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## **INTERCONNECTION BETWEEN PRODUCT QUALITY, CONSUMER PERCEPTION, AND COUNTRY OF ORIGIN INFLUENCE**

**Abstract:** Consumer perceptions of product quality are often shaped by multiple factors, with the country of origin being a key determinant. While some consumers may prioritize basic functionality, disregarding the product's place of manufacture, the country of origin can significantly influence perceptions for certain items, particularly those from countries with a strong positive reputation. For many authors, the country of origin refers to the location of the company's headquarters. Consumers often show a preference for products from countries known for quality and technological advancement, which can lead them to pay premium prices, even when the product's actual quality may not be superior. This effect is especially noticeable with high-end products, which often serve as symbols of status. In such cases, the country of origin is perceived as a quality indicator, based on assumptions about the industrial and technological standards of that nation. Many studies confirm the strong connection between the country of origin and consumer perceptions, underscoring its importance in shaping marketing strategies and consumer behavior.

**Keywords:** Consumer Behavior, Product Origin, Brand Perception, Luxury Goods, Price Sensitivity.

### **Introduction**

National image or the image of the manufacturer can play a significant role in product policy. Japanese technical goods had a poor image twenty years ago, but now they are regarded as reliable, high-quality, and technically perfect, which provides significant support to any product, alongside its visible characteristics. The same is true for French perfumes or Italian fashion items (Jović, 2002; Veljković, 2010).

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Currently, Chinese products face similar issues that Japanese products once did. In a populous country like China, the business philosophy has been "produce as much as possible with minimal costs," and the loser has often been quality (Dašić Dašić 2021). The Country-of-Origin Effect (COO) is one of the key factors in consumer decision-making, particularly in a globalized market environment. COO refers to the perception of quality, value, and authenticity of a product based on the country in which it is produced. This effect has a strong impact on various aspects of consumer behavior, including preferences, brand loyalty, and willingness to pay premium prices.

Research shows that the Country-of-Origin Effect significantly influences the purchase of luxury and publicly visible products. For example, products from countries with a reputation for high quality, such as Switzerland (watches) and Germany (cars), inspire greater consumer trust and are often perceived as prestigious. On the other hand, products from countries without a well-established industrial reputation may face prejudices and lower market value, making their placement in international markets more difficult (Pharr, 2005). Furthermore, consumers are likely to react differently to products depending on whether they are luxury items or basic necessities. A study has shown that COO has a more pronounced impact on luxury products, where emotional and symbolic aspects of purchasing are significant, than on basic products, where functionality is the key criterion (Piron, 2000; Milosavljević, 2006; Jaffe, Nebenzahl, 2006)).

This topic is of great importance to marketing professionals and companies seeking to develop strategies for the international market. Understanding the perception of COO allows for better product positioning and adaptation of communication messages to specific markets. Consumer perception refers to how consumers perceive, evaluate, and interpret products, brands, or services based on their experiences, beliefs, and expectations. Key factors shaping perception include product quality, price, branding, and marketing messages. For example, products with positive associations with their country of origin often receive a higher perception of quality and value, while negative associations can cause consumer skepticism. Recent research emphasizes the importance of emotional aspects of perception in decision-making, with consumers tending to choose brands they feel emotionally connected to, even when objective product qualities are similar. This highlights the importance of branding strategies that build favorable and authentic emotional connections with consumers (Nguyen, Johnson, 2020).

### **Interdependence of Product Image and National Image**

Some authors argue that just as the positive image of countries and the product categories from those countries positively influence the perception of individual brands, experiences with certain brands contribute to the formation of general attitudes towards specific products and countries. In the 19th century, most

countries produced goods primarily for domestic consumption, although certain export products were of significant importance for some nations. Almost every product greatly varied from country to country. Everything from bread, cakes, to architectural styles, had its own national flavor, which was often very important (Dašić, 2013; Dašić, Jeličić, 2016, Dašić, et al 2017).

The image of a product and the image of a nation are deeply intertwined, especially in a global market environment where the perception of product quality often depends on the reputation of the country of origin. Consumers associate product characteristics with stereotypes about a nation, including industrial development, cultural values, and history. This perception can significantly influence a product's success in international markets.

Switzerland is globally recognized for precision and innovation in watchmaking. This national image greatly contributes to the perception of Swiss watches as symbols of prestige, quality, and refinement. Companies such as Rolex and Patek Philippe rely on the national image to justify their high prices and attract clients seeking luxury products. Research shows that consumers often pay a premium price for products linked to a positive national image (Nguyen et al., 2020).

Japan is synonymous with technological innovation and reliability, contributing to the success of brands such as Sony and Panasonic. Consumers worldwide associate Japanese electronic products with high technological standards, which enables these companies to maintain strong positions in competitive markets (Wang et al., 2021). The national image can either aid or hinder products. For instance, countries with negative images may experience difficulties in promoting their products, regardless of their objective quality. On the other hand, a strong national image can serve as an alternative signal of quality, which is especially important for new or unknown brands. The interdependence of product and national images is a key factor in international marketing. Companies should strategically leverage the positive aspects of a nation's image to enhance the perception of their products and meet the needs of global consumers.

### **Impact of Globalization on Product and National Image**

Globalization has deeply impacted the relationship between product image and national image, introducing new opportunities and challenges for companies and countries. With the rise of international trade and digital communication, consumers are increasingly associating the quality and appeal of products with the reputation of the country of origin. The national image now often serves as an indicator for assessing the value of a product, affecting its perception and acceptance in the global market.

Globalization has made it easier for consumers to access products from different parts of the world, but it has also heightened the importance of cultural and

national characteristics in product promotion. Countries with positive images, such as Switzerland, Japan, and Germany, utilize their reputations for industrial precision, quality, and innovation to position their products at the top of the market (Roth & Diamantopoulos, 2022). For example, Switzerland stands out as a country with a prestigious reputation in watchmaking. Brands such as Rolex and Patek Philippe have capitalized on this image to add an element of exclusivity and exceptional quality to their products. Consumers often associate Swiss watches with engineering precision and durability, making them status symbols globally.

Conversely, countries with less developed or negative images, such as those associated with low labor costs or unethical manufacturing practices, may face challenges in promoting their products. For example, despite technological advancements and competitive pricing, electronic devices from certain countries still carry the stigma of lower quality (Schlegelmilch & Cross, 2021).

With the growing awareness of sustainability and ethical production, future trends indicate a greater integration of ecological and social values into the image of nations and products. Consumers will increasingly demand transparency in production processes, and countries will be forced to work on improving their perceptions through sustainability and ethics initiatives.

Digitalization and the rise of e-commerce will also allow smaller economies to present themselves on the global stage. Countries that manage to combine traditional values with modern technologies will have the most success in strengthening the image of their products. Globalization brings an exceptional opportunity for product promotion and strengthening national image. Countries that recognize the importance of image and adapt their strategies to global trends will be able to maximize the benefits of globalization, while others will have to overcome barriers related to negative perceptions.

Authors addressing this issue have defined the concepts of single-national and bi-national products. Products made in the country of origin are called single-national products (for example, a Mercedes car made in Germany or Nike sneakers made in the USA). With the globalization of the economy, the number of such products is continuously decreasing. Bi-national products are everywhere, and it no longer surprises anyone if a product lists France as the country of origin and Indonesia as the country of production, or when Japanese Sony CD players are made in Malaysia, since moving production from industrial to less developed countries has become commonplace (Skoko, 2009).

Kačar (2009) points out that consumers react differently to a brand depending on its country of origin. In cases where the relationship between the country of origin's image and the company's image is positive, the country of origin is emphasized (e.g., French wine, Swiss cheese). It is undisputed that Germany and Japan have a favorable image in car manufacturing, while France and Italy

are known for fashion design for both men and women. For Olivetti, a manufacturer of computer equipment, the brand image of Italy as a producer of fashion and style has significantly hindered the business and sales of its products.

The country image also plays a significant role in alcoholic beverages. Almost all wines, beers, and spirits include the country of origin as an integral part of their branding: Czech lager, English pale ale, and Irish stout beer. Indian beers, such as Kingfisher and Cobra, are made, at least in part, for consumption with Indian food in Indian restaurants worldwide. Tsingtao, a beer from a brewery founded in a German-Chinese concession territory, is typically served with Chinese food. Kronenbourg is from Alsace, thus representing a Franco-German mix, Carlsberg and Tuborg are Danish beers, Heineken is Dutch, and Sol is Mexican. Budvar from the Czech Republic has been in a long-standing dispute with Bud from the USA over who owns the name "Budweiser," but their taste and brand identity are very different, leaving no doubt about where each product comes from.

Olins notes that a similar formula has been applied to wines, which are categorized by region and type of grape—French, Spanish, Italian. The same applies to whiskey. Scottish whisky is said to owe its distinct characteristics to the natural properties of local water and soil, along with the inherited brilliance of those who distill it. Irish whiskey (which has an E) differs from Scottish, and Bourbon is also different. Ultimately, for many types of food and beverages, the national origin represents a kind of quality seal. Olins argues that national brands are on the decline, while imagined national brands such as Nutrogena (Norwegian) or London Fog (British) are thriving. He advises companies like Siemens and Sony to shift focus from “Siemens–Made in Germany” and “Sony–Made in Japan” to “Made by Siemens” or “Made by Sony,” which he claims will have significant implications for both the nation and the brand (Olins, 2004).

### **Branding products through quality**

The globalization of the global economy has resulted in more companies competing by delivering superior value to consumers. Quality is a key element of the value consumers receive in exchange in the market. The consumer’s perception of value is a balance between quality and benefits that the consumer sees in the product relative to what they must pay. Innovation often begins with new technology but can also result from a better understanding of consumer needs and demands. In this case, the process moves backward from the market to the company, creating new processes and product attributes that deliver perceived value to consumers (Olins, 2004).

Quality will depend on the actual performance of the product, but it is also communicated through the selection of physical signs and symbols. Some examples include: A lawnmower manufacturer who claims their mowers are

"powerful" installs loud engines because consumers believe noisier mowers are also more powerful. A truck manufacturer paints their chassis not because it's necessary, but because painting suggests a commitment to quality.

There are two concepts addressing quality, which is critical for creating a strong and successful brand: TQM (Total Quality Management) aims to improve the quality of the entire organizational process, involving all of its members, and TCS (Total Consumer/Customer Satisfaction) is a newer concept defined from the perspective of consumer needs and interests, aimed at continuously meeting the desires and needs of consumers. Branding a product through quality represents one of the most important elements of successful market positioning. The quality of a product serves as the primary factor that consumers associate with the brand, which directly impacts brand perception, loyalty, and consumers' willingness to pay a premium price.

Research shows that quality-based branding is not just a strategic tool for increasing sales but also a key factor for building long-term competitive advantages. As Khan and Khan (2023) argue, product quality not only increases customer satisfaction but also directly influences their loyalty. This relationship is particularly pronounced in industries like technology and cosmetics, where high-quality standards are the foundation of consumer trust.

Smith and Taylor (2022) emphasize that in the era of sustainable business, product quality is inseparable from ecological and social standards. They highlight that modern consumers consider not only functionality and durability but also sustainability and the ethical practices of companies. This has led to a rise in demand for products with sustainability certifications, such as organic food and eco-friendly packaging. Furthermore, Chung et al. (2021) note that the perception of quality depends on several factors, including visual aspects, product functionality, and customer reviews. They conclude that, in the digital age, transparency regarding quality standards plays a key role in product branding.

An example of this can be seen in Apple, which has successfully built its brand image on innovation and exceptional product quality, leading to consumer loyalty worldwide. On the other hand, small businesses, such as a local coffee brand in Colombia, position their products through the quality of coffee beans and traditional processing methods, highlighting local heritage as an added value. While current trends are positive, challenges in quality-based branding include growing competition, ecological standards, and the need for ethical business practices. Smith and Taylor (2022) conclude that the future of branding will involve an increased focus on sustainability and innovation in product development.

## **Branding products through innovation**

Some people sell ideas, others reports, some sell knowledge or information, others sell projects, and still, others sell quality standards regulations. What we all most often "sell" are actually ideas. One must convince others of something, sell it, and ultimately, this work itself is an example of such sales, offering a multitude of ideas. The greatest creative mind in written history, undoubtedly, was Leonardo da Vinci. On every page of his notebooks, you will find at least one idea that takes your breath away—a submarine, a helicopter, or an automatic forge. However, none of these brilliant individual ideas could have been turned into an innovation, given the technology and materials available around the year 1500.

In exploiting this source, the Japanese, through their Kaizen (Buvač, 1982) companies or systems of continuous improvement, proved much more effective than Western companies. Herman Simon, in his book "Hidden Champions," presents dramatic evidence of the differences between Germany and the USA on one side, and Japan on the other. These calculations were made based on statistical data collected by the German Business Institute (Deutsches Institut für Betriebswirtschaft). The data presented is likely not cross-comparable across countries, but the differences are so bewildering that even small measurement errors cannot be deemed important (Hermann, 2006). German companies, with 16 proposals, and American companies, with 21 proposals (ideas) per 100 employees, are similar, but Japanese companies achieve an enormous 2,500 proposals (ideas), surpassing German companies by 156 times and American companies by 119 times. In Germany and the USA, only 39% and 35% of ideas are realized, while in Japan, this realization rate is as high as 86%.

Xerox is a company that emerged based on the most profitable innovation in recent American business history, the photocopying machine. Xerography, the process underlying dry photocopying, was invented back in 1938. Its inventor, Chester Carlson, spent ten years trying to implement his idea, offering his invention to various companies, but always receiving the same response—rejection. Among the companies that failed to recognize this brilliant invention were firms like Kodak, IBM, General Electric, and others.

How successful the product was can be seen from the fact that within just two years, Xerox made it onto the list of Fortune's 500 largest American companies, and for almost a decade, Xerox's "914" model had no real competition, with many accusing it of monopolistic behavior. After all that has been mentioned, it is completely understandable why the famous statement by Bill Gates, when asked whether Microsoft fears competition, is so well-known: "I am not afraid of any existing company in the market. What scares me is a group of young men, full of ideas, who are in some garage creating a new and original business model that will take over the world."

## Conclusion

The interconnection between product quality, consumer perception, and the country of origin plays a crucial role in shaping consumer behavior and influencing purchasing decisions. As demonstrated in various studies, consumers often associate certain countries with higher quality standards, technological advancements, and prestige. This perception leads them to favor products from these countries, even when the actual quality of the product does not necessarily surpass that of competing alternatives. The country of origin, therefore, acts as an important signal of product quality, particularly for high-end or luxury goods, where the symbolic value of the brand is closely tied to its nation of origin.

This connection highlights the significant impact of national reputation on marketing strategies, emphasizing the need for companies to leverage their country's positive image to enhance brand value and appeal to consumers. For businesses, understanding the influence of country-of-origin perceptions is vital in positioning products effectively, pricing strategically, and establishing strong brand identities. As global markets continue to evolve, the interplay between product origin, consumer perception, and quality remains a key factor in driving market success and consumer loyalty.

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## POVEZANOST KVALITETA PROIZVODA, PERCEPCIJE POTROŠAČA I UTICAJA ZEMLJE POREKLA

**Rezime:** Percepcije potrošača o kvalitetu proizvoda često su oblikovane brojnim faktorima, pri čemu je zemlja porekla jedan od ključnih odrednica. Dok neki potrošači mogu da pridaju značaj osnovnoj funkcionalnosti, zanemarujući mesto proizvodnje, zemlja porekla može značajno uticati na percepcije kod određenih proizvoda, naročito onih koji potiču iz zemalja sa snažnom pozitivnom reputacijom. Za mnoge autore, zemlja porekla odnosi se na lokaciju sedišta kompanije. Potrošači često pokazuju naklonost prema proizvodima iz zemalja poznatih po kvalitetu i tehnološkom napretku, što ih može motivisati da plaćaju višu cenu, čak i kada stvarni kvalitet proizvoda nije superioran. Ovaj efekat je naročito izražen kod luksuznih proizvoda, koji često služe kao simboli statusa. U takvim slučajevima, zemlja porekla se percipira kao pokazatelj kvaliteta, zasnovan na pretpostavkama o industrijskim i tehnološkim standardima te nacije. Mnoge studije potvrđuju snažnu povezanost između zemlje porekla i percepcije potrošača, ističući njen značaj u oblikovanju marketinških strategija i ponašanja potrošača.

**Ključne reči:** ponašanje potrošača, poreklo proizvoda, percepcija brenda, luksuzna roba, osetljivost na cenu.