

## **CHAPTER ONE**

### **INTRODUCTION**

#### **1.1 INTRODUCTION**

One of the main successful areas of studies in international marketing and international business is country-of-origin. Over almost 5 decades, much has been written about the subject, generating around 1,000 articles related to the topic. In marketing, service evaluation is also investigated and combining it with different perspectives such as the effect of the country's image, higher education service evaluation by university students and the university's reputation has opened up fertile research areas to be explored.

Yet, empirical studies on the effects of country image, particularly on the service sector such as the higher education sector, are lacking. The focus of the literature in this area has been on product evaluation such as the effects of country image on the car manufacturing industry. The lack of empirical research on the effects of country image on the service sector has impelled the author to explore and determine how country image affects the higher education sector.

Nebenzahl, Jaffe and Lampert (1997) and Papadopolous and Heslop (1993) have attempted to define the measurement of country image on the service sector. However, it is, as yet, unclear how the country image concept can be measured in the process of service evaluation of the university. Similarly, it is useful to know how potential students who choose to study abroad view country image, the higher education sector image or university reputation and how these affect their evaluation and decision-making in choosing a university. The present study thus examines which elements are more powerful in influencing student decisions in selecting a university.

## **1.2 RESEARCH JUSTIFICATION**

### **1.2.1 Why Country Image, University Reputation, and Perceived Quality**

The ‘country image’ concept has evolved over the years to the extent that consumer attitudes are no longer conceptualized as having all three facets. Rather, they are viewed in a hierarchy of effects model in which certain beliefs (about a particular country) result in a subsequent evaluation (of that country) which then leads to certain behavioural outcomes (e.g. buying products from that country) (Roth and Diamantopoulos, 2008). Consequently, it is high time to re-conceptualize the country image construct under a hierarchy of effects model linking cognitive beliefs, affective evaluations and behavioural outcomes (Roth and Diamantopoulos, 2008). A country’s image can act as an independent variable, just as a university’s reputation. When prospective students are asked about the universities of their choice, several factors emerge. The question, however is, between a country’s image and a university’s reputation, which is a more important variable?

According to Srikatanyoo and Gnoth (2002), country image seems to play an important role in students’ choices of international tertiary education. However, their study is not backed by empirical research and focuses on the destination as the student choice. In fact, when students at undergraduate or postgraduate levels were questioned about the criteria they applied in selecting a university, the answers emphasized the importance of the country itself besides the university. The majority of the foreign students who study in this country were particularly attracted to the image of Malaysia in the world arena, particularly its stable politics, sound economic development and the similarity in culture when compared to their own countries. In other words, one of the factors considered by Muslim students is that Malaysia offers facilities where they can easily obtain “*halal*” food and places of worship like mosques and the “*surau*” are easily found everywhere. These are related to the religiosity aspect which this study

plans to include as a new dimension under country image in the Malaysian context. Generally, most of the foreign students are aware that Malaysia is a Muslim country and a member of OIC (Organization of Islamic Countries). For these reasons, the inclusion of the religiosity aspect as one of the dimensions that should be considered under country image, is justified.

In terms of political aspects, although Malaysia is more stable than its neighbours like Philippines, Thailand, Indonesia, Vietnam, Cambodia, Laos and Myanmar, the country is considered less stable than Singapore and Brunei Darussalam. The political landscape in Malaysia has changed as a result of the last general election in 2008, causing various political challenges to emerge and making the country less stable than what it used to be. While the political aspect is important, there are other aspects, however, that are more significant.

Economically, while the nation's performance is considered good, various other Asian countries like China, Taiwan, South Korea, Singapore have performed better. Malaysia is now lagging behind compared to these countries although it was ahead of them in the 1960s and 1970s. Although Malaysia is considered one of the developing countries, it is as yet, far from reaching developed nation status. Economic status, however, is not the most significant factor attracting foreign students to come to Malaysia as the affordable and reasonable cost of living in Malaysia offers more advantages compared to its more economically advanced competitors within the Asian region.

Technologically, Malaysia has its strengths but also lags behind Singapore, Taiwan and South Korea in terms of skilled workforce in advanced and high-technology industries. However, the standard of education in Malaysia, which is compatible to other education systems of the UK, US, Australia, New Zealand and

other developed countries enables the country to attract more foreign students. Yet without effective strategies, it is hard to sustain or maximize the advantages that Malaysia has to offer to foreign students.

Based on reports from the Ministry of Higher Education, the main reasons foreign students come to Malaysia are the religiosity aspect, university reputation and the similar culture shared. Such evidence provides concrete support for conducting studies on religiosity and university reputation. The academic and managerial implications of such a study cannot be underestimated. In the higher education sector, studies on country image, religiosity and university reputation seek to understand how consumers perceive the facilities and services afforded by a particular country.

Attention has been given in marketing literature as to why country image influences purchase decisions (intention to study). Several explanations have been offered including familiarity with the product, knowledge of a particular country, patriotism and product category involvement. The purpose of this research is to offer a new perspective on country image effects. In doing so, we can better understand the preferences of existing foreign students and those considering Malaysia as a study destination.

### **1.3 PURPOSE OF STUDY**

The first purpose of this study is to examine the importance of the country image factor compared with the influence of two other extrinsic factors, university reputation and perceived quality, on the intention to study. Specifically, this study tests whether country image has a significant and positive relationship with university reputation. These three extrinsic cues were selected for investigation because of their theoretical significance in marketing management. On the other hand, perceived quality acts as a mediating variable in the theoretical framework. Country image is an

important extrinsic cue in service evaluation and consumer decision-making. A strong country image is more likely to transmit a corresponding quality image. A quality image facilitates acceptance of marketing programs, thereby eliciting more favourable attitudes toward the product (Simon, 1970) as cited by Thorelli, Lim and Ye (1989). The same treatment may be applicable to services. The consistency of information available for the purchase decision is expected to influence the effects of country image. According to Weinberger, Allen and Dillon (1981); (Kelley, 1987) as cited by Thorelli, Lim and Ye, (1989), if two or more extrinsic cues provide a consistent indication of quality information, consumers may have more confidence in those cues. However, if the extrinsic cues provide conflicting information, credibility could decrease and consumers may discount the information.

The second purpose of this study is to investigate the importance of the country image cue compared with university reputation via perceived quality as a mediating effect towards service evaluation among potential postgraduates in the Malaysian higher education sector. The study investigates all the dimensions of country image and proposes a new dimension called religiosity. Besides, the study seeks to highlight the association of country image and university reputation with perceived quality. Perceived quality also affects the service evaluation at the end. Thus, the study focuses on the relationship of all the variables involved.

This research also aimed to discover how and to what extent country image and university reputation affect undergraduate and postgraduate students in Malaysian universities when religiosity elements were present. In sum, the study attempted to develop a theoretical model of the effects of country image on foreign students coming to Malaysia.

## **1.4 RESEARCH AIMS**

As discussed earlier, the concept of country image is still unclear among scholars, especially in the services sector. The effect of country image on the service sector is a relatively new area of study and there is a lack of empirical research conducted in this area. This study is among the few researches undertaken to investigate the service sector and specifically, country image in relation to the higher education sector. By studying all the variables involved, and country image as the research background, the study's main aim is to investigate the country image as well as university reputation attributes in the higher education sector. As Sirat (2008a) emphasized, to sustain the enrolment of foreign students in local universities, the quality of higher education as well as university reputation must be prioritized.

Therefore, this study hopes to provide further understanding on the relationship between the already existing antecedents (country image and university reputation) and perceived quality and their effect on foreign students in Malaysian universities. As this study would like to identify whether country image or university reputation is the more dominant factor, it is imperative to investigate the respondents' responses about the outcome of their intention to study. Additionally, the study will highlight the similar and differing trends between public universities and private universities.

Based on the above explanation, this study formulated some research questions that will be viewed in the following section.

## **1.5 RESEARCH QUESTIONS**

The research questions are proposed as follows:

- (1). What is the new dimension of country image which influence relationships?
- (2). What are the effects of country image on perceived quality?
- (3). What are the effects of country image on intention to study?

- (4). What are the effects of university reputation on perceived quality?
- (5). What are the effects of university reputation on intention to study?
- (6). What are the effects of perceived quality on intention to study?
- (7). What are the effects of perceived quality between country image and intention to study?
- (8). What are the effects of perceived quality between university reputation and intention to study?
- (9). What are the effects of how religious they are in moderating the role of country image in a positive way?

On the basis of the above research questions, the study proposes several research objectives that will be outlined in the next section.

## **1.6 RESEARCH OBJECTIVES**

The research objectives are as follows:

- (1). To understand the influence of the new dimension for country image by identifying the validity and reliability of the items in the dimension.
- (2). To investigate the relationship between country image and university reputation by providing a comprehensive review of both variables and its influence on intention to study.
- (3). To investigate the mediating effects of perceived quality on country image and university reputation towards on intention to study.

Specifically, the study plans to investigate how perceived quality becomes a mediator for the independent variables (country image and university reputation) to the dependent variable (intention to study).

Clarification and justification of the study's conceptual framework will be discussed in Chapters 3 and 4. The following section outlines the hypotheses involved in the study.

## **1.7 HYPOTHESES**

The study provides justification for the hypotheses about the relationships that underpin the conceptual model in the study.

The study proposes H1 and H2 as a primary hypothesis due to the specific influence the country image is likely to have.

H1. Country image will have a significant and positive effect on perceived quality.

H2. Country image will have a significant and positive effect on intention to study.

Next, the study proposes H3 and H4 as a secondary hypothesis to identify the specific influence the university reputation is likely to have.

H3. University reputation will have a significant and positive effect on perceived quality.

H4. University reputation will have a significant and positive effect on intention to study.

H5. Perceived Quality will have a significant and positive effect on intention to study.

H6. There is an association between Country Image (CI) and University Reputation (UR).

Then, the study proposes H7 and H8 as a tertiary hypothesis to scrutinize the mediating effects of perceived quality.

H7. Perceived Quality will mediate the relationship between Country Image and Intention to Study.

H8. Perceived Quality will mediate the relationship between University Reputation and Intention to Study.



Lastly, the study proposes H9 as a moderator to probe the moderating effects of ease of practicing religion.

H9. Ease of Practising Religion moderates the role of Country Image in a positive way.

The research by Pecotish and Ward (2007), which involves the study of framework places the brand, COO and quality within a controlled multi-cue consumer judgment situation. They specified independent variables such as physical quality, brand name, and COO while dependent variables were perceived quality, price perception, perceived value and purchase intent. This explanation is consistent with the works of Peterson and Jolibert (1995). This explains why country image and university reputation became the independent variables while perceived quality and intention to study are treated as dependent variables.

## **1.8 THE THESIS STRUCTURE**

The thesis consists of eight chapters. Chapter one centres on the outline and summary of the thesis and provides the rationale for choosing the research project. The chapter also clarifies the research justification, aims of the research and identifies the main questions and objectives of the research. This also includes a discussion of the hypothesis, thesis structure and ends with the identification of the gap in knowledge and the research significance.

Chapter Two explains the background of the study and includes an overview of the higher education sector world-wide and in Malaysia, specifically. The chapter also explains all the variables involved in the study with a special focus on country of origin and particularly, country image as one of the main factors influencing students' choices of study destinations. It also highlights the importance of this finding to the academic world, practitioners and the industry.

Chapter Three provides an understanding of the theoretical basis for the study. It attempts to demonstrate the direction, relationships and the process in which the research hypotheses (set out in this chapter) follow from the literature review. Specifically, this chapter underlines the importance of this research to the academic world by showing the effects of country image as well as university reputation on customer choices. It also discusses the existing criticisms of the current model or studies, which is one of the reasons for conducting the present research. The chapter also provides an understanding on the mediating effects of perceived quality on country image and university reputation towards intention to study.

Chapter Four, thus, describes the main theoretical framework for the study. Two of the variables, country image and university reputation (the cognitive elements) are seen as the antecedents to intention to study. It explains how two of the independent variables could be related to intention to study through mediating effects such as perceived quality. Empirical studies are discussed to demonstrate the direction and magnitude of the relationship between all the variables related in the conceptual model.

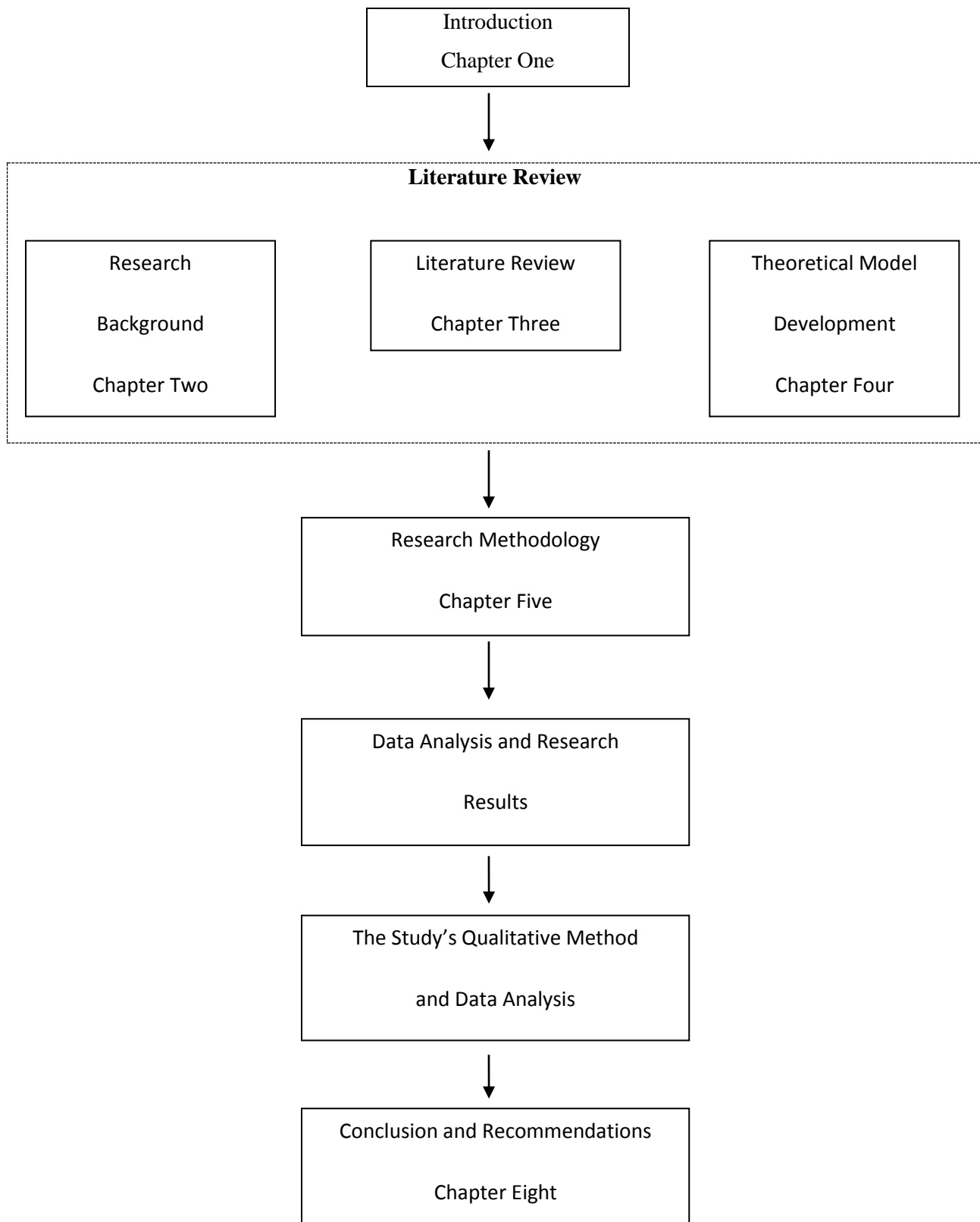
Chapter Five describes the methodology, research design and statistical techniques used in the current study. The chapter is organized into five parts and begins by introducing the epistemological and ontological issues underlying the research methodology. Then, the methods used in collecting data, the sampling process, and the sample size are explained with reference to how such measures were developed from established literatures. The second, elaborates the construct measurement while the third part discusses the data analysis plan. The fourth part reports the validity and reliability assessment. Finally, an overview of the analysis techniques used to test the hypotheses is provided in the fifth part.

Chapter Six reports the hypotheses testing and analysis. Factor analysis and structural equation models are used to analyze the results and the research hypotheses are then either confirmed or refuted accordingly. The chapter focuses on quantitative analysis and also elaborates on the mediating and moderating roles of the specific variables in the model.

Chapter Seven discusses the methods and findings of the qualitative study, involving the analysis of data from the interviews conducted.

Chapter Eight comprises of three parts. The first part concentrates on the discussion of the study's findings. Specific reference is made to the validation of the proposed theoretical model, which adds to the existing knowledge about how the theoretical model operates and how it depicts the real situation among consumers in Malaysia. The second part highlights the theoretical and managerial contributions from the research. The next part draws on the study's limitations and highlights how the research findings could be enriched by further study. The chapter ends with concluding remarks about the study.

Figure 1.0 below summarizes the organization and the flow of discussion in the chapters in the thesis:



**Figure 1.0**  
**Overview of the Thesis**

## **1.9 THE GAP AND RESEARCH CONTRIBUTIONS**

To date, most publications related to country image focus on products (Phau and Prendergast, 2000) with few studies analyzing the effects of the country image on services (Javalgi et al., 2001). Associations comprising the core image may have special importance for services (Woodward, 1996 as cited in Peng et al., 2000). Available literature shows that the relationship between country image and services seems to be similar to the one between country image and goods. In this way, Harrison-Walker (1995) found that the country image plays an important role in the choice of a service provider. Consumers prefer service providers from developed countries to those from developing countries, except when lower prices are considered (Lascu et. al, 1995).

In the services sector, research has focused on banking, insurance, hospital, etc. However, there is a dearth of studies about country image in the higher education sector. To the best knowledge of the researcher, there is no empirical study so far to discuss country image related to university reputation and perceived quality, leading to the intention to study. Furthermore there is a lack of study about the opinions of international students in developing countries and their perception of world-wide higher education sectors. The research undertaken, can thus contribute to the knowledge in this area.

Furthermore, to date, there have been few studies on the impact of consumers' country image on the service sector, especially in higher education; thus, it is not clear the role country image and university reputation play in shaping customers' preferences and their intention to study. This study aims to contribute to the international marketing literature by assessing COO effects on the perceived quality in the higher education sector. In addition, most previous COO studies have concentrated on post-industrialized

and service-oriented economies in North America and Western Europe. As Hofstede (1980) indicated, theoretical models and frameworks that are developed by social scientists in one socio-cultural environment might not be applicable elsewhere. Therefore, a secondary goal of this study is to examine whether the COO construct that has been developed and widely researched in western developed nations is applicable in Malaysia, a developing Asian country.

Since little empirical research exists concerning the COO effect on services then this research could address this shortcoming. Service delivery inherently involves customer contact and interaction with employees, and thus, stereotypes pertaining to the service personnel's national origin may exert greater overall influence on consumer's evaluations of services than on their evaluations of tangible goods (Mattila, 1999).

## **1.10 CONCLUSION**

Chapter one illustrated the overview of the whole thesis from the beginning until the end. The chapter outlined the introduction, the research justification, the purpose of study, research aims, research questions, research objectives, hypotheses and the thesis structure. It also asserted the gap and contributions of the study. The next chapter will discuss the background of the higher education sector in Malaysia specifically and in the world, generally.

## **CHAPTER TWO**

### **RESEARCH BACKGROUND**

#### **2.1 BACKGROUND**

Increasing consumer awareness about products or services from particular countries led to the assumption that it is important to study the relationship between product or services and the country, or specifically, the country image. The term country image originates from the concept of country of origin. According to Peterson and Jolibert (1995), the country-of-origin effect is one of the most widely researched topics in international marketing literature. What is more interesting is that the country-of-origin effect is not a label that can be visualized or seen but rather, is embedded, directly or indirectly, more into the brand. It is also indeed cued by the location (Papadopoulos, 1993). This study thus focuses more on the extrinsic cues associated with the concept of country image.

According to Kaynak, Kara and Unusan (1998), there are a lot of differences between products originating from Japan, the U.S.A. and Western Europe compared to those from Russia, China and Eastern Europe. Products from the first group were perceived to be associated with specific attributes such as well-known brand names, technologically advanced, expensive, luxury goods and stylish appearance. These products are also heavily advertised. On the other hand, products from the latter group were perceived to be less reliable and durable. This is attributed to the fact that their target group is the lower and medium income earners whereas Western Europe, Japan and North America will appropriately target the *Nouveau Riche*, upscale consumer markets.

The significance of product country image in influencing consumer behaviour is likely to increase in the future (Skaggs, Falk, Almonte & Cardenas, 1996). This is simple because one particular characteristic manufacturers can differentiate is the country of origin (Skaggs, Falk, Almonte & Cardenas, 1996). Consumers with no prior experience or knowledge of a product's intrinsic attributes may tend to rely on extrinsic attributes for product as well as service evaluation. According to Papadopoulos (1993), the higher the level of market globalization, the greater the potential significance of country of origin images in influencing consumer behavior. Bilkey and Nes (1982) reported that country of origin does affect product evaluation but they indicated that this conclusion is subject to criticism because of methodological limitations in previous studies. Past studies before the 1980s, included only a single cue (i.e., country of origin) on which respondents based their product evaluations. This can lead to overestimation of the origin effect on buying behavior. To improve the situation, Bilkey and Nes (1982) and Papadopoulos et al. (1987) recommended that future country of origin studies be multi-cue, based on real life purchasing conditions, and measure real purchase behavior. The study undertaken recognizes country image as being multi-cued.

### 2.1.1 Definitions of Variables Involved in the Study

**Table 2.1**

#### **Review of Key Definitions of Country Image**

**Definitions on (Overall) Country Image (CoI)**

Bannister and Saunders (1978, p. 562)	"Generalised images, created by variables such as representative products, economic and political maturity, historical events and relationships, traditions, industrialisation and the degree of technological virtuosity"
Desborde (1990, p. 44)	"Country-of-origin image refers to the overall impression of a country present in a consumer's mind as conveyed by its culture, political system and level of economic and technological development."
Martin and Eroglu (1993, p. 193)	"Accordingly, country image was defined as the total of all descriptive, inferential and informational beliefs one has about a particular country."
Kotler et al. (1993, p. 141)	"The sum of beliefs and impressions about places. Images represent a simplification of a large number of associations and pieces of information connected with a place. They are a product of the mind trying to process and pick out essential information from huge amounts of data about a place."
Askegaard and Ger (1998, p. 52)	"Schema, or a network of interrelated elements that define the country, a knowledge structure that synthesizes what we know"



	of a country, together with its evaluative significance or schema-triggered affect.”
Allred et al. (2000, p. 36)	“The perception or impression that organizations and consumers have about a country. This impression or perception of a country is based on the country’s economic condition, political structure, culture, conflict with other countries, labor conditions, and stand on environmental issues.”
Verlegh and Steenkamp (1999, p. 525)	“Mental representations of a country’s people, products, culture and national symbols. Product-country images contain widely shared cultural stereotypes.”
Verlegh (2001, p. 25)	“A mental network of affective and cognitive associations connected to the country.”

#### Definitions on Product-Country Image (PCI)

Hooley et al. (1988, p. 67)	“Stereotype images of countries and/or their outputs [...] that [...] impact on behaviour”
Li et al. (1998, p. 116)	“Consumers’ images of different countries and of products made in these countries.”
Knight and Calantone (2000, p. 127)	“Country-of-origin image (COI) reflects a consumer’s perceptions about the quality of products made in a particular country and the nature of people from that country.”
Jaffe and Nebenzahl (2001, p. 13)	“Brand and country images are similarly defined as the mental pictures of brands and countries, respectively.”
Nebenzahl et al. (2003, p. 388)	“Consumers’ perceptions about the attributes of products made in a certain country; emotions toward the country and resulted perceptions about the social desirability of owning products made in the country.”
Papadopoulos and Heslop (2003, p. 404)	“Product-country images (PCIs), or the place-related images with which buyers and/or sellers may associate a product.”

#### Definitions on (Country Related) Product Image (PI)

Nagashima, (1970, p. 68)	“‘Image’ means ideas, emotional background, and connotation associated with a concept. Thus, the ‘made in’ image is the picture, the reputation, the stereotype that businessmen and consumers attach to products of a specific country.”
Narayana, (1981, p. 32)	“The aggregate image for any particular country’s product refers to the entire connotative field associated with that country’s product offerings, as perceived by consumers.”
Han (1989, p. 222)	“Consumers’ general perceptions of quality for products made in a given country.”
Roth and Romeo (1992, p. 480)	“Country image is the overall perception consumers’ form of products from a particular country, based on their prior perceptions of the country’s production and marketing strengths and weaknesses.”
Bilkey (1993, p. xix)	“Buyers’ opinions regarding the relative qualities of goods and services produced in various countries”
Strutton et al. (1995, p. 79)	“Composite ‘made-in’ image consisting of the mental facsimiles, reputations and stereotypes associated with goods originating from each country of interest.”

Source: Roth and Romeo, 2008

### 2.1.2 Students in Malaysia

According to Sirat (2008b), the flow of international students in Malaysia has increased steadily since 1996, when various higher education reforms were introduced to facilitate the entry of international students into higher education institutions. Morshidi stated that Malaysia targets an enrolment of 100,000 international students by 2010. With the economic growth in Asia taking a positive turn after the 1997/1998 economic crisis and the most recent 2008/2009 global recession, education, has been

identified as an important contributor to the Malaysian economy as a services sector industry, after tourism. International student mobility (ISM) has also been recognized as one of the important issues for some Asian countries since the coming of international students represents opportunities for the growth of the education sector, specifically in higher education. For example, new competitors such as Malaysia, China and the Middle East (e.g. United Arab Emirates) have entered the market with declared ambitions to become regional education centres by attracting several hundred thousand international students to their countries (Verbik & Lasanowski, 2007).

In this light, Morshidi suggested that it is also important to address the strong connection between intense student mobility and factors such as strong historical links, the sharing of a common language, and having similar education systems and frameworks. These include the perceived quality and reputation of the country's education provision, its accessibility, affordability and the opportunities for employment based on the qualifications obtained. More recently, safety considerations and student well-being have also been factored into the students' decision-making process.

Davis (1995) explained that the total number of students from abroad who enroll in a country's higher education institutions is the main indicator describing International Student Mobility (ISM). In this regard, ISM has over the past 10-15 years become an increasingly important measure of international higher education, with the number estimated to have reached more than 2.7 million in 2005 (about 61% increase since 1992) (Verbik & Lasanowski, 2007). Looking at the data provided by Verbik and Lasanowski (2007), what is evident is the scale and intensity of ISM and the opportunities and challenges arising from this trend. For example, more than 90% of international students have enrolled in institutions in developed countries belonging to

the Organisation for Economic Cooperation and Development (OECD) with the main destinations (USA, UK, Germany, France and Australia) recruiting over 70% of them. The above data also shows that the growth of student enrolment in these native English-speaking countries comes largely from China and India. The USA is regarded as the number one provider for higher education and known as a very large international competitor (with more than 500,000 capacity for international students), followed by the UK, Germany, France and Australia (150,000-500,000 capacity for international students). In the year 2002/2003, the USA was by far the leading provider of educational services to international students who accounted for over 586,000. The USA, UK, Australia, Canada, and New Zealand are currently the major study destinations of international students with the USA and the UK attracting nearly 80% of the international student population. Malaysia, a new player in ISM, is considered as a medium level competitor in the international arena for international students, with a 25,000-150,000 capacity (Verbik & Lasanowski, 2007).

**Table 2.2**  
**Top Ten Source Countries for the USA 1997-2006**

Country	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Canada	22,984	22,052	22,746	23,544	25,279	26,514	26,513	27,017	28,140	28,202
China	42,503	46,958	51,001	54,466	59,939	63,211	64,757	61,765	62,523	62,582
Germany	8,990	9,309	9,568	9,800	10,128	9,613	9,302	8,745	8,640	8,829
India	30,641	33,818	37,482	42,337	54,664	66,836	74,603	79,736	80,466	76,503
Indonesia	12,461	13,382	12,142	11,300	11,625	11,614	10,432	8,880	7,760	7,575
Japan	46,292	47,073	46,406	46,872	46,497	46,810	45,960	40,835	42,215	38,712
Malaysia	14,527	14,597	11,557	9,074	7,795	7,395	6,595	6,483	6,142	5,515
Mexico	8,975	9,559	9,641	10,607	10,670	12,518	12,801	13,329	13,063	13,931
South Korea	37,130	42,890	39,199	41,191	45,685	49,046	51,519	52,484	53,358	58,847
Taiwan	30,487	30,855	31,043	29,234	28,566	28,930	28,017	26,178	25,914	27,876
Thailand	13,481	15,090	12,489	10,983	11,187	11,606	9,982	8,937	8,637	8,765
Turkey	8,124	9,081	9,377	10,100	10,983	12,091	11,601	11,398	12,474	11,622

Source: Verbik and Lasanowski (2007)

The USA, as the country with the biggest capacity in the higher education sector, addressed Asia as the main contributor, with 327,785 students from more than 30 different countries choosing to study in the USA in 2006. This accounts for 58% of the country's total 2006 international student intake. Based on Verbik and Lasanowski's (2007) data, out of the 30 countries from Asia, Malaysia was in the "top ten source countries" between 1997 and 1999. From 2000 onwards, the total number of students from Malaysia reduced gradually until 2006. A substantial decline in Malaysian student flow to the UK was also reported. However, the decline was less dramatic compared to the situation in the USA. In the UK, Malaysia is still positioned as one of the "top ten" countries for international students in the country. The Malaysian student numbers dropped from 18,015 in 1997 to 10,005 in 2001, but increased again to 10,680 in 2002 and rose steadily to 11,805 in 2004 (Table 2.3).

**Table 2.3**  
**Top Ten Source Countries for the UK's 1997-2006**

Country	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
China	2,660	2,883	4,017	6,310	12,095	20,710	35,155	47,740	52,675	50,755
France	12,101	12,844	13,254	12,910	9,950	9,940	10,560	11,295	11,685	12,455
Germany	12,582	13,037	13,568	13,750	11,370	10,960	11,785	12,095	12,555	13,265
Greece	21,737	25,602	28,605	29,580	31,150	28,585	26,005	22,825	19,685	17,675
Hong Kong	7,767	7,977	8,829	8,380	8,335	8,870	10,105	10,575	10,780	9,455
India	2,302	2,965	3,498	3,760	4,875	7,750	12,465	14,625	16,885	19,205
Ireland	15,572	15,894	15,144	13,930	13,510	13,235	13,460	14,715	16,345	16,790
Italy	4,990	5,254	5,748	6,080	5,415	5,170	5,440	5,215	5,315	5,460
Japan	4,665	5,332	5,686	6,150	6,470	6,355	6,300	6,395	6,180	6,200
Malaysia	18,015	17,380	12,632	10,410	10,005	10,680	11,780	11,805	11,475	11,450
Nigeria	1,834	1,920	1,902	2,120	2,650	3,340	4,585	5,940	8,145	9,605
Singapore	5,636	6,081	6,016	5,460	4,410	4,175	4,250	3,905	3,630	3,275
Spain	6,945	7,220	7,660	7,780	5,860	5,705	6,095	6,105	6,000	6,225
US	9,448	10,117	10,981	11,470	9,425	9,985	11,630	13,380	14,385	14,755

Source: Verbik and Lasanowski (2007)

Malaysian students' presence in Australia is also quite strong. In 2006, there were 18,074 Malaysian students in Australia, placing Malaysia third in importance behind China and India in terms of foreign student enrolment in Australia (Table 2.4). Evidence also points to the fact that there were more students from Malaysia studying in English speaking countries like the UK, USA, and Australia in comparison with other European countries such as Germany, France and Italy. This illustrates that the English language and historical links are the two intervening factors for this to happen.

The presence of Malaysian students in East Asia like Japan, South Korea and China is also small. The enrolment of Malaysian students in Japan, even though small, is the most consistent in terms of numbers compared to other countries (Verbik & Lasanowski, 2007). The Malaysian student numbers in Japan has remained virtually unchanged for the past decade, with student enrolment ranging from 2,128 in 1997 to 2,156 in 2006. Arguably, the ex-Prime Minister's, Tun Dr. Mahathir Mohamed, "Look East" policy since the 1980s was the main factor for ISM to Japan and South Korea.

**Table 2.4**  
**Top Ten Source Countries for the Australia's 1997-2006**

Country	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Brazil	1,023	1,073	280	458	1,027	1,704	1,793	2,097	2,869	4,081
China	3,828	5,273	4,633	6,191	11,640	23,332	31,255	41,562	54,274	63,543
Hong Kong	17,236	18,161	16,205	17,888	21,753	16,131	18,159	18,175	17,196	16,558
India	5,690	8,073	9,420	10,399	10,316	11,271	13,920	19,587	26,303	36,078
Indonesia	18,394	17,715	12,650	13,484	15,822	17,632	17,092	15,405	13,830	13,025
Japan	11,617	10,739	3,984	4,169	5,438	7,509	8,495	9,131	9,352	9,110
Malaysia	16,257	16,485	15,767	18,868	19,385	16,431	18,554	18,819	18,262	18,074
Singapore	14,308	16,509	18,742	20,405	22,725	11,639	11,384	10,368	9,460	8,906
South Korea	18,312	11,184	4,287	4,534	6,719	8,904	8,889	9,138	10,506	12,352
Taiwan	7,492	6,403	2,985	3,235	3,967	5,698	6,051	5,996	5,683	5,614
Thailand	7,395	6,299	3,756	4,228	5,793	11,602	10,279	10,289	10,408	10,934
US	1,660	2,087	2,533	3,319	4,629	10,864	11,985	12,463	12,277	11,901

Source: Verbik and Lasanowski (2007)

\*Figures available for this year include the total number of foreign students, including school and English-language (ELICOS) students

Arguably, Malaysia's excellent bilateral relations with countries in the Middle East would ultimately increase the number of foreign students in Malaysia (Rashid, 2007). Based on the observations by Clark and Sedgwick (2005), markets for international students are becoming increasingly competitive and in order to be a winner in this highly competitive environment, Malaysia has to move beyond numbers (of international students enrolled in higher education institutions) to meaningful outcomes of ISM and other student exchanges.

**Table 2.5**  
**Malaysian Students in Institutions of Higher Learning in the Middle East, 2002-2006**

Countries	2002	2003	2004	2005	2006
Saudi Arabia	127	125	125	153	138
Jordan	361	361	310	444	490
Egypt	4,664	4,330	5,768	6,256	5,780
Morocco	0	0	38	63	101
Sudan	0	0	0	0	96
Syria	0	0	280	343	427
Yemen	0	0	194	143	285
<b>Total</b>	<b>5,152</b>	<b>4,816</b>	<b>6,715</b>	<b>7,402</b>	<b>7,317</b>

Source: Ministry of Higher Education Malaysia (2007)

Note: Data includes sponsored and private students at all levels of study

1. Medicine
2. Dentistry
3. Islamic Studies
4. Pharmacy
5. Others

According to Chow (The Star Online, 2008), the number of foreign students in peninsular Malaysia has risen more than 30%, which augurs well for the country's aim to become a regional hub of educational excellence. Chow reported a total of 65,000 foreign students enrolled in international schools and both private and public institutions of higher education in 2007, compared with 48,000 in 2006. According to Dr. Mohamed Nasser Mohamed Noor (Higher Education Ministry Marketing and International Education Division Director), the Ministry had targeted 100,000 foreign students by 2010, adding that the biggest markets were Indonesia and China, followed

by the Middle East and the African countries. In 2008, the total number of students from China and Indonesia was 15,000 while another came 9,000 from the Middle East.

**Table 2.6**  
**Malaysian Students Studying Abroad from 2002-2007**

No.	Country	2002	2003	2004	2005	2006	2007
1	United States	7,395	7,611	5,519	6,411	6,142	5,281
2	Saudi Arabia	127	125	125	132	138	125
3	Australia	15,700	15,448	15,434	15,909	14,918	13,010
4	Canada	231	231	196	230	238	312
5	Indonesia	1,337	1,225	1,607	2,444	3,630	4,565
6	Jordan	361	361	310	444	490	655
7	Egypt	4,664	4,330	5,768	6,256	5,780	6,896
8	New Zealand	995	918	1,011	1,338	1,297	1,574
9	UK & Ireland	11,970	11,860	11,041	15,189	12,569	11,490
10	Other Countries			2,268	8,256	8,722	11,007
<b>TOTAL</b>		<b>42,780</b>	<b>42,109</b>	<b>43,279</b>	<b>56,609</b>	<b>53,924</b>	<b>54,915</b>

Source: Ministry of Higher Education Malaysia (2010)

Notes:  = No Students

## 2.2 IMAGE OF THE NATION

In an influential work in the field of political science, Boulding, 1956 cited by Chattalas, Kramer and Takada (2008) conceptualized the “image“ of a nation as a perceptual structure consisting of cognitive, affective and evaluative components. This conceptualization mirrors the previously discussed cognitive, affective and normative mechanisms for COO effects. The evaluative component of national image in particular, provides a connection between the cognitive and affective aspects of national stereotypes and the COO effect.

## 2.3 SERVICES

According to Bourke (2000), many services are now becoming long distance and the physical proximity between buyer and seller is no longer required. Service

industries are an integral part of the clustering process which Porter (1990) asserted was central to creating national competitive advantage. For the service industry, like education, the customer has to experience the service for a considerable period of time before they can come to a conclusion about or evaluate the services. Service is very much a subjective experience or it can be objective depending on how the individual perceives it. There are many types of services in the business world such as banking, insurance, tourism, health and etc. However in the context of this study, the focus is on education, specifically the higher education sector. In particular, the focus is on postgraduate students encompassing students undertaking Master's and doctoral (Ph.D) courses. To narrow the scope, the study merely covered the public universities in Malaysia, which account for 20 universities nationwide.

The higher education sector in Malaysia has been undergoing tremendous changes since 2000, as a consequence of the announcement and campaign by the Ministry of Higher Education to turn the nation into the regional hub of educational excellence by 2020. While this has led to a growing recognition for the need to address issues within the service industry, relatively little research has focused on the marketing of education within international markets (Altbach et al., 1985; Altbach & Wang, 1989; Smart & Ang, 1992b).

In Malaysia, the situation is similar to the USA, Japan, Canada, the UK and Germany, where between 60 and 70 per cent of all employment is absorbed by the services sector (Dunning & Kundu, 1995). In addition, during the past 20 years the level of interest in services marketing has increased, driven to a large extent by the increasing importance of service industries in most economies (Fisk et al., 1993). The problem stems from the fact that while the service industries continue to grow in importance, improvements in service quality have not kept pace with its growth (Bitner



et al., 1990a). This is a cause of concern as consumer evaluation of service encounters has been found to significantly influence their subsequent satisfaction or dissatisfaction with a service provider (Parasuraman et al., 1994; Bitner et al., 1990b).

According to Morgan (1991), education like other ‘professional services’, has tended to eschew marketing. However, despite this neglect, education remains a service capable of treatment as any other in terms of marketing theory (Mazzarol, 1998). Thus, this study attempts to fill a much-needed gap in the literature relating to the marketing of international education. Education is a service that is experienced by students and other stakeholders who form judgments about service delivery performance in terms of its quality and consistency, which are basic properties of a service (Arambewela, Hall & Zuhair, 2006).

Fundamentally, in education, there exists a lengthy relationship with the client and a continuous delivery of the service. This offers the service provider an opportunity to develop strong client loyalty (Mazzarol, 1998).

## **2.4 EDUCATION SYSTEM IN MALAYSIA**

Historically, scholars of higher education have classified higher education into several categories (Sirat, 2008c), and proposed a grouping of various models in the higher education sector (Husen and Neville Postlethwaite, 1996; Kivinen and Rinne, 1996; Rinne and Koivula, 2005) such as the Humboldt (Germany), Napoleon (France), and Anglo-Saxon (British/Newmanian). These models are explained next.

### **2.4.1 Anglo-Saxon Model**

The Anglo-Saxon model is mass-scale, driven by market, varied and hierarchical. Competition is common and most universities in the U.S.A and U.K. are based on this model. Universities in the U.K. are different from other universities in

Europe because the former are aggressive in marketing their services to other countries and customers.

#### **2.4.2 Napoleon Model**

According to the Napoleon Model, the university is a platform and vehicle for politics, power, and regimes. The two main precepts of this model are nationality and sovereignty. Standard teaching is the main criteria and pure vocational matra is the second criteria.

#### **2.4.3. Continent Model**

The Continent model is a combination of the Humboldt and Napoleon model. In the Humboldt model, authority and freedom is given for research and teaching, and both are not to be separated. Knowledge and growth of the individual are emphasized whereas in the Napoleon model, society relationships are emphasized and the vital task of the university is to train government servants in the country.

#### **2.4.4 Nordic Model**

The Nordic Model has been practiced by Nordic countries where the higher education sector is fully managed and financed by the country. The university offers free education for undergraduates for the purpose of promoting equality and the public good.

#### **2.4.5 Middle Europe and East (Rural Transition Model)**

While countries like Poland, Russia, and Moldova have different education models, in essence, they are practicing the Rural Transition Model. The different university models are based on various combinations of the three continuum concept (Aviram, 1992). The first focuses on the goal of the university. The second focus is on concrete understanding of the science method and philosophy to understand three related questions: (1) Science definition, (2) Scientific knowledge source (confirm to

scientific validity procedure), and (3) Level of logic order of scientific model. The third continuum focuses on understanding the functions of science. In particular, this continuum focuses on understanding the answers for the questions related to the relevance of the scientific argument in the decision-making process.

The focus in the first continuum, on the university goal, involves differentiation of three university concepts: (1) university as service centre, (2) university as Alma Mater and (3) university as a culture boundary. According to the first concept, the university is supposed to provide practical services to society, certain organizations and students. The second concept states that the university is supposed to expand knowledge theory or pure research and only pay little attention to practical benefits. The third concept defines the university function as a culture and societal workshop.

The second continuum focusing on the scientific method can be distinguished through three knowledge concepts:

1. Objectivist-essentialist

This is the foundation of western tradition for 17 centuries. Knowledge is the system of beliefs to mirror in objectives accurately, external aspects, and the content of spiritual reality, following the rational intuition.

2. Objectivist-Positivist

This modern opinion assumes knowledge as a system of beliefs to mirror the material world, based on direct data or interpretation of the data. This thought contains probabilities, tentative in nature, and keeps changing. Positivists believed that science merely manages facts and ignores the values.

3. Relativist

This opinion assumes knowledge is a reflection of the reality. According to relativism, knowledge is the result from the language or social paradigm. The

idea originated from applied norms and social procedures. Even when the scientific method is put into this method, it is not assumed as a key to understand the reality but as a method applied by the scientific community. As a result, opinions of relativists are about facts and values.

## **2.5 HIGHER EDUCATION**

Higher education institutions face important challenges such as expansion of systems, necessity of responding to diverse social demands, increase in educational spending, and the need to adapt to the new age of information and knowledge (Calvo-Mora, Leal & Roldan, 2006). The growth in the international education market within the next two decades will be dominated by Asia, accounting for almost 70% of the global demand for international higher education (Bohm et al., 2002). Student satisfaction is a key strategic variable in maintaining such a competitive position with long-term benefits arising from student loyalty, positive word of mouth (WOM) communication and image of the higher educational institutions to meet the challenges of increasing global competition, rising student expectations of quality, service, and value for money (Arambewela, Hall & Zuhair, 2006). They concluded that the dominant factors that impact on student satisfaction are quality of education, student facilities, reputation of the institutions, the marketability of their degrees for better career prospects, and the overall customer value provided by the universities.

Asia will remain the major growth region contributing over 70% of this demand with China and India emerging as two major sources of international students, while non-Asian countries such as Turkey, Morocco and Iran will become new sources of international students in the near future in view of the increasing demand for overseas education in these countries (Arambewela, Hall & Zuhair, 2006). Interestingly, Bohm et al. (2002) added that the demand from traditional countries like Europe and the USA would decline over the years.

Despite these growth and developments, there has been relatively little written on the marketing of education within international markets (Mazzarol, 1998). Specifically, there is scarce literature analyzing the decision-making process of prospective international students in general (Cubillo, Sanchez & Cervino, 2006). Existing literature tends to focus on the study of those factors related to the institution itself, disregarding the influence of the country choice (Cubillo, Sanchez & Cervino, 2006). Thus the dimensions of country image in the decision process are not considered. Nevertheless, there are some interesting theoretical (Srikatanyoo & Gnoth, 2002) and empirical (Mazzarol & Hosie, 1996; Peng et al., 2000; Binsardi & Ekwulogo, 2003) studies on this subject. It has been noted that when the prospective student chooses a country in which to study, he is not only buying the education service but he is also acquiring an important pack of services jointly provided with the core service (Cubillo, Sanchez & Cervino, 2006). Therefore, in this way, the country's image will influence the final decision of the prospective student. Additionally, as international education is not a frequent purchase, it demands a high level of involvement from customers (Nicholls et al., 1995).

The decision to study overseas is one of the most significant and expensive initiatives that students may ever undertake (Mazzarol, 1998). Moreover, the high costs of studying abroad make it a complex decision and most complex and expensive decisions are more likely to involve deeper buyer deliberation (Assael, 1984, cited in Nicholls et al., 1995).

Higher education or also known as tertiary education is unique and quite different from education at primary and secondary schools. Srikatanyoo and Gnoth (2002) found that tertiary education is a high involvement service which has become less nationally oriented and more internationally oriented. Due to its intangibility, it is

difficult for potential students to assess its quality. Thus, they observed that in assessing quality in higher education, consumers depend more on extrinsic cues (eg. country of origin, brand name) rather than intrinsic cues (eg. taste, design, performance) which are unknown or unavailable.

Issues about quality in higher education beget the question “*What is a university actually?*” Like all organizations, they are aggregators of people in pursuit of common purposes. To quote Van Houweling (1994):

*“Universities assemble people together in the creation of new knowledge and the transmission of previously developed knowledge.”*

In the past, universities have tended to concentrate on undergraduate rather than postgraduate study. However, changes in government policies and economies require the concentration to be re-assessed. Since then, the demand for higher levels of knowledge and skills in many areas of private and public services has increased the demand for postgraduate education in general (Donaldson & McNicholas, 2004). Donaldson and McNicholas believed that universities also benefited from having postgraduate students as they provide a valuable source of income, provide opportunities for staff development and underpin research activity.

The links between employers and universities have become increasingly important. This is due to the recognition that students need to develop more work-relevant skills and that postgraduate education has a role in meeting economic as well as individual needs (Donaldson & McNicholas, 2004). They are also of the view that these links also help technology transfer and provide a source of external revenue to universities.

## **2.6 THE MALAYSIAN HIGHER EDUCATION SECTOR**

The subject of this study, the service industry, was chosen because it is prone to fluctuations and also, complex yet challenging in nature. Malaysia was chosen because it is the second most developed country in South East Asia and also, the most developed Islamic country despite its status as a developing country. The higher education sector is selected because as a service industry it is dynamic and flexible, and involves the human brain as an intangible asset. The four primary characteristics of services as outlined by Zeithaml et al., (1985) are as follows:

1. intangibility
2. inseparability of production and consumption;
3. heterogeneity; and
4. perishability

Services cannot be touched, tasted, or possessed. Generally, they are intangible, heterogeneous, perishable, and require simultaneous production and consumption (Zeithaml et al., 1985; Ahmed et al., 2002) and thus, services have special characteristics that require a particular marketing strategy application (Kotler et al., 1995). Patterson et al., (1998) declared that higher education is a pure service industry and is characterized by a greater amount of interpersonal contact, complexity, divergence and customization than other service businesses.

Services such as education involve a high degree of “consumer/producer interaction” creating a strong desire for direct control and presence by the producer during the early phases of export development (Vanermerwe & Chadwick, 1989). Furthermore, as international education is not a frequent purchase, it demands a high level of involvement from customers (Nicholls et al., 1995).

The expansion of the service sector in Malaysia, particularly higher education, has been tremendous. The situation is similar to developed countries where the service sector accounts for around 60 and 70 percent of all employment (Dunning & Kundu, 1995). Yet the service industry study in Malaysia is only in its infancy and the higher education sector is not an exception.

As pointed out by Verbik and Lasanowski (2007), Malaysia has the comparative advantage in terms of low-cost tuition fees and affordable living costs along with political stability, harmonious multi-ethnic and multi-cultural experiences as well as English as the medium of instruction for foreign students. Malaysia certainly has the ability, resources and capability, in terms of teaching resources, critical mass of students (including local students) and attractive cultural surroundings, to create a niche as such, to boost the comparative advantage of Malaysia in the global higher education market, particularly in attracting Chinese students (Wan, Sarjit & Morshidi, 2008).

Education is a service that is experienced by students and other stakeholders of educational institutions who form judgments about service delivery performance in terms of its quality and consistency, which are basic properties of a service. Statistical records show there was an increase in the number of students coming to Malaysia from 2000 to 2010 (Table 2.7). However, there is still a lot to do due to growing competition from other countries that also launched their hubs such as in the United of Emirates, Qatar, Egypt in collaboration with the top universities from the U.SA. This partnership between American universities with the Arab countries has achieved considerable success.



**Table 2.7**  
**Number of Malaysian Students Studying Abroad and Number of Sponsorships by Countries 2009-2010**

Country	Malaysian Students Abroad		Sponsored	Non-sponsored	Total
	2010	2009	2010		
Australia	20,493	17,311	3,486	17,007	20,493
Austria	6		2	4	6
Belgium	12	10	11	1	12
Canada	546	582	475	71	546
China	2792	2114	119	2673	2792
Croatia	1			1	1
Cuba	25			25	25
Czech Republic	73	73	71	2	73
Egypt	8,611	8,611	6,026	2,585	8,611
Finland	10	6	9	1	10
France	516	460	505	11	516
Germany	847	847	797	50	847
Holland	24	24	9	15	24
Hong Kong	16	3	16		16
Hungary	1			1	1
India	2,175	2,175	1,245	930	2,175
Indonesia	5,588	5,844	2,759	2,829	5,588
Italy	17	23	15	2	17
Japan	1,526	1,584	1,522	4	1,526
Jordan	1,094	1,149	406	688	1,094
Korea, Republic of (South Korea)	454	464	368	86	454
Libya	6			6	6
Mexico	2			2	2
Morocco	113	94	85	28	113
Myanmar	1	1		1	1
Nepal	3			3	3
Netherlands	1,672	65	1,115	557	1,672
New Zealand	2,305	1,672	1,257	1,048	2,305
Norway	9	2	9		9
Pakistan	109	109	13	96	109
Philippines	20	2	4	16	20

<b>Poland</b>	123	106	121	2	123
<b>Portugal</b>	9	9	2	7	9
<b>Romania</b>	121			121	121
<b>Russian Federation</b>	2,621	2,621	976	1,645	2,621
<b>Saudi Arabia</b>	112	84		112	112
<b>Singapore</b>	10	3	10		10
<b>South Africa</b>	91	80	3	88	91
<b>Spain</b>	15	14	5	10	15
<b>Sri Lanka</b>	11			11	11
<b>Sudan</b>	23	22		23	23
<b>Sweden</b>	33	6	18	15	33
<b>Switzerland</b>	59	20	6	53	59
<b>Syrian Arab Republic</b>	405	350		405	405
<b>Taiwan</b>	5,133	40		5,133	5,133
<b>Thailand</b>	82	11	2	80	82
<b>Turkey</b>	3			3	3
<b>Ukraine</b>	870	870	168	702	870
<b>United Kingdom &amp; Ireland</b>	13,796	5,265	5,067	8,729	13,796
<b>United States of America</b>	6,100	5,942	1,589	4,511	6,100
<b>Yemen</b>	570	295		570	570
<b>Total</b>	<b>79,254</b>	<b>58,963</b>	<b>28,291</b>	<b>50,963</b>	<b>79,254</b>

Source: Ministry of Higher Education Malaysia (2010)

In 2010, Malaysia sent 79254 students to study in 50 countries abroad, with Australia as the top destination accommodating 20463 students. This was followed by United Kingdom and Ireland with 13796 students and thirdly, Egypt, with 8611 students. United States was ranked fourth with 6100 students, closely followed by Indonesia with 5588 students and Taiwan with 5133 students. Table 2.7 shows that 28291 students were sponsored while 50963 were non-sponsored. The less popular countries for Malaysian students were Croatia, Hungary, Myanmar, and Turkey. Malaysian students in Australia increased by 3182 in 2010 compared to 2009.

Malaysian students in United Kingdom and Ireland increased more than double from 2009 to 2010 while the numbers in Egypt remained the same. There were also slight increases in the numbers of Malaysian students in United States and Indonesia. Overall, the number of Malaysian students overseas increased tremendously in 2010 to 79254 from 58963 students in 2009. Similarly, international students who came to Malaysia also increased dramatically from 27872 students in 2002 to 86919 students in 2010. Out of these, 24214 foreign students studied in public universities while the majority (62705) studied in private universities.

**Table 2.8**  
**International Students at Public and Private HEIs in Malaysia from 2002-2010**

Year	Public	Private	Total
2002	5,045	22,827	27,872
2003	5,239	25,158	30,397
2004	5,735	25,939	31,674
2005	6,622	33,903	40,525
2006	7,941	36,449	44,390
2007	14,324	33,604	47,928
2008	18,485	50,679	69,164
2009	22,456	58,294	80,750
2010	24,214	62,705	86,919

Source: Ministry of Higher Education (2010)

Note: Based on student visas/passes issued by the Immigration Department, Malaysia

**Table 2.9**  
**Enrolment of Private HEI Students by Level of Study and Gender, 2010**

Private HEI	PhD		Masters		Bachelors		Advanced Diploma		Diploma		Certificate		Professional		Total		
	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	T
OUM	285	112	1,773	1,574	27,112	35,421			4,881	3,647					34,051	40,754	74,805
MMU	332	159	1,176	717	8,578	5,879					1,748	1,021			13,364	8,700	22,064

<b>UTAR</b>	31	18	161	184	6,8 79	7,5 47					1,7 80	1,6 80			8,8 51	9,4 29	18, 280
<b>UniKL</b>	6	2	19	9	4,2 66	2,2 42			5,4 18	2,1 37	800	426			10, 509	4,8 16	15, 325
<b>UNISEL</b>	81	33	321	179	2,9 19	3,6 99			2,7 40	3,9 35	305	331			6,3 66	8,1 77	14, 543
<b>UNITEN</b>	67	22	272	167	4,6 24	3,4 92					1,3 66	736			6,3 29	4,4 17	10, 746
<b>MUCH</b>					30	154			1,3 26	8,6 48	38	160			1,3 94	8,9 62	10, 356
<b>MAHSA</b>	29	68	13	65	415	1,2 90			1,4 05	6,4 20	76	189			1,9 38	8,0 32	9,9 70
<b>UNITAR</b>	86	24	197	98	2,1 22	3,7 95			973	1,4 84	390	646			3,7 68	6,0 47	9,8 15
<b>SYUC</b>			243	97	2,3 02	2,6 26			349	435	1,5 56	1,7 02			4,4 50	4,8 60	9,3 10
<b>TAYLORS</b>			108	62	2,2 96	2,6 01	12	4	1,2 52	1,0 19	712	521			4,3 80	4,2 07	8,5 87
<b>UCSIU</b>	267	299	58	34	2,2 35	2,7 74			282	618	900	803			3,7 42	4,5 28	8,2 70
<b>KUIS</b>			22	10	567	1,1 26			1,7 59	3,7 18	51	92			2,3 99	4,9 46	7,3 45
<b>UTP</b>	328	83	306	237	2,9 19	1,6 88					824	393			4,3 77	2,4 01	6,7 78
<b>MSU</b>	21	39	71	36	1,3 01	2,6 25			680	1,2 08	219	461			2,2 92	4,3 69	6,6 61
<b>INTI</b>			96	56	2,0 34	1,5 77			1,0 92	356	761	670			3,9 83	2,6 59	6,6 42
<b>Asia Pacific UCTI</b>			115	51	2,3 47	813					2,4 57	564			4,9 19	1,4 28	6,3 47
<b>SWINBURNE</b>	4	7	13	11	2,2 04	1,8 00			349	193	970	676			3,5 40	2,6 87	6,2 27
<b>IUCTT</b>	49	33	80	27	1,4 10	1,4 90			1,1 78	1,3 54	28	67			2,9 80	3,0 67	6,0 47

<b>HUC</b>	4		153	220	1,801	2,404			151	68	459	523			2,568	3,215	5,783
<b>Others</b>	947	368	3,084	1,923	27,623	29,272	727	713	62,479	92,780	29,334	27,276	594	608	124,788	152,940	277,728
<b>Total</b>	<b>2,537</b>	<b>1,267</b>	<b>8,281</b>	<b>5,757</b>	<b>105,984</b>	<b>114,315</b>	<b>974</b>	<b>813</b>	<b>87,844</b>	<b>128,944</b>	<b>44,774</b>	<b>38,937</b>	<b>594</b>	<b>608</b>	<b>250,988</b>	<b>290,641</b>	<b>541,629</b>

Source: Ministry of Higher Education (2010)  
Based on 20 Highest Private Education

Table 2.9 shows that the top 20 private higher education institutions accommodated a total of 263901 students in 2010. The biggest private higher education institution was OUM (Open University Malaysia) which had 74805 students. All together, this private HEI segment accounted for 541692 students. Basically, Malaysia is still considered a small player in terms of student enrolment in the tertiary education sector and its capability to attract foreign students. Malaysia has the capacity to place around 150,000 to 200,000 international students. Currently, the country has already enrolled almost 90000 foreign students and millions of local students. Based on these projections and with good planning, effective implementation and aggressive marketing strategies, Malaysia aims to be the region's centre of excellence in education by 2020.

**Table 2.10**  
**Enrolment of International Students at Private HEIs by Levels of Study and Gender, 2010 only**

<b>Pri vat e HE I</b>	<b>Ph D</b>		<b>Ma ster s</b>		<b>Bac hel ors</b>		<b>Ad van ced Dip lom a</b>		<b>Dip lom a</b>		<b>Cer tifi cat e</b>		<b>Pro fess ion al</b>		<b>Tot al</b>		
	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	Tot al
<b>Asi a Pac</b>			69	33	1,507	529					2,232	514			3,808	1,076	4,884

<b>ific</b>																	
<b>UC</b>																	
<b>TI</b>																	
<b>M</b>	138	34	579	306	2,1	510			85	7	566	94			3,5	951	4,4
<b>M</b>					53										21		72
<b>U</b>																	
<b>LU</b>	2	3	76	122	727	1,6			155	130	207	364			1,1	2,3	3,4
<b>CT</b>						95									67	14	81
<b>UC</b>	14	6	48	27	993	758			70	89	460	172			1,5	1,0	2,6
<b>SI</b>															85	52	37
<b>U</b>																	
<b>IN</b>			78	36	801	492			284	73	430	258			1,5	859	2,4
<b>TI</b>															93		52
<b>SY</b>			30	9	773	484			80	82	378	263			1,2	838	2,0
<b>UC</b>															61		99
<b>TA</b>			28	44	516	622			162	161	99	56			805	883	1,6
<b>YL</b>																	88
<b>OR</b>																	
<b>S</b>																	
<b>ME</b>			363	47	612	426									975	473	1,4
<b>DI</b>																	48
<b>U</b>																	
<b>UN</b>	20	23	179	104	653	266	14	1			20	21			886	415	1,3
<b>IM</b>																	01
<b>KL</b>	1		107	5	762	150			59	6	145	27			1,0	188	1,2
<b>IU</b>															74		62
<b>C</b>																	
<b>HU</b>			75	79	438	416			21	16	109	81			643	592	1,2
<b>C</b>																	35
<b>M</b>	133	40	18	12	472	539	1								624	591	1,2
<b>US</b>																	15
<b>M</b>																	
<b>UN</b>	21	3	100	19	374	48					353	10			848	80	928
<b>IT</b>																	
<b>EN</b>																	
<b>SW</b>	1	1	2	4	159	432			15	51	45	199			222	687	909
<b>IN</b>																	
<b>BU</b>																	

<b>RN E</b>																	
<b>KU IN</b>	2	2	35	7	470	212			20	7		1			527	229	756
<b>IU CT T</b>	13	8	80	27	374	220			14	3	1				482	258	740
<b>UT P</b>	51	9	28	2	337	102					129	24			545	137	682
<b>Nil ai UC</b>					172	122			130	63	68	32			370	217	587
<b>IN CE IF</b>	19	5	361	95											380	100	480
<b>UN ISE L</b>	16	4	9	2	303	27			26	12	51	7			405	52	457
<b>Ot hes</b>	90	18	376	192	4,9 06	2,7 98	35	19	4,6 69	2,2 02	9,5 46	4,0 55	48	38	19, 670	9,3 22	28, 992
<b>Tot al</b>	<b>521</b>	<b>156</b>	<b>2,6 4</b>	<b>1,1 72</b>	<b>17, 502</b>	<b>10, 848</b>	<b>50</b>	<b>20</b>	<b>5,7 90</b>	<b>2,9 02</b>	<b>14, 839</b>	<b>6,1 78</b>	<b>48</b>	<b>38</b>	<b>41, 391</b>	<b>21, 314</b>	<b>62, 705</b>

Source: Ministry of Higher Education (2010)  
Based on 20 Highest Private Education

Referring to Table 2.10, 20 private higher education institutions accommodated 62705 students in 2010. However only 18 out of these 20 institutions were recognized as universities, another 2 considered as university colleges. Asia pacific UCTI located the highest number of foreign students (4884 students), closely followed by MMU (Multimedia University) with 4472 students. UNISEL (University Industri Selangor) received the lowest total number of foreign students (457). According to gender, the majority of foreign students were male who doubled their female counterparts.

**Table 2.11**  
**Numbers of Private HEIs by Categories, 2009-2010**

Categories of Private HEI	Year	Total
Private HEIs with University Status (Inclusive of Online distance Learning Institution (ODL))	2010	23
	2009	20
Private HEI branches with University Status	2010	24
	2009	22
Private HEIs with University status (Branches from Foreign Universities)	2010	5
	2009	5
Private HEIs with College University Status	2010	21
	2009	20
Private HEIs without University Status	2010	403
	2009	393
Grand Total	2010	476
	2009	460

Source: Ministry of Higher Education (2010)

Table 2.11 shows that as of 2010, Malaysia had 20 public universities, 23 private universities, 24 branches of private universities, 5 branches from foreign universities, 21 private higher education institutions with university college status and 403 private education institutions without university status. The total number of private education institutions, regardless of their status, was 476.

**Table 2.12**  
**Enrolment of International Students in Public HEIs by Country of Origin, 2009-2010**

Country of Origin	Enrolment by Year	
	2009	2010
Iran	4,002	4,814
Indonesia	3,713	3,769
China	2,099	2,168
Yemen	1,549	1,809
Iraq	1,164	1,255
Libya	1,190	1,125
Thailand	809	786



<b>Somalia</b>	701	739
<b>Nigeria</b>	571	737
<b>Saudi Arabia</b>	656	668
<b>Sudan</b>	576	596
<b>Jordan</b>	554	573
<b>Singapore</b>	477	543
<b>Bangladesh</b>	436	538
<b>Palestin</b>	369	294
<b>India</b>	349	325
<b>Pakistan</b>	207	297
<b>Maldives</b>	170	195
<b>Brunei Darussalam</b>	170	157
<b>Algeria</b>	122	156
<b>Others</b>	2,671	2,571
<b>Total</b>	<b>22,456</b>	<b>24,214</b>

Source: Ministry of Higher Education (2010)

**Table 2.13**  
**Enrolment of International Students in Public and Private HEIs from 2008-2010**

Level of Study	2008		2009		2010	
	Public HEI	Private HEI	Public HEI	Private HEI	Public HEI	Private HEI
<b>Ph.D</b>	5,103	505	6,243	491	7,501	677
<b>Masters</b>	6,516	2,506	7,951	2,734	8,138	3,813
<b>Bachelors</b>	5,606	21,726	6,486	26,646	7,170	28,350
<b>Diploma</b>	62	8,282	14	7,019	17	8,692
<b>Others</b>	1,198	17,660	1,762	21,404	1,388	21,173
<b>Total</b>	<b>18,485</b>	<b>50,679</b>	<b>22,456</b>	<b>58,294</b>	<b>24,214</b>	<b>62,705</b>

Source: Ministry of Higher Education (2010)

**Table 2.14**  
**Enrolment of International Students in Public HEIs, According to University from 2002-2007**

No.	Public University	2002	2003	2004	2005	2006	2007
1	<b>UM</b>	763	679	914	1,038	815	2,242
2	<b>USM</b>	550	615	877	903	1,332	1,422
3	<b>UKM</b>	608	859	844	228	1,038	1,490
4	<b>UPM</b>	848	860	642	984	935	2,018
5	<b>UTM</b>	153	237	286	361	433	811
6	<b>UUM</b>	225	277	84	627	325	2,178
7	<b>UIAM</b>	1,838	1,637	1,902	2,151	2,558	3,353
8	<b>UNIMAS</b>	6	10		27	21	34
9	<b>UMS</b>	13	9	96	144	216	269

10	<b>UPSI</b>	8	35	14	32	19	17
11	<b>UiTM</b>			22	63	168	260
12	<b>UDM</b>					8	5
13	<b>USIM</b>	10	6	21	24	23	53
14	<b>UMT</b>	23	15	24	25	13	28
15	<b>UTHM</b>			6	8	11	17
16	<b>UTeM</b>				3	8	103
17	<b>UMP</b>			2	2	5	
18	<b>UNIMAP</b>			1	2	13	24
19	<b>UMK</b>						
20	<b>UPNM</b>						
<b>TOTAL</b>		<b>5,045</b>	<b>5,239</b>	<b>5,735</b>	<b>6,622</b>	<b>7,941</b>	<b>14,324</b>

Source: Ministry of Higher Education (2010)

Notes:  = No Enrolment

**Table 2.15**  
**Enrolment of International Students at Private HEIs by Country of Origin, 2009-2010**

Country of Origin	Enrolment by Year	
	2009	2010
<b>China</b>	7,078	8,046
<b>Iran</b>	6,930	7,009
<b>Indonesia</b>	6,099	6,119
<b>Nigeria</b>	5,398	5,080
<b>Yemen</b>	3,382	3,522
<b>Libya</b>	2,831	2,805
<b>Sudan</b>	1,867	2,241
<b>Bostwana</b>	1,938	1,909
<b>Saudi Arabia</b>	1,675	1,584
<b>Bangladesh</b>	1,521	1,503
<b>Pakistan</b>	1,473	1,492
<b>South Korea</b>	828	1,426
<b>Kazakhstan</b>	1,175	1,229
<b>Maldives</b>	1,153	1,154
<b>Sri Lanka</b>	897	1,024
<b>India</b>	1,010	989
<b>Thailand</b>	870	939
<b>Tanzania</b>	821	773
<b>Somalia</b>	619	739
<b>Zimbabwe</b>	577	653
<b>Others</b>	10,152	12,469
<b>Total</b>	<b>58,294</b>	<b>62,705</b>

Source: Ministry of Higher Education (2010)

As shown in Table 2.15, for 2009 and 2010 there were 4411 increases in international students enrolled in private HEIs and with the top countries being China, Iran, Indonesia, Nigeria and Yemen. Libya and Sudan also showed an increased in numbers. This indicates that students from overseas, especially from Asia and Africa, believed in the Malaysian private education system. One reason for the slight increase is the high English language requirement which may restrict the entrance of many interested international students into the Malaysian education system. This policy was implemented in 2008 by the Ministry of Higher Education as a result of recommendations from lecturers in Malaysian universities.

**Table 2.16**  
**Numbers and Percentages of International Students According to Country of Origin and Gender in 2007**

Country of Origin	Male	Female	Total	% according to Country of Origin
Arab countries and nearby	5,527	2,070	7,594	15.9
Europe (Central & Eastern)	186	159	345	0.7
Central Asia	340	244	584	1.2
Far East and Pacific	10,288	9,440	19,728	41.2
Latin America and Caribbean	27	21	48	0.1
North America and West Europe	284	182	466	1.0
South Asia and West Asia	8,114	2,948	11,062	23.1
Africa Sub-Saharan	5,105	2,528	7,633	16.0
Not noticed	205	260	465	0.8
<b>Total</b>	<b>30,076</b>	<b>17,852</b>	<b>47,928</b>	<b>100.0</b>

Source: Ministry of Higher Education (2010)

Table 2.16 illustrates the foreign students' country of origin and gender in 2007. Arabic countries including Iran accounted for 7594 or 15.9%, East Asia and Pacific provided the largest proportion at 19,728 students or 41.2% while South Asia and India sent 11,062 students or 23.1%. The least numbers came from Latin America and the Caribbean, constituting 48 students or 7.1%.

**Table 2.17**  
**Enrolment and Percentage of International Students in Public HEIs, Private HEIs and KTAR by Region of Origin, 2010**

Regions of Origin	Public HEIs	Private HEIs	KTAR	Total	% by Regions of Origin
					Origin

<b>South Asia, East Asia and Southeast Asia</b>	9,370	25,363	3	34,736	39.96
<b>West Asia</b>	9,926	13,914		23,840	27.43
<b>Sub-Saharan Africa</b>	2,093	11,333		13,426	15.45
<b>North Africa</b>	1,994	5,647		7,641	8.79
<b>Central Asia</b>	152	1,639		1,791	2.06
<b>Western Europe</b>	99	397	1	497	0.57
<b>Central and Eastern Europe</b>	172	151		323	0.37
<b>North America, Central America and Caribbean</b>	80	172		252	0.29
<b>South America</b>	11	240		251	0.29
<b>Oceania</b>	28	141		169	0.19
<b>Not Stated</b>	289	3,708		3,997	4.60
<b>Total</b>	<b>24,214</b>	<b>62,705</b>	<b>4</b>	<b>86,923</b>	<b>100.00</b>

Source: Ministry of Higher Education (2010)

**Table 2.18**  
**Enrolment of All Students in Public HEIs and Private HEIs in Malaysia from 2002-2010**

INSTITUTION	Year								
	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>Public HEI</b>	281,839	294,359	293,978	307,121	331,025	382,997	419,334	437,420	462,780
<b>Private HEI</b>	294,600	314,344	322,891	258,825	323,787	365,800	399,897	484,377	541,629
<b>Total</b>	<b>576,439</b>	<b>608,703</b>	<b>616,869</b>	<b>565,946</b>	<b>654,812</b>	<b>748,797</b>	<b>819,231</b>	<b>921,797</b>	<b>1,004,409</b>

Source: Ministry of Higher Education (2010)

**Table 2.19**  
**Enrolment of Local, International and Disabled Students in Public HEIs by Universities, 2009-2010**

Public HEI	Year	Local	International	Disabled
<b>UM</b>	2010	24,132	3,208	83
	2009	24,149	2,925	95
<b>USM</b>	2010	24,531	2,474	34
	2009	24,984	2,388	30
<b>UKM</b>	2010	22,772	2,847	14
	2009	24,984	2,554	20
<b>UPM</b>	2010	26,178	2,829	396
	2009	25,282	2,622	474
<b>UTM</b>	2010	28,683	2,995	20

	2009	30,123	2,818	26
<b>UUM</b>	2010	34,416	2,918	11
	2009	32,479	2,890	19
<b>UIAM</b>	2010	24,537	4,940	23
	2009	24,007	4,545	16
<b>UMNIMAS</b>	2010	8,057	79	11
	2009	7,336	48	
<b>UMS</b>	2010	13,096	398	
	2009	21,708	444	
<b>UPSI</b>	2010	13,445	80	19
	2009	16,374	71	19
<b>UiTM</b>	2010	167,108	427	486
	2009	139,192	442	244
<b>UNISZA</b>	2010	5,251	11	9
	2009	4,714	7	25
<b>UMT</b>	2010	6,814	118	4
	2009	6,397	74	5
<b>USIM</b>	2010	6,293	175	
	2009	5,507	105	
<b>UTHM</b>	2010	9,379	280	
	2009	7,632	223	
<b>UTeM</b>	2010	7,335	92	
	2009	6,309	52	
<b>UMP</b>	2010	6,513	155	
	2009	5,657	106	
<b>UNIMAP</b>	2010	6,023	183	5
	2009	5,438	140	4
<b>UMK</b>	2010	1,882	4	2
	2009	1,251	2	
<b>UPNM</b>	2010	2,121	1	1,115
	2009	1,612		979
<b>Total</b>	<b>2010</b>	<b>438,566</b>	<b>24,214</b>	
	<b>2009</b>	<b>414,964</b>	<b>22,456</b>	

Source: Ministry of Higher Education (2010)

## 2.7 REPUTATION AND IDENTITY

Sapir and Winter (1994) suggested that reputation is frequently used to signal quality, it may be a barrier to entry, and thus reduce the degree of actual or potential competition in services industries. According to Bourke (2000), reputation is constantly used as a screening mechanism of service suppliers and for pre-purchase evaluation of service quality which is often vague and partial. Reputation and organizational culture are key resources of service enterprises. Many students perceive top ranking universities in the world with high entry requirements such as Oxford, Cambridge,

Wharton and Harvard to be the best. Additionally, students may likely equate such reputation with quality. Bourke (2000) stated a school's ability to gain international position in medical education is influenced by its organizational culture and that it is common for service providers to obtain business based on their reputation.

According to Argenti and Druckenmiller (2004), reputation refers to what others think of who you tell them you are and what you have done whereas image refers to what others think of who you are and who you tell them you are. They stressed that a company can define and communicate its identity and corporate brand but its image and reputation result from impressions of a company's behavior and is less within the company's direct control. Similar conditions would likely occur in a university. However aggressively the university promotes the advantages and benefits it has to offer, its reputation also depends on the performance or behavior of the university community and this cannot be easily controlled. They also emphasized that when customers get what they expect from a company time and time again (i.e. the corporate brand promise is kept), reputation is strengthened, (e.g. Virgin Group, Johnson & Johnson's). In 2001, J&J (Johnson & Johnson's) was ranked first on the Harris Interactive/Reputation Institute R Q Gold survey of companies with the strongest reputations (Harris Interactive, 2002b).

In other words, reputation is the collective representation of multiple images of a company, built up over time and based on a company's identity programs, its performance and how its behavior is perceived (Argenti & Druckenmiller, 2004). In their study, Chan et al. (2005), gave evidence that reputation is a significant variable in measuring satisfaction in university life for students studying in Western Australia. This is consistent with a study by Veloutsou et al. (2004) which found that the reputation of the university in general, and the reputation of the department specifically,

were the top factors influencing students' university selection. The reputation of the university in general, and the specific programme in particular, were the information requirements considered by students when selecting a university (Hayes, 1989; Moogan et al., 1999; Soutar & Turner, 2002; Vaughn et al., 1978).

In order to attract students from all over the world, it is important for the universities to manage their reputation internationally (Llomele, 2008). Therefore, it is necessary to understand the added value of a particular higher education institution and how its reputation can be influenced by the cultural backgrounds of the incoming students and the cultural environment where the university is located. According to Arambewela, Hall and Zuhair (2006), it was clear that the students' concerns were mainly directed at the quality of education, student facilities, reputation of the institutions, the marketability of their degrees for better career prospects, and the overall customer value provided by the universities. All the factors mentioned above were the most important factors that had a strong impact on student satisfaction.

It is also important for universities to sustain their national and international reputation through credible actions by each member of the organization (Herbib et al., 1994; Bitner, 1990b) which would increase the capacity of universities to position themselves in the minds of students as being innovative, up to date, involved with the business community and having students' needs at heart (Le Blanc & Nguyen, 1997). The key point, of course, is that reputation consists of perceptions, i.e. how others see you (Formbrun 1996; 59). Llomele (2008) stressed that the reputation in the theoretical stream is seen more as overall perceptions held by inner and outer audiences of an organization. However, it is pointed out that different audiences may have different perceptions and, therefore, reputation can consist of a sum of reputations. Thus the question remains and is related to ascertaining an adequate definition and usage of the

concept of reputation. Locmele believed reputation as being created and determined by mouth-to-mouth communication and that the reputation of the organization is what a specific audience says about the organization.

From the academic aspect, students considered quality of academic staff, quality of programs, and university reputation as important factors that influenced their perceptions of service quality (Gamage et al., 2008). With regard to the university environment, there is no doubt that reputation is becoming increasingly important and universities have developed distinct images in order to maintain their competitiveness in the market place (Gamage et al., 2008). Arambewela, Hall and Zuhair (2006) found that there is a significant relationship between perceived quality and image and prestige (reputation) of the universities.

Additionally, Bourke (2000) found that the educational reputation of the country was a decisive factor in students' choice of destinations. In relation to this, Aaker (1996) pointed out that 'reputation for quality' and 'name recognition/high profiles' are significant sources of competitive advantage. Generally, country image is directly associated with brand image (Nebenzahl, Jaffe & Lampert, 1997) and also affects the consumers' attitudes toward a brand. Thus they are interchangeably influenced in that university reputation may influence country image and vice versa.

Identity is one of the most important characteristics of organizations, corporations as well as universities. Each organization, corporation and university has their own identity. Conceptually, a university's identity is its strategically planned and purposeful presentation of itself in order to set a positive image in the minds of the public (Alessandri, Yang, & Kinsey, 2006). They added that the image, the public's perception of the university, is a direct result of the associations people have with the university's identity. According to Alessandri (2001), operationally, a university's



identity is its visual presentation of itself, including but not limited to its name, logo, tagline, color palette and architecture and also includes the university's public behavior. While academic literature on corporate identity is plentiful, the literature on university identity is in short supply (Alessandri, Yang, & Kinsey, 2006).

In the search for key attributes of reputation, Bromley (1993) reviewed 122 quotations on reputation from several scholars in the Oxford Dictionary of Quotations (Oxford University Press 1979). Among the propositions that Bromley extracted, the following attributes are relevant to this study:

1. It is difficult to make and keep up a good reputation or to repair a damaged one whereas a good reputation is easily lost or damaged.
2. It is immoral to deliberately seek to establish reputation, and reputations that are deliberately cultivated are more vulnerable than those that are not.
3. Popular (widespread) and rapidly acquired reputations are short lived.

Reputations are determined not only by the actions of an entity but also by the consequences of those actions, the entity's relationships and qualities, and by many other factors (pp. 9–11).

Indeed, depending on different perspectives, the concept of “organizational reputation” has been defined variously, for example, as assessments that multiple stakeholders make about the company's ability to fulfill their expectations (Fombrun and van Riel, 2003). In other words, the term represents a collective system of subjective beliefs among members of a social entity (Bromley 1993, 2000, 2002), and cognitive representations in the minds of multiple publics about an organization's past behaviors and related attributes (Coombs 2000).

Bromley's (2000, 2002) suggestion that reputation should be conceptualized as a collective phenomenon in society is based on his findings that traced the origin of

reputation study to person impression theories from the perspective of social psychology. By this token, reputation was differentiated according to a first-order individual impression from a second-order collective phenomenon in the context of corporate reputation (Bromley 1993, 2000). The concept of reputation as a collective phenomenon was similarly affirmed by Grunig and Hung (2002) who defined reputation as “the distribution of cognitive representations that members of a collectivity hold about an organization, representations that may, but do not always, include evaluative components” (p. 20).

### **2.7.1 Brand and Reputation**

According to Olins (2002), France is probably the one country that has been most influential in the branding and rebranding of its image. Just like Spain and Ireland, many other nations whose reality has dramatically changed because, for example, of the collapse of communism, are looking for ways of demonstrating their tourist potential, attracting inward investment or developing brands for both home consumption and export. These newly reinvented nations are competing both with each other and with older established entities in a very harsh and turbulent commercial environment. The nation that makes itself the most attractive wins the prizes while others suffer. This can be illustrated by Scotland, a small county that has been around for a long time. It is symbolized by tartans, kilts, Scotch whisky, the Highlands, ‘Braveheart’, and the Edinburgh Festival. Other countries of a similar size, say Slovakia or Slovenia, are not as fortunate since many people know where they are or the significant differences between them. In order to compete effectively on a world stage, these countries need all the resources contemporary branding techniques can offer.

Yet, branding the nation is not identical to branding a company or a university. Only the techniques used may be similar (Olins, 2002). However, Olins suggested that

what mattered was that the people working in a company or in the university or living in a nation can be motivated and inspired and manipulated in the same way, using the same techniques. Further, he pointed out that branding businesses and nations are similar processes as brands help to create a sense of identity, of belonging, just like the nation.

A brand is a consistent group of characteristics, images, or emotions that consumers recall or experience when they think of a specific symbol, product, service, organization or location (Simeon, 2006). He added that brand recognition occurs when brand qualities are generally known by consumers. If a brand has accumulated widespread positive sentiment among consumers, marketers refer to this as acquiring brand equity which is its ability to retain current customers and attract new ones. Holistically, a brand represents the synergistic effect of all marketing efforts that instil and perpetuate an image in customers' minds. The brand brings about stronger cash flows and higher values for shareholders, thus contributing to the success of an organization (Yovovich, 1988).

Besides, a brand can be used as a corporate strategic tool to enhance an organization's performance (Mosmans, 1996; Mosmans & van der Vorst, 1998) and branding strategy is widely recognized as a source of competitive advantage in domestic markets (Biel, 1992; Calderon et al., 1997; Chaudhuri & Holbrook, 2001; de Chernatony, 2001; Farquhar, 1994; Moore et al., 2000; Mosmans, 1996; Mosmans & van der Vorst, 1998; Rubinstein, 1996).

Traditionally, branding was associated with consumer goods and historically branding as a concept can be traced back to the late nineteenth century with the development of branded consumer products such as Quaker Oats and Gillette (Low & Fullerton, 1994). The topic of branding first surfaced in marketing literature when

Banks wrote the first paper on the subject (Banks, 1950) which has since, become the core foci of modern marketing (Keller, 1998). In addition, authors such as Aaker, de Chernatony, Kapferer and Keller contributed significantly to the evolution of branding theory. In particular, de Chernatony and his colleagues (de Chernatony & Riley, 1999; de Chernatony & Segal-Horn, 2001, 2003a, b; de Chernatony & McDonald, 2003; de Chernatony et al. , 2004) placed special emphasis on developing the brand concept in services.

Various definitions have been put forth to capture the essence of branding. For example, Aaker (1991, p. 7) viewed a brand as ‘a distinguishing name and / or a symbol (such as logo, trademark, or package design) intended to identify the goods or services of one seller or group of sellers, and to differentiate those goods or services from competitors who would attempt to provide products that appear to be identical’. A more recent definition was suggested by de Chernatony (2009, p. 104) who defined a brand ‘as a cluster of values that enables a promise to be made about a unique and welcoming experience’. The vital role that strong brands play in marketing strategy can be clearly illustrated nowadays as it provides differentiation and competitive advantage for physical goods as well as for services. As de Chernatony (2009, p. 101) stated, ‘one of the initial roles of a brand is to attract attention and stand out from competitors’. Aaker (1996) pointed out that a strong brand is thought to add saliency to products and services, to impart perceptions of quality and value, and thereby to cultivate market share and customer loyalty.

Although the literature regarding brands and branding has grown considerably in recent years, the issue of brands and branding services have been much neglected (Moorthi, 2002; Hemsley-Brown & Goonawardana, 2007). There is a dearth in empirical research on branding higher-education institutions (Balmer & Liao, 2007;

Hemsley-Brown & Goonawardana, 2007; Vrontis et al., 2007; Waeraas & Solbakk, 2009), especially considering that branding has become a strategic managerial issue for universities (Jevons, 2006). Prior research in this area include Gray et al. (2003) who studied the positioning of university brands in Asian markets; Benett and Ali Choudhury's (2009) exploration of prospective students' perceptions of university brands; Ali-Choudhury et al.'s (2009) investigation of the university brand components based on university marketing directors' views; and Shahaida et al.'s (2009) proposed conceptual model of brand building for business schools in India. Considerable work on university branding had also been done by Chapleo (2004, 2005, 2007, 2008).

The importance of brand reputation in marketing strategy has also been highlighted in marketing literature with recent studies uncovering the impact of brand reputation on product sales (Ward & Lee, 2000; Ward & Ostrom, 2003; Rowley, 2004). Aaker and Keller (1990) defined brand reputation as a perception of quality associated with the name, whereas Dawar and Parker (1994) asserted that consumers' choices are usually influenced by brand name, pricing and company reputation as signs of product quality.

Reputation is one of the primary contributors to perceived quality of goods carrying a brand name. Organizations (universities and hospitals included), companies and brands with a good reputation are likely to attract more customers as buyers form positive views only if they perceive the brand to be credible. Thus it is imperative that brands have a positive reputation to be successful and profitable (Herbig & Milewicz, 1995). The brand's existing reputation provides the basis for the customers' anticipation that a brand will meet their expectations. Customers will not perceive a brand as reliable and credible when it does not deliver what it promises (Herbig & Milewicz, 1995). Brand reputation occurs primarily through the signals that producers

send to the market, and the degree to which the organizational tactics support the marketing signals (Herbig & Milewicz, 1995). Reputation is considered to be a valued asset (Chiles & McMackin, 1996), and is generally associated with the name of the company (Aaker & Keller, 1990). For example, the Mayo Clinic is considered to be a successful example of powerful brand reputation beyond its local market mainly because of positive word-of-mouth and powerful customer loyalty (Berry & Bendapudi, 2003), indicating that in the corporate world, reputation is one of the major factors that strongly affects consumer purchase decisions (Kowalczyk & Pawlish, 2002).

Brand reputation is of great importance in the services sector despite its intangibility and difficulty in evaluating its quality and performance (Herbig & Milewicz, 1995; Shenkar & Yuchtman-Yaar, 1997; Saxton, 1998; Papasolomou & Vrontis, 2006). However, Dibb and Simkin (1993), and Kapferer (1992) pointed out that branding culture is not strongly established in service organizations. According to Berry et al. (1988), the service sector is unique in the sense that the company name is the brand name, as services do not lend themselves to individual branding in the way physical goods do (Turley & Moore, 1995).

A university's brand is defined by Bennett and Ali-Choudhury (2009, pp. 85 – 86) as 'a manifestation of the institution's features that distinguish it from others, reflecting its capacity to satisfy students' needs, engendering trust in its ability to deliver a certain type and level of higher education, and helping potential recruits to make wise enrolment decisions'. Bennett and Ali-Choudhury (2009) suggested that the components of a university brand mainly consist of:

1. a collection of promises presented to the outside world concerning the brand's benefits (that is, high-caliber faculty, career prospects on graduation,

opportunities for in-campus socialization, sport facilities and so on).

2. a set of distinctive features that define the brand's inherent nature and reality (that is, university's matriculation requirements, student drop-out rates, whether the university is elite and exclusive rather than comprehensive and mass market, whether it places research above teaching and whether it offers desirable degree programs, campus safety, security and so on), and,
3. an assortment of aesthetic designations and external communications that describe the brand (that is, name, logo and advertisement designs).

A strong university brand can produce the belief that an institution is excellent (Palacio et al., 2002), thus presenting themselves as a 'top', 'leading' or 'world-class' university (Belanger *et al* , 2002). However, Chapleo (2005) pointed out that only a few UK universities have fully developed 'successful' brands like commercial organizations, and that the most important attributes of successful brands are marketing communication, reputation, location and public relations.

Reputation is conceptualized as an on-going evaluation process by relevant stakeholders (Rindova et al., 2005; Barnett et al., 2006), constituted in discursive practices (Coupland & Brown, 2004; Middleton, 2009; La'hdesma'ki & Siltaoja, 2010). The interest in corporate reputation has grown steadily (Fombrun, 1996; Barnett et al., 2006). Efforts have been made to distinguish reputation from related concepts such as identity and image (Barnett et al., 2006), brand (Fombrun & Van Riel, 2004), and legitimacy (Deephouse & Carter, 2005). However, the theoretical debates continue to conceptualize reputation differently. From the institutional perspective, for example, reputation is understood as the result of information exchanges and social influence among various stakeholders interacting in an organizational field (Rindova et al., 2005). Reputation may vary across stakeholder groups according to the perception of each group regarding the degree to which the organization in question meets its unique

expectations (Bromley, 2002). Deephouse (2000) argued that reputation construction occurs in the media when a corporation is praised for its actions or associated with positive actions, and reputation destruction occurs when the organization is criticized for its actions or associated with questionable actions. Rindova et al., (2007) moved beyond measuring reputation to study how the reputation of new firms in emerging businesses is (re)constructed in media texts.

Reputation can be understood to be constructed in and through language and semiosis. An emerging strand of literature has argued for viewing reputation as something that is constituted in discursive practices. Middleton (2009) studied reputation management from a narrative perspective, while Coupland and Brown (2004) viewed reputation as continuously (re)constituted through text and talk in dialogical processes. Lahtesmäki and Siltaoja (2010), in turn, explored the meanings constructed vis-a-vis reputation by focal actors in interactions with relevant stakeholders.

The term “reputation” and “brand” are, however, often used interchangeably in general discussion. The concept of brands and brand management in the wider nonprofit sector has been a focus of academic research for some years, with writers such as Hankinson and Cowking (1996), De Chernatony (1998), and Kapferer (1997) exploring these areas. Branding in the context of higher education is an area which has been on the agenda of practitioners for some time. It still, however, receives limited discussion in academic papers, especially in an Asian or specifically Malaysian context.

Recent articles by Bodoh and Mighall (2003), suggested that “branding is emerging as a hot topic for those who want to consolidate their positions or save their skins”. They also observed that “brands will present some real challenges in a sector that has been slow to embrace the basic principles of branding”. Johnston (2001)



summed up the consensus from practice journals when he stated,” the higher education system certainly has a long way to go in terms of understanding and incorporating the branding concept”. He added, “there has never been a more appropriate time for institutions to consider the role and purpose that branding may play within the sector”. Bean (2000) further attested that “ironically, as an industry sector, education has the least sophisticated brands with which to relate to its target groups”.

The reputation concept is also understood and defined in various ways (e.g. Theus, 1993; Fombrun & van Riel, 1997; Weiss et al., 1999), e.g. as “the overall estimation in which a company is held by its constituents” (Fombrun, 1996, p. 37). Thus reputation may be interpreted as the overall perception of a company, what it stands for, what it is associated with, and what may be the benefits gained when buying the products or using the services of the company (Fombrun & Shanley, 1990; MacMillan et al., 2005).

The reputation of a company is formed in all instances when the company is in interaction with its stakeholders (Schuler, 2004). Thus a company’s reputation reflects the history of its past actions (Yoon et al., 1993). Perceptions of reputation can be formed about different entities such as products, brands, organizations or institutions (Fombrun, 1996; Lemmink et al., 2003), and even countries (Passow et al., 2005). Consequently, students may have perceptions of both their university college and their specific study programs. A favorable perception of reputation is supposed to be positively related to loyalty (Selnes, 1993; Johnson et al., 2001; MacMillan et al., 2005). Reputation management is also looked upon as very important for attracting and retaining students (Bush et al., 1998; Standifird, 2005).

## **2.8 UNIVERSITY REPUTATION**

Organizational reputation is typically studied within a business context with the exception of Nguyen and LeBlanc (2001) and Theus (1993). However, the literature on corporate reputation can be useful in conceptualizing university reputation, despite the contextual differences.

Depending on the perspective, the concept of organizational reputation has been defined, in general, as:

- (a) assessments that multiple stakeholders make about the company's ability to fulfill its expectations (Fombrun & Van Riel, 2003);
- (b) a collective system of subjective beliefs among members of a social group (Bromley, 1993, 2000, 2002);
- (c) collective beliefs that exist in the organizational field about a firm's identity and prominence (Rao, 1994; Rindova & Kotha, 2001);
- (d) media visibility and favorability gained by a firm (Deephouse, 2000); and
- (e) collective representations shared in the minds of multiple publics about an organization over time (Grunig & Hung, 2002; Yang & Grunig, 2005).

The intersection between such definitions is that the reputation of an organization refers to perceptions of the organization shared by its multiple constituents over time (Alessandri, Yang, & Kinsey, 2006).

On the basis of such an intersection of definitions of organizational and corporate reputation, a university's reputation can be defined as collective representations that the university's multiple constituents, various internal and external constituents, including the media hold of the university over time. Applying general principles of reputation formation (Bromley, 1993, 2000; Caruana, 1997; Gotsi &

Wilson, 2001; Fombrun & Shanley, 1990; Grunig & Hung, 2002), the researchers propose that a university's reputation can be formed on the basis of (a) direct or indirect/mediated experiences; and (b) information received through a variety of channels of communication and symbols. Since some information may be acquired from university symbols (e.g. logos, architecture and other visual attributes), in particular, a university's reputation can be significantly related to the visual identity of the university.

Donaldson and McNicholas (2004) found that university reputation was important as a decision factor influencing students' choice of institutions. Rudd (1975) found that postgraduate research students tended to stay at the institution of their first degree because of its reputation and students who opted to go elsewhere were attracted by the reputation of the institution, department or academic staff. While reputation and image are important, customization of the promotional material to the target audience is vital for universities (Donaldson & McNicholas, 2004).

America, the first nation to make democracy and free trade the cornerstones of its national identity and national purpose, has always understood that branding is an inherently peaceful and humanistic approach to international relations (Anholt, 2005). Anholt stated that branding is based on competition, consumer choice and consumer power which are concepts very intimately linked to the freedom and power of the individual in a democracy. For this reason it is far more likely to result in lasting world peace than a statecraft based on territory, economic power, ideologies, politics, or religion.

### **2.8.1 Institution Image**

A positive image can strongly influence the decision to attend an educational institution (Krampf and Heinlein, 1981; Qureshi, 1995; Mazzarol, 1998; Bourke, 2000;

Gutman & Miaoulis, 2003). The particular characteristics of services make the consumer analyse indirect elements when evaluating the service (Cubillo, Sanchez & Cervino, 2006). The institution selection is determined by several factors such as the academic reputation of the institution, the quality and expertise of its teaching faculty, attractiveness and campus atmosphere (Krampf & Heinlein, 1981; Lin, 1997; Mazzarol, 1998; Soutar & Turner, 2002).

The institution image is the sum of opinions, ideas, and impressions that prospective students have of the institution (Kotler & Fox, 1995). Their opinions about the image of the institution are formed from word of mouth, past experience, and marketing activities of the institution (Ivy, 2001). Thus, very often the perception of the institution's excellence goes beyond its actual quality (Kotler & Fox, 1995).

Since students are becoming extremely critical and analytical when choosing their educational institutions (Binsardi & Ekwulugo, 2003) and due to growing competence in international education, institutions need to maintain and develop a distinctive image in order to reach a competitive advantage (Parameswaran & Glowacka, 1995). By this token, the quality of reputation and branding are two important sources for this purpose (Hall, 1993; Qureshi, 1995; Mazzarol, 1998; Bourke, 2000).

## **2.9 COUNTRY IMAGE**

The concept of country image originates from country of origin. There are various definitions of country image provided by scholars, depending on the subject of their studies and also the relevance of country image to their research. However, most define country image in relation to the products produced by a country. Nagashima's (1970, 1977) simple definition of country image represents the initiator of the terminology and was adopted for the micro country image level. Nagashima's (1970)

definition was conceptualized at the product level as ‘the total of beliefs one has about the products of a given country’s (p: 68) and this approach has been widely adopted by other scholars (e.g., Han & Terpstra, 1988; Darling & Wood, 1990; Roth & Romeo, 1992). This concurs with Schooler’s (1965) and Reirson’s (1967) work which was among the earliest in the study of country of origin and looked at the ‘overall’ micro country image, rather than the micro country image specific to any product category. In contrast, Han and Terpstra (1988), Pappu, Quester and Cooksey (2007) measured country image for specific product categories (e.g., televisions and cars). Similarly, Johansson, Douglas and Nonaka (1985) also studied product categories like automobiles which according to Hsieh (2004), is one of the product categories that has frequently been used to measure the COO effect. Other popular categories include personal computers (PC) and video cassette recorders (VCR) as undertaken by Hong and Wyer (1989). According to Pappu, Quester and Cooksey (2007), the macro and micro images are considered two dimensions of country image.

Whether country image refers to the product at micro level (e.g., Agarwal & Sikri, 1996) or the country at macro level (e.g., Martin & Eroglu, 1993), or the combination of both, depends to a large degree on the scope of the study. In this study, the researcher also engages a combination of services and the country itself. This approach matches with Heslop and Papadopoulos’s (1993) study which employed two dimensions for country image (product and country).

Aaker (1991) and Keller (1993) discussed the impact of country of origin/design/manufacture which gives rise to country of origin associations in consumers’ minds. This provided the evidence on the importance of country image among the consumers. Also, Keller (1993) emphasized that country image (similar to brand image) is a set of country of origin associations organized into groups in a

meaningful way. It may be likely, that the country image comes across the mind of everybody when they buy the products or services either consciously or unconsciously. Knight and Calantone (2000) defined country-of-origin image (COI) as the perceptions that consumers have about the quality of products made in a specific country and the people from that country.

Reiersen (1967) explained that country image serves as a prototype and influences consumer's product evaluation and choices either generally or at specific product category level. For example, according to Jian and Guoqun (2007), some researchers found that products made in developed countries are better evaluated than those in developing countries in general. The findings are also clear for services. Yet, this may not always be true, for example, certain products like rugs and carpets from Iran are considered the finest even though Iran is a developing country. As Laroche et al. (2005, p.111) pointed out, "beliefs about the country and beliefs about the country's products are sometimes incongruent (Iranian rugs, for example, are generally accepted as being of high quality, while Iran itself often suffers from a negative image)". Additionally, Hsieh (2004) suggested that a strong country image is tied to the high-involvement product like automobiles and electronics and claimed that the COO effect has rarely been examined for low-involvement purchases such as shampoo or soft drinks.

Kim and Chung (1997) also argued for greater attention to be placed on country image as if its existence is not noticed or recognized, it can mislead competitive analysis. They also emphasized the roles and key variables of long-term success of brands or firms which translates into brand popularity and country image. Country-related intangible assets or liabilities have typically been considered as country image in the literature (e.g., Han [1989]), given that similar images have been created over time for

brands originating from the same country. The studies of country-of-origin seem to provide evidence of the presence of country image differences (Johansson & Nebenzahl 1986; Johansson & Thorelli 1985; Chung, Hayashi & Kim 1994). Kim and Chung (1997) dictated that differences in terms of country image can be attributed to the unique characteristics of their home countries in terms of demand conditions, factor conditions, rivalry and their supporting industries. Again, according to Kim and Chung (1997), country images, built over long periods, are intangible assets that make a positive contribution to market sales or shares by influencing the effectiveness of marketing variables on sales.

In this light, Kim and Chung's (1997) observation of Japanese brands affirmed how the Japanese, over the years, created a set of unique images, country-specific intangible assets, which in turn positively influenced market performance by enhancing the effectiveness of marketing variables on market share. They confirmed and suggested that marketing efforts should be made according to country image and warned that imitating other successful brands without understanding the differences in country-specific intangible assets will result in failure. A country image having a strong affective component exerts a stronger influence on product evaluation than on product beliefs, and "country image and product beliefs act simultaneously to influence product evaluations" (Laroche, Papadopoulos, Heslop & Murali, 2005, p.110).

Products have many extrinsic cues such as its country image, price and brand name that may represent parts of a product's total image (Eroglu & Machleit, 1989). Past research has demonstrated that consumers tend to regard products that are made in a given country with consistently positive or negative attitudes (Bilkey & Nes, 1982). These origin biases seem to exist for products in general, for specific products, and for both end-users and industrial buyers alike (Bilkey & Nes, 1982; Dzever & Quester,

1999). In addition, origin biases have been found for both developed countries and less developed ones (Nes & Bilkey, 1993). Rightly or wrongly, products from the latter are perceived to be riskier and of lower quality than products made in more developed countries.

In a meta-analysis, Liefeld (1993) concluded that country image appears to influence consumer evaluation of product quality, risk, likelihood of purchase, and other mediating variables. He also noted that the nature and strength of origin effects depend on such factors as the product category, the product stimulus employed in the research, respondent demographics, consumer prior knowledge and experience with the product category, the number of information cues included in the study, and consumer information processing style.

Papadopoulos (1993) posited that people's perceptions and the phenomena surrounding a product shape its image. Papadopoulos et al. (1988) were considered pioneers in incorporating distinct country image measures in PCI research (in addition to measures of products simply designated as "made in X"), and the first to attempt to model the relationship between country beliefs, product beliefs, familiarity, and product evaluation and willingness to buy, using LISREL, in their studies conducted in eight different countries. Their data from the above and other studies resulted in the conclusion that consumers' perceptions of the COO of a product comprise the following (Papadopoulos et al., 1988, 1990, 2000):

1. a cognitive component, which includes consumers' beliefs about the country's industrial development and technological advancement;
2. an affective component that describes consumers' affective response to the country's people; and



3. a conative component, consisting of consumers' desired level of interaction with the sourcing country.

Despite the theoretical appeal of this conceptualization, which includes the three components of an attitude, most empirical studies of country image cognitive processing have not considered the multi-dimensionality of country image when operationalizing the construct (Johansson et al., 1985; Han, 1989; Knight & Calantone, 2000). In addition, some of these studies tested paths within a conceptual model individually rather than testing the complete model (Johansson & Nebenzahl, 1986). Further, most measured "country" image through product rather than country measures (Han, 1989), and some focused on affect-oriented country/people measures rather than cognitive ones (Knight & Calantone, 2000).

In turn, the Papadopoulos et al. (1988) model, which did not share these weaknesses, was hampered by the absence of well-defined country measures at the time of their research, which resulted in model constructs that were not as well defined as would be possible today. Thus, it is contended that while country image affects product evaluations, its very structure, that is the relative importance attached to its cognitive, affective, and conative components, has a significant impact on the extent of its influence on product evaluation. Consistent with Papadopoulos et al. (1988, 1990), beliefs are defined as consumers' beliefs about the country's industrial development and technological advancement. The concept of people affect refers to consumers' affective responses (e.g. liking) to the country's people. Finally, the concept of desired interaction reflects consumers' willingness to build close economic ties with the target country.

Prior studies examining the role of product origin in consumer evaluations have generally portrayed country image as a halo that people use to infer the quality of

unfamiliar foreign products (Bilkey & Nes, 1982). The reasoning is that when consumers have little knowledge about a foreign product's attributes, they are likely to use indirect evidence, such as COO, to evaluate products and brands and make inferences regarding the quality of their attributes. Supporting this view, Johansson et al. (1985) showed that country image does affect the evaluation of product attributes, but not the overall evaluation of products. Furthermore, their findings indicated that the overall evaluation of an automobile appeared to influence consumers' ratings on specific attributes. Also, Erickson et al. (1984) reported that country image impacts consumers' evaluation of specific attributes rather than their overall evaluation of the product.

The halo argument implies that consumers' familiarity with the product category will lessen their reliance on indirect evidence such as the COO of the product. Evidence, however, testifies to the opposite. Findings by Johansson et al. (1985) and Johansson & Nebenzahl (1986) indicated an increase in the propensity to use the COO information when product familiarity increased, which clearly weakens familiarity-based explanations.

Johansson (1989) introduced the role of country image as a "summary" variable to explain these findings. According to this view, consumers use the PCI construct to summarize information about product attributes. This conceptualization is based on the theory of limited processing capacity, which posits that, as a result of the limited capacity of our short-term memory, we tend to abstract and "chunk" information to facilitate its storing in and retrieval from long-term memory (Miller, 1956). Papadopoulos et al. (1990) also used this as a partial explanation of the results from their eight-country study. Johansson (1989) argued that viewing the country image as a summary construct provides a good explanation for the positive interaction between

product familiarity and the use of COO cue in product evaluation. He posited that “people with more prior knowledge will have more relevant information on a country and will feel more comfortable about using it than others “(p. 54).

Johansson’s (1989) model also suggests that in certain situations, origin information may be viewed as a salient product attribute which directly influences consumers’ evaluations through affective and behavioral intentions processes. In the case of affect, a product’s COO may evoke positive or negative feelings. Whether consumers like the product will then depend, at least in part, on his/her feelings toward the sourcing country. To illustrate this, Johansson (1989) used the examples of Jewish rejection of German cars and how some people would never want to be seen in a Yugoslav car, regardless of objective ratings. In the case of behavioral intentions, he describes how “peer pressure through social norms can stigmatize ‘unacceptable’ countries products” (p. 56). The direct impact of affect on behavioral intention has also been confirmed by Klein et al. (1998) and Villanueva and Papadopoulos (2003).

The summary construct view thus implies that the effect of country image on evaluations is expected to increase with familiarity. This is because more knowledgeable consumers are expected to feel more comfortable using the PCI cue in their evaluations (Johansson, 1989). This is further augmented by Huber and McCann, (1982) and Han (1989) who argued that the halo view presumes that consumers will naturally use country image to infer the quality of a product before purchase if they are unfamiliar with the products. As they become more familiar with the products and so more able to detect their true quality, they would tend to rely less on the COO cue to form their beliefs about product quality. Thus, the effect of country image on product beliefs is expected to diminish as product familiarity increases.

As discussed earlier, consumers' unfamiliarity with products may also bring about the "halo effect", a term used to describe how consumers infer product attributes from the country image because they lack knowledge about the products themselves. This highlights the direct effect that country image has on consumers' beliefs on the products' attributes and how these beliefs indirectly affects their overall evaluation of products (Han, 1989). Country image differs from ethnic image. The former includes stereotypes held about a country's economic and political environment, while ethnic image refers to a country's cultural environment. Both country image and ethnic image can be viewed as dimensions of national stereotypes. For instance, European/non-European is an ethnic dimension, while developed/undeveloped is an economic environment dimension (Forgas & O'Driscoll, 1984). When consumers are more knowledgeable about a country's products, country image may be less important in forming their beliefs about the product attributes and their brand attitudes. Instead, country image serves as an indirect channel in affecting product attributes and brand attitudes (Bunning, 1997; Erickson et al., 1984; Han, 1989). Consumers tend to develop country images through familiarity with products from different countries (Erickson et al., 1984; Eroglu & Machleit, 1988; Etzel & Walker, 1974; Kaynak & Cavusgil, 1983; Roth & Romeo, 1992), and this may result in stereotypes. Although such stereotypical beliefs are biased, they can play an important role in risk reduction by providing coherence, simplicity and predictability in complex decision making. Research indicates that country image has a considerable impact on consumers' product evaluation (Bilkey & Nes, 1982; Eroglu & Machleit, 1988; Han & Tepstra, 1988; Roth & Romeo, 1992; Tse & Gorn, 1993). The immediate question, however, concerns how country image affects service evaluation.

The relative importance given to each of these dimensions when constructing the country image construct is likely to vary from person to person and from country to

country. Thus, the image of one country, for example, could be heavily reflected by the affective component, while the image of another country could be based more on the cognitive or conative components.

When the image of a country is influenced by the affective component, the origin cue becomes an important product attribute and directly affects product evaluation (Johansson, 1989). This is consistent with the phenomenon of affect transfer documented in advertising literature. Based on classical conditioning principles, this theory predicts that in many circumstances, affective responses elicited by an advertisement will eventually transfer to the advertised brand (Gorn, 1982; Stuart et al., 1987; Shimp et al., 1991). Accordingly, affect towards the country will be transferred directly to the product.

### **2.9.1 Country Image and the Globalization of Business**

Srikatanyoo and Gnoth (2002), stated that branding is a way to make one product or service different from another. Thus, they added, in the international market, the image of country of origin is another potentially powerful variable to differentiate a product and a service. Country image can, however, be changed (Nebenzahl, Jaffe and Lampert, 1997; Nagashima, 1970). Therefore through aggressive marketing and advanced engineering, consumer perceptions may be changed (Srikatanyoo and Gnoth, 2002). They added that the image of a nation's products can be improved by using push strategy, a sales force and trade promotion. In fact, country image may strengthen or weaken the product and/or brand image (Srikatanyoo & Gnoth, 2002).

Once people believe or have confidence in the country's ability to produce high quality products, then their perception of the products from the country will also be higher. This may be the reason why consumers prefer products made from developed countries rather than developing and underdeveloped countries (Srikatanyoo & Gnoth,

2002). Roth and Romeo (1992) stated country image plays a significant role in consumers' perceptions of product and this assumption may also hold for services sector. They also argued that the country image can be uni-dimensional or multidimensional construct.

### **2.9.2 Country of Origin: Cognitive, Affective, and Conative Aspects**

According to Roth and Diamantopoulos (2006), country image represents the attitudes of individuals towards a country. Referring to social psychology literature, they discussed the three components that form attitudes, i.e cognitive (i.e. belief), affective (i.e. feelings and emotions, sometimes also referred to as evaluations) and conative (i.e. behavioural intentions). They revealed that the vast majority of country image scales focuses on the cognitive (i.e. behavioural intentions). However, the limited number of studies that conceptually distinguishes between these facets does not adequately do so at the operationalization stage. Furthermore, these studies conceptualized country-of-origin (COI) along the tripartite or three-component view of attitude which is now considered outdated according to the social psychology literature. As this view evolves, attitudes are no longer conceptualized as having all three facets but are viewed in a hierarchy of effects model. This involves certain beliefs (about a particular country) resulting in a subsequent evaluation (of that country) which then leads to certain behavioural outcomes (e.g. buying products from that country). Thus, COI is conceptualized as a formative construct consisting of consumers' beliefs about a particular country and subsequently leading to a general country evaluation which is affective in nature. Intention to study in a higher education sector could be one of the (behavioural) outcomes as these are not limited to the products of a particular country and may also include such aspects as foreign direct investment, ties, immigration, etc.

## **2.10 EASE OF PRACTISING RELIGION**

Ease of practicing religion is one aspect studied in the research and is considered as one dimension of the country image construct. This study identified eight items under this dimension which were derived from the focus group interviews. This emphasizes the issue of practicing religion as a concern for some groups of students. Ease of practicing religion is related to religiosity which may be assessed with such behavioral indicators as attendance at religious services, religious affiliation, prayer frequency, reading of sacred texts, and participation in religious discussion with others (Conroy & Emerson, 2004).

Issues related to the role of religion and spirituality in the context of business have received increasing attention in recent years (e.g., Graafland et al., 2006; Longenecker et al., 2004; Schwartz, 2006; Worden, 2005). Prior research indicates that religious training and beliefs have the potential to influence behavior by providing a framework to help distinguish between right and wrong (Kelley, 1972; Magill, 1992). Researchers have provided a variety of working definitions of religiosity (Ebaugh et al., 2006; Vitell et al., 2006). Based on these researchers' approaches, we define religiosity as understanding, committing to, and following a set of religious doctrines or principles (Bloodgood, Turnley & Mudrack, 2007).

Religiosity is a highly relevant aspect in this study since according to Aygun, Arslan and Guney (2007), it is known to be an important determinant of economic behavior. The relationship between religion/religiosity and business ethics is a much researched issue. Ethical principles about business activities are involved in the main religious belief systems of the world such as Christianity, Islam, Buddhism and Judaism. For example Islam forbids the use of usury, (i.e., income through rate of interest) and trade of pork and alcoholic drinks for its believers. Therefore, Aygun

explained religion can affect business activities and decisions through religious attitudes towards work and business.

## 2.11 BACKGROUND STUDIES

Papadopoulos and Heslop (1993) mapped out the large body of products or services and country images in literature into three distinct categories, namely:

1. Origin studies;
2. Background studies; and
3. Holistic studies.

See Table 2.20 for a summary of these studies.

**Table 2.20**  
**Mapping Products or Services and Country Images (PCI) Literature**

Origin studies	Background studies	Holistic studies
1. Mainstream PCI research in marketing ⊕ By region (Schweiger et al., 1995) ⊕ By country (Barrett, 1996) ⊕ By product (Skaggs et al., 1996; Han and Terpstra, 1988) ⊕ By consumer/user type (Kaynak and Kucukemiroglu, 1992)	1. Exhaustive literature reviews ⊕ Product country images (Strutton et al., 1995; Klenosky et al., 1996) ⊕ Role of various cues in product assessment (Lim et al., 1994; Erikson et al., 1984)	Combined origin studies with background studies (Martin & Eroglu, 1993; Peterson & Jolibert, 1995)
2. PCI research in allied subject areas ⊕ Stereotyping (Sharma et al., 1995) ⊕ Ethnocentrism (Shimp & Sharma, 1987; Sharma et al., 1995) ⊕ Images in international relations (Schroath et al., 1995)	2. Consumer behavior research dealing with PCI research frames ⊕ Cue utilization (Olson & Jacoby, 1972; Szbillo & Jacoby, 1974; Olson, 1977; Rao & Monroe, 1988; Eroglu and Machleit, 1989) ⊕ Perceived risk (Bauer, 1967; Roselius, 1971; Bettmen, 1973) ⊕ Attitude theory (Fishbein & Ajzen, 1975; Ajzen and Fishbein, 1980)	
3. Cross-cultural national generalizability ⊕ Assessment of reliability and validity (Netemeyer et al., 1991) ⊕ Consumer reactions (Lin & Sternquist, 1994)	3. Research methodology and theory construction ⊕ Churchill, 1979; Sekaran, 1983; Albaum & Peterson, 1984; Batra, 1984; Sharma et al., 1995; Parameswaran & Yaprak, 1987)	

**Source:** Adapted from Papadopoulos and Heslop (1993). Authors added recent additional literature



### **2.11.1 Origin studies**

In a study conducted by Parameswaran and Pisharodi (1994), it was revealed that PCI is a multifaceted construct and its facets are clearly interpretable.

### **2.11.2 Background studies**

In the study, country image research is undertaken under two broad categorizations, namely:

1. Exhaustive literature reviews of product country images in different contexts;
2. Research methodology development and theory construction and/or refinement efforts.

### **2.11.3 Holistic**

Recent consumer behavior research focus has been on holistic studies where origin studies are combined with those of background studies for the purpose of refinement and synthesizing the body of research on country images towards services. Based on 804 articles read, an analysis of the studies involved revealed that country-of-origin effects are only somewhat generalizable.

## **2.12 CONCLUSION**

This chapter discussed the introduction of the research in the context of its background, development of and issues in the services sector, specifically the education sector and the main constructs applied in the study. The discussion started with the global higher education scenario, followed by the Malaysian higher education sector which was discussed extensively. Pertaining to the main constructs, like country image, university reputation and its relationship to other terms such as country of origin, brand reputation are also discussed. The concepts, the meaning of the constructs and previous studies related to these concepts will be discussed in depth in the next chapter.

## **CHAPTER THREE**

### **LITERATURE REVIEW**

#### **3.1 INTRODUCTION**

In the process of studying country image effects, it is vital to understand the basic meaning of the words, concepts and theories which will be used in the research. Familiarity with the vocabulary and paradigms used will help readers to better understand the study. The concepts will be defined and discussed according to the sequence of topics in the study. The central concept of country image remains fairly simple (Martin & Eroglu 1993; Papadopoulos & Heslop 1993; Roth & Romeo 1992) and the need for research, especially into its effects, has been suggested to enhance theory development. It was also observed by Kleppe (2005) that marketing research on how to understand and measure a country's image in a target market is not well developed.

Current consumption trends depict rising consumption levels in developing economies such as China, India, Malaysia, Tunisia, Turkey, Morocco, Vietnam, amongst others, with a parallel and prevalent stagnation in the mature markets of developed countries (Wilson & Purushotaman, 2003). This has led international marketers to shift their focus away from advanced markets and seek opportunities in new, emerging markets (Keller & Moorthi, 2003) because of their unique high-growth potential and future size. Consumers from such markets are becoming more aware of products/services available throughout the world as a result of technological advances, internet access, travel and increased education. These consumers now have access to a wide variety of foreign products, especially as global alliances and foreign outsourcing developments mean that many brands are now produced off-shore, and away from the

countries that originally designed and manufactured them. They are also presented with many different offerings varying in brand images, countries of origin (COO), and countries of manufacture (COM). This can be exemplified by the German Mercedes car which is manufactured in Brazil, or the French Renault car which is manufactured in Romania.

The preference for domestic versus imported (or foreign) products has been evidenced in various studies conducted in developed and mostly Western nations (Balabanis et al., 2001; Netemeyer et al., 1991). In contrast, the inclination to buy imported, branded products over domestic ones seems to prevail among consumers in developing countries (Agbonifoh & Elimimian, 1999; Batra et al., 2000; Ettenson, 1993; Marcoux et al., 1997), suggesting some reverse ethnocentrism. Consumers in developing economies appear to have less confidence in products from developing countries, perceiving them to be inferior in quality and thus, resulting in higher levels of dissatisfaction (Okechuku & Onyemah, 1999; Wang et al., 2000). However, while there is a vast amount of research conducted in Western economies, very little is known about the role of COO images for imported products in comparison with bi-national or domestic products in developing economies. Yet, the rise of these developing economies highlights the urgent need to understand consumer behaviour so that better marketing strategies and policies can be formulated (Essoussi & Merunka, 2007).

Much existing knowledge is derived from empirical studies on consumers in Western countries, especially the USA. This is somewhat ironic as more than 80 percent of the world's consumers actually live outside the USA, in emerging consumer markets and transitional economies (Steenkamp & Burges, 2002), while developed nations represent a shrinking portion of the world's economy (Wilson & Purushotaman, 2003). These countries differ significantly culturally, economically, and

demographically from Western countries. Historically, they have also experienced unique and rapid rates of socio-political and economic change (Batra, 1997), which likely makes them the next great opportunity for global growth (Klein et al., 2006). As companies become global, they must possess a thorough understanding of the attitudinal and behavioural characteristics of emerging consumers markets, because what is known about consumers in one part of the world is not applicable to consumers in other parts. Investigating the COO phenomenon in emerging economies can provide important implications for foreign companies/manufacturers in terms of branding, relocation, and communication strategies, as well as for emerging markets' policymakers who want to establish local design and manufacturing competencies.

Consumers in emerging countries usually lack knowledge on product category attributes and benefits even though they consciously shop for quality goods (Batra, 1997). Therefore, brands and COO serve as surrogates to inform the consumer about product quality (Reardon et al., 2005). Increased exposure to global media also resulted in the consumers' increased desire for branded goods from certain developed countries; Western branded products enable them to demonstrate social status (Marcoux et al., 1997) and improve their quality of life. However, globalization and production relocation has increased the number of branded, bi-national products and made consumers' perception processes more complex, so that researchers should consider the various countries included in the process of product design and development. For example, the decomposition of the COO construct has proven to be an important contribution to the study of its effects on consumers' product evaluations (Insch & McBride, 2004). In turn, it is imperative that brand managers acknowledge the influence of perceptions of countries of design (COD) and COM, as well as their related skills, on consumer behavior, especially in emerging countries. Many COO studies focused on consumer behavior in developed countries (Agbonifoh &

Elimimian, 1999; Batra et al., 2000; Reardon et al., 2005) and acknowledged that the processes by which consumers use COO information may differ in developing countries. However, the few studies of developing countries concentrated largely on “foreignness” and individual variables (e.g. ethnocentrism) and failed to address COO decomposition into COD and COM.

Literature on national stereotypes as well as perceptions on nations can be traced back to the 1930s (e.g., Child & Doob, 1943; Katz & Braly, 1933; Klingberg, 1941) but it was only in the early 1960s that the concept of COO gained the attention of marketing scholars. Ernest Dichter (1962) observed that the successful marketing manager of the future must pay attention to the basic differences and similarities among consumers in different parts of the world. Subsequently, Schooler’s (1965) study was the first to empirically demonstrate that consumers’ rating of products were similar in every aspect and only differed in their rating of COO.

Recent literature reviews estimated that the number of publications on topics relating to COO was well over 1000 with at least 400 of them being published in academic (peer-reviewed) journals (Usunier, 2006, cited in Roth & Diamantopoulos, 2008). Amongst others, prior research has highlighted that a product’s national origin acts as a signal of product quality (e.g., Han, 1989; Li & Wyer, 1994) and also affects perceived risk and value as well as likelihood of purchase (see Liefeld, 1993 for a review). These examples emphasize the importance of COO as an important informational cue which can be used for international businesses that need to enhance their competitiveness and also for public policy makers with similar concerns but at the national or industry level (Papadopoulos, Heslop, and IKON Research Group, 2000).

Roth and Diamantopoulos (2008) asserted that of late, the focus of COO research is no longer on evaluating differences in product evaluations and preferences

based on the national origin of a product (e.g., Italy, Japan, USA) but has gradually moved to a more complex construct, namely the *image* of the countries under consideration. Instead of just analyzing whether consumers prefer the products or brands of one country to another, this shift in emphasis enable scholars to analyze why this is the case. For example, perceptions of a particular country and its technological superiority or economic strength could explain why consumers prefer their products over others. Hence, more and more COO studies explicitly measure the image of a country as product origin, that is, the so-called country-of-origin image (COI).

The domain of a construct describes what is included in its definition and what is excluded (Churchill, 1979). A review of the definitional domains in current COI research revealed three distinct groups with differing focal images (Table 3.1), namely (1) definitions of the (general) image *of* countries (i.e., country image), (2) definitions of the image of countries *and* their products (also referred to as product-country images), and (3) definitions of the images of products *from* a country (i.e., product image).

### 3.1.1 Review of Key Definitions of Country Image

**Table 3.1**  
**Definitions on (Overall) Country Image (CoI)**

Bannister and Saunders (1978, p. 562)	“Generalised images, created by variables such as representative products, economic and political maturity, historical events and relationships, traditions, industrialisation and the degree of technological virtuosity”
Desborde (1990, p. 44)	“Country-of-origin image refers to the overall impression of a country present in a consumer’s mind as conveyed by its culture, political system and level of economic and technological development.”
Martin and Eroglu (1993, p. 193)	“Accordingly, country image was defined as the total of all descriptive, inferential and informational beliefs one has about a particular country.”
Kotler et al. (1993, p. 141)	“The sum of beliefs and impressions about places. Images represent a simplification of a large number of associations and pieces of information connected with a place. They are a product of the mind trying to process and pick out essential information from huge amounts of data about a place.”
Askegaard and Ger (1998, p. 52)	“Schema, or a network of interrelated elements that define the country, a knowledge structure that synthesizes what we know of a country, together with its evaluative significance or schema-triggered affect.”
Allred et al. (1999, p. 36)	“The perception or impression that organizations and consumers have about a country. This impression or perception of a country is based on the country’s economic condition, political structure, culture, conflict with other countries, labor conditions,

	and stand on environmental issues.”
Verlegh and Steenkamp (1999, p. 525)	“Mental representations of a country’s people, products, culture and national symbols. Product-country images contain widely shared cultural stereotypes.”
Verlegh (2001, p. 25)	“A mental network of affective and cognitive associations connected to the country.”

### Definitions on Product-Country Image (PCI)

Hooley et al. (1988, p. 67)	“Stereotype images of countries and/or their outputs [...] that [...] impact on behaviour”
Li et al. (1997, p. 116)	“Consumers’ images of different countries and of products made in these countries.”
Knight et al. (2000, p. 127)	“Country-of-origin image (COI) reflects a consumer’s perceptions about the quality of products made in a particular country and the nature of people from that country.”
Jaffe and Nebenzahl (2001, p. 13)	“Brand and country images are similarly defined as the mental pictures of brands and countries, respectively.”
Nebenzahl et al. (2003, p. 388)	“Consumers’ perceptions about the attributes of products made-in a certain country; emotions toward the country and resulting perceptions about the social desirability of owning products made-in the country.”
Papadopoulos and Heslop (2003, p. 404)	“Product-country images (PCIs), or the place-related images with which buyers and/or sellers may associate a product”

### Definitions on (Country Related) Product Image (PI)

Nagashima, (1970, p. 68)	‘Image’ means ideas, emotional background, and connotations associated with a concept. Thus, the ‘made in’ image is the picture, the reputation, the stereotype that businessmen and consumers attach to products of a specific country.”
Narayana, (1981, p. 32)	“The aggregate image for any particular country’s product refers to the entire connotative field associated with that country’s product offerings, as perceived by consumers.”
Han (1989, p. 222)	“Consumers’ general perceptions of quality for products made in a given country.”
Roth and Romeo (1992, p. 480)	“Country image is the overall perception that consumers form of products from a particular country, based on their prior perceptions of the country’s production and marketing strengths and weaknesses.”
Bilkey (1993, p. xix)	“Buyers’ opinions regarding the relative qualities of goods and services produced in various countries”
Strutton et al. (1995, p. 79)	“Composite ‘made-in’ image consisting of the mental facsimiles, reputations and stereotypes associated with goods originating from each country of interest.”

The first definition views country image as a generic construct comprising generalized images created not only by representative products but also by the degree of economic and political maturity, historical events and relationships, culture and traditions, and the degree of technological virtuosity and industrialization (Allred, Chakraborty, & Miller, 1999; Bannister & Saunders, 1978; Desborde, 1990). While all of these factors refer to *cognitive* beliefs about a particular country, Askegaard and Ger (1998) and Verlegh (2001) also mentioned an *affective* component which captures emotions and feelings about a particular country. Although image theory assumes that

national images have both a cognitive and an affective structure (e.g., Boulding, 1956, 1959), most definitions of COI do not consider the latter. For example, Martin and Eroglu (1993, p. 193,) defined country image as “the total of all descriptive, inferential and informational beliefs one has about a particular country” while Kotler, Haider, and Rein (1993, p. 141) referred to it as “the sum of beliefs and impressions people hold about places”.

The next category focused on the image of countries in their role as origins of products. For example, Li, Fu, and Murray (1997, p. 166) defined country image as “consumers’ images of different countries and of products made in these countries.” This definition implies that, first, country image and product image are two distinct (but related) concepts, and, second, that country images affect the images of products from that country. Indeed, several studies have affirmed the relationship between consumers’ preference for a country’s products and their perceptions about that country (e.g., Ittersum, Candel, & Meulenberg, 2003; Roth & Romeo, 1992). However, although the term product-country image (PCI) is “felt to be broader and represents more accurately [...] the phenomenon under study” (Papadopoulos, 1993,p. 8), it offers a rather restrictive view of the conceptual domain of COI. This is because the image of a country might not only affect the evaluation of that country’s products, but also other important outcomes such as investments, visits and ties with a country (e.g., Heslop, Papadopoulos, Dowdles, Wall, & Compeau, 2004).

The last category focused exclusively on the images of the products of a country and dates back to Nagashima (1970). However, despite the use of the term *country* to specify the image object, Nagashima’s (1970) definition actually referred to the *products* of a particular country (e.g., Martin & Eroglu, 1993; Papadopoulos & Heslop, 2003). Thus, it is *product image* rather than *country image* that is actually captured by



the definitional domain of the construct. Following Nagashima's (1970) example, many other researchers (e.g., Han, 1989; Roth et al., 1992; Strutton, True, & Rody, 1995) proposed similar conceptualizations on product image rather than COI. According to Papadopoulos and Heslop's review (2003, p. 425), the majority of existing COO studies focused on product images and "the number of studies who have in fact included country measures is extremely small".

### **3.2 COUNTRY-OF-ORIGIN**

According to (Johansson, 1989), traditionally, the concept of country of origin is synonymous with made-in country, which is defined as the country where a company's headquarters are located. Bilkey & Nes (1982) showed that the topic had received considerable attention even by the early 1980s, and that considerable evidence attested to the impact of COO on consumer evaluation and choice of products. The presence of COO effects was evident even when more sophisticated research design and methodology were used over the next decade (Baughn & Yaprak, 1993; Liefeld, 1993). By late 1990s, there was quite a large body of knowledge about consumer use of COO information. For example meta-analysis shows that COO consistently has substantial impact on quality perceptions which are the focus of the majority of studies.

Indeed, researchers have provided evidence that COO is an important determinant of consumer attitudes, purchase intentions, and behavior (Samiee, Shimp, & Sharma, 2005). Ohmae (1995) argued that for education and medical care, considerations based on country of origin are important. Consumers sometimes indicate that country of origin is a signal for product quality (Han, 1989; Johansson, 1989), but for services it might be the same. Jian and Guoqun (2007) also found that country of origin has been viewed as an important extrinsic cue in international marketing. This shows that country of origin, which originates from country image, plays a very

important role in influencing consumers' choices of products or services. However, the findings of Jian and Guoqun (2007) show that made-in country does not significantly affect consumers' purchase intentions. In terms of quality of products, many researchers noted that country of origin has a significant influence on the quality perceptions of products, the brand image, and purchase decisions, which affect the success of entry into new markets and positioning of new products in existing markets (Bergiel & Bergeil, 1999; Clarke et al., 2000; Johansson et al., 1985; Knight & Calentone, 2000 cited by Raymond & Lim, 2002). In addition, Klein et al. (1998) noted country of origin as a frequently used indicator of quality.

According to Han, (1989) who developed the 'halo model' developed, consumers use COI to infer the quality of a brand when they are unfamiliar with it. In other words, the country of origin is used by consumers as the signal of product quality (Han, 1989; Johansson, 1989); while some researchers argued that country of origin influences consumers by being used as product attribute (Hong & Wyer, 1989). The same concept may be applicable for universities which are unknown to potential students who may refer to the country where the university is situated. Further, (Pecotish & Rosenthal, 2001) found that when factors such as brand and quality are present, the country of origin effect may be either enhanced or reduced. Thus, like price, country of origin may serve as a proxy variable when other information is lacking (Huber & McCann, 1982; Olson, 1974 cited by Johansson, Douglas & Konaka, 1985). When country of origin is used as a proxy and surrogate for other information, prior experience with a particular product or brand may influence the impact of country of origin on evaluations (Johansson, Douglas & Konaka, 1985). Interestingly, they also found that country of origin effects may be less significant than has generally been believed, and they may occur predominantly in relation to evaluation of specific attributes rather than overall evaluations.

COO also links a product to an associative network of culturally-shared national stereotypes with cognitive, affective and normative connotations (Obermiller & Spangenberg, 1989; Verlegh & Steenkamp, 1999). Various researchers have attested to these links as in Heslop and Papadopoulos (1993) who discussed the effects of cognitive, affective and normative factors of national stereotypes on COO-based product evaluations and Martin and Eroglu (1993) who discovered the effects of political, economic and technological factors of country stereotypes on such product evaluations. Although there is little empirical research concerning the COO effect on services, it is believed that since service delivery inherently involves customer contact and interaction with employees, stereotypes about the service worker's national origin may exert greater overall influence on consumer's evaluations of services than on their evaluations of tangible goods (Mattila, 1999).

COO research is guided by the paradigm that consumers evaluate products on the basis of intrinsic (e.g. taste, style, performance and quality) and extrinsic (e.g. brand name, retailer reputation and price) information cues (Olson & Jacoby, 1972). Fundamentally, the COO effect on evaluations differs according to the consumers' level of expertise with the product (Eroglu & Machleit, 1989). The "Halo" concept described the transfer of overall attitudes toward a stimulus (i.e. a product associated with a particular COO) on specific beliefs about the product's attributes (Beckwith & Lehmann, 1975). Alba and Hutchinson (1987) proposed that the less experienced are more to rely on halo-based evaluation processes. In contrast, as consumers become more familiar with a country's products, the "summary" construct that is based on accumulated consumer knowledge about the country's products rather than on national stereotypes, takes over.

According to Hong and Wyer (1989) who studied the effects of COO and product-attribute information on product evaluation through an information processing perspective, country of origin may activate concepts and knowledge that affect the interpretation of other available product attribute information. Second; country of origin may be a questionable basis for inferring the quality of the product without considering other attribute information. Third; country of origin may simply be a product feature which is used in the same way as other more specific attributes to arrive at product evaluations. Finally; country of origin may influence the attention that is paid to other attribute information, thus affecting the impact of the latter information.

Hsieh's (2004) definition of COO can be classified into three groups: (1) overall country image; (2) aggregate product-country image; and (3) specific product-country image. He stated that COO effects might be weaker in highly developed markets than in less developed markets because market players tend to put more effort into product differentiations when the market is highly developed. Accordingly, consumers tend to rely on more complex intrinsic information (i.e. product attributes) rather than simply on basic information such as COO when they evaluate competitive brands.

Stereotyping is a psychological process that is commonly used to explain how consumers react to COO information (Tse & Gorn, 1993; Maheswaran, 1994). Stereotypes are used as standards to evaluate products from foreign countries affecting the cognitive processing of other product-related cues. For example, there is a tendency that consumers will evaluate their own country's products more favourably than consumers from other countries (Elliott & Cameron, 1994). Country stereotypes may be negative or positive but marketing literature has also established the importance of

brand names in explaining product evaluations. In some cases, a strong brand may overshadow COO effects (Kim, 1996).

In the 1990s, researchers recognized the limitations of using single-cue models to carry out COO research (Chao, 1998; d'Astous & Ahmed, 1999) and demonstrated how other informational cues often moderate COO effects (Maheswaran, 1994; Klein et al., 1998). For instance, product warranty was shown to moderate COO effects by leading to favourable product-related evaluation. The role of product type was also highlighted in shaping consumer evaluations in the presence of COO information (Papadopoulos & Heslop, 1993; Roth & Romeo, 1992). This is because the economic, social and cultural systems of countries and their relative stage of economic development possibly define where a country is placed in the consumers' country hierarchical structure (Lin & Sternquist, 1994).

Extensive research on country-of-origin (COO) demonstrated that it has an effect on consumers' product evaluations (Papadopoulos & Heslop, 1993; Peterson & Jolibert, 1995; Verlegh & Steenkamp, 1999). Specifically, studies revealed that consumers evaluate products from various countries differently in terms of attribute ratings and purchase intentions. However, a serious limitation of early research in this area till the 1990s was that most studies used COO as the only information cue though consumers make evaluations and purchase decisions on the basis of several product features. To reduce demand bias, improve validity and test the sensitivity of the COO effect, information on other product attributes need to be presented simultaneously to consumers.

Information cues may be either intrinsic or extrinsic. Intrinsic cues are product attributes intrinsic to the product that cannot be changed or manipulated without changing the physical characteristics of the product. Extrinsic cues, by contrast, refer to

the product's non-physical characteristics (Olson & Jacoby, 1972). In the case of cars, for example, size of engine, performance, durability, and quality would be intrinsic cues; price and country label would be extrinsic cues.

With increasing economic globalization, it is common to find that products are manufactured in one country and branded in another (Tse & Gorn, 1993). The emergence of new markets, intense worldwide competition and rapid growth in global sourcing has led to a world of hybrid or multinational products, making the understanding of COO effect more critical and relevant. A COO effect can be split into two dimensions: manufacturing country and branding country.

Various studies have testified to the use COO as an attribute in product evaluation by consumers around the world (e.g. Bilkey & Nes, 1982; Hong & Wyer, 1989; Maheswaran, 1994; Okechuku & Onyemah, 1999; Supanvanij & Amine, 2000). How COO perceptions affect consumers' evaluation of and intention to purchase products, and the relative strength of COO compared with other informational cues, are of considerable interest to international marketing practitioners and researchers since this information can help them to devise more effective strategies to aid firms in selling their products internationally. For instance, international marketing managers can employ promotional techniques that downplay the COO information if a country's image is unfavorable, or enhance it if the image is favorable. Moreover, firms can adjust their branding strategies, such as adopting or acquiring a brand name that is associated with a country that has a favorable country image.

The COO of a product is defined as "the country of manufacture or assembly" (Bilkey & Nes, 1982; Han & Terpstra, 1988), identified by "made in" or "manufactured in" labels (Bannister & Saunders, 1978; Chasin & Jaffe, 1979; Nagashima, 1970, 1977). However, the identification of COO can be problematic as the growth of

multinational companies and the emergence of hybrid products with components sourced from many countries have blurred the accuracy of “made in” or “manufactured in” labels (Baker & Michie, 1995; Baughn & Yaprak, 1993). For example, consumers identify many well-known brands with particular countries, even if the product being evaluated was not manufactured in the firm’s country of origin. Thus, Toyota, Sony, and Honda products are considered to be Japanese; Marks & Spencer and Body Shop items are British; McDonald’s and KFC are US.

Studies revealed that consumers have significantly different country images or general perceptions about products made in different countries (Bilkey & Nes, 1982; Kaynak, Kara & Unusan, 1998; Roth & Romeo, 1992). Past research also demonstrated that consumers tend to regard products made in a given country with consistently positive or negative attitudes (Bilkey & Nes, 1982). These origin biases seem to exist for products in general to specific products, and for both end-users and industrial buyers alike (Bilkey & Nes, 1982; Quester & Dzeverter, 2000). Overall, products from developing countries are perceived to be riskier and of lower quality than products made in more developed countries (Laroche, Papadopoulos, Heslop, & Mourali, 2005). The reasoning is that consumers are likely to use indirect evidence such as country of origin, to evaluate products and brands and make inferences regarding the quality of their attributes when they lack knowledge about a foreign product’s attributes. However, Johansson et al. (1985) contended that country image only affects the evaluation of product attributes and not the overall evaluation of products. This was augmented by Erickson, et al. (1984) who reported that country image impacts consumers’ evaluation of specific attributes rather than their overall evaluation of the product.

According to Ahmed, d'Astous and Champagne (2005), COO acts as a preliminary antecedent to a country's products, shopping behavior, demographics, and psychographics. Thus, although COO based stereotyping may be universal, the degree to which it is applied in the evaluation of the product varies (Mohamed, Ahmed, Honeycutt & Tyebkhan, 2000).

### **3.2.1 Country of Origin and Cognitive, Affective, and Conative**

Pereira, Hsu and Kundu (2005) summarized the written work of (Roth & Romeo, 1992; Parameswaran & Pisharodi, 1994) and adopted a similar country image perspective which stipulated that perceptions of a given country are affected by a customer's cognitive, affective, and conative responses to the people and products of that country. Similarly, Laroche et al. (2005) proposed the multi-dimensional country image construct represented by a three-factor model, reflecting: (1) a cognitive component, including beliefs about the country's level of industrial and technological development; (2) an affective component, namely consumers' emotional response towards people of that country; and (3) a conative (motivational and volitional) component, reflecting consumers' desired level of interaction with that country.

Nagashima's (1970) early definition of country image has received wide acceptance in the literature (e.g., Roth & Romeo, 1992): ...the picture, the reputation, the stereotype that businessmen 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 (Nagashima, 1970). Following Nagashima's (1970) lead, other researchers developed a similar "summary" perspective of country image (Roth & Romeo, 1992; Parameswaran & Pisharodi, 1994) which stipulated that perceptions of a given country are affected by a



customers's cognitive, affective, and conative responses to the people and products of that country.

A product's COO, or product-country image (PCI), influences consumers' evaluation of it. German, Swedish and Japanese cars, Japanese home electronics and French wines, for example, are generally perceived and evaluated differently from, say, Russian cars, Brazilian electronics, or Israeli fashion. Evidence to support such an argument can be found abundantly in the marketing literature (Liefeld, 1993; Baughn & Yaprak, 1993; Verlegh & Steenkamp, 1999; Jaffe & Nebenzahl, 2001).

The fact that a product's origin matters to consumers has significant strategic implications for firms engaged in both domestic and international businesses. Findings from PCI studies can provide valuable strategic information to firms exporting their products, manufacturing abroad, and/or competing in their home markets against foreign companies. COO research becomes even more relevant when one considers the increasing trend towards free trade and the high pace at which national economies are turning global. The numerous practical and theoretical implications of COO research have made it one of the most fruitful research areas in marketing, with hundreds of studies published since the 1960s.

The overall picture of the structure of country image and the cognitive process associated is slowly emerging but still needs further refinement especially since country image is believed to be a multi-dimensional construct, which includes a cognitive, an affective and a conative component.

The importance of COO images in international marketing and cross-cultural consumer research is well documented (Parameswaran & Pisharodi, 2002) with Heslop and Papadopoulos (1993) count of more than 300 publications on the topic since

Nagashima's (1970) pioneering work in the field. Additionally, consumer perceptions of foreign products have been examined from practically every imaginable consumer perspective (Wood & Darling, 1993): affect, cognition, awareness, familiarity, perceived risk, and consumer comprehension of the total marketing activities undertaken by companies from foreign countries. They further observed other research on the role of consumer prejudice or bias (patriotic and stereotypical emotions, nationalism, and ethnocentrism) in perceptions of foreign products. The consumer behavior stream represents a fifth of all the empirical research conducted in the field of international marketing and has made the most progress in theory development (Aulakh & Kotabe, 1993). Yet, relatively few, if any COO image articles, have focused on services like higher education. Research studies that fill this knowledge gap would have significant implications for education marketing, university branding and country branding.

The COI construct is best described from an attitude-theoretic perspective. As such, "country of origin is not merely a cognitive cue for product quality, but also relates to emotions, identity, pride and autobiographical memories" (Verlegh et al., 1999, p. 523). A number of authors (e.g., Laroche et al., 2005; Papadopoulos, Heslop, & Bamossy, 1990; Parameswaran et al., 1994) suggested that the COI construct should comprise (1) a *cognitive* component, which includes consumers' beliefs about a particular country, (2) an *affective* component that describes the country's emotional value to the consumer, and (3) a *conative* component, capturing consumers' behavioral intentions with regard to the sourcing country.

In this context, Papadopoulos et al. (1993) suggested that consumer perceptions of a product's COO are based on three components associated with the standard attitude model or their "cognitions" which include knowledge about specific

products and brands, consumer “affect” or favorable/unfavorable attitudes towards the COO, and their “conative” behavior which is related to actual purchase of a foreign brand. Sometimes, the “affect” or emotional component may be given overriding predominance by consumers and overshadow the “cognitive” or rational component in evaluation of a foreign or local brand name.

Meanwhile, previous studies in various fields have also demonstrated that COO cues may not always have similar effects on consumers (Chiou, 2003; Liu & Johnson, 2005; Maheswaran, 1994). They discovered that consumers use COO cues as a cognitive shortcut when other information is unavailable. COO functions just like other extrinsic product cues such as brand, price, warranty, and other intangible traits and unlike physical characteristics, COO cues do not directly affect product performance (Cordell, 1992). Thus, it was concluded that consumer attitudes would be more persistent and less affected by COO cues over time especially if they have more product knowledge and motivation to process product-related attribute information (Maheswaran, 1994; Rao and Monroe, 1988).

COO links a product to an associative network of culturally-shared national stereotypes with cognitive, affective and normative connotations (Obermiller & Spangenberg, 1989; Verlegh & Steenkamp, 1999). As a cognitive process, COO is employed for making inferences about product quality. As an affective process, COO is a stereotype-driven attribute that links the product to positive and/or negative emotional associations with particular nations (Verlegh & Steenkamp, 1999). Finally, as a normative process, consumers may attach socially desirable behavioral norms to COO cues. When such norms exist and influence the appropriateness of purchasing products from specific nations or all non-domestic products, COO may affect purchase intentions directly, regardless of any product-related beliefs.

In a study on the impact of national stereotypes on COO, Heslop and Papadopoulos (1993) found that the cognitive, affective and normative factors of national stereotypes affect COO-based product evaluations. In another study on country-related images, Martin and Eroglu (1993) found that the political, economic and technological factors of country stereotypes have an effect on COO-based product evaluations.

In answering the concerns of Bilkey and Nes (1982) for a psychometrically sounder COI scale, Pisharodi and Parameswaran (1992) and Parameswaran and Pisharodi (1994) developed and validated a COI scale that includes six dimensions:

- 1) Cognition and affect about a country and its people (country's ability to produce high quality products, and consumers' emotional attachment to the country;
- 2) Conation (perceived similarity and desired level of interaction with a country);
- 3) General negative attributes of a country's products;
- 4) Positive attitudes about the promotion/distribution image of a country's products;
- 5) General positive attributes of a product; and
- 6) Attributes of a specific product.

COO serves as an information cue to infer product quality or as a product attribute that can provide certain benefits (Lin & Sternquist, 1994). In general it is believed that, if the COI is positive, it will create a "halo" effect for products emanating from that country. Conversely, if COI is negative, a "black cloud" effect occurs. Obermiller and Spagenberg (1988) distinguished three mechanisms that trigger a COO effect, which are:

- 1) Cognitive;
- 2) Affective;
- 3) Normative.

Accordingly, the cognitive dimension emphasizes the informational value of the COI. The affective dimension focuses on the consumers' emotional attachment to COO and symbolic meaning of COI, whereas the normative dimension emphasizes consumers' perceived proximity to the norms and values associated with COO. Table 3.2 provides examples of cognitive, affective and normative aspects of country of origin based on a meta-analysis study by Verlegh and Steenkamp (1999).

**Table 3.2**  
**Examples of cognitive, affective and normative mechanisms for country-of-origin effects**

Mechanism	Description	Major Findings
Cognitive	Country of origin is a cue for product quality	Country of origin is used as a "signal" for overall product quality and quality attributes, such as reliability and durability (Li & Wyer, 1994; Steenkamp, 1989).
Affective	Country of origin has symbolic and emotional value to consumers	Country of origin is an image attribute that links the product to symbolic and emotional benefits, including social status and national pride (Askegaard & Ger, 1998; Batra et al., 1999).
Normative	Consumers hold social and personal norms related to country of origin	Purchasing domestic products may be regarded as the "right way of conduct", because it supports the domestic economy (Shimp & Sharma, 1987). By the same token, consumers may refrain from buying goods from countries with objectionable activities or regimes (Smith, 1990; Klein, Ettenson & Morris, 1989).

In reality, the cognitive, affective and normative processes are not separate and independent determinants of preferences and behaviors (Verlegh & Steenkamp, 1999). They are constantly interacting. As noted by Hoffman (1986), affect provides a motivating force for information processing, and may initiate, terminate or enhance the processing of information. Affective responses to country of origin may thus stimulate or inhibit further consideration of choice alternatives, and influence the retrieval and evaluation of cognitive beliefs related to the country of origin (Isen, 1984; Ger, 1991; Askegaard & Ger, 1998). Positive affect leads to more extensive and more diverse mental representations (Isen, 1984).

Another outcome of affect was its influence on the amount of information that is used to make a decision, and the strategy used to combine this information and arrive at a decision (Cohen & Areni, 1991). Thus, affect plays an important role in determining which beliefs are formed, how they are evaluated, and how strongly they are weighted in the formation of preferences. Normative judgments related to the purchase of a country's products involve both cognitive and affective responses.

### **3.2.2 Country of Origin as a Cue**

The importance of country-of-origin as a cue in consumer choice behavior is well established in the international business literature (Pereira, Hsu & Kundu, 2005). This was first highlighted by Schooler (1965). In fact, consumer perceptions of foreign products have been examined from almost every imaginable consumer perspective (Wood & Darling, 1993) such as: (1) affect; (2) cognition; (3) awareness; (4) familiarity; (5) perceived risk; and (6) consumer comprehension. According to Hsieh (2004), the many definitions of COO can be classified into three groups: (1) overall country image; (2) aggregate product-country image; and (3) specific product-country image. Various authors suggested that COO affects product evaluation and subsequent

purchase behavior directly or indirectly through beliefs (Erickson et al., 1984; Han, 1989; Hong & Wyer, 1989). For instance, Han (1989) described two major functions of COO information as the halo function and the summary function. The halo function affects a consumer's evaluation indirectly through beliefs, whereas the summary function affects the consumer's evaluation directly.

A "cue" is an external characteristic or dimension that can be encoded and used to categorize a stimulus (Schellink, 1983). People use cues to form beliefs about objects, which in turn influence their behavior towards those objects. Jacoby et al., (1977) outlined two types of cues, which can be described in terms of whether they are intrinsically a part of the physical product (e.g. taste, weight) or extrinsic to the product (e.g. price, brand). Extrinsic cues are used when intrinsic cues are missing or hard to evaluate; hence, these intangible extrinsic cues are useful to consumers in forming product evaluations. Some examples of extrinsic cues are guarantees, warranties, brand reputation, seller reputation, and promotional messages (Yong, 1996), as well as perceptions of the country's image.

According to Kim and Chung (2007), brand popularity and the brand's country-of-origin are two widely used "external cues" for drawing inferences. The influence of country of origin is thought to be relatively weak when it is considered alongside an array of product cues (Akaah & Yaprak, 1993).

The effect of the COO of brands on consumer behavior has been one of the most researched issues in international business (Peterson & Jolibert, 1995). It has been identified as an important cue that might be used by global marketers to influence consumers' valuation of the brand (Agrawal & Kamakura, 1999). Similarly, over the last four decades, several researchers have examined the effect of COO on consumers' overall evaluation of product quality, beliefs regarding individual attributes of a

product, attitude towards brand, and behavioral intention. Additionally, reviews of these COO effects have described the nature and the extent of effects, the circumstances when the effect is more or less pronounced, and the factors moderating the effect (Leifeld, 1993; Peterson & Jolibert, 1995; Samiee, 1994; Verlegh & Steenkamp, 1999). In sum, COO is seen to have a significant effect on consumers' evaluations of products and consumers tend to use COO as an extrinsic cue to make judgment about the quality of products.

Consumers also tend to develop product-country images whether directly through personal experiences, through information acquired from other sources or due to stereotypical beliefs about countries. These images represent the quality associated with specific products from various countries (Heslop & Papadopoulos, 1993; Johansson & Thorelli, 1985). A few examples of such product-country images are Columbian coffee, Swiss watches, US appliances, Japanese electronics, Cuba cigars, Indonesia batik and German automobiles. Because of the product-country images consumers hold, and their sensitivity to COO, COO is believed to be one way of enhancing brand equity (Keller, 1993; Shocker et al., 1994). This situation is also similar to services like higher education, when universities in developed countries enjoy good images in comparison to those from developing countries. If consumers hold a positive (negative) product-country image for a given product and country, this image could lead to a generalized positive (negative) evaluation and attitude towards all the brands of a product associated with that country. Such COO-based equity might even extend to other product categories due to stereotypical bias.

In the 1990s, Peterson and Jolibert (1995) and Verlegh and Steenkamp (1999) conducted comprehensive meta-analyses of the literature on COO effects, examining the relative impact of COO on different stages of the consumers' decision-making



process such as perception, attitude and behavioral intention. They also examined the moderating effect of several study characteristics. The findings of these two studies provide some important insights regarding COO's possible effect in real markets.

Most importantly, these two studies conclude that the effect of COO is smaller for multi-cue studies than for single cue studies. One criticism of these studies is that many of them have manipulated only one cue, i.e., the COO cue and so it follows that COO is likely to have a significant impact on product evaluation when all the other information is controlled. However, in real purchasing situations, consumers are likely to have additional information and access to other cues such as the actual physical product, brand name, price, warranty, etc. Under those circumstances, the impact of any one single cue such as COO may diminish significantly. This effect was reported by Peterson and Jolibert (1995) who testified to a significant decrease in the effect of COO on both quality perception and purchase intention when multiple cues were considered compared. Thus, the quantitative reviews of the empirical results of previous studies clearly show that the COO effect reduces significantly in the presence of other cues.

Another important result of these reviews concerns the influence of COO on different stages of consumer behavior. The results clearly suggested that although COO plays an important role in product evaluation, the effect tends to become weaker as one moves from perception of product quality to attitude formation and to behavioral intention. Peterson and Jolibert (1995) reported a significant decrease in COO effect as one moved from quality perception in single cue studies to purchase intention in single or multiple cue studies. Similarly, Verlegh and Steenkamp (1999) also reported significantly larger effect for quality perception compared to attitude formation and purchase intention. In short, COO has significantly lesser impact as consumers move closer to the actual purchase situation from belief formation.

Compared to situations in which COO effects have been examined so far, the actual purchase decisions consumers make in their daily lives carry greater potential risks and benefits. A consumer must not only incur the costs of the purchase but also live with the consequences of his/her choice decisions. Therefore, the consumer may be willing to allocate more processing effort in real life decision-making than in the hypothetical scenarios in previous studies on the COO effect. Moreover, in the real consumer decision-making environment, COO as an informational cue has to compete with other extrinsic cues and intrinsic cues and thus, its relative effect on actual choice behavior is likely to be small. It follows that if consumers do pay much attention to COO in the actual purchase of products, it is unlikely to influence pricing decisions of firms.

In some instances, consumers appear to have developed knowledge regarding the quality of products made in different countries, and might use COO as a summary construct rather than as an inferential cue to make judgments about the quality of brands. By this token, one explanation for the lack of premium price for Japanese products is that Japanese firms could not charge premium price in the face of the consumers' prior knowledge and availability of objective information. However, for image or "hedonic" products such as wines and fragrances, quality cannot be assessed prior to purchase. For these products, extrinsic cues such as price, brand name and COO may be utilized to make judgments about quality (Steenkamp, 1990).

Han (1989) provided the most promising explanation of how brands and their COO's may affect consumer perceptions of goods and services. He suggested that COO operates in either of two ways. First, it may serve as a *halo* to infer beliefs about attributes that make up the attitude towards a product or service, i.e. consumer evaluations of products and services are based on their perception of the country (e.g.

overall the Japanese make good quality electronic products, thus a camera from Japan must be of good quality). Second, it may be used as the summary construct where previous beliefs about attributes of products and services from a particular country are summarized into a chunk of information. This is then used to infer product attitude (e.g. I know, from experience that the Japanese make poor quality wine, this wine is from Japan, therefore I would expect it to be of poor quality). The use of brand or COO as a *halo* to directly infer product beliefs may be based on a consumer's limited ability to infer quality before purchase. This may occur because actual quality differences are hard to detect, or because consumers lack familiarity with the product and/or country of manufacture. In contrast, the use of COO as a summary construct occurs when consumers have greater knowledge about products and services from a particular country and this knowledge is then generalised only to that specific product. This process is comparable to stereotyping and also discussed in price/quality literature (Jacoby et al., 1971; Olson, 1977). Most marketing studies have focused on assessing how consumers use such country information cues for product quality (Chao, 1992; Gaedeke, 1973; Heslop et al., 1987; Johansson, Douglas, & Nonaka, 1985; Nagashima, 1970, 1977; Reirson, 1967; Schooler, 1965, 1971; Schooler & Wildt, 1968; Wall et al., 1991).

Much research has focused on the effects of country of origin but yet, consumers, managers, and scholars have struggled with defining just what country of origin (COO) means. In the past, country of origin was a simple, pre-determined product characteristic included on a label to indicate the country from which a product had been imported. However, the emergence of global markets and global companies has complicated the country-of-origin phenomenon. For global managers, country of origin has now become a managerial decision variable.

Based on cost or on proximity to end user markets considerations, managers may choose to design products in one country and manufacture and assemble them in another country using raw materials or components from locations around the globe. They may also consider whether or not country-of-origin choices can be used in other ways to gain competitive advantage. For example, while some companies are looking to gain cost advantages by setting up customer call centers in India, others may choose to emphasize their decisions to keep such call centers in the US to attract disgruntled American consumers.

Country-related cues may be manifested in a variety of forms. The simplest is the 'made in' label while others include explicit country information in brand names (American Airlines), or in the implicit use of colors in packaging or labeling (IKEA's distinctive blue and yellow color scheme that evokes the image of the Swedish flag).

Consumer research illustrated that individuals base their purchasing decisions on information cues (Samiee, 1994) and thus, the importance of the country-of-origin effect lies in its potential use by consumers as an extrinsic cue in making purchasing decisions. The most serious effect of this phenomenon could include situations where consumers reject a product outright solely on the basis of its country of origin. Researchers such as Johansson (1993) have noted an overemphasis in PCI research on studying country effects on product evaluation or product image. He argued that such a focus lacks managerial relevance because it fails to address how, beyond product evaluation, country of origin affects actual consumer purchase behavior. Other criticisms include the scarcity of theory based explanations of what country of origin is, what it affects, and how consumers use country cues (Obermiller & Spangenberg, 1989).

Bilkey and Nes (1982) observed that when COO is the only informational cue provided, the results might be positively biased towards detecting COO effects. Later studies found that when additional cues are present, the relative importance of COO on product evaluation diminishes (Hastak & Hong, 1991; Johansson et al., 1985; Johansson & Nebenzhal, 1986). For example, consumers who lack information about the product may rely on the brand name to infer its quality (Szybillo & Jacoby, 1974); thus, brand loyalty is evidence of the importance of a trusted brand name in consumers' evaluation of products (Ettenson and Gaeth, 1991). Research has found that a highly regarded brand name can help alleviate the negative effect of a poor COO image in product evaluation (Cordell, 1993; Erickson et al., 1984; Eroglu and Machleit, 1988). Similarly, if consumers look for value-for-money more than image and quality, price is more influential than COO in the consumers' purchase decisions of low-involvement products (Wall et al., 1991).

In sum, consumers use COO as an extrinsic cue to evaluate the quality of the product. In some cases, it indirectly affects the interpretation of other available product cues and thus the overall product evaluation; in other cases, it is the only cue used to evaluate the product, even when other product cues are available. The halo effect operates when consumers are not familiar with the product in their product evaluation process but when consumers are familiar with the product, the summary construct sets in. The difference between the halo effect and the summary construct lies in the sequence of consumers' cognitive process. In addition, when there is insufficient product knowledge or limited time, consumers will resort to stereotypical beliefs such as country image in their evaluation of products. For high-involvement goods, the influence of COO is much weaker in the presence of other extrinsic cues such as brand and price.

Internationally, CO serves as a useful extrinsic cue (and as a surrogate for difficult to evaluate intrinsic characteristics such as quality and performance) because consumers tend to be less familiar with foreign products (Han and Terpstra 1988; Huber and McCann 1982; Olson 1977). Han and Terpstra (1988, p. 236) claim, “It has been found that all products originating in foreign countries are subject to country-of-origin image effects”.

Fischer and Byron (1997) in their Australian study found that for consumers there, buying intentions are in fact motivated by price, quality and value for money considerations rather than COO. The country of origin of a product is an extrinsic cue (Thorelli et al., 1989), which, similar to brand name, is known to influence consumers’ perceptions and to lead consumers to cognitive elaboration (Hong & Wyer, 1989). Country of origin is known to lead to associations in the minds of consumers (Aaker, 1991; Keller, 1993).

### **3.2.3 The COO and Brand Cues**

The content and the process orientation approaches have been used to examine the COO cue effects. Firstly, the content approach is concerned with product quality perceptions and purchase behavior while the second approach focuses on cognitive decision making. Although the majority of the research has tended to focus on aspects of content, theory formulation has occurred from both perspectives (e.g., Bilkey & Ness, 1982; Han, 1988, 1990; Hong & Wyer, 1989, 1990). Of particular relevance to this study is the theoretical formulation proposed by Han (1988, 1990) who introduced the ‘halo’ and ‘summary construct’ models. These models Han involved two sequences of COO image development. The ‘halo’ sequence is characterized country image, followed by beliefs and finally brand attitude. According to Han (1988, 1990) this sequence is applied when consumers are not familiar with a country’s products. The

country image then serves as a halo, from which consumers infer product attributes. Fundamentally, this implies that COO will have no significant effect when consumers became familiar with a country's products (Han, 1989).

On the other hand, the 'summary construct' view suggests that consumers recode and sum up product information into 'higher-order units'. These information units are then integrated with pre-held beliefs to form a summary construct of country image. In other words, the summary construct develops an information file about brands. This is stored in memory and provides the basis for overall evaluation of products from the country. The sequence in this construct is: beliefs, followed by country image and brand attitude. The summary construct model is applied when the consumers are familiar with a country's products, and information is generalized.

Brand is an important cue, which has been used as an independent variable in many country product image studies (Peterson & Jolibert, 1976; Johansson & Nebenzahl, 1986; Han & Terpstra, 1988; Nebenzahl & Jaffe, 1993; Ahmed et al., 1993). Peterson and Jolibert (1976), for instance, investigated the effect of four factors on product quality evaluations; COO, price level, brand image and consumer nationality. The study involved consumer quality evaluations which were evaluated by interchanging each brand with each COO. The quality of each brand-country combination at various price levels was then assessed and it was found that consumer nationality accounted for most of the variance in product evaluations.

There is some disagreement with the general view that the COO dominates other cues. For example, Han (1989, p 223) suggested that 'information chunking may evolve around a brand name'. Indeed, the brand name may be an even more powerful summary construct than the COO as many brand names are imbued with a strong national appeal (eg., Swiss Air, Malaysian Airlines and British Airways), which may

interact with the COO effect. Similarly, other studies also revealed that brands impact significantly on product evaluations even when they are not the most salient cue in a multi-cue design (Johansson & Nebenzahl, 1986). It is also noted that a highly regarded brand name can alleviate the negative effect of poor COO image in product evaluation (Cordell, 1993). Thus the impact of brand names should not be overruled despite studies that attest to the importance of COO as illustrated by Pecotish, Pressley and Roth (1996) who examined the banking and airline services and found that Japan was the most favoured COO compared to US, Australia and Indonesia.

As consumers are increasingly exposed to branded products, the influence of the brand itself on the overall evaluation of the branded product must be taken into account. A brand can be a signal of quality, and the dimensions of brand image affect consumer perceptions and preference (Essoussi & Merunka, 2007). That is, a consumer evaluates and chooses products designed in a specific country, manufactured in another country, and carrying a specific brand name (e.g. a car designed in Germany, made in Taiwan, and carrying the Audi brand name). In this case, consumers use the brand as a measure of quality when they do not have a specific idea about product characteristics (Leclerc & Schmitt, 1994).

Moreover, a brand can refer implicitly to the COD of the product (or “country of design” such that L’Oreal is associated with France and Coca-Cola with the USA). The brand may also use the image of that country to build its identity, regardless of the place of manufacture (Thakor & Lavack, 2003), which helps explain country stereotypes. Shimp et al. (1993) proposed the term “country equity” to define the performance reputation the country provides to the brand. Thus it follows that COD with strong positive (or negative) associations will transfer those associations to the brand.



However, not all brands benefit equally from country equity. Some brands are more strongly associated with their COO than others, if at all. One important source of origin is the brand itself (Thakor & Kohli, 1996) for example brands like Sony and GE may automatically activate origin cues in consumers, even though the country is not mentioned in the brand name. Brands strongly associated with a country (whether COO or COD) benefit from their country's positive stereotypes and suffer from their country's negative stereotypes. Moreover, some brands take more advantage than others of their COD image, especially if the brand is perceived as typical of its COD (e.g. Chanel for France, Sony for Japan). Therefore, the typicality of the brand in the COD has a positive moderating effect on the relationship between COD and brand image.

Finally, consumers often consider COM identical to COD, unless specified otherwise. Branded products manufactured in a country other than the COD might induce a perceptual (in) coherence or (in) congruity between the brand and the COM (Haubl & Elrod, 1999; Johansson & Nebenzahl, 1986), which in turn may influence evaluations the branded product (Heimbach, 1991). When brand image and COM are congruent, this will directly impact perceived quality of the branded product (Haubl & Elrod, 1999), but when perceived high-quality brands are produced in a COM with a less positive image, consumers might experience an incongruity between the brand and the country, which would imply a negative impact on quality perceptions.

COO image as an important covariate of products, or brand image has been extensively investigated in international marketing literature (Al-Sulaiti & Baker, 1998; Li et al., 2000; Zhang, 1997). There seems to be general consensus that country image and brand image are inextricably linked (D'Astous & Ahmed, 1999; Batra et al., 2000; Kim & Chung, 1997), but the exact nature, including the direction of this relationship,

is not well understood. The notion of COO and its relationship with brand image has received limited research attention. This reflects the status of the country image relationship to university reputation which has been overlooked in the literature.

COO image has been thoroughly discussed (Al-Sulaiti & Baker, 1998; D'Astous & Ahmed, 1999; Kim, 1995; Kim & Chung, 1997) and a related research stream that treats countries as brands (Anholt, 2000a, b; O'Shaughnessy & O'Shaughnessy, 2000). There seems to be a general consensus that COO is often used as a cue for evaluating new products and that favorable perceptions about a country result in favorable attributions about products from that country (e.g. Gurhan-Canli & Maheswaran, 2000; Hong & Wyer, 1990; Leclerc et al., 1994). However, of late, studies have questioned the weight given to country in the transfer of COO image to brand image. If consumers do not know about a brand's COO, the perceived COO image is less likely to get transferred to the brand. In summary, a consumer's perceived COO image is likely to influence the perception of a brand from that country, only if the consumer is aware of the brand's COO.

Thus, brand and COO may be viewed as cues in a multiple-cue consumer decision-making context (Hong *et al.*, 2002; Liu & Johnson, 2005; Miyazaki *et al.*, 2005; Paswan & Sharma, 2004; Speece & Nguyen, 2005; Teas & Agarwal, 2000). How consumers use these in the presence of other information has been of interest to marketing scholars and practitioners. Unfortunately, research has failed to clearly distinguish between the various conceptualizations and the interactions with other cues, particularly, the brand name as a carrier of COO connotations. The notion that the COO represents the overall image across product classes may be contrasted with the possibility of a more limited application to a particular product class. Further, the interplay between COO, branding and quality has not been fully explained and have

been shown to have both broad and specific effects on consumer behaviour (Agbonifoh & Elimimian, 1999; d'Astous & Ahmed, 1999; Han, 1989; Hong *et al.*, 2002).

Since country origin and branding are both producer-controlled strategies, the synergy of their combined inputs is of managerial interest (Zafar *et al.*, 2002). Brand image management is a critical part of a company's marketing program as a clearly defined brand image enables consumers to identify needs satisfied by the brand (Park *et al.*, 1986). Furthermore, brand associations will have higher source credibility because of the maker's implied warranty; when the product carries a famous brand, it can counteract consumers' negative country origin perceptions of less developed countries (Cordell, 1993).

#### **3.2.4 Brand as a Cues**

Although consumer behaviour is a rich and evolving discipline involving different points of view (Ekstrom & Brembeck, 2004; Ekstrom & Brembeck, 2005; Jacoby *et al.*, 1998; Ratneshwar & Mick, 2005), it is generally believed that cues form the basis for consumer information processing and lead to judgment and choice. The brand name along with, for example, COO may be regarded as extrinsic cues (related to but not part of the physical product) while other cues are termed intrinsic (a part of the physical product) including observed physical product differences and product attributes. Consumer research suggested that the use of intrinsic cues by consumers has had a greater influence than extrinsic cues, in the assessment of perceived quality of utilitarian products (Agbonifoh & Elimimian, 1999; d'Astous & Ahmed, 1999; Hong *et al.*, 2002; Jacoby *et al.*, 1971; Leclerc *et al.*, 1994). For more image-based products, where actual physical differences are hard to discern, the reverse is true and extrinsic cues become more important (Holbrook *et al.*, 1986).

It is a long held truism in marketing that brand is the most visible extrinsic cue that provides identification and continuity in the marketplace. It was Olson (1977), in a major review of the price/quality literature who first suggested that the influence of brand name in determining product quality is clearly linked to its familiarity, i.e. the more familiar the brand, the greater its effect on product evaluation (Audhesh et al., 2003; Brucks et al., 2000; Hong et al., 2002; Jacoby et al., 1998; Kotabe et al., 2005; Miyazaki et al., 2005; Rao and Monroe, 1989). This is due to “information chunking” or use of brand as a summary construct, i.e. the brand acts as a cohesive grouping factor for all the information. Indeed, the summary construct suggested that people recode and abstract individual elements of information into higher order units around the brand because information chunks are easier to store and retrieve from long-term memory. As the familiarity with the brand increases, (Olson, 1977; Monroe & Krishnan, 1985) consumers are less likely to use other extrinsic cues such as price or COO, since the information “chunked” or retrieved in the brand name becomes more useful.

A familiar brand is a powerful cue that may even overcome or enhance the COO effect, particularly when a brand name is strongly associated with a country (Hong et al., 2002; Pecotich & Rosenthal, 2001; Sadrudin & d'Astous, 2004; Sadrudin et al., 1993). It is particularly useful to consumers with prior knowledge as a means of retrieving information about the product. Han (1989, p. 223) suggested that “information chunking may evolve around a brand” and that the brand name may be even a more powerful summary construct than the COO. There is also evidence that a strong brand name may counteract the negative effect of shifting production to an unfavourable country or a developing nation (Johansson & Nebenzahl, 1986).

Brand names carry some of the information associated with the country of origin by their implicit reference to corporate headquarters. For instance, the Toyota name is likely to activate a series of associations having to do with attitudes, benefits, attributes and so on (Keller, 1993) as well as associations related to the design, engineering and manufacturing reputation of Japan. D'Astous and Ahmed (1999) strongly asserted the theoretical proposition that brand name serves as a proxy for COO. The result of a survey by Leo Burnett Worldwide in five Asian countries, for example, indicates that 65% of respondents buy the brands they like regardless of their origin (Madden, 2003).

Brand name is an image or extrinsic variable that works as a summary in formulating purchase intentions (Erickson et al., 1984; Han, 1990). Sometimes, brand names foster surrogate COO beliefs because of the association of brand names with specific countries. Ahmed and d'Astous (1996) and Samiee (1994) cite the examples of HP with USA, Toshiba with Japan, Mercedes Benz with Germany, Gucci with Italy, and Louis Vuitton with France. When customers have insufficient knowledge to evaluate an offering, brand names tend to be used as a proxy to make judgements about the quality and suitability of the offering. The effects of branding on product beliefs and evaluations can be more pronounced than COO effects (Thakor & Pachetu, 1997; Leclerc et al., 1994). Marketing mix and communication strategies can generate brand beliefs, generate brand equity and enable strategic product positioning. For example, according to Phau and Prendergast (2000), the BMW brand signifies sophistication and Nike signifies fitness. However, positive brand images can be diminished if the product is designed or assembled in a country that has a negative COO image (Johansson & Nebenzahl, 1986). High value and luxury products purchasing such as cars tend to be influenced both by brand and COO beliefs (Haubl, 1997). Customers consider both the brand attributes and the place of manufacture or place of assembly in their purchase

decisions (Tse & Gorn, 1993; Ahmed & d'Astous, 1996). Most reputed brand names are associated with countries that have high COO images. However, a strong brand name can reduce the strength of COO beliefs (Heslop & Papadopoulos, 1993).

In the consumer behavior literature, a brand is defined as a symbol which distinguishes a branded entity from others. In this case, a brand is simply a name, term, symbol, design or a combination of these (Schiffman et al., 2005). The ability to recall brand is termed “brand awareness” while the extent to which a brand is valued by the consumer is termed “brand equity”. The latter is associated with brand trust and ultimately, loyalty which is dependent upon the evidence presented to consumers to attest value or quality.

### **3.2.5 Country of Origin Constructs**

According to Martin and Eroglu (1993), country image is the most generic construct in the model and is defined as ‘the total of all descriptive, inferential, and informational beliefs about a particular country’. According to this definition, country image could be associated with objects, events or persons from a country in politics and culture as well as international business. Martin and Eroglu (1993) claimed that this clarification is made in order to determine the construct domain and what is excluded from the definition. Classifying country image as a generic construct that is not linked to any specific context suggests that this construct has many facets, which should be included in measurement scales.

### **3.2.6 Country of Origin Effects**

Country of Origin (COO) effects on consumer perceptions have been intensely studied over the last three decades (Al-Sulaiti & Baker, 1998; Bilkey & Nes, 1982; Dinnie, 2004; Han, 1989; Han & Terpstra, 1988; Nebenzahl, Jaffe & Lampert, 1997; Papadopoulos & Heslop, 1993). There is increasing evidence to show that consumers in

many markets are willing to pay a premium for manufactured products from more industrialized countries. 'Made in Germany', 'Made in USA' and 'Made in Japan' convey the notion of high quality due to the reputation that these countries have developed over time (Gao & Knight, 2007).

These early works provided consistent empirical and observational evidence that country of origin have influenced consumer product quality perceptions (Huddleston, Good & Stoel, 2001). However, Bilkey and Nes (1982) noted several methodological limitations in the early studies, including the use of single cues, intangible product descriptions and scales of unknown reliability and validity. They concluded with suggestions to improve future country of origin research efforts.

There is no consensus to the definition of the country of origin effect (Sauer et al., 1991) though it is generally understood as the impact of a people's perceptions about a country on their evaluation of the country's outputs. Bannister and Saunders (1978: 562) defined the country of origin effects as 'generalized images created by variables such as representative products, economic and political maturity, historical events and relationships, traditions, industrialization and the degree of technological virtuosity, which will have effects upon consumer attitudes additional to those emanating from the significant elements of the products'.

The country of origin of a product affects purchase decisions because consumers tend to infer quality of a country's products from its national image (Papadopoulos & Heslop, 1993; Jaffe & Nebenzahl, 2001). Consumers are willing to pay more for products and services from countries that they perceive favorably or as having the expertise to produce those products and services (Nebenzahl & Jaffe, 1996). The lower the image of a country, the greater the price discount that buyers expect

compared with an identical product from an origin with a stronger image (Nebenzahl & Jaffe, 1996).

A meta-analysis of COO research (Verlegh & Steenkamp, 1999) concluded that COO has a larger effect on perceived quality than on purchasing intention. The existing literature indicates that a COO image is related to the perception of a country's level of economic development (Roth & Romeo, 1992). The higher the level of industrialization of a country, the more favourable the perception of the quality of its workers (Li & Monroe, 1992) which in turn, is reflected in the perceived quality of its products (Iyer & Kalita, 1997).

The most frequently mentioned weakness in early COO studies is the involvement of only single cues of product quality rating, which may result in misleading conclusions (Johansson, Douglas & Konaka, 1985) and ignore the relative importance of other relevant cues in affecting consumer evaluation of products (Han & Tepstra, 1988). Hence, those studies are insufficient to understand the overall impact of "made-in" effects (Hong & Wyer, 1989; Howard, 1989). In contrast, later studies utilizing multiple cues indicated that COO has less impact on consumer's perceptions (Ettenson, Gaeth & Wagner, 1988). Additionally, Pisharodi and Parameswaran (1992) addressed the weaknesses in previous COO studies, such as poor handling of a complex construct, single cue studies, and lack of methodological rigor. As we mentioned above, COO construct can be decomposed into four components: country-of-design (COD), country-of-parts (COP), country-of-assembly (COA) (Insch & McBride, 1998), and country-of-manufacture (COM).

Extensive research on COO effects has been reported in the international business, marketing, and consumer behavior literatures. COO is the country of manufacture, production, or growth of a product. It is believed that the COO has an



impact on consumers' product evaluations and purchasing intentions (Kim & Pysarchik, 2000; Lee & Ganesh, 1999; Teas & Agarwal, 2000). Researchers identified two major causes of the COO effect. The first is the social-economic differences among countries, especially the differences in technology capability and product quality between developed and developing countries (Schooler, 1971). Another cause is consumer's cognitive bias. Studies have shown that consumers may tend to have a preference for products from their own country (ethnocentrism) or may have preference for or aversion to products that originate from certain countries due to their country image stereotypes (Nagashima, 1970).

The globalization of economies and markets has dramatically changed the two factors mentioned above. As Thomas Friedman (2005) argued in his best-selling book, globalization has changed core economic concepts, making the world "flat" in the sense industrial and emerging market countries are now competing on a level playing field. Worldwide technology transfer and diffusion has also lessened the gap in product quality between developed and developing countries.

Extensive research has found that COO affects a consumer's product evaluation. Following several single-cue studies, the COO effect on multiple attributes was investigated (Cattin, Jolibert & Lohnes, 1982; Han & Terpstra, 1988; Nagashima, 1977; Papadopoulos, Heslop, Graby & Avlonitis, 1988). Most studies, however, failed to measure the COO effect on product evaluations when information on other product attributes was available to consumers. Johansson and Nebenzahl (1986) found that cars produced in developed countries were rated much higher in quality than those assembled in developing countries. Similar conclusions were drawn by Han and Terpstra (1988). According to Hooley, Shipley and Krieger (1988), the name of a country evokes a general image about the country and its products.

According to Hong and Wyer (1989), when consumers are presented with the COO cue together with other cues, such as price and brand, the effects of COO in their cognitive process can be observed in two ways:

- (1) the halo effect; and
- (2) the summary construct.

When consumers are not familiar with the products of a country, the country image acts as a “halo” that directly affects consumers’ beliefs about these products and indirectly affects their evaluation of the products (Erickson et al., 1984; Johansson et al., 1985). That is, the mention of a particular country triggers feelings, positive or negative, in the consumer’s mind. These latent feelings are thought to endure since they are conditioned by country-specific feelings. In contrast, when consumers are familiar with a country’s products, a summary construct model operates in which consumers infer a country’s image from its product information, which then indirectly influences brand attitudes (Han, 1989). Country image then serves as an indirect channel in affecting product attributes and brand attitudes.

However, well-known domestic brand names in developing countries do compensate partially and contribute to favorable quality perceptions (Kinra, 2006). Several studies in the past have also shown that consumers in developing countries generally seek to emulate Western consumption practices and lifestyles and purchase foreign brands (Peterson & Jolibert, 1995; Supphellen & Rittenburg, 2001).

According to the summary effect, the COO cue is regarded as the sum of their knowledge of product attributes in relation to a specific country (Lee & Lee, 2009). Thus, Lee and Lee (2009) emphasized a particular country image indirectly provides clues of product quality. As such, they asserted that COO is used as a surrogate indicator for consumers’ product evaluation.

Country of origin is a multi-dimensional construct that suggest a wide range of cognitive responses (Han & Tepstra, 1988; Nebenzahl & Jaffe, 1996; Hong & Yi, 1992; Lim & Darley, 1997). It can be separated into two discrete components. The first is informational; CO provides cues to consumers regarding the quality, dependability, and value for money of the product, when more specific information is not readily available (Han & Tepstra, 1988; Hong & Wyer, 1989). The second component of the CO cue relates directly to one's group affiliation, i.e. national loyalty, and reinforces one's sense of national identity (Bruning, 1997).

Thakor and Katsanis (1997, pp. 79-80) defined country of origin as "the country in which the product is made". However, the concept has been represented by different terms used in the literature to refer to the country where a product is produced, such as country of production (e.g. Nebenzahl & Jaffe, 1996), country of manufacture (e.g. Amonini et al., 1999; Samiee, 1994) and country of origin (e.g. Maheswaran, 1994; Thakor & Katsanis, 1997). Additionally, the impact of country of origin on consumer perceptions or evaluations of products is called the "country of origin effect" (Samiee, 1994).

### **3.2.7 Moderate Variables Influencing COO Effect**

There is evidence to indicate that some variables could moderate the effect of COO. For example, the category and complexity of a product may influence COO effect (Ahmed al., 2002; Roth & Romeo, 1992) as do the following consumer characteristics:

#### **(1) Consumer ethnocentrism.**

Ethnocentrism is defined as the viewpoint that "one's own group is the center of everything", against which all other groups are judged. Ethnocentrism often entails the belief that one's own race or ethnic group is the most important

and/or that some or all aspects of its culture are superior to those of other groups. Shimp and Sharma (1987, p. 280) defined consumer ethnocentrism as consumer beliefs “about the appropriateness or morality of purchasing foreign-made products...[that give the individual]...a sense of identity, feelings of belongingness, and most important, the understanding of what purchase behavior is acceptable or unacceptable to the in-group”. Consumers with high ethnocentrism may prefer products made in their own countries and consider buying foreign-made products as improper behavior. Meanwhile, low ethnocentric consumers may use the attributes of a product as the main criterion to evaluate foreign products (Shimp & Sharma, 1987).

(2) Knowledge of the product and the COO.

The degree of the COO effect is negatively correlated with a consumer’s familiarity with the product and its COO (Hong & Yi, 1992; Maheswaran, 1994).

(3) Consumer’s involvement in product.

Consumers with high involvement are more willing to search COO information (Li & Wyer, 1994).

(4) Individual differences in information processing.

Zhang (1997) found that when a consumer’s need for cognition (NFC) is low, COO is more influential in that consumer’s product evaluation. Favorable COO may lead to more positive product evaluation than less favorable COO. However, when consumer NFC is high, product evaluation is influenced largely by the persuasive strength of the attribute arguments rather than by COO.

### **3.2.8 COO in Asia and New Industrialized Countries (NIC)**

The first relates to the specific country effect, i.e. the impact on image and purchase intention of brands which come from Asian countries with developing country

status, like Malaysia. The researcher is interested to know about Malaysia, because the country has struggled to build up their own brands like University Malaya as they attempt to compete with developed country brands like Monash university. It is clear that the economic levels and living standards of Malaysia lags behind those in developed countries, thus, there is ample evidence that consumers perceive Malaysia to be less capable than developed countries. However, the unfavourable image of Malaysia in industry and higher education can be improved through good planning and effective implementation.

There is considerable evidence that NIC brands are at a disadvantage compared to developed country brands. For example, Nebenzahl and Jaffe (1993) showed that among Israeli consumers, Korean VCRs and microwave ovens scored substantially below German and Japanese brands on all product attributes including quality. They scored better on the reasonable price factor. Iyer and Kalita (1997) noted that country-of-manufacture may influence consumer perceptions of value as well as quality, and asserted that value may be more closely related to willingness to buy. For both quality and value for money perceptions on several different products, the USA scored highest, Korea came second, and China was last.

This is the standard COO hierarchy, demonstrated, for example, in Liefeld's (1993) literature review. For some specific cases, Manrai et al. (1998) showed NICs to be behind developed countries, but ahead of developing countries. COO effects were stronger among consumers who did not need to find much information, i.e. they seem to have used COO as a proxy to represent other information. Consumers who preferred to get more detailed information used COO less.

COO can have several different dimensions, in particular, country-of-brand (where the brand comes from) and country-of-manufacture (made-in) are distinct (e.g.

Johansson & Nebenzahl, 1986; Han & Terpstra, 1988; Okechuku, 1994; Tse & Gorn, 1992; Iyer & Kalita, 1997; Pinkaeo & Speece, 2000). However, Thakor and Kohli (1996) implied that brand name and country-of-brand can hardly be studied separately, because brand origin is embedded within brand image. They believed that brand effects in several studies (e.g. Okechuku, 1994; Tse & Lee, 1993) were contaminated by country-of-brand. Since COO is a part of brand image, brands from a country with more favorable image could have a better chance to establish more positive brand image than brands from a country with a less favorable image (Lee & Ganesh, 1999).

Nebenzahl and Jaffe (1993) mentioned a number of marketing tactics that could be used by NIC producers to overcome their negative images, including promotions, discounting, dealer incentives, and longer warranties. However, not all tactics, in particular, low price through discounting, may be able to overcome the image, in the sense that buyers of higher image products will switch. With price cuts, they expect that those who switch will come from other low image brands. Long-term strategic considerations also suggest that extensive discounting, while perhaps gaining some of the more price oriented customers, would not help in building up quality images of NIC brands.

With regard to study location, Peterson and Jolibert (1995) noted that the majority of COO research has been done in North America or Europe. Haubl (1996) specifically argued that more work should be done outside the USA. With the exception of studies on the Japanese (e.g. Erickson et al., 1984; Johansson, 1989; Johansson et al., 1985; Sadafumi, 1990), research on how other East Asian consumers view COO is relatively recent, and not yet very extensive. There have been a few studies on Chinese (e.g. Zhang, 1996; Li et al., 1997), Taiwanese (e.g. Lin & Sternquist, 1994), Korean (e.g. Hong & Yi, 1992; Speece et al., 1996), Singaporean (e.g. Tan & Leong, 1999),

and Hong Kong consumers (e.g. Speece et al., 1994; Tse et al., 1996). Only one study mentioned Malaysia indirectly because some of the samples were taken from Malaysia.

However, Asian markets, and specifically emerging markets within Asia, are growing in relevance to the international strategies of many brands. It has long been established that COO effects can vary according to the country of the respondents (e.g. Cattin et al., 1982; Han & Terpstra, 1988; Hong & Yi, 1992). Al-Sulaiti and Baker (1998) confirmed in their review that the size and direction of COO effects depend on the specific country and the specific product/service. Although Asians may ascribe different importance to COO, and/or use it differently in constructing evaluation, the practical impact does not seem to differ much from the West.

### **3.2.9 Countering Negative Country Image**

Marketing managers must find ways to respond, given that the brand or “made-in” label from an East/Southeast Asian NIC starts with a negative image relative to its Western or Japanese competitors. Some research have illustrated that the importance of COO decreases as consumers become more familiar with products or as they become more interested in information (Johansson, 1989; Thorelli et al., 1989; Zhang, 1997). In other words, people may use country stereotypes to evaluate products when they lack other information and vice versa.

Similarly, familiarity with the country itself can often add to the image of the country, even if the importance of COO does not decline. Lee and Ganesh (1999), in addition to showing that product and brand familiarity reduces the COO effect, also show that country familiarity reduces the effect. Zhang (1997) showed that the COO effect is also reduced among consumers who have a high “need for cognition”, i.e. want information. In other words, consumers rely more heavily on COO when they do not have other information, or are not very interested in getting other information. When

they do have or want information, COO impact is reduced, although it does not disappear altogether. Nevertheless, if familiarity reduces the COO effect, but does not eliminate it, other marketing tactics would still be necessary.

Price may be one way of countering such negative image as rendered by some competitors (including Korean brands) who use lower price. There is also research that discovered at price differentials necessary to overcome negative COO perceptions. Of course, price may not win over all customers as many consumers are more concerned about the quality of what they buy than about getting it cheaper. A lower price is unlikely to get them to accept a lower quality level (e.g. Ehrenberg et al., 1997).

Speece (1998, 2002) categorized respondents by quality/value price orientation. Price oriented buyers are mainly interested in low price and are less concerned with other issues such as product quality while quality oriented consumers are primarily concerned about overall quality and/or quality of various attributes of the product. Value oriented consumers explicitly balance both quality and price, and their behavior “involves a tradeoff of give and get components” (Zeithaml, 1988, p. 13). These are not three completely distinct groups, but rather a continuum and the orientation of an individual consumer often depends on product category. Nevertheless, it is clear that use of quality/price information depends on what kind of buying orientation a consumer has.

In general, past studies have suggested that consumers tend to unfairly evaluate products from developing countries because of stereotypical judgments (Brodowsky, Tan, & Meilich, 2004; Liu & Johnson, 2005). Thus, notwithstanding price, products made in developing countries are faced with unreasonable psychological barriers in the international market.



### **3.2.10 COO and Product Evaluation**

Consumers use a systematic process of acquisition, evaluation and integration of product information or cues to make decisions about the quality of products. A cue is defined as all informational stimuli available to the consumer before consumption (Monroe & Krishnan, 1985), and can be intrinsic or extrinsic. Examples of intrinsic cues are taste and design, while extrinsic cues include COO, brand, and price (Rao & Monroe, 1989). When intrinsic cues are missing or cannot easily be assessed, consumers tend to rely more on extrinsic cues (Jacoby et al., 1977) especially so for low-involvement products, since the cost of searching for intrinsic cues to aid consumers in product evaluation far exceeds the benefits (Zeithaml, 1988).

Maheswaran (1994) suggested that COO is used in product evaluation as a stereotyping process that allows consumers to predict the likelihood of a product manufactured in a certain country having certain features. Generally, consumers will evaluate a product more favorably if it has a favorable COO. This stereotyping process affects product evaluation in three ways. First, COO acts as a signal; consumers have prior perceptions of the general quality of products from a particular country, and they use these to infer the ratings of other product cues (e.g. quality, reliability) and thus the overall product evaluation (Hong & Wyer, 1989). Second, COO can be an independent cue, used along with other cues for product evaluation (Hong & Wyer, 1989; Li & Monroe, 1992). Third, COO can be used as a heuristic to simplify the product evaluation process, even though other available product cues may be more useful (Hong & Wyer, 1989; Li & Wyer, 1994). This often occurs when there is too much product information, or when consumers are unfamiliar with the product. Interestingly, there is no evidence from studies in western societies that males and females differ systematically in their use of COO for product evaluation (Hung, 1989).

Results from a large number of marketing studies conducted in consumer and organisational settings indicate that product evaluations (quality, value, workmanship, etc.) are significantly affected by knowledge of where the product was made, i.e. its country of origin (see, for example, Bilkey & Nes, 1982; Cattin et al., 1982; Ozsomer & Cavusgil, 1991; Papadopoulos & Heslop, 1993). However, buyers often tend to minimise its impact (Johansson, 1993) when asked directly about the importance of country of origin (COO) in their purchase decisions. This, according to Ohmae (1989), consumers may be attributed to the fact that buyers could not care less about national origin as long as they get the best possible products at the lowest prices.

A few explanations may be proposed for this apparent discrepancy between the observed impact of COO on consumer evaluations and consumers' view of its importance. First, it is perhaps difficult for consumers to assess how important COO (or any cue) is in the context of their purchase decisions. Second, as Johansson (1993) argued, consumers may want to appear logical, reasonable, rational and thus, attested that they base their purchase decisions on intrinsic product cues (taste, design, performance, etc.) rather than on extrinsic factors such as COO. Third, perhaps in reality consumers do not generally seek COO information and consequently do not think it is important although when presented with such information in the context of a product evaluation task, COO stands out as significant. In this case, the lack of external validity of current COO studies would explain the inconsistency. Fourth, the importance placed on COO may depend on various moderating factors. The degree of involvement in the product class is a case in point: the greater the involvement, the greater the likelihood of using COO information in a product evaluation situation (d'Astous & Ahmed, 1992). Thus, consumers who minimize the importance of COO may be referring to the purchase of low involvement products or may not be involved much in the purchase of the product class under study (Johansson, 1993).

Finally, several authors (Harris et al., 1994; Johansson, 1993; Leclerc et al., 1994; Thakor & Kohli, 1996) have noted that one important source of origin information is the brand itself. For example, brands like Sony, GE and Samsung may automatically activate origin cues among segments of consumers, even though the name of the country does not appear explicitly in the brand name.

As today's tough competitive environment requires many corporations to conduct their manufacturing activities in less developed countries to reduce production costs and remain competitive, assessing the real impact of COO on purchasing behaviour is an important issue. There have been contradictory results in such research, with some showing that products made in less developed countries are negatively evaluated (Cordell, 1992). From an opposite point of view, corporations from newly industrialising countries' corporations are keen to manufacture their products in economically developed countries in order to be present in the local markets and to profit from the prestige of a developed country made-in (Milbank, 1994).

### **3.3 COUNTRY IMAGE**

There are various interpretations of the meaning of country image. Nagashima's (1970, 1977) first definition of country image adopted the micro country image, defining the construct as "the picture, the reputation, the stereotype that managers and consumers attach to. . .a specific country. This image is created by such variables as representative products, national characteristics, economic and political background, history, and traditions." Others viewed country image as reflecting consumers' general perceptions about the quality of goods and services from a particular country and the nature of people from that country (e.g., Han, 1989; Parameswaran & Yaprak, 1987). Yet other studies (Bilkey & Nes 1982; Han 1989; Hong & Wyer 1989) defined country image as the general perceptions of the quality of products made in a given country.

They also equated it with the general image of products from a particular country (Roth & Romeo, 1992). Moreover, according to Keller (1993), country image is similar to brand image and that we cannot separate the concept of country image with product they represent. In addition, it can also be related to the image of the people of the country as proposed by Martin and Eroglu (1993); Papadopoulos, Heslop, and Bamossy (1990); Parameswaran and Pisharodi (1994), which should be considered separately, though correlated to the image of the country. Mort, Winzar and Han (2001) proposed that the image of the country should include economic, political and cultural dimensions, and that this general nation image will affect both the general service product image and behavior intention for that service.

The influence of country image on the consumers' perceptions of a product or service are significant and with reasons. The decision of acquiring a product or a service can be positively influenced by the country image (Bilkey & Nes, 1982; Javalgi et al., 2001). In fact, the country image is assumed to be the first source that consumers consider in product evaluation since the attitude of consumers towards the products or services are related to their stereotypes about the country of origin (Peng et al., 2000). Some studies showed that the country image influences the evaluation of a product or service much more than other variables (Wall et al., 1991). There are few studies analyzing the effects of the country image on services (Javalgi et al., 2001) but available literature showed that the relationship between country image and services seems to be similar to the one between country image and goods. In this way, Harrison-Walker (1995) affirmed that the country image plays an important role in the choice of a service provider.

Japan and America have a strong country image but not necessarily competitive advantage, according to Si and Hitt (2004) who looked at international joint ventures.

Country image is an important concept in international business research because of its ability to influence purchase behavior and other critical outcomes (Knight G.A., Spreng R.A., & Yaprak, A., 2003). Various scholars have also concluded that country image strongly influences purchase behavior over a wide range of product and service offerings (e.g., Bilkey & Nes, 1982; Liefeld, 1993; Peterson & Jolibert, 1995). Accordingly, in the context of international business, it is an especially important construct to investigate.

Narayana's (1981) definition of country image, "the aggregate image for any particular country's product refers to the entire connotative field associated with that country's product offerings, as perceived by consumers" (p. 32), is similar to Nagashima's. Other studies have investigated consumers' willingness to buy products from certain countries and confirmed that country image plays a significant role in consumers' perceptions of products (Roth & Romeo, 1992). For instance, Johansson et al. (1985) suggested that previous experience with a particular country and/or product category may influence the COO effect and other research has indicated that consumer familiarity with countries and products may affect COO (e.g. Han, 1989; Johansson, Douglas & Nonaka, 1985). The main contribution of these studies is that they offer an additional explanation as to when COO information is used by consumers.

Consumers often form an image of specific products and services emanating from particular countries (Han, 1989; Nagashima, 1977; Shimp, Samiee, & Madden, 1993). These offerings themselves can communicate information about a country's ability to provide quality service and the level of technology employed (Papadopoulos & Heslop, 1993). For those who do not have much experience of the goods and services, additional information can be obtained through advertising and press releases as well as other forms of media (Lim, Darley, & Summers, 1994; Nagashima, 1977;

Parameswaran & Pisharodi, 1994). Other types of information that contribute to a country image include pricing behavior and distribution intensity (Shimp et al., 1993). Consumers also receive much information about the people, culture, technology level, political situation and other aspects of a country from various sources including the media, books, films, and direct contact with the people of that country. These impressions play an important role in overall image formation.

Like a brand name, country of origin is an image or extrinsic variable which works as summary statistic in consumer decision making (Erickson et al., 1984; Han, 1989; Huber & McCann, 1982; Johansson, 1989). In addressing the various dimensions of country image, Parameswaran and Yaprak (1987) created a scale to measure country image that has been used in several studies (e.g., Papadopoulos & Heslop, 1993; Parameswaran & Pisharodi, 1994; Knight et al. 2003), following Churchill's (1979) scale development paradigm.

The scale formulated by Knight G.A., Spreng R.A., & Yaprak, A., (2003) accordingly assessed its psychometric properties in a cross-cultural study with the aim of refining it into a methodical instrument - the "COISCALE"- which can assess country image in the widest range of national settings. The elements of the country image cognitive structure have been captured through the scale.

d'Astous and Boujbel (2007) emphasized the effect of country image on specific consumer behaviors, such as product evaluations and purchase intentions but with such a varied definitions and approaches associated with country image research, a pertinent question is how country image affects service evaluation in a higher education sector in a developing country such as Malaysia.

The construct of country-of-origin image (COI) was introduced to refer to “the total of all descriptive, inferential and informational beliefs one has about a particular country” (Martin & Eroglu, 1993, p. 193). Past research has shown that, when known to consumers, COI influences the evaluation of products in general (e.g., Heslop et al., 2004; Laroche et al., 2005), classes of products (e.g., Nagashima, 1970; Ittersum, Candel & Meulenberg, 2003), specific types or brands of products (e.g., Parameswaran & Pisharodi, 1994; Haubl, 1996; Lampert & Jaffe, 1998), consumer and industrial products (e.g., Heslop & Papadopoulos, 1993; Bradley, 2001) as well as services (e.g., Javalgi, Cutler & Winans, 2001). This effect is especially strong for consumers’ home country perceptions (Shimp & Sharma, 1987; Han, 1988). Past literature suggested that “country image may be an asset when it is positive and a liability when it is negative” (Lampert & Jaffe, 1998, p. 64).

The impact of COO image information on consumer purchase behavior has inspired a large body of literature. Empirical work in this area (refer to summaries in Ozsomer & Cavusgil, 1991; Baughn & Yaprak, 1993; Verlegh & Steenkamp, 1999) has created our contemporary understanding of the phenomenon—thereby providing us with a theoretical foundation for the COO effect.

The impact of the COO cue on consumption behavior has been related to the producing country’s characteristics. For example, it has been demonstrated that consumers’ willingness to purchase products is related to the economic, political, and cultural characteristics of the product’s origin country. Papadopoulos et al. (1989) summarized this by stating that the perceptions of sourcing countries are impacted by cognition about, affect and conative orientation towards that country’s peoples. COO effects have also been related to perception about the overall product offerings of a particular sourcing country. Papadopoulos et al. (1989) noted that when consumers are

unfamiliar with a particular country, an image may be formed on the basis of knowledge about that people's capacity for producing quality products in general. This will impact the evaluation of specific products from that country. For example, they highlighted a high level of affect toward the Japanese people and specific Japanese products, even when few non-Japanese consumers were familiar with Japan and its peoples.

Erickson, Johansson and Chao (1984) and Johansson, Douglas, and Nonaka (1985) found that country image affects consumers' evaluation of product attributes, but not their overall evaluation of products. In country image- halo effect, consumers may be unable to detect true quality and thus, may turn to country image to infer the quality of unknown products (Huber & McCann 1982). If country image serves as a halo, it will have no significant effect on product evaluation when consumers are familiar with products from the country (Johansson, Douglas & Konaka, 1985). The halo hypothesis has two theoretical implications. First, consumers make inferences about product quality from country image. Second, country image affects consumer rating of product attributes as evidenced from the findings by Erickson, Johansson, and Chao (1984) and Johansson, Douglas, and Nonaka (1985).

The "country-of-origin effect," one of the most widely researched topics in the international marketing literature (Peterson & Jolibert, 1995) conveys competitive advantage through consumer perceptions. The "made in (country)" label on physical goods is the most common operationalization of the country-of-origin effect but has also been said to be overly restrictive (Papadopoulos, 1993) and that country of origin markers can be embedded directly or indirectly into the brand, or even signaled by the location of a service delivery. Country image has widely been used to mean the general perceptions of quality of products made in given country (e.g., Bilkey & Nes, 1982;



Han, 1989; Hong & Wyer, 1989) and also equated simply with general product image of products from a country (e.g., Roth & Romeo, 1992).

While there is no consensus definition of country image (Sauer et al., 1991), it is generally understood to stand for the impact which generalizations and perceptions about a country have on a person's evaluations of the country's products and/or brands. Country image is also viewed as the consumers' overall perception of products from a particular country, based on their prior knowledge of the country's production and marketing strengths and weaknesses (Roth & Romeo, 1992). Country-of-origin information presented in the context of general information about a product's specific attributes may affect product evaluations and are termed as "country-of-origin effects". Although no definition of "country-of-origin effects" exists, "country image" is frequently used to describe these effects. "Country image" refers to the consumers' perception of products from a particular country, based on their prior perceptions of the country's production and marketing strengths and weaknesses (Roth & Romeo, 1992).

Different information cues about a product are deemed important and are utilized in evaluating a product. Accordingly, consumers make inferences about the value of product information cues as a quality indicator and then combine judgments of all the cues available in order to obtain an overall product evaluation (Jacoby et al., 1971). According to this information theoretic perspective, both intrinsic cues (i.e., design, shape) and extrinsic cues (price, warranties, brand name, communication source characteristics) are needed in order to evaluate a product (Jacoby et al., 1971). Country-of-origin information constitutes an extrinsic cue (Thorelli et al., 1989), acting as surrogate for product quality and other product characteristics that cannot be evaluated directly (Huber & McCann, 1982; Han, 1989).

When intrinsic cues are difficult to assess, buyers then make judgments about product quality and purchase value on the basis of extrinsic cues. This is when country image, an extrinsic cue, is used to judge foreign products. Empirical evidence suggested that the country of origin of a product affects consumers' product evaluations (Han & Terpstra, 1988) and that consumers tend to hold stereotyped images of products made in different countries (Bilkey & Nes, 1982; Wall et al., 1988). The country image represents an extrinsic cue in consumer product evaluations (Hong & Wyer, 1989) and consumers use this cue to evaluate foreign products when they are not familiar with the products' intrinsic qualities (Lawrence et al., 1992). Past research also suggested that consumers tend to evaluate domestic products more favourably than do foreigners (Kaynak & Cavusgil, 1983) and products from developed countries more favourably than products from developing countries (Wang & Lamb, 1983). However, consumers' perceptions of all the products from a given country are not always similar as they depend on type of products and specific product categories.

A number of different terms are used in the literature: 'country of origin', 'country image' (Martin & Eroglu, 1993); 'product-country image' (Papadopoulos & Heslop, 1993), 'country equity' (Shimp et al., 1993), 'made-in country image' (Schooler, 1965), and 'origin country image' (Han & Tepstra, 1987). 'Country image' and 'country equity' are national based references while 'product-country image' refers to the product level. A country image is defined 'as the total of all descriptive, inferential and informational beliefs one has about a particular country' (Martin & Eroglu, 1993). Similarly, Kotler et al., (1993) viewed the image of a place as 'the sum of all those emotional and aesthetic qualities such as experience, beliefs, ideas, recollections and impressions that a person has of a place.'

Shimp et al. (1993) introduced the term 'country equity' to describe 'that portion of consumer affect towards a brand or product that is derived purely from the product's associations with a particular country'. These associations, also termed as 'country-related intangible assets' by Kim and Chung (1997), could be technical advancement, prestige, workmanship, innovativeness, design, economy and service (Han & Terpstra, 1987; Roth & Romeo, 1992).

A country's intangible assets are associated to quality dimensions that a country has gradually acquired through the export of goods and services. These result from the consumer's beliefs that there is something 'special' about, for example, the labour force, technology or manufacturing processes within a particular country. Such images of the manufacturing nation have a substantial impact on judgments of product qualities (Bilkey & Nes, 1982). The more commercially relevant associations within the country image, the higher the country equity.

The belief that consumers' product evaluations and buying intentions are related to the origins of the products has prevailed since the 1960s (Papadopoulos & Heslop 2002, 2003). In general, this research, widely known as country-of-origin (COO) studies, supports the view that a product's origin affects the way it will be perceived by consumers and the extent to which it will be preferred when it comes to making a buying decision (for relevant literature reviews, see Al-Sulaiti & Baker 1998; Baughn & Yaprak 1993; Bilkey & Nes 1982; Javalgi, Cutler, & Winans 2001; Liefeld 1993; Ozsomer & Cavusgil 1991; Papadopoulos & Heslop 2003; Peterson & Jolibert 1995; Pharr 2005; Srinivasan & Jain 2003; Verlegh & Steenkamp 1999).

Different images are attached to different countries in the mind of consumers (Heslop & Papadopoulos 1993; Jaffe & Nebenzahl 2006; Obermiller & Spannberg 1989) and thus, consumers are not willing to pay the same price for the same branded

product, regardless of its origin (Johansson & Nebenzahl 1986; Nebenzahl & Jaffe 1993; Seaton & Laskey 1999). It is concluded that every country has its own image that make them unique and its related product has different value even they are the same brand. Therefore for products, the COO of the brand must be distinguished from the country of production or manufacture, because different products with the same brand name could be produced in the same or different countries (Liefeld 2004; Nebenzahl 1998; Samiee 1994) which was emphasized again by Balabanis and Diamantopoulos (2008).

It is expected that consumers will have (intentionally or unintentionally) some knowledge of the COO of many brands, which influences their subsequent evaluation of other brand attributes (Hong & Wyer 1990). In this context, a brand's COO can be learned explicitly (through memorization of information regarding the brand's COO from various sources; e.g., advertisements, product labeling, word of mouth, personal product experience) or implicitly (by classifying the brand into a COO from the brand's attributes) (Balabanis & Diamantopoulos, 2008).

In the global economy, most major brands market worldwide, and the image of the brand can be closely tied to the country image (Speece & Nguyen, 2005). They observed that some countries have positive images which are advantageous for brands from the countries. For example, in Asia, Japanese consumer electronic products have a very favorable image. Thus, COO studies must proceed on a country-by-country, and product-by-product basis to be used for practical marketing decisions. This is because consumers in different countries differ in their use of COO information and how they use it also depends on the specific product (al-Sulaiti & Baker, 1998). According to Jaffe and Nebenzahl (2001), exogenous factors such as a country's economic

development, national identity and its cultural environment also influence country image.

Research findings on product-country and its associated topics were generally based on consumers in the developed world for more than forty decades (Yamoah, 2005). More recently, study trends have shifted to emerging markets of developing countries especially in services sector.

### **3.3.1 Country Image Effect**

Decisions about purchasing a product or a service can be positively influenced by the country image (Bilkey & Nes, 1982; Javalgi et al., 2001). This is a potentially powerful variable for differentiating a product or a service (Srikatanyoo & Gnoth, 2002) and has great influence on purchase intentions and quality perceptions (Peterson & Jolibert, 1995). This is even more so when the consumer must evaluate an unfamiliar brand (Ofir & Lehman, 1986, cited in Javalgi et al., 2001; Lin & Kao, 2004). Bilkey and Nes (1982) emphasized that the product's intrinsic (taste, design, fit) or extrinsic (price, brand name, warranties) cues also impact the other cues on perceived risk, on perceived quality, and on purchasing behavior.

In fact, the country image is assumed to be the first source that consumers consider in product evaluation since the attitude of consumers towards the products or services are related to their stereotypes about country of origin (Peng et al., 2000). Some studies also showed that the country image influences the evaluation of a product or service much more than other variables (Wall et al., 1991).

This suggests that to maximize use of resources, suppliers of consumer durables should focus on intrinsic product quality, choose a developed country as the branding country and shift manufacturing facilities to developing countries to reduce costs.

Increasing globalization means that sellers have to remain competitive by shifting operations to those countries where the costs are going to be minimized, so that the investors' returns are maximized. The global economic forum is an example of the movement toward facilitating such practices.

This practice is most effective and makes the COO effect more pronounced when a country has invested resources to build up a country specific image (e.g., precision of Swiss watches, even though all quartz watches keep accurate time). Other examples would include Japanese electronics, American defense technology, German engineering and Scandinavian design. Secondly, the COO effect would be more pronounced if there is a strong link between a particular product and attribute. Of course, the COO effect of manufacturing country and branding country will have the highest impact in the case of new product/model introductions, when it is most needed. As a brand matures, then the brand equity effect might be very influential when purchasing a product. The COO effect is very powerful in the case of some non-durables, such as French perfume and Belgian chocolates.

### **3.3.2 Product-Country Image (PCI)**

These images are defined by researchers as mental maps or knowledge structures related to countries (Jaffe & Nebenzahl, 2001) which aid consumers in the processing of information in addition to formulating purchase decisions (Kotler & Gertner, 2002). PCI effects are described as the "impact that generalizations and perceptions about a country have on a person's evaluations of the country's products and/or brands" (Nebenzahl, Jaffe & Lambert, 1997, p. 28). Beyond influencing consumer decision-making about products, country-image-effects research has also explored the resulting influence on decisions relating to organizational buying (Heslop,

Papadopoulos, Dowdles, Wall & Compeau, 2004) and locations for investment (Wee, Lim & Tan, 1993).

In the marketing discipline, PCI theory is a developing area with current research efforts striving to confirm the modeling of theoretical concepts. Although early attempts conceived the country-image construct as one-dimensional (Erickson, Johansson & Chao, 1984) and product-centric (Han, 1988), newer publications generally have highlighted the construct's distinctiveness from products and its multidimensional nature (Heslop et al., 2004; Laroche, Papadopoulos, Heslop & Mourali, 2005). As such, a key aspect of PCI theory is to explain the effect of both product and country-people images through an understanding of attitudes. The cognitive, affective/evaluative, and conative phases of attitude formation are represented through the beliefs about a country and its products (cognitive), the feelings towards it and its products (affective), and behavioral intentions to purchase its products and interest in relationships with the country in respect to investments, ties, and immigration (conative).

The first stream of PCI research focuses in greater detail on the dimensions of country- and people-beliefs specifically centered on the capability or competency to create and deliver marketable products. However, more recent conceptualizations include a wider perspective on the role of general beliefs about the character of the people and the country to provide a richer understanding of PCI. Beliefs about the products of a country (their performance, aesthetics, value and their desirability) are now viewed as derived beliefs, based on a foundation of country-people images and attitudes.

Country- and people-beliefs may be best represented using two groups: character and competency beliefs (Heslop et al., 2004). The former refers to the

features or traits of the country and people such as being active and admirable in world affairs (Heslop et al., 2004; Knight & Calantone 2000; Lee & Ganesh, 1999); levels of environmental protection (Heslop et al., 2004) alignment with the home country in world affairs (Lee & Ganesh, 1999); quality of life (Heslop et al., 2004), individual rights and freedoms (Heslop et al., 2004); political stability (Heslop et al., 2004; Orbaiz & Papadopoulos, 2003); and standard of living (Orbaiz & Papadopoulos, 2003; Parameswaran & Pisharodi, 2002). Competency beliefs are centered on the perceived capacity of the country and people to design and produce good products. Capacity measures include the technical advancement of the country (Heslop et al., 2004; Knight & Calantone, 2000; Laroche et al., 2005; Lee & Ganesh, 1999; Orbaiz & Papadopoulos, 2003); level of economic development (Lee & Ganesh, 1999; Manrai, Lascu & Manrai, 1998); stability of economy (Heslop et al., 2004); and wealth (Heslop et al., 2004; Laroche et al., 2005; Orbaiz & Papadopoulos, 2003).

Recent studies measured beliefs about a country's people which include friendliness (Heslop et al., 2004; Knight & Calantone, 2000; Lee & Ganesh, 1999; Parameswaran & Pisharodi, 2002); pride in achieving high standards (Lee & Ganesh, 1999); trustworthiness (Heslop et al., 2004; Laroche et al., 2005); and individualism (Heslop et al., 2004). The competencies of the country's people can influence product beliefs and evaluations, and these beliefs have been measured as creative (Knight & Calantone, 2000; Lee & Ganesh, 1999; Parameswaran & Pisharodi, 2002); well-educated (Heslop et al., 2004; Knight & Calantone, 2000; Laroche et al., 2005; Lee & Ganesh, 1999; Orbaiz & Papadopoulos, 2003; Parameswaran & Pisharodi 2002); industrious (Heslop et al., 2004; Knight & Calantone, 2000; Lee & Ganesh, 1999; Parameswaran & Pisharodi, 2002); technically skilled (Knight & Calantone, 2000; Lee & Ganesh, 1999; Parameswaran & Pisharodi, 2002), and possessing a high work ethic



(Heslop et al., 2004; Knight & Calantone, 2000; Laroche et al., 2005; Lee & Ganesh, 1999; Parameswaran & Pisharodi, 2002).

Cognitions about products themselves also appear in the PCI literature and are gauged against several measures grouped as perceptions about performance descriptors and peripheral features of a country's products. Performance descriptors include quality (Olsen & Olsson, 2002), reliability (Orbaiz & Papadopoulos, 2003); technically advanced (Knight & Calantone, 2000), attractiveness (Heslop et al., 2004); stylishness (Lee & Ganesh, 1999); and originality (Parameswaran & Pisharodi, 2002). Examples of peripheral features include advertised (Lee & Ganesh, 1999); availability (Parameswaran & Pisharodi, 2002); and low cost (Knight & Calantone, 2000).

The affective/evaluative component of attitudes is represented in the PCI literature through two main constructs firstly for the country and its people, then followed by its products. The evaluations of the country and people have been measured using elements such as cultural similarity (Parameswaran & Pisharodi, 2002); economical similarity (Parameswaran & Pisharodi, 2002); ideal country (Laroche et al., 2005); likeability (Laroche et al., 2005); and similar political views scales (Parameswaran & Pisharodi, 2002). Secondly, the product evaluation construct involves several measures, including likability (Lee & Ganesh, 1999); good value (Heslop et al., 2004; Parameswaran & Pisharodi, 2002); and an overall product rating (Heslop et al., 2004; Olsen & Olsson, 2002; Orbaiz & Papadopoulos, 2003; Parameswaran & Pisharodi, 2002).

Lastly, the constructs representing the conative component of attitude in PCI research include desired country and people associations and product buying or intentions. Behavioral/conative aspects of country and people are represented through desired associations including closer ties with, more investment from, immigration

from, and investing in the country (Laroche et al., 2005). Although desired country associations may be considered the country-people final dependent variable, PCI investigation also includes the buying decision as a final dependent variable. This is measured as happy to buy as gift (Lee & Ganesh, 1999); intention to purchase (Parameswaran & Pisharodi, 2002); receptivity to buy (Orbaiz & Papadopoulos, 2003); recommendation to others (Lee & Ganesh, 1999); and willingness to buy (Heslop et al., 2004).

### **3.3.3 Country Branding**

According to the American marketing Association (AMA), a brand is a ‘name, term, sign, symbol, or design, or a combination of them, intended to identify the goods and services of one seller or group of sellers and to differentiate them from those of competition’. A national brand offers no tangible product or service; instead, it epitomizes and includes a wide variety of factors and associations:

- Place-geography, tourist attractions;
- Natural resources, local products;
- People-race, ethnic groups;
- History;
- Culture;
- Language;
- Political and economic systems;
- Social institutions;
- Infrastructure;
- Famous persons (the face);
- Picture or image.

Depending on the context in which it is placed, the national brand may evoke a shifting and intricate combination of the above factors. Nation branding communicates a message that covers a vast array of associations and attributes which may confuse the intended audience on the exact nature of what is being communicated. Some academics place paramount importance on a country's image and believe that a country should be treated as a brand (O'Shaughnessy & O'Shaughnessy, 2000).

The importance of the COO for both academics and practitioners is further highlighted by the numerous studies in this field, geographical trade marking as well as COO labeling requirements. A number of studies have examined differences in COO perceptions (across different nations) and established that consumer bias, based on a product's COO, is widespread (Nagashima, 1970; Krishnakumar, 1974; Lillis & Narayana, 1974; Narayana, 1981; Cattin et al., 1982; Johansson et al., 1985; Papadopoulos et al., 1987, 1989; Roth & Romeo, 1992; Akaah & Yaprak, 1993; Okechuku, 1994; Harrison-Walker, 1995). Several reviews and meta-analytical studies (Bilkey & Nes, 1982; Ozsomer & Cavusgil, 1991; Peterson & Jolibert, 1995; Verlegh & Steenkamp, 1999) also emphasize the importance of COO image and its effects on consumer perceptions and buying intentions.

#### **3.3.4 Nation Branding**

In marketing, there is a subtle difference between nation brand/image and country brand/image even though these terms are used interchangeably in literature. Various terms found in the literature can be classified into three categories: product related, national level and cultural focus. The characteristics of these categories are illustrated below (Table 3.3).

**Table 3.3**

### **Terms Used in the Literature**

Product related	National level	Cultural focus
Country of origin	Nation/country brand	Country stereotype
Product-country image	Nation/country image	National identity
Made-in country image	Country equity	National characteristics
Country image effect	Country positioning	e.g. 'Britishness'

Source: Olins (2002)

Terms such as the country-of-origin (COO) effect are closely related with the product. The product-country image is embedded as part of the product brand, and is meaningless if separated from the product. The concept of nation brand or country equity describes the country's intangible assets without any direct links with a product. Product-country image is viewed as a subset of country image (Kleppe et al., 2002). As terms such as national identity and cultural stereotype center around the culture and people of a nation, it has minimal implication in branding or marketing.

Nation branding cannot be defined simply. Some view it as another term for place marketing or COO effect (Kotler et al., 2002). Others contend that a national brand strategy should be consistent and comprise of the most realistic, most competitive and most compelling strategic vision for the country (Anholt, 1998). This vision should be supported and strengthened through all communication between the country and the world (Anholt, 1998). In nation branding "the aim is to create a clear, simple, differentiating idea built around emotional qualities which can be symbolized both verbally and visually and understood by diverse audiences in a variety of situations. To work effectively, nation branding must embrace political, cultural, business and sport activities" (Jaffe & Nebenzahl, 2001). The innate complexity in nation branding is evident by taking note of the key words utilized in the statement above- clear, simple, differentiating, diverse and variety. Cardinally, nation branding involves much more than marketing, it involves all aspects of a nation's character. Fan (2005) condenses nation branding in a working definition as below:

‘Nation branding concerns applying branding and marketing communications techniques to promote a nation’s image’.

Nation branding can be interpreted in several different ways (shown in Table 3.4).

**Table 3.4**  
**Examples of Nation Branding**

What brand	Example	What is being branded
COO effect	Rover cars use the Union Jack as part of its logo  The New Zealand Way	Being part of the product brand  A quality mark to promote exports
Country	100% Pure New Zealand	Destination-place marketing
Nation	Cool Britannia	People, culture-nation branding?
State	‘Axis of evil’	Regime-political marketing
Region	Four Dragons in Asia	A term used in the 1980s to refer to the newly industrialized countries

Source: Olins (2002)

Undeniably, branding is an exceptionally powerful tool. However, it is important to note that it is only a facet of a marketing strategy which itself is a part of the whole business strategy. Branding will only function effectively if other components of the strategy (finance, R&D, production, distribution) are able to meet the needs of the customer. Nation branding is no exception. It is not sufficient for the country to promote its image enthusiastically to other nations if there is no economic basis for the nation brand. In addition, the country must develop a macroeconomic climate required to nurture successful business in order for a nation brand to have creditability and integrity. Otherwise, attempts for business to utilize nation branding will only be misleading. From the marketing aspect, nation branding aims to help the nation ‘sell’ its products and places.

Nation branding should be discerned from nation brand as there is no axiomatic link between the two. A nation’s ‘brand’ exists, individually projecting an image to its international audience irrespective of conscious efforts in nation branding. In theory

nation branding could help a nation to improve its image, in reality there are countless factors that affect the image and perception of the country, resulting in only a minor role for nation branding. Anholt (2003) calls for poor countries in the third World to use nation branding in developing their economies, but they initially have to find or make something to sell, a product or service which is competitive in the market-place. In order to achieve this, the needs for investment, technology and know-how surpass the need for nation branding. Without a good product, branding is simply ineffective.

The nation brand consists of images, which are often powerful stereotypes, carrying cognitive, affective and normative dimensions (Verlegh & Steenkamp, 1999). People's impression of another nation and its outputs are mostly based on national stereotypes (Kotler et al., 1993). As most people do not have a comprehensive knowledge of nations other than their own, when referring to another nation, they often utilize their mental image in place of the nation's actual attributes (O'Shaughnessy & O'Shaughnessy, 2000; Olins, 2003). Stereotypical images of a nation can be archaic, distorted and overly simplified (Kotler et al., 1993), yet they affect how foreign publics perceive the nation. Stereotypical images are formed out of messages received over time through sources such as education, the media and business dealings with its people or through a combination of those sources.

National images greatly affect how consumers evaluate a country as a potential tourist destination, an investment podium or a source of consumer goods. As globalization increases, nations compete with each other to successfully export their goods and services, attract tourism and foreign investment (Kotler et al., 1997). As a result, the need arises for nations to position and distinguish themselves in the perceptions of consumers, managers and investors. The consequent strategy of "nation branding" aims at cultivating a unique and positive brand image of the nation and its

associated symbols (Olins, 1999). Some recent examples of nation branding strategies undertaken by developed as well as developing countries include; “Rebranding Britain: Cool Britannia,” “Enterprise Ireland,” “Singapore: Synergy for Success,” “Italian Made: the Quality of Life,” “Thailand, Land of Diversity and Refinement,” “the New Zealand Way,” “Incredible India,” “Malaysia, Truly Asia” and “South Africa: Alive with Possibility” to name a few.

### 3.3.5 Nation Branding and Product Branding

The fundamental differences between a nation brand and a commercial product brand is clearly illustrated below (see Table 3.5).

**Table 3.5**  
**Comparison between Nation Branding and Product Branding**

Element	Nation brand	Product brand
Offer	Nothing on offer	A product or service on offer
Attributes	Difficult to define	Well defined
Benefits	Purely emotional	Functional and emotional
Image	Complicated, various, vague	Simple, clear
Associations	Secondary, numerous and diverse	Primary and secondary, relatively fewer and more specific
Purpose	To promote national image?	To help sales and develop relationships
Ownership	Unclear, multiple stakeholders	Sole owner
Audience	Diverse, hard to define	Targeted segment

Source: Olins (2002)

Products can be discontinued, modified, withdrawn from the market, re-launched, repositioned or replaced by improved products. These choices are not available to nations or places (Frost, 2004). With no tangible offer in a nation brand, its attributes are difficult to define or describe. The only benefits a nation brand is able to provide for its audience are emotional rather than functional. In product branding the brand has a sole owner whose legal right is protected by law. However, in nation branding, the nation itself has no control over the use (or abuse) of its name and image.

A nation brand that consumers prefer is a competitive advantage in the marketplace. Leveraging this advantage as a point of differentiation is a way for corporate/product brands to boost competitiveness (Loo & Davies, 2006). A nation with a better image than the corporate/product brands of its outputs will have a halo effect on its corporate/product brands, thus improving their image. This offers opportunities for corporate/product brands to leverage the nation brand by incorporating some of the core values of the nation brand into their own brand values. The quality of products and services provided by these brands influences how foreign publics perceive the nation brand itself as well as the corporate/product brands of other outputs. Research on country of origin finds that the image of a nation is so strong that where the product brand originates from, where it is designed, where it is manufactured, all have an impact on the product's final value and the nations concerned. For example, a Sony camcorder being sourced in Russia, a weak made-in country, may improve the national image of Russia while eroding the corporate brand image of Sony and the national image of Japan (Jaffe & Nebenzahl, 2001).

### **3.3.6 Nation Brand Image and Product-Country Image**

Nation branding concerns a country's whole image, covering political, economic, historical and cultural dimensions. The concept is at the nation level, multi-dimensional and context-dependent. The nation image may have little impact on the consumer and has no link with the product offer. People may like or dislike a country for all kinds of reasons that may or may not affect their purchase decisions. On the contrary, product-country image, as a kind of secondary association, is part of the product brand and closely linked with a specific product or product category. It has an immediate effect on people's minds and directly affects their purchase decisions. To the advocates of nation branding, Spain has provided a most successful example of rebranding a nation (Olins, 2003).



### 3.4 SERVICES

Services show special characteristics that require the application of a particular marketing strategy (Stanton, 1974; Andressen et al., 1983; Kotler et al., 1995). By their nature, services cannot be touched, tasted, or possessed (Edgett & Parkinson, 1993). In general, services are intangible, heterogeneous, perishable, and require simultaneous production and consumption (Zeithaml et al., 1985; Ahmed et al., 2002).

(Edgett & Parkinson, 1993) acknowledge that it is now accepted practice to market services in a different manner to physical products to deserve separate treatment. As services cannot be touched, tasted or possessed, consumers face difficulty in evaluating an incorporeal service offering (Nicholls et al., 1995). (Nicholls et al., 1995) said that the incongruity in services makes it difficult to standardize and therefore control quality. Assael (1981) suggested that as consumers get more involved in purchases and are increasingly aware of major differences between brands, undergo complex buying behavior. Targeted marketing MBA programmes involve the selling of an expensive product, with significant brand differences and infrequent buying (Murray 1991). It is concluded when consumers face greater risk and uncertainty, they also extend their decision processes.

“Service industries and companies include those industries and companies typically classified within the service sector whose core product is a service” (Zeithaml, Bitner & Gremler, 2006, p. 5).

In other words, these companies sell services as their core offering. The total services sector comprises a wide range of service industries, one of which is educational services (Zeithaml et al., 2006). Zeithaml added services can be divided into four distinct categories namely: service industries and companies, services as products, customer service and derived service.

The service sector plays an important role in the Malaysian economy due to its rapid growth. In 2007, the services sector represented 67% of the economy of Malaysia (Bank Negara Annual Report 2008). A service is not like a product and involves human skills which can sometimes be retained to be used in the future. The unique characteristics of services contribute to the complexities involved in assessing and managing service quality (Mersha & Adlakha, 1992). Berry, Zeithaml and Parasuraman (1988), suggested that the intangibility of services and the simultaneity of service production and consumption make it difficult to standardize; thus making it difficult to control quality. Again, researchers like Assael (1981) said that consumers go through complex buying behavior when they are highly involved in a purchase and they are aware of significant differences between brands. Higher education such as the MBA is such service that involves time and money, significant brand differences and infrequent buying (Nicholls et al., 1995). This implies a careful decision which could involve considerable time to be made. As augmented by Murray (1991), in the face of greater risk and uncertainty, services customers engage in extended decision processes.

The service sector plays an important role in the Malaysian economy which is similar to other places in the world. Even though the service sector in Malaysia is relatively small if compared to developed countries, the liberalization of services initiated by the Prime Minister of Malaysia, Dato' Seri Najib Tun Abdul Razak on June 2009 will propel the sector forward. This action was taken so that local service providers would have an even playing field to compete with regional service providers located in countries which sectors had been liberalized.

In this study, the service sector is the area of concern because of its huge potential and capability and also its products which are vulnerable to domestic and global economic conditions. In the context of this study, the provider of the services

includes Malaysian universities, the Ministry of Higher Learning and the Malaysian government as well as Malaysia as the host country. Meanwhile, foreign students who plan to study in Malaysia and current students represent the customers.

Mersha and Adlakha, (1992), added that most services involve direct contact between the customer and the service provider, meaning that, in addition to task proficiency, interpersonal skills like courtesy, friendliness, tolerance and pleasantness are important dimensions of quality. This is particularly so in high contact services where front-line employees are the key to customer satisfaction (Hobson, Hobson & Hobson, 1984; Hostage, 1975; Wehrenbeer, 1987).

The nature of services makes it difficult to develop valid and reliable measures of service quality (Hollis & Dann, 2009). They observed that service quality is a difficult concept to define as it is a measure of how well the perceived level of service delivered matches service based on user expectations.

The complexity is further compounded because globalization, privatization and the service revolution are interrelated, and may involve, either directly or indirectly, a change in ownership of national assets characterized by a strong national brand image (Pecotish, Pressley & Roth, 1996). This may be particularly true in the service sector, for example with airlines such as Aeroflot, Singapore and Malaysian Airlines, where concern about foreign ownership makes good newspaper copy (Papadopoulos & Heslop, 1993).

Research has led to the conclusion that the country of origin has an impact on product choice (Schooler, 1965, 1971; Nagashima, 1970, 1977; Hooley et al., 1988). However, this research has been primarily concerned with tangible products with little research on the service sector. Studies related to higher education is even more lacking.

This is rather surprising, given that services have become a significant component of many modern economies. For instance, Cronin and Taylor (1992, p. 55) stated that 74% of the US population is employed in the services sector, and that 85% of jobs created since 1982 have been in the services sector. In the USA alone, the service sector represented 79 percent of private sector employment and at least 77 percent of the gross domestic product in 1997 (O'Hare, 1999).

Little attention has been focused upon the variables, such as COO, which may influence the quality-satisfaction process by eliciting differences in expected service quality. Researchers in both the COO and services areas have neglected the investigation of the COO cue as a salient indicator of expected quality for the services sector. This is despite the evidence from research on tangible products, which shows that perceptions of product quality are influenced by many independent factors, most notably brand and COO (Johansson & Nebenzahl, 1986; Han & Terpstra, 1988; Ahmed et al., 1993).

Judgements about services are often subjective rather than objective and providing a consistent service is difficult as factors such as the interpersonal skills of contact staff can be crucial (Kotler, 1982). Service quality is made up of three significant dimensions; service processes, interpersonal factors, and physical evidence (Oldfield & Baron, 2000).

### **3.5 SERVICE QUALITY**

Whilst quality has been described as “units of goodness packed into a product or service” (Ghobadian et al., 1994, p. 44), when combined with the intangible (Mcdougall & Snetsinger, 1990) and heterogeneous (Dickens, 1994) nature of a service encounter, “service quality is a measure of how well the service level delivered, matches customer expectations” (Parasuraman et al., 1985, p. 42). In the service

industries, the delivery of service through “customer expectations”, has been the product of a gradual evolution from: “quality is excellence, to quality is value, to quality is conformance to specifications, to most recently, quality is meeting and/or exceeding customers’ expectations” (Pariseau & McDaniel, 1997, p. 206). Fulfilling and exceeding this requisite is not without its advantages. Practitioners and academics alike have found that providing a high level of service quality can secure the potential to earn higher market share (Buzzell & Gale, 1987), improved profitability (Kearns & Nadler, 1992) and the opportunity to attain a competitive price premium (Parasuraman et al., 1994).

### **3.6 IMAGE AND REPUTATION**

Image comprises consumers’ knowledge and beliefs about a brand’s various product and non-product attributes (Samiee, S., Shimp, T.A. & Sharma S., 2005). Image in its different forms such as construed external image (e.g. Dutton et al., 1994), desired future image (e.g. Gioia & Thomas, 1996), and projected image (e.g. Alvesson, 1991) have been studied by researchers over the years. They have also looked at image from various perspectives including: product, brand, company, and country (e.g. Gatewood et al., 1993; Fombrun, 1996).

The image of a company revolves around the commonly recognized features of an organization in relation to its products or services, its treatment of customers and investors, and its mode of operations (Fombrun, 1996). This image is often determined by information obtained from advertising, direct interaction with the organization, product or service use, rumors, news reports, or unofficial statements by organizational members. The image for international joint ventures can be categorized into four items: i.e. product image, service image, environment image and social image (Si & Hitt,

2004). These images, whether based on tangible or intangible characteristics, influences the way people behave with regard to organizations (Lindquist, 1974).

Thus, the image of a company is also shaped by customers' beliefs about the company, resulting from their experiences and observations, besides being defined by the company (Bernstein, 1984). In a service business, such as a department store, prior research showed that image is created more through the experience shoppers have within the store rather than through media advertising (Davies and Chun, 2002).

Images represent more complex ideas (Nadeau, Heslop, O'Reilly & Luk, 2008) and portray the sum of beliefs, attitudes, and impressions that a person or group has of a company, product, brand, place, or person. Whether these impressions are true or false, real or imagined, the images guide and shape behavior (Barich & Kotler, 1991, p. 95). Images act as cues or knowledge structures that serve as mental short-cuts for processing information in decision making processes and consequently, guide behavior (Kotler & Gertner, 2002). As such, they are highly relevant in this study as they influence students' decision making behavior.

The attitude theory which is seen as the platform of country image (Beerli & Martin, 2004) has been developed through multiple disciplines, including the psychology and management fields. Attitudes are tendencies in action towards objects or experiences (Alcock, Carment, Sadava, Collins, & Green, 1997) and represent a learned way people deal with the complex world around them (Zanna & Jamieson, 1989). Alcock et al. (1997) first described attitudes as comprising cognitions (beliefs), affect (emotions), and conations (actions) and this was further expanded on by Ajzen and Fishbein (1980) who conceptualized attitudes on the basis of a sum of cognitions or beliefs about an object or experience. Fishbein and Middlestadt (1995) argued that to understand attitudes, one must examine a person's beliefs and feelings together.

Image is a general cognitive concept representing a “mental picture” of such elements as organisation, store, product or a country among many others (Audhesh et al., 2003; Brucks et al., 2000; Hong et al., 2002; Jacoby et al., 1998; Kotabe et al., 2005; Miyazaki et al., 2005; Rao & Monroe, 1989). The concept represents an interpretive rather than objective process, with information about the referent object being classified and simplified into a general stereotype (Jacoby & Mazursky, 1985). Country of origin image (COI) is also seen as part of the stereotyping or classifying process that is used to simplify judgements when information is lacking or when there is an overload of information. The research on country image as a broad, global concept has resulted in the conclusions:

- that there exists an overall preference for domestic goods and services;
- that foreign countries may be ordered in terms of their overall expected competence in producing products and services; and
- that the images of countries are multi dimensional (Hong et al., 2002; Kotabe et al., 2005; Peterson & Jolibert, 1995).

Once consumers have considered the general global image, they then form an overall hierarchy of countries based on the considerations. The basis of this hierarchy has to be clearly described before research investigation. The first element that consumers use in global image evaluation is domestic preference. The theoretical foundation for domestic preference can be explained through patriotism or ethnocentrism (Pecotich & Rosenthal, 2001; Shimp & Sharma, 1987). Some of the reasons consumers may prefer domestic goods include familiarity and the belief that it helps the economy, provides jobs and reinforces national pride. Logically, this leads to the expectation that consumers will demonstrate a preference for domestic products.

Given the postulated domestic preference the remaining issue involves the image of non-domestic nations. Research supports the idea that there exists a hierarchy of foreign countries in terms of consumer response (Agbonifoh & Elimimian, 1999; Audhesh et al., 2003; Hong et al., 2002; Papadopoulos & Heslop, 1993; Pecotich et al., 1996; Pecotich & Rosenthal, 2001; Peterson & Jolibert, 1995). Developed countries such as Japan, Germany and the USA are associated with high quality products whereas newly developing nations such as Korea, China and the Philippines are associated with poorer quality products. Countries which consumers know very little about such as the Eastern European countries have the lowest reputation. Indeed, research suggests that the reputation of an unknown country may be lower than that of even a developing nation (Pecotich et al., 1996).

The concepts of image and reputation have been increasingly emphasized in the field of public relations and marketing (Sung & Yang, 2008). Substantial studies have shown that the considerable influence of corporate image and its capacity to attract both present and potential publics, enhance customer's buying intentions and satisfaction, develop a loyalty relationship, and increase sales (Andreassen & Lindestad, 1998; Barich & Kotler, 1991; Dick & Basy, 1994; Gatewood, Gowan & Lautenschlager, 1993; Palacio, Meneses & Perez, 2002; Raj, 1985). Similarly, the benefit of a favorable corporate reputation is the competitive advantage it brings through stimulating customers and increasing satisfaction and loyalty (Fombrun & Shanley, 1990). However, according to Sung and Yang (2008), the association of image and reputation has not been empirically studied within the public relations domain.

They claimed that despite the significant work on corporate image, relatively less country image research has been conducted on service-oriented organizations such as universities. Moreover, Sung believed that new research can build on previous studies



on institutional image and extend it to the higher education sector. University image is a topic that is receiving increasing attention as universities begin to recognize the importance of having distinct images in the competitive market to attract students world-wide (Bok, 1992; Parameswaran & Glowacki, 1995; Theus, 1993). As a result of increased competition, universities have been pushed to brand themselves as having a set of unique and desirable attributes that appeal to potential students (Sung & Yang, 2008). Subsequently, many universities have invested heavily in strengthening the image of 'prestige' or 'quality' (Ghosh, Whippie, & Bryan, 2001; Kennedy & Walker, 1981; McPherson & Schapiro, 1998). To create and manage such desirable images, Kazoleas, Kim and Moffitt, (2001) pointed out that universities need to understand the importance of multiple organizational, situational, personal, and business factors in a university's images.

It is now a well-established claim that a good corporate image has positive influence on a company, as evidenced from research findings in a variety of fields—marketing, advertising, management, and public relations— showing that such companies are more likely to have a good record of sales and market share (Shapiro, 1982), loyal customer relationships (Andreassen & Lindestad, 1998), positive consumer perception of quality (de Ruyter & Wetzels, 2000) and enhanced consumer attachment to the company (Bhattacharya & Sen, 2003).

According to Dichter (1985, p. 75), image refers to a global or overall impression, or “the total impression an entity makes on the minds of others”. Researchers typically define image as the sum of beliefs, attitudes, stereotypes, ideas, relevant behaviors, or impressions that a person holds regarding an object, person, or organization (Kotler & Andreasen, 1996). It is a dynamic and complex entity, and specific groups of audience members can have varying images for one institution.

Hence, organizations need to identify the strengths and weaknesses of their image for each target group. Although organizations try to convey a desirable image to the public, they may not be successful because images are the result of the choices, actions, and social interactions of involved stakeholders (Barich & Kotler, 1991).

There has, however, been some confusion over the image concept, as some scholars and practitioners interchangeably use the term with corporate identity and reputation (Abratt, 1989). For example, Dowling (1993) explained corporate reputation synonymously with corporate image, while Barich and Kotler (1991) saw it as one dimension of corporate image. Dutton, Dukerich, and Harquail (1994) regarded corporate reputation as a representation outside members' perception of corporate image. Conversely, Davies, Chun, da Silva, and Roper (2004) differentiated reputation and image. They defined reputation as "something that is dependent upon actual experience of the organization" (p. 126) whereas image was seen as an opinion that is independent of actual experience.

Until recently, not much research has been done on the concept of corporate image in relation to universities despite the good number of marketing studies devoted to the topic. Of the few published, Kazoleas et al.'s (2001) study on university image showed that receiver-oriented and audience-specific corporate image may vary, according to the analysis of organizational, personal, and environmental factors in the processing of the university image by public individuals.

Studies have affirmed the central role of image and reputation in educational services management. These concepts are extensively used as positioning instruments to influence students' choice of a higher education institution (Milo, Edson, & Mceuen, 1989; Nguyen & LeBlanc, 2001; Weissman, 1990). According to Treadwell and Harrison (1994), image is a strategic managerial issue that affects the institution's

ability to recruit desired faculty members, to attract philanthropic donations, and to draw and retain motivated students. Students' pre-entry images of institutions are usually the result of interaction and contact with recruiters, organizational literature, and other sources.

The corporate reputation is somewhat fragmented despite having received much attention from researchers in the past several years (Ressler & Abratt, 2009) and its construct can be traced back using some of the following terms: identity, branding, communications and image (Balmer & Greyser, 2006). Barnett, Jermier and Lafferty (2006) provided an extensive list of 84 terms in the literature that are related to reputation. However, there is little consensus on the measurement of reputation. In fact, the identification of formative and reflective measures is an ongoing debate in the management and marketing literature. Helm (2005) addressed this specifically in the measurement of reputation. In the reputation literature 'most researchers assume a reflective relationship, meaning that the unobserved latent variable effects the indicator' (pp. 95-96). However, 'if the latent variable is thought to be construct of all its indicators – like an index or ranking – it needs to be measured formatively' (p. 96).

While few studies have examined the image of non-profit organizations such as universities (Arpan, Raney & Zivnuska, 2003), there is growing consensus that an organization's image can only be held or assessed by its stakeholders or constituents (Avenarius, 1993; Lee, 1999; Williams & Moffitt, 1997; Fombrun & Shanley, 1990; Treadwell & Harrison, 1994). Image cannot be projected by firms via messages or logos (William & Moffitt, 1997) but rather, is the result of how, over time, stakeholders interpret the signals or messages emitted by organizations (Fombrun & Shanley, 1990). Avenarius (1993, p. 66), summed up this view explicitly: "The real image makers are the public". Additionally, messages about the organization delivered by the media and

other observers, such as family, friends, or employees of a firm, also influence the images of organizations held by those who evaluate them (Fombrun & Shanley, 1990; Williams & Moffitt, 1997; Treadwell & Harrison, 1994).

In marketing, the critical role of institutional image and institutional reputation in customer's buying intentions is well known (Barich & Kotler, 1991). For example, these factors are important in developing and maintaining a loyalty relationship with customers (Dick & Basu, 1994; Raj, 1985). Moreover, the institution's image and reputation may also impact students' decisions to stay for advanced studies (Nguyen and LeBlanc, 2001). Nguyen and LeBlanc pointed out that institutional image and institutional reputation are considered as two distinct but strongly related social entities.

Institutional image is described as the overall impression made on the minds of the public about an organization (Barich & Kotler, 1991) and accordingly, has two principal components: functional and emotional (Kennedy, 1977). The functional component is related to tangible characteristics that can be easily measured, while the emotional component is associated with psychological dimensions as in feelings and attitudes towards an organization. These feelings are based on individual experiences with an organization, particularly on their analysis of the attributes which also act as the functional indicators of image. Institutional image is, therefore, the result of an aggregate process by which the public compares and contrasts the various attributes of organizations.

Researchers in the fields of economics, organizational theory and marketing (Nguyen & LeBlanc, 2001) have added fresh perspectives to the concept of institutional reputation. Economists analyze issues of reputation in relation with product quality and price (Shapiro, 1982). Organizational researchers examine reputation as part of a social identity, underlining its importance as a intangible resource which significantly

contributes to an organization's performance, and even to its survival (Fombrun & Shanley, 1990; Hall, 1993) while marketing experts study reputation under the rubric of brand equity (Aaker, 1996) and associate it with the credibility of the organization (Herbig et al., 1994).

Despite the different terms used to describe and define institutional reputation (Dowling, 1986), there appears to be a consensus on the essence of the concept: it is a result of the past of an organization. According to Herbig and Milewicz (1993, p. 18), reputation is "an estimation of the consistency over time, of an attribute of an entity." Institutional reputation may be viewed as a mirror of the organization's history that serves to communicate to its target groups the quality of its products or services in comparison with those of its competitors (Yoon et al., 1993). An organization can therefore have numerous reputations – one on each attribute such as price, product quality, innovativeness, management quality – or a global reputation. In the words of Wartick (1992),

"..institutional reputation is an aggregation of a single stakeholder's perceptions of how well organizational responses are meeting the demands and expectations of many organizational stakeholders."

Since an organization's reputation may not be common among all the groups, the definition also includes the focal group's perception of the organization's ability to meet the expectations of other groups. Thus, the organization may have multiple reputations defined based on different combinations of attribute and stakeholder. To understand this process better, it is proposed that the concept of institutional reputation is analyzed in association with credibility. The credibility of an organization rests on the believability of its stated intentions and is determined by comparing what an organization does and what it says it will do. In other words, credibility is related to the

congruence between action and message at a particular moment in time whereas the reputation of an organization is built through the sum of these credible actions (Herbig & Milewicz, 1993). Thus, credibility is a result of the evaluation of a specific transaction, while reputation is a judgment based on combined transactions over time.

Porter (1985) suggested that a good reputation may help a pioneer organization to build an innovative image in the industry, while Franklin (1984) observed institutional reputation as the global and final outcome of the process of building institutional image. However, based on the generally accepted meaning of each concept, both institutional image and reputation are external perceptions of the organization. The former is the organization's portrait in the mind of a consumer, while the latter is the degree of trust (or distrust) in an organization's ability to meet customers' expectations on a given attribute. Institutional image and reputation are thus the results of an aggregation process which incorporates the array of information used in the consumer's perceptions of the organization.

Reputation is a valuable intangible asset that provides a firm with sustainable competitive advantages (Barney, 1991; Hall, 1992) because it influences stakeholders' economic choices vis-à-vis the organization (Benjamin & Podolny, 1999; Dollinger, Golden & Saxton, 1997; Deephouse, 2000) and contributes to differences in organizational performance. Indeed, numerous studies have documented a positive relationship between a firm's reputation and its financial performance (Fombrun & Shanley, 1990; Podolny, 1993; Roberts & Dowling, 2002).

Organizational scholars recognize the value of reputation as it reduces the stakeholders' uncertainty in evaluating firms as potential suppliers of products and services (Benjamin & Podolny, 1999; Weigelt & Camerer, 1988). From an economic perspective, reputation reduces stakeholders' concerns about the quality of products,

thus, inducing them to pay price premiums, which in turn positively influences the organizations' economic outcomes (Shapiro, 1982, 1983). The following table summarizes the definitions of reputation by previous scholars:

**Table 3.6**  
**Definitions of Reputation**

Research Area	Definition of Reputation	Type of Perceptions Equated with Construct	Example of Studies
Management	An attribute or a set of	Assessments of a relevant	Weigelt & Camerer (1988)
Economics/Game-Theory	attributes ascribed to a firm,	attribute(s)	Hayward & Boeker (1998)
Perspective	inferred from the firm's past actions		Stuart (2000)
	An observer's impression of an actor's disposition to behave in a certain manner	Assessments of a relevant attribute(s)	Clark & Montgomery (1998)
Institutional Perspective	Public's cumulative judgments of firms over time; a global perception	Collective knowledge and recognition	Fombrun & Shanley (1990) Roberts & Dowling (2002)
	Stakeholder's knowledge and emotional reactions-affect, esteem-toward a firm	Collective knowledge and recognition	Hall (1992) Fombrun (1996) Deephouse (2000)
Marketing Perspective	Level of awareness that a firm has been able to develop for itself and for its brands; fame	Collective knowledge and recognition	Hall (1992) Shamsie (2003)
Economics	Consumer's expectations and beliefs about a firm's products quality	Assessments of a relevant attribute(s)	Shapiro (1982, 1983) Allen (1984)
	A rival's perceptions about the likelihood an incumbent will behave in certain way	Assessments of a relevant attribute(s)	Kreps & Wilson (1982) Milgrom & Roberts (1982)
Sociology	A prevailing collective agreement about an actor's attributes or achievement based on what the relevant public "knows" about the actor	Collective knowledge and recognition	Lang & Lang (1988) Camic (1992)
	A characteristic or an attribute ascribed to an actor on the	Assessments of a relevant attribute(s)	Raub & Weesie (1990) Kollock (1994)

Marketing	basis of its past actions		
	Estimation of the consistency over time of an attribute of an entity	Assessments of a relevant attribute(s)	Herbig & Milewicz (1995)
	Consumers' impressions of a company that is producing and selling a given product or brand	Collective knowledge and recognition	Goldberg & Hartwick (1990)
	Perceptions and beliefs about a firm based on previous interactions	Assessments of a relevant attribute(s)	Campbell (1999) Prabhu & Stewart (2001)
	Public esteem or high regard	Collective knowledge and recognition	Weiss, Anderson, & MacInnis (1999)

Berry's (2000) examination of branding in consumer service settings, revealed the importance of the brand's "meaning" that the customers derived from the service experiences they had. In these situations, the reputation of the company can have a major influence on the buyer process and consumption experience. Hence, like consumer service markets, the company's reputation is likely to have an important influence on the buying processes that is different to the product specific influence of the brand's image. The influence of company reputation or corporate reputation can be expected to increase in importance with higher levels of service. Business markets have a large service component due to the technical nature of their products. Hence, the seller's reputation is an important influence. Company reputation has been broadly described as the long-term combination of the stakeholders' assessment about "what the firm is", "how well the firm meets its commitments and conforms to stakeholders' expectations", and "how well the firm's overall performance fits with its socio-political environment" (Logsdon & Wood, 2002). Consequently, company (corporate) reputation has been defined as "a particular type of feed-back received by an organization from its stakeholders, concerning the credibility of the organisation's



identity claims” (Whetten & Mackey, 2002, p. 401). However, if the COO stereotype is negative, it can pose formidable barriers for marketers attempting to position their goods within a foreign market (Johansson et al., 1994).

### **3.7 SERVICE EVALUATION**

National culture is believed to have a strong influence on cultural value orientation (Alden, He & Chen, 2010). Therefore, according to them, the implications of country-level versus individual-level culture assessment appear to be a fertile ground for future research.

Further studies undertaken at the university can be classified as high involvement products as they are of high personal importance, purchased infrequently and are expensive in terms of both time and money (Nicholls, Harris, Morgan, Clarke & Sims, 1995; Schiffman & Kanuk, 2004). The high degree of involvement coupled with the fact that there are significant differences between brands means that buying behavior is complex (Assael, 1981). As in other services, postgraduate courses cannot be experienced before purchase and to ensure that they select the right course, the student will look for evidence of service quality (Kotler, 2003). Thus according to Levitt (1981), the universities must ‘tangibilise’ what is intangible and provide evidence that demonstrate the benefits of their courses. For example, students will seek personal endorsements from current or ex-students when choosing a university as this creates tangibility for the university and its benefits (Dehne, 2000). When combined, such factors reflect a high level of perceived risk, which tends to be further increased if the postgraduate student is self-funding (Moogan, Baron & Bainbridge, 2001).

In purchasing a service, consumers will consult a variety of sources, specifically personal testimonies, as these are seen as more reliable (Nicholls & Wong, 1988). Thus, in order to satisfy students’ requirements, universities must work towards

enhancing students' perceptions of their institutions and courses (Donaldson & McNicholas, 2004). Donaldson added that, some postgraduate students valued the institution first and then only the course while others choose the course first.

### **3.8 HIGHER EDUCATION**

Unlike other service businesses, higher education is a pure service and is characterised by a greater amount of interpersonal contact, complexity, divergence, and customization (Patterson et al., 1998). However, as the nature of quality attributes in higher education is such that it cannot be perceived, felt, or tested in advance, this makes it difficult for students, especially international students, to evaluate a programme (Patterson et al., 1998; Harvey & Busher, 1996; Srikatanyoo & Gnoth, 2002).

The measure of quality in higher education is unique as it may vary significantly according to different circumstances from year to year, class to class, student to student, lecturer to lecturer (Patterson et al., 1998; Owlia & Spinwall, 1996); and even within different countries (Srikatanyoo & Gnoth, 2002). Furthermore, service quality means different things to different consumers (Ahmed et al., 2002). Quality in higher education is closely associated to quality in business (Koslowski, 2006). Garvin (1988) described types of quality in business terms while Seymour (1992) placed them in their context within higher education. The reputation and expertise of the teacher translates into quality of education (Garvin, 1988; Seymour, 1992). Garvin (1988) and Seymour (1992) believed that the quality of higher education is defined by the customer's needs, wants, desires, and preferences, similar to the first tenet of quality in business. Cubillo, Sanchez and Cervino (2006) asserted that country image plays an important role in the prospective student's final decision.

The higher education sector is a highly critical and significant sector to any economy, especially for a developing country like Malaysia which aims to be a developed country by the year 2020. To this end, increasing competitive advantage is vital and so also for the Malaysian universities which are targeting foreign professors and foreign students to come as a means to improve their rankings and ratings. In this context, these higher education institutions must develop a distinctive image and improve their positioning to sharpen their competitive advantage by (Ivy, 2001; Valimaa, 2004). Investigating the university's strategies in trying to attract foreign students and in trying to understand the preferences of these international students is seen as a beneficial and interesting research area.

Cubillo, Sanchez and Cervino (2006) suggested that it is vital for marketers to know the factors influencing the purchase intention of prospective students and to understand the nature of the relationship among these factors. The increasing demand for educational services require marketers to be sensitive and knowledgeable about the underlying factors considered by consumers when evaluating services (Ahmad et al., 2002) to ensure their survival in today's competitive environment (Vaira, 2004, cited by Cubillo, Sanchez & Cervino, 2006).

Higher education is very much a feature of each country, it influences and is influenced by the country's culture (Bourke, 2000). Several countries such as the US, UK, Australia, Ireland have a good reputation for education and thus, the higher education offerings in those countries are considered high quality by many. Bourke (2000) emphasized the need for the resources and capabilities of service institutions to be identified, organized and managed in order to attain international competitive advantage. Additionally, she added that the institution's success in this respect is determined by the quality and efficient use of its resources and capabilities.

Furthermore, its marketing capabilities act as the key resource in attracting foreign students.

Soutar and Turner (2002) identified the factors that students might consider when determining their preference for a particular university as the following:

- (1) The type of course that they want to do (e.g. business, law, engineering);
- (2) The academic reputation of the institution (very good, sound or poor);
- (3) The campus atmosphere (quiet or lively);
- (4) The quality of the teaching staff (average or above average);
- (5) The type of university (old or modern, traditional or technological).

In addition, the duration of study is another important criteria for postgraduate courses especially at Ph D. level.

While competitive advantage was a concept alien to the higher education sector prior to the 1990s, universities around the world now acknowledge they are in a ‘market’ (Oldfield & Baron, 2000) and must therefore, focus on quality enhancement and improve their rankings as a mark of their status. Despite this, relatively little has been written on the marketing of education within international markets (Altbach et al., 1985; Albach & Wang, 1989; Smart & Ang, 1992b).

Higher education can be termed a “pure” service, as distinguished by the degree of “person-to-person” interaction (Solomon et al., 1985). In such settings, student interactions and their influence on each other is a powerful determinant of overall satisfaction. However, as the personal interaction and “labour intensity involved in the

delivery of most services" are heterogeneous (Hill, 1995, p. 10), the quality of service delivery can vary within the same organization (Berry et al., 1985).

Customer interaction with service organizations is the lifeline of service delivery. People who deliver the service are of key importance both to the customers they serve and the employers they represent. To the customer, the employee epitomizes the service (Booms & Nyquist, 1981) and the customer's satisfaction with the service encounter depends on the employee's ability and willingness to satisfy, and his/her manner and appearance. In many ways, employees may be the only way a service provider can differentiate itself (Palmer, 1994); for example, in terms of politeness, knowledge and helpfulness compared to employees delivering competitive services. Lovelock (1981) believed that in "people processing" services or high personal contact situations, such as hospitals and educational institutions, customers often evaluate those taking part in the provision of the service in terms of their technical or customer-related skills, personality, consistency of performance and appearance.

Customers cannot see a service but they can see and experience various tangible elements associated with the service such as service facilities, equipment, employees, uniforms, pamphlets, leaflets which are referred to by Zeithaml et al. (1992) as "clues". As advocated by Shostack (1977), it is possible to "manage the evidence" using the clues. "A prime responsibility for the service marketer is the management of available tangibles so that the proper signals are conveyed about the service" (Berry, 1980). As the service experience in higher education is complex, students undergoing higher education likewise have a complex set of expectations (Oldfield & Baron, 2000).

In this globalised era, a university is no longer just an institution of higher learning but also a business (Bunzel, 2007) and recent changes in universities and

colleges have drawn attention to the role of students as “customers” or “consumers” of higher education (Modell, 2005).

### **3.9 ACADEMIC REPUTATION**

Soutar and Turner’s (2002) study provided support for Hooley and Lynch’s, (1981) suggestion that course suitability and academic reputation were the most important determinants of university choice. In the higher education sector, academic reputation can be linked to quality of reputation and market recognition, both of which have been highlighted in several studies as being important to the development of competitive advantage (Aaker, 1989; 1991; Hall, 1992; 1993). They are not identical to each other although they are closely related as can be illustrated by the success of Ivy League institutions which is linked to their image and reputation regardless of their teaching quality (Huber, 1992). Aaker (1989) found that managers of service enterprises ranked a “reputation for quality” and “name recognition/high profile” as significant sources of competitive advantage.

### **3.10 UNIVERSITY REPUTATION**

Nowadays, globalization has brought increased attention to the identities, images and reputations of universities (Locmele, 2008). Reputation is a source for competitive advantage (Hall, 1993; Mazzarol, 1998) as discovered by Pimpa (2005) in his study that it was the most important factor influencing Thai students to choose Australian universities. Similarly, Curtin (2009) found that universities invest heavily in marketing an image, brand and profile to prospective students and staff. He also added that reputation management includes a range of proactive and reactive strategies and investments. Curtin asserted that high profile successful researchers and academics enhance a university’s reputation and there was competition to attract the best academic staff. Great attention is paid to this as universities gain financially in a competitive

commercial environment from high profile staff and the publicity surrounding research success.

Studying reputation in the university setting offers both managerial and theoretical opportunities (Ressler & Abratt, 2009). From a managerial perspective, universities are increasingly competing for students, grants and sponsored research (Ivy, 2001). Being non-profit organizations, universities have traditionally not exhibited market orientation but this is changing, as university administrators are beginning to realize the benefits of a market orientation (Alessandri et al., 2006; Arpan et al., 2003).

Reputation management requires a solid understanding of the construct of reputation and how target audiences perceive and respond to university reputation (Ressler and Abratt, 2009). However, studies on university reputation in the marketing and management literature are sparse and highly fragmented in terms of the constituencies, reputation factors and respondents (Helgesen & Nettet, 2007; Nguyen & LeBlanc, 2001; Landrum, Turrissi & Harless, 1998).

Gamage et al., (2008) are convinced that reputation is becoming increasingly important and universities have developed distinct images in order to maintain their competitiveness in the market place. Furthermore, the importance of the university's reputation has also been discussed by researchers such as Nguyen and LeBlanc (2001), Kazoleas et al. (2001), and Hoyt and Brown (2003). The study by Gamage et al., (2008), suggested that a university's reputation, quality of academic staff, quality of academic programs and job placement are some of the most important factors that influence a student's decision to study in a particular university.

There are remarkable similarities in the findings of various studies on the motivating factors for students' choice of particular courses and universities (Binney &

Martin, 1997; Chapman, 1981; James, Baldwin & McInnis, 1999; Krause, Hartley, James & McInnis, 2005, Hesketh & Knight, 1999; Martin, 1996; Moogan, Baron & Harris, 1999; Moogan, Baron & Bainbridge, 2001; Payne, 2003; Soutar & Turner, 2002). “A person’s preferred tertiary course...represents a complex aggregate of his or her personal field of study interests, the perceived characteristics of the relevant course in the intended university, and the wider qualities of that institution” (James et al., 1999, p1). Choosing a university and program is a complex business, compounded by the information society we are in (Briggs, 2006) and the fact that what universities are selling is a service which cannot be “sampled” and which students may be committed to for several years and therefore, involves a high element of risk for the consumer (Moogan et al., 1999).

Prospective students have broadly conceived ideas about program and institutional reputations which affect their decisions and it appears that program and university entry scores persistently serve as proxy for quality (Szekeres, 2010). Generally, Szekeres observed that students applying to research universities as their first preference were more strongly influenced by research reputation, institutional image and prestige and on-campus social and cultural life. For international students, the most important determinant was the recognition of the qualifications by future employers followed by the institution’s reputation, its willingness to recognize previous qualifications and the reputation of staff (Szekeres, 2010). This is consistent with Briggs’s (2006) study which found academic reputation to be the most influential factor in choosing an institution (although for the newer institutions, ease of entry was a stronger influencing factor). According to Moogan et al. (1999), students use the university’s reputation as a proxy for quality, and often regard the entrance mark as a proxy for the university’s reputation.



In the field of image and reputation marketing, it is interesting to note that reputation in the business world is built on almost apposite outcomes to higher education – high sales compared to restricted “sales” – thus, making the use of business marketing frameworks questionable for higher education (Hemsley-Brown & Oplatka, 2006).

Vidaver-Cohen (2007:280) stated that a good reputation is one of the most valuable intangible assets of an organisation as it reduces stakeholder uncertainty about future organisational performances, strengthens competitive advantage, contributes to public confidence and creates value by maximizing an organisation’s ability to receive a premium for products or services (Vidaver-Cohen, 2007:280). Consequently, the corporate reputation of universities should be harnessed to ensure the university’s competitiveness and sustainability. It is vital for universities to project a good image and reputation to attract new students and maintain its current students. University reputation has also been revealed as an important choice factor that students consider when deciding on which university to attend (Briggs, 2006; Raposo & Alves, 2007; Weise, 2008).

### **3.11 COUNTRY IMAGE AND INTERNATIONAL TERTIARY EDUCATION**

Tertiary education is a professional service and by its nature, is set apart from other service business (Srikatanyoo & Gnoth, 2002). It is also considered pure business like other professional services (e.g. law, consulting, architecture) and cannot be seen, experienced or touched in advance which presents difficulties for foreign students (Harvey & Busher, 1996; Patterson, Romm & Hill, 1998). Thus, country image seems to play an important role in students’ choices of international tertiary education (Srikatanyoo & Gnoth, 2002).

Some first attempts to introduce the country image effect on the international students' choice model were made by Lawley (1998), Peng et al. (2000), and Srikatanyoo and Gnoth (2002). Past results showed that country image plays an important role in students' selection of international education (Lawley, 1998, cited in Peng et al., 2000; Srikatanyoo & Gnoth, 2002). By this token, prospective students tend to choose the country first and then, the institution (Bourke, 2000; Srikatanyoo & Gnoth, 2002). Due to the prestigious image of higher education in certain countries, students tend to believe that higher education offered in these countries is of high quality (Bourke, 2000). Thus, one of the factors considered by prospective students is the prestige associated in studying in these countries (Bourke, 2000).

### **3.12 PERCEIVED QUALITY**

Perceived quality is defined as the “customer’s perception of the overall quality or superiority of a product or service with respect to its intended purpose relative to alternatives” according to Aaker (1991, p.85). It is also described as the consumer’s judgment about a product’s overall excellence or superiority (Zeithaml, 1988). For example perceived product quality is a global assessment ranging from “bad” to “good”, characterized by a high abstraction level and refers to a specific consumption setting (Tsotsou, 2005). Tsotsou (2005) emphasized that perceived quality has attracted the interest of practitioners and researchers because of its assumed beneficial effects on marketing performance. He added that the importance of perceived quality is derived from its impact on purchase intentions.

Some authors observed that perceived quality had a positive, direct effect on purchase intentions (Carman, 1990; Boulding, Staelin & Zeithaml, 1993; Parasuraman, Zeithaml & Berry, 1996) while others reported only an indirect effect through satisfaction (Cronin & Taylor, 1992; Sweeney, Soutar & Johnson, 1999). Yet others

argued that both relationships existed (Tsiotsu, 2006). Tsiotsu noted that the dual effect (direct and indirect) of perceived product quality on purchase intentions has been found for goods, while the single effects (direct or indirect) have been reported from studies focused on services.

Generally, perceived quality is viewed as a post-purchase construct (Holbrook & Corfman, 1985; Roest & Pieters, 1997) although some scholars (Rust & Oliver, 1994) supported the view that it is both a pre- and post-purchase construct as they believed that a previous product experience is not needed to assess quality. In this research, perceived quality is linked to intention to study. Further, the relationship is tested before students further their studies and thus it indicates that this is a pre-purchase condition. It is formed and tested before the respondent make any decisions to purchase.

The terms perceived quality and satisfaction have often been used interchangeably, especially among practitioners although according to Rust and Oliver (1994), there are two fundamental differences between perceived quality and satisfaction. Perceived quality is a more specific concept based on product and service features, whilst satisfaction can result from any dimension (e.g. loyalty, expectations). Moreover, organizations can exert some control over perceived quality but this cannot be done for satisfaction. In fact, it is suggested that “when perceived quality and satisfaction are regarded as overall assessments, perceived quality is understood as an antecedent of satisfaction and therefore precedes it” (Llusar, Zornoza & Tena, 2001, p. 721).

According to Aaker and Joachimsthaler (2000), perceived quality is “a special type of association, partly because it influences brand associations in many contexts and partly because it has been empirically shown to affect profitability”. In fact,

perceived quality is different from actual or objective quality, product-based quality, and manufacturing quality (Aaker, 1991). It can be viewed as the difference between overall quality and undetected quality. Further, perceived quality may lead to consumer satisfaction, which is determined by perceived performance and expectations (Chaudhuri, 2002). Much research has been invested in the concept of perceived quality (Teas & Agarwal, 2000; Rao & Monroe, 1989; Jacoby, Olson & Haddock, 1971). In Patrick's (2002) study, perceived quality can be measured in terms of four dimensions: quality outstanding, reliability, dependability, and consistency.

There has been debate in the literature regarding the relationship and overlap between the constructs of customer satisfaction and service quality (e.g. Bitner & Hubbert, 1994; Dabholkar, 1995; Oliver, 1996; Parasuraman, Zeithaml, & Berry, 1994). While user satisfaction and user perceived service quality stem from distinct research paradigms, both use expectations and perception as key antecedent constructs. Patterson and Johnson (1993) and Bloemer and de Ruyter (1995) wanted to merge service satisfaction with service quality by integrating them into one model. However, Bloemer and de Ruyter (1995) suggested that service quality should be treated as an antecedent of user satisfaction and that perception is a direct indicator of satisfaction, with expectations and disconfirmation having little influence on satisfaction.

The most widely accepted definition of perceived service quality is that it represents the discrepancy between customer expectations and their perceptions (Lewis and Booms, 1983; Groonros, 1984; Parasuraman et al. 1988). Two leading conceptualizations of the dimensions of product quality and country image for consumer durables have been proposed (Garvin, 1987; Brucks & Zeithaml, 1991). Conversely, Han and Terpstra (1988) found that consumers do not rate products consistently on all dimensions of quality such as plausibly, perceived quality

inextricably with perceived value. There is some empirical evidence to support the view that quality is positively related to perceived value (Brady & Robertson, 1999; Teas & Agarwal, 2000).

Consumers look at the dimensions of quality related to brands and COO. Thakor and Katsanis (1997) agreed on the consumer-perceived dimensions of quality and discussed a new conceptual model which relates brand and COO cues to perceived quality dimensions. The importance of perceived quality is further augmented by Aaker (1991) who categorized perceived quality as one of the key sub-dimensions of brand equity. D'Astous and Ahmed (1998) also observed that with regard to perceived quality, the COO factors are not only statistically significant but also have the greatest impact (using mean squares as indicators of effect strength). This illustrates the importance of perceived quality and COO in the mind of consumers.

COO affects consumer-perceived dimensions of quality (Thakor & Katsanis, 1997). They believed the two leading conceptualizations of the dimensions of product quality for consumer durables are those proposed by Garvin (1987) and Brucks et al., (2000). Perceived quality can be defined as the consumer's judgment about a product's overall excellence or superiority (Dean, 1999) and perceived quality is considered an attribute with a higher abstraction level (Kirmani & Zeithaml, 1991).

Often, the terms perceived quality and satisfaction have been used interchangeably, especially among practitioners. However, Rust and Oliver (1994) proposed that perceived quality and satisfaction differ in two ways: perceived quality is a more specific concept based on product and service features, whilst satisfaction can result from any dimension (e.g. loyalty, expectations). Thus, it is suggested that "when perceived quality and satisfaction are regarded as overall assessments, perceived quality is understood as an antecedent of satisfaction and therefore precedes it" (Llusar,

Zornoza, & Tena, 2001, p. 721). Thus, it is expected that the higher the perceived quality of a product or services, the higher the consumer satisfaction.

Yamoah (2005) stated that perception of quality of product is a factor of prime importance in most purchasing transactions. Thus, he claimed, consumers will prefer a product from a given country that is perceived favourably in terms of quality than an alternative from another country. This is consistent with literature that has reported that perception of quality is an essential determinant of product purchase preference (Hugstad... Powell, 1999). Kim and Chung (1997), stated that more importantly, the perceived quality associated with popularity can be added to the value of the brand, which will positively influence the probability of the brand being chosen among alternative brands. They added that perceived quality image associated with brand popularity can enhance customer satisfaction with regard to the usage experience. In the automobile industry, for example, brands originating from Japan tend to have similar brand images in terms of the perceived quality of product features. The similar images of brands from the same country has been noted to be particularly important when products cannot be easily evaluated by consumers, as in the case of automobiles and consumer electronics, where consumers seek external cues for drawing inferences.

Henderson et al. (2003) discovered that the development of strong brands is especially important in Asia. Their study revealed that Asian companies face various challenges in building strong brands including the presence of strong international brands and perceptions by some that Asian brands are inferior (Jacob, 1993; Schmitt & Pan, 1994; Schutte & Ciarlante, 1998). Henderson et al., (2003), found that quality perceptions loaded highly on the affect factor. Again, they recommended that companies focus on creating impressions of quality. The same observations may apply to the universities in Asia, particularly Malaysia. Therefore it is worthwhile and timely

to study the importance of perceived quality in Malaysian universities, how it can attract and sustain the growth of foreign students. Roth and Romeo (1992) stated that country image may be the more appropriate summary construct, of which perceived quality may be just one dimension. Perceived quality is considered as the outcome of the country image.

To improve perceived quality, therefore, service employees, particularly those who are in direct contact with customers should be well-trained both in interpersonal and technical skills and should be highly motivated (Mersha & Adlakha, 1992). According to Mersha and Adlakha (1992), it is generally agreed that service quality is a multidimensional concept which may mean different things to different people. Based on an exploratory study of four types of service firms, Parasuraman, Zeithaml and Berry (1985) identified ten determinants of service quality. These include accessibility, reliability, responsiveness, competence, courtesy, communication, credibility, security, understanding/knowing the customer and tangibles such as physical facilities, appearance of personnel and tools used to provide the service.

Compared to conceptual models developed for products and general services, there has been little published work related to quality dimensions in public services and, in particular, higher education (Owlia & Aspinwall, 1996). Perceived quality refers to the reputational factors influencing the customers' image of the corporation (Garvin, 1987). According to Anderson and Sullivan (1993), the satisfaction of the customer is affected by expectations and perceived quality. For higher education, quality perception is a core and strategic element (Peters, 1992). Thus, some higher education institutions have changed their quality management systems to convey a stronger quality image (Ford et al., 1999).

Consumers' perceived quality of a brand is connected to their perception process involved in the decision-making process (Norjaya, Mohd & Osman, 2007) who mentioned that high perceived quality occurs when consumers recognize the differentiation and superiority of the brand relative to competitors' brands. Again this will influence their purchase decisions and would drive them to choose the brand rather than competitors' brands.

In a study of Uzbek consumers, Zain and Yasin (1997) found that products from developed countries (USA and Japan) were perceived to be of high quality while products from less developed countries (India, Uzbekistan, China) were perceived to be of low quality. These studies provided additional support to past research showing a positive relationship between product quality and degree of economic development of the country of origin. Verlegh and Sttenkamp (1999) found that country of origin has a larger effect on perceived quality than on attitude toward the product or purchase intention.

Gronroos (1984) indicated that the perceived quality of service is dependent on a comparison between expected and perceived service, and is thus the outcome of a comparative evaluation process. Parasuraman et al. (1985) defined "service quality" as the degree and direction of discrepancy between a customer's perceptions and expectations, whereas "perceived service quality" is the gap between a customer's expectations and perceptions as a measurement of service quality. The smaller the gap, the better the quality of service and the greater the customer satisfaction. Nonetheless, the actual quality of service is difficult to define and measure (Gavin, 1983; Parasuraman et al., 1988; Brown & Swartz, 1989). However, researchers have reached a consensus that service quality should be defined and measured from the customer's perspective. The most widely accepted definition of perceived service quality is that it



represents the discrepancy between customers' expectations and their perceptions of service performance (Lewis & Booms, 1983; Gronroos, 1984; Parasuraman et al., 1988).

In their study, Sung and Yang (2008) proved and found that (1) the level of active communication behaviors of students; (2) perceived quality of educational experience with the educational institution; (3) perceived quality of relationship with the university, and (4) perceived reputation of the university formed the basis for student evaluations. For a university to be considered as world-class it is critical, therefore, for it to be evaluated as belonging to the premier research league (Tapper & Filippakou, 2009).

According to Sirat (2008), perceived quality and reputation of the country's education position is among the reasons international students choose one destination country over another. Gamage et al. (2008) proved that perceived quality has a positive impact on students' overall satisfaction and that students who had positive perceptions of services being offered at their universities tended to report a higher level of overall satisfaction. This implies that it is imperative to enhance students' perceived quality of three main aspects of the university: academic, non-academic, and facilities, to maintain students' overall satisfaction.

Chapman (1986) held the view that the importance of the perceived overall academic quality is unquestionable when choosing to apply to a university, and the most important attributes when assessing this are the quality of faculty and the degree programmes offered (Coccari & Javalgi, 1995; Moogan et al., 1999; Soutar & Turner, 2002).

### **3.13 PURCHASE INTENTION**

Consumers rely on two categories of cues, intrinsic (physical product attributes) and extrinsic (non-physical product attributes) in purchase decision-making (Akaah & Yaprak, 1993). These cues help to simplify the purchase decision task (Olson & Jacoby, 1972) and in this regard, Akaah and Yaprak (1993) stated country of origin represents an example of extrinsic cues. Peterson and Jolibert (1995) stated that purchase intentions were more susceptible to methodological artifacts than were quality/reliability perceptions.

Marketers have long regarded purchase intentions as the most accurate predictor of purchase behavior (Morwitz & Schmittlein, 1992) based on the works of the early behavioural science theorists who placed intent as a critical element of the tripartite (belief, affect and intent) attitude structure. Following in this tradition, a number of COO studies have shown that a respondent's attitude towards a country of origin products follows through purchase intent to behavior (Hakansson & Wootz, 1975; Darling & Kraft, 1977; Nebenzahl & Jaffe, 1993). Comparable COO work for services does not appear to have been performed in the publicly available empirical research literature. Considering the importance of the service sector to the economies of modern nations, combined with the lack of studies focusing on the effects of COO on purchase intention, there is clearly a need to analyse purchase intentions as a function of both product and consumer specific cues in the COO services environment.

In the past 15 years or so, scholars have made several attempts to devise an integrative theory of how consumers incorporate PCI information in forming their attitudes and expressing their purchase intentions (Johansson et al., 1985; Papadopoulos et al., 1988; Johansson, 1989; Han, 1989; Hong & Wyer, 1989; Nebenzahl et al., 1997; Knight & Calantone, 2000). The purchase intention is used as a predictor for the

preferential choices of consumers, and is defined as the intention of the student regarding the destination country as provider of the education service (Peng et al., 2000; Srikatanyoo & Gnoth, 2002).

Meta-analysis study shows that COO consistently has substantial impact on quality perceptions, which are the focus of the majority of studies (Speece & Nguyen, 2005). Although it is less frequently studied, COO also consistently influences purchase intention, but the impact is smaller than on quality perceptions (Peterson & Jolibert, 1995). A review of the literature in the past (al-Sulaiti & Baker, 1998) also confirmed both the extensive research on the topic and the fact that there is very strong, widespread evidence that the effect is real. Lim and Darley (1997) demonstrated that the effect size may differ somewhat, depending on alternative research design and methodology, but COO effects are present across various different ways of trying to measure it. It is readily apparent, then, that COO plays an important role in quality perceptions, and thus brand image, as well as in purchase intention.

Some researchers have considered country effects on outcomes other than product evaluation or product image. For example, some have investigated whether country-of-origin (COO) affects consumers' perceptions regarding the riskiness of purchasing foreign versus domestic products (Wall et al., 1991). Others have measured COO effects on purchase intention (Han, 1988; Schooler & Wildt, 1968; Shimp & Sharma, 1987). Researchers who tested for country effects on multiple outcome variables (such as purchase intention, product evaluation, and attitude toward buying) tested for the effects on each dependent variable separately.

As stated by Sadrudin and d'Astous (2005), a large number of marketing studies have shown that COO impacts on different aspects of consumer evaluation and choice behavior. Studies investigating COO effects on overall customer beliefs and behaviour

conclude that buying intentions are influenced by factors such as the source country's economic and political maturity, historical events and relationships, traditions, level of industrialisation and economic development, and degree of technology virtuosity (Hooley et al., 1988; Lawrence et al., 1992). It seems that even if COO is not relevant to the objective evaluation, such beliefs generate perceptual, attitudinal and behavioural responses. Customers stereotype the quality, suitability and attractiveness of products coming from certain countries and regions (Agrawal & Kamakura, 1999; Lotz & Hu, 2001), associate product quality with images of the economic and social conditions of the COO (Hong & Wyer, 1989; Klein et al., 1998) and consequently show stronger purchase intentions for goods from countries about which they have favourable images (Knight & Calantone, 2000; Chao, 1989). COO beliefs take effect intuitively in sequential steps, enabling customers to rank-order countries according to preferred source of purchases. Generally, developed countries are ranked higher than developing countries (Thakor & Kohli, 1996; Manrai et al., 1997) and customers evaluate products that are identical in all respects differently, except for COO (Verlegh & Steenkamp, 2005; Orbaiz & Papadopoulos, 2003).

The findings of past COO studies can be contradictory. Some conclude that COO is a salient variable that influences product evaluations and purchase intentions. Others have concluded that several other factors influence customer beliefs and purchase intentions much more strongly. Past studies discussed the effects of the market context by investigating beliefs and buying intentions arising from the overall social, political and economic image of the source country, the characteristics of offerings, their hybrid nature, the differences across market segments within the same country and across different countries, brand image, cultural differences among customers, and the effects of promotion and other communication strategies and tactics. Some have concluded that not all customers use COO cues and that, when they do, they

may not do so to the same extent. COO beliefs are highly contextual and evolve over time. However, past studies have not considered the potential influences, interactions and interconnectedness of factors such as brand names, hybrid offerings, communication and promotional activities, customer characteristics and market dynamics. Different customer segments in different countries respond differently to such influences and COO effects cannot be fully understood without considering them.

Various academic studies have shown that positive images of a country influence consumers' evaluations of products from that country as well as buying intentions (Bilkey & Nes, 1982; Ozsomer & Cavusgil, 1991; Papadopoulos & Heslop, 1993; and Peterson & Jolibert, 1995).

### **3.14 CONCLUSION**

Previous studies related to this research have been summarized and how the theories relate to the study is also discussed in this chapter. The chapter also elaborated in detail the concepts of country image, university reputation, perceived quality, and intention to study either as independent variables or according to how they relate to each other in the framework. The framework is relevant and significant in the services sector, especially the higher education sector. The following chapter will discuss the development of the theoretical model of this study from which the hypotheses to be tested are developed.