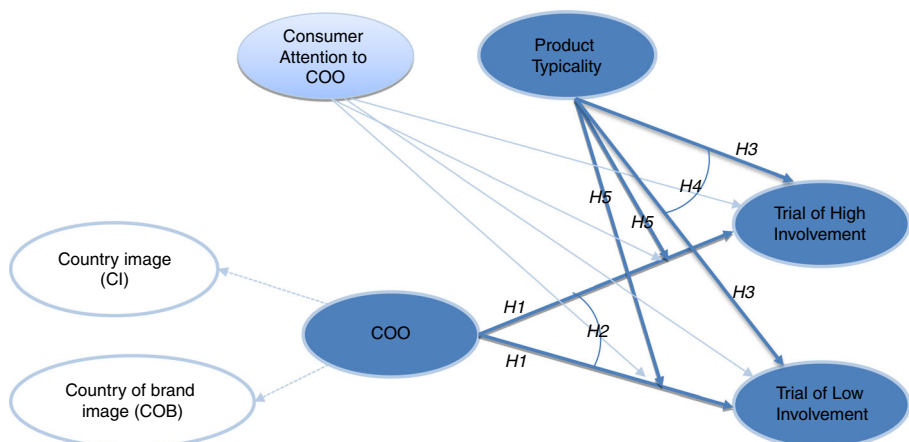
Figure 1.
Conceptual model

NAICS	Valid ($n = 196$)		No. of stores	Valid ($n = 180$)	
	n	(%)		n	(%)
442 – furniture	39	19.9	Under 10	55	30.6
443 – electronics and appliances	8	4.3	11-50	30	16.7
444 – building materials and garden supplies	6	3.1	51-200	28	15.6
445 – food and beverages	46	23.5	201-500	23	12.8
446 – health and personal care	4	2	501-1000	12	6.7
448 – clothing	54	27.6	1,001-2,000	12	6.7
451 – sporting goods	7	3.6	Over 2,000	11	6.1
452 – general merchandise	24	12.2			
453 – miscellaneous	6	3.1			
454 – non-store retail	2	1			
Non-response	9	4.4		25	12

Table I.
Sample characteristics

relatively well across many classes of goods (e.g. Germany) or has a poor product perception regardless of good chosen (e.g. least-developed countries).

Construct measures for this research were derived from existing literature when possible. Two dimensions of COO were adapted from the literature: Macro Country Image (Martin and Eroglu, 1993; Hamzaoui-Essoussi *et al.,* 2011) and Country of Brand Image (Balabanis and Diamantopoulos, 2011). Product typicality was adopted from Loken and Ward (1990).

The endogenous variable of intent to trial a product from Italy is measured for both relatively high and low involvement products. As per standard experimental methods in consumer behavior and advertising for manipulating involvement levels (Andrews and Durvasula, 1991), the product type was manipulated in the question to represent a relatively lower vs a relatively higher involvement product. Since the study is across all retail sectors, mention of specific products/brands is inappropriate. Therefore, common terminology from the industry was adapted to represent relatively high and low involvement by manipulating general impressions of relative price and quality levels using the terms 'premium' and 'value' brand. Premium goods are defined as "[…] are of a higher than usual quality and are often expensive" (*Collins Dictionary*, 2015). In debating whether to use "value" or "discount" goods to represent lower involvement products, the determination was made that "discount" represented too broad a range of interpretive possibilities, whereas "value goods" has become synonymous with lower price/quality and higher turnover products in the industry such as Walmart's Great Value or Tesco's Everyday Value. Value brands in common retail and advertising signify generic or store brands, typically of lower price and standard (but not premium) quality (Malykhina, 2008). A *t*-test was conducted between the two endogenous variables as a simplistic manipulation check to ensure that the respondents interpreted them differently ($t = 4.342$, df $= 204$, $p < 0.001$). Thus the relative difference between the two is captured for each respondent. While manipulating involvement as a high and low dichotomy is not as elegant as measuring it on a continuum, the complexity of the model encouraged us toward simplification of this construct.

Reliability of the construct scales was established using composite reliability (see Table II). All reliability values are "respectable or better" – that is, > 0.70 (DeVellis, 2003). The scales were examined with confirmatory factor analysis (CFA) using LISREL 8 (Jöreskog and Sörbom, 1993). The results indicate an acceptable fit of the CFA model as per Table II. The factor-loading degree represented by the standardized coefficient associated with each item was estimated to examine the convergent validity of constructs. Discriminant validity was tested by examining that the average variance extracted (AVE) exceeded the shared variance, as indicated in Table II (Fornell and Larcker, 1981). Convergent validity was tested by examining the factor loadings. The estimated factor-loading measures are bounded within

Construct/Items	Standardized Loadings	Composite Reliability	AVE
Country image (CI)			
Hamzaoui-Essoussi *et al.* (2011), Martin and Eroglu (1993)			
Semantic Differential 7-point scale			
Please describe the image you have of Italy on each of these characteristics:			
1. Economically Unstable…Economically Stable	**0.57**	**0.802**	**0.589**
2. Less Industrialized…….Highly Industrialized	**0.78**		
3. Low Standard of Living…….High Standard of Living	**0.76**		
4. Low level of Technological Research…. High level of technological research	**0.72**		
Country of brand image (COB)			
(Adapted from Balabanis and Diamantopoulos, 2011)			
Likert 7-point scale			
My consumer considers brands from Italy as having…			
1. Good value for money	**0.79**	**0.890**	**0.712**
2. High reliability	**0.83**		
3. High performance	**0.78**		
4. High quality	**0.87**		
Product Typicality (Typicality)			
Loken and Ward (1990)			
Likert 7 point scale			
The line of Merchandise that I am responsible for is			
1. Representative of Italy	**0.91**	**0.938**	**0.846**
2. Typical of Italy	**0.93**		
3. A good example of brands from Italy	**0.90**		
Covariate			
Consumer Attention to COO			
Likert 7-point scale			
1. When choosing a product, my consumers first look at the made-in labelling	**0.83**	**0.945**	**0.827**
2. The country of manufacture is important to my consumers	**0.94**		
3. My consumers judge products by where they are made	**0.93**		
4. My consumers care about the country of origin of most of the products that I stock	**0.90**		
Endogenous Variable Manipulations			
7-Point scale (Least Likely…. Most Likely)			
1. Trial High Involvement - How likely would you be to Examine/trial/purchase a PREMIUM Italian brand made in Italy?			
2. Trial Low Involvement- How Likely would you be to Examine/trial/purchase a VALUE Italian brand made in Italy?			
CFA Goodness-of-Fit RMSEA	**0.065**		
	NFI 0.95, NNFI 0.97 CFI 0.97		
	IFI 0.97 RFI 0.93		
Sample Size	**205**		

Table II.
Operational measures

the range between 0.57 and 0.94 and all are significant with *t*-values ranging from 8.86 to 17.73, indicating acceptable convergent validity (Bagozzi, 1981; Hair *et al.*, 1998). In addition, the AVE values exceeded 0.50 for all constructs (Fornell and Larcker, 1981).

The COO concept has been measured both as a single construct (Schooler, 1965; Nagashima, 1970; Bilkey and Nes, 1982; Erickson *et al.*, 1984; Han and Terpstra, 1988; Han, 1989; Lee *et al.*, 1991; Thakor and Lavack, 2003) or more recently as subparts of the construct (Balabanis and Diamantopoulos, 2004, 2011; Hamzaoui-Essoussi *et al.*, 2011;

Chen *et al.*, 2014), one being the more gestalt/macro country image (Gaedeke, 1973; Johansson *et al.*, 1985; Han, 1989; Martin and Eroglu, 1993; Ahmed and d'Astous, 1996; Balabanis and Diamantopoulos, 2004; Herz and Diamantopoulos, 2013a, b) and the other being the more specific micro/brand perceptions (Balabanis and Diamantopoulos, 2011 Hamzaoui-Essoussi *et al.*, 2011; Tseng and Balabanis, 2011; Chen *et al.*, 2014). To capture both aspects, we measured COO as a second order factor utilizing both the macro and brand subconstructs as indicated in Table I. The second order CFA had acceptable fit measures ($\chi^2 = 15.13$, $p = 0.65$, GFI, NFI, RFI all equal 0.98).

Analytic methods
It is hypothesized that COO will have a direct impact as well as a moderating effect with product typicality on the willingness of a retail buyer to trial a new product. In addition, Consumer attention to COO is included as a covariate to control for the degree to which retail buyers perceive that consumers attend to the COO. Consumer attention to COO is controlled for as both a direct antecedent and moderating effect on COO. Traditionally, three methods are recommended to test interaction effects in SEM. Using groups by splitting the data at median is typical, but not recommended for continuous variable interactions (Bagozzi *et al.*, 1992). LMS method (Klein and Moosbrugger, 2000) using MPLUS offers an elegant option, but tends to be limited by memory usage and complexity, and it is typically difficult, if not impossible, to find a solution beyond three to four dimensions of integration (as was the case herein). Unfortunately, LMS also is limited in model goodness-of-fit measures available because numerical integration is required. The third typical option involves modeling the interaction effect using product terms of indicators (Bollen, 1989). However, this requires a minimum sample of 300 and recommended sample of 500 for stability; such a sample was beyond the bounds of the current research. Therefore, we adopt a fourth method in which the second order CFA latent values for COO as well as the CFA measures of the latent factors for consumer attention to COO and product typicality are saved from the CFA analysis. The resultant latent factor scores are multiplied to create interactive measure terms (for similar treatment see Gaski, 2012; Magnusson *et al.*, 2015). Then the complete SEM model was computed with these measures.

Results
Results of the structural parameter estimates and goodness-of-fit indices are reported in Table III. Our results lend strong support to the importance of COO in choice behavior of retail buyers.

Hypotheses	Path	Est/p-value	Hypotheses results
H1	COO → Trial high involvement	0.26/5.47	*H1*: supported
	COO → Trial low involvement	0.47/3.29	
H2	{COO → Trial low involvement} >	$D^2 = 0.32$	*H2*: rejected
	{COO → trial high involvement}	$p = 0.57$	
H3	Typicality → Trial high involvement	1.06/7.69	*H3*: supported
	Typicality → Trial low involvement	0.61/4.22	
H4	{Typicality → Trial high involvement} >	$D^2 = 4.14$	*H4*: supported
	{Typicality → Trial low involvement}	$p = 0.04$	
H5	{COO × Typicality} → Trial high involvement	0.25/2.16	*H5*: mixed
	{COO × Typicality} → Trial low involvement	0.14/1.09	

Notes: Goodness-of-fit statistics$^2 = 179.19$, 134df, $p = 0.0056$; RMSEA = 0.041, $p = 0.84$; NFI = 0.94; NNFI = 0.98; CFI = 0.98; FI = 0.98; RFI = 0.93

Table III.
Structural parameter estimates and goodness-of-fit indices

Both the structural paths (high and low involvement) between COO and intent to trial a product were significant, thus supporting *H1* that COO has a direct effect on the retail buyers' intent to try goods based in part on COO effects.

H2, that COO would have a greater effect for lower rather than higher involvement goods, was rejected. The D^2 statistic showed no difference in the effect between the two paths. Thus, COO seems to have a consistent and direct effect regardless of the involvement level of the goods in question. Perhaps this is because in the presence of other cues, COO takes on less importance in the buying decision. This corresponds to the findings of Ahmed *et al.* (2004) who state that, while COO does matter for low involvement goods, its impact is weakened in the presence of extrinsic cues like price and brand.

Product typicality has previously been hypothesized to have a direct effect on purchase intentions for consumers. Paths between product typicality and intent to trial for products are significant for both high and lower involvement goods, thus supporting *H3*. Thus products associated with a country affect the retail buyers' decision to adopt. Perhaps more interesting are the results of *H4* indicating that product typicality has a greater direct effect for higher involvement than lower involvement goods.

Tseng and Balabanis (2011) proposed that categorization theory causes a significant interaction effect of product typicality on the magnitude of the main COO effect for consumers. For retail buyers the moderating effect is only significant for higher involvement goods, offering only limited support for *H5*. Given the relatively low sample size, as is common in using a sample of professionals, a direct difference between the low and high involvement interactions cannot be distinguished in this case ($D^2 = 0.28$, df $= 1$).

Discussion

Overall, COO has a strong and positive effect on retail buyers as they trial inventory, both for higher and lower involvement goods. Retail buyers have the responsibility to stock goods that consumers demand, and as the literature clearly demonstrates, COO has a significant impact on consumer behavior.

Retail buyers tend to focus on a specific line of merchandise, as opposed to consumers who buy a wide range of merchandise. Therefore, whether the retail buyer's specific line is typical of the products produced in a country will have a direct impact on their choices, both for high and low involvement products. For instance, if a retail buyer is focused on computers and electronics, they may be much less likely to source in Italy than if they were buying leather fashions, wines, silver chain or pasta.

As with consumers, the product typicality also has some moderating effect on COO (Hamzaoui-Essoussi *et al.*, 2011). Interestingly, this amplification of the COO effect on buying does not apply to low involvement goods, but rather focuses on higher involvement goods. We speculate that for higher involvement goods, the retail buyer is acting on consumer buying processes that demand more information and deeper processing by the consumer; for lower involvement goods, a general COO effect may be more affect based. For example, if the consumer is buying luxury cars they may look specifically at Germany or Italy, whereas if they are buying pasta any Italian-sounding name may be sufficient.

In addition, higher involvement goods are more time consuming and demanding for the retail buyer to stock, as well as typically higher margin and lower turnover goods. Thus for higher involvement goods the retail buyer needs to be concerned that the product comes from a specific country that not only has expertise in producing the good but also the related/supporting industries that allow better quality, delivery and efficiency. However, a lower involvement good can be sourced on price without regard to the country. For example, an electronics buyer might buy prestige stereo equipment from Denmark, knowing that the quality is consistent, labelling meets international standards, packaging is standard and developed for international transport, and efficient logistics exist to specifically ship

electronics from this country to the rest of the world. However, the same buyer looking at an inexpensive sound system might tend to buy on price from wherever it is available based solely on COO – China, Korea, Taiwan and several others would be acceptable.

Managerial implications

The results of this study have important implications for industry and government. Broadly, our findings suggest that not only do consumers choose and pay for products based on geography, but retailers also make stocking decisions based on COO.

In a highly dynamic market environment where new products from emerging markets are imposing their brands, competing not only through a price advantage but also with their capacity to adapt the product to local demand, the opportunity to leverage a positive COO in the business-to-business relationship with retail buyers becomes for many companies a source of competitive advantage. In addition, the COO leverage is particularly important in globalized industries facing an increasing homogenization of products. The emphasis on the origin of the product represents an extrinsic, emotional cue that can strengthen brand value and brand loyalty, influencing not only purchase intentions, but also acting as a guarantee for a long term manufacturer-retail buyer supply relationship. This is particularly true with high involvement products where retailers are aware that the COO can represent a source of differentiation of their merchandise, generating a positive impact on margins and turnover. If companies can benefit from a positive COO, their capacity to effectively communicate the origin of the product can easily create an image of value for money, performance, quality and reliability both for the retail buyers and the consumers.

The positive relation between product typicality and the intention to buy of a retail buyer is another important result that can influence international marketers' strategies as well as government policies. When a product fits the stereotype for the COO, retail buyers' purchase intentions improve also thanks to the positive moderating effect on COO and its effect on the retail buyer's likelihood of stocking a brand. Strengthening the match between a particular product category and the COO is one way of improving the performance of distributor relationship to bring about fruitful results. Companies can enhance the product typicality, for example, through the advertising or the labelling of the product. If retail buyers are aware that consumers view a brand more favorably the more closely it is associated with its category, a win-win supplier relationship can be developed by the manufacturer providing marketing support to enhance this match in consumers' perceptions. Important support can come from trade organizations and governmental agencies. In fact, this research reinforces the importance of the concept of place marketing to both business and consumers. Saghafi *et al.* (1991) identified the lack of knowledge and promotion as the lowest ranked attribute of Latin American products by US buyers. For this reason trade organizations and governmental agencies should promote products and industries not only within national boundaries, but also abroad. Their role in developing communication strategies, in which the fit between the product and the stereotype for the COO is highlighted, is of great importance. Differently from individual companies, they have the possibility of stimulating retail buyers' emotional COO and product typicality perception through, for example, the adoption of emotional advertising execution formats focused on the image of a nation or a region (e.g. Sweden for design furniture or Tuscany for wine). The target can be both business actors such as retail buyers but also consumers, because they can activate stereotypical beliefs about the country that increase consumer attention to the COO and consequently affect buying intentions of retail buyers. Furthermore, they can also create events, inviting retail buyers in the home country to experience the emotion of a territory or meeting them in international trade fairs.

Being aware that COO affects retail buyer decision making, our results suggest that managers be aware of the degree of resource commitment dedicated both to place marketing

and to enhance the link between the brand and its origin. Resources cannot only come from manufacturers but should be the result of a synergic marketing strategy where the institutional actors noted above also play an important role in improving the relation with retail buyers.

Limitations and future research

Herein the focus was at a more holistic level to examine the applicability of our hypotheses across the retail industry. As indicated earlier, more Gestalt studies have the advantage of testing the applicability of a theory across the whole population. However, such models also gloss over important differences and distinctions within the population, such as between product sectors within retailing.

Consumer attention was measured from the buyers' perspective to avoid the prevalent simplifying assumption that consumers pay attention to COO. It appears from the estimates that this assumption may be more complex than originally thought. This subject needs more attention – both from the consumers' point of view as well as from the retail buyers' perspective. Obviously, if consumers pay less attention to the COO for new low involvement products (as the buyers seem to believe), then this becomes an important challenge to previous studies as well as a ripe area for future research.

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Appendix

	CI1	CI2	CI3	CI4	COB1	COB2	COB3	COB4	Typ1	Typ2	Typ3	Con Atm1	Con Atm2	Con Atm3	Con Atm4	Hi Inv	Low Inv
CI1	4.22 (1.32)																
CI2	0.428	4.85 (1.03)															
CI3	0.449	0.599	5.2 (1.05)														
CI4	0.439	0.574	0.504	4.70 (1.05)													
COB1	0.216	0.291	0.289	0.238	4.61 (1.23)												
COB2	0.192	0.324	0.351	0.354	0.579	5.05 (1.13)											
COB3	0.200	0.337	0.387	0.387	0.557	0.845	5.26 (1.14)										
COB4	0.214	0.308	0.369	0.410	0.418	0.777	0.831	5.59 (1.23)									
Typ1	−0.095	−0.011	−0.034	0.076	0.118	0.081	0.080	0.119	2.87 (2.04)								
Typ2	−0.090	0.025	−0.011	0.113	0.109	0.074	0.053	0.070	0.845	3.02 (2.03)							
Typ3	−0.119	0.039	−0.041	0.125	0.145	0.136	0.109	0.112	0.817	0.843	3.21 (2.15)						
ConAtm1	0.088	0.061	0.085	0.156	0.264	0.102	0.139	0.140	0.245	0.195	0.207	3.46 (1.82)					
ConAtm2	0.052	0.068	0.096	0.193	0.215	0.090	0.161	0.141	0.347	0.312	0.333	0.784	4.10 (1.91)				
ConAtm3	0.056	0.131	0.161	0.191	0.228	0.142	0.222	0.192	0.268	0.236	0.239	0.737	0.874	4.00 (1.85)			
ConAtm4	0.044	0.134	0.139	0.193	0.248	0.140	0.215	0.164	0.264	0.226	0.255	0.770	0.834	0.841	3.73 (1.88)		
HiInv	−0.073	0.50	0.016	0.073	0.212	0.197	0.192	0.198	0.513	0.527	0.559	0.370	0.394	0.369	0.351	4.60 (2.16)	
LowInv	0.090	0.164	0.141	0.159	0.221	0.208	0.282	0.215	0.294	0.289	0.308	0.162	0.166	0.161	0.100	0.458	3.95 (2.01)

Note: Mean (standard deviation) on diagonal

Table AI.
Bivariate correlations, means and standard deviations

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