Erasmus School of Economics

Department of Marketing

Master Thesis

Country-of-origin effect in the luxury goods category

The impact of country of brand on the quality perception of luxury handbags

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Submission date: Dec, 9th 2013

Contents

Abstract

The purpose of this master thesis is to assess the impact of country of origin on the perceived quality of luxury goods. Additional factors which are examined are demographics (age and nationality), personal monthly after-tax income, brand familiarity and involvement. The study is focused only on one product category of luxury goods - women designer handbags and conducted with 174 EU female respondents. It is aimed to analyze how quality perceptions vary among consumers from old and new member states of the EU and thus to prove whether or not there is a difference between those.

In an online survey, incorporating a short picture experiment, respondents are asked to rate the quality of four luxury handbags originating from more and less developed countries (France, Germany and Colombia). In addition, two of the products are by familiar brands (Louis Vuitton and Escada) and the other two by unfamiliar brands (Nancy Gonzalez and Herve Guyel Paris). Information about the country of brand is explicitly given. After careful analysis of the generated dataset, it is concluded that older, wealthier and more involved respondents perceive the given luxury handbags as being of lower quality. In addition, a positive interaction effect of age and involvement is found. Familiar brands are evaluated higher than unfamiliar ones. However, a more favorable reputation of the country of brand does not contribute to higher perceived quality. As for the nationality component: respondents from the new EU member states gave higher ratings than respondents from old member states.

In conclusion, brand name appears to have stronger impact than country of brand. Marketing managers should invest in careful brand building strategy, while not forgetting cultural and demographic differences in order to target the right consumers in the right way.

Key words: Country of origin effect; country of brand; perceived quality; luxury goods; international marketing; consumer behavior.

1. Introduction

Country of origin effect has been a widely discussed topic in the marketing literature for many years (Papadopoulos and Heslop, 2002). In today's global market place consumers can easily access products from different brands and compare their qualities. Due to financial reasons, many companies outsource their production in countries with cheaper labor costs. Many studies investigated that the degree of development of a country of origin of a product can influence the quality perceptions of the goods manufactured in this country (Papadopolous et al., 1990; Usunier, 1996; Johansson and Nebenzahl, 1986). However, the same holds also for the country from which the brand originates. Brand names are used as a powerful quality signal by consumers. This is especially relevant for the luxury market where brands heavily invest in building their image in order to profit from a favorable reputation.

The market for luxury goods is getting more and more sophisticated. Luxury brand managers should carefully consider different consumer patterns reflecting cultural differences, income differences, preferences as well as substantial competition (Remy and Tochtermann, 2012). A recent research by Euromonitor International indicates that the market for luxury goods is expected to exceed $ 381 billion until the end of 2013 with the majority of the revenues coming from emerging markets such as India, Indonesia, China and Malaysia (Euromonitor International, 2013). Europe, being the largest and most stable market for luxury goods, is yet seen as a big obstacle for luxury brands, due to a minor expected growth rate of only 2% (D'Arpizio, 2013). It was also found that European customers tend to lose their enthusiasm for luxury which makes them difficult to target (Remy and Tochtermann, 2012).

From a marketing manager perspective, it is from a great importance to understand how consumers perceive the quality of luxury goods and whether or not they use the country of origin as a quality signal. However, numerous studies indicate that the country of origin effect diminishes in its strength (Josiassen, Lukas and Whitwell, 2008; Verlegh and Steenkamp, 1999), thus it is meaningful to check, whether or not this phenomenon holds also for luxury goods. The main research question of the master thesis is how country of brand influences the quality perceptions of luxury products. In addition, the influence of other factors such as demographics, income, brand familiarity and involvement on the quality perceptions is going to be analyzed. The study is going to be focused only on luxury goods and specialized on one specific product category – women designer handbags, since accessories are regarded as the largest segment of luxury goods and also the fastest growing one (D'Arpizio, 2013).

After a detailed overview of the country of origin literature in chapter 2.1, a conceptual framework is going to be derived on the basis of six hypotheses in chapter 2.2. The third chapter will provide insights into the methodology part and especially into the survey which was created on the basis of the hypotheses and the statistical methods (multiple regression, factor and correlation analysis) which were performed in order to test those hypotheses. The results of the analytical part are presented in the fourth chapter, followed by managerial implications in the fifth chapter and limitations and directions for future research in the sixth chapter.

2. Literature review and generation of hypotheses

2.1. Literature review

2.1.1. Definition of the country of origin concept

In the marketing literature there are different opinions regarding the definition of the country of origin effect. According to various studies the country of origin concept consists of different sub-categories, these being: country of manufacturing (COM), country of assembly (COA), country of design (COD) and country of brand (COB) (Nebenzahl, Jaffe and Lampert 1997; Samiee 1994; Srinivasan, Jain and Sikand, 2004). Country of manufacturing is known as the "Made in Country" which is extensively used in the early stage of country of origin research (Usunier and Cestre, 2007). Country of design is the place where products were developed or designed (Nebenzahl, Jaffe and Lampert, 1997; Samiee, 1994), while country of assembly is known as the place where goods were assembled. These sub-categories of the country-of-origin concept are mostly relevant for hybrid products with global ethnicity when firms make the decision to outsource their production (or some manufacturing parts) because of cheaper labor force and thus a product cannot be identified with only one country (Chao, 1998).

In comparison to these sub-concepts, the country of brand (COB) is the country in which the corporate headquarter of the company which manages the product is situated even if the the product is not manufactured in the same country. However it is assumed that that is the country with which the product or brand is associated with (Johanson et. al., 1985). Country of brand can thus be used as surrogate information when actual information about the country of manufacture is lacking (Chao and Rajendran, 1993; Maronick 1995).

Phau and Prendergast (2000) propose the country-of-brand concept as an alternative appropriate tool for evaluation presenting its conceptual and strategic relevance. The researchers conclude that this concept is especially suitable for hybrid products in the case of luxury bands. Consumers are aware that such products are not necessarily manufactured in the country where the headquarters of the brand is located. However, a favorable country of brand represents a status symbol for the consumers and a way to associate them with the particular brand. Moreover, in the case of luxury brands the manufacturing location does not have significant impact on the product quality and brand image, because customers tend to perceive the brand through its name, origin, personality and country ethnicity. This is the reason, why the master thesis will focus on the country of brand, rather than on the country of manufacture or design.

2.1.2. Definition of country of origin effect

In the marketing literature the country of origin effect is described as "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, p.68). Roth and Romeo (1992, p. 479) define the concept as "the overall perception consumers form of products from a particular country, based on their perception of the country's production and marketing strengths and weaknesses". Bilkey (1993) views the country of origin effect as the opinion of the buyers about the relative quality of goods and services from various countries. Maheswaran (1994) defines the concept as the extent to which product evaluations are influenced by the place of manufacture. Referring to the above mentioned dimensions of the concept country of origin, it follows that this definition might not be exhaustive, though.

Other researchers, such as Hinner (2010) see the country of origin effect as a product related stereotype. According to De Vito (2002) a stereotype is an impression of a certain people which influences their perception of particular individuals. Researchers found that many purchase decisions are based not only on factors like price, brand name, store name or warranty, but also on the country in which a product is made (Han, 1989; Johansson et al, 1985; Keegan and Schlegelmilch, 2001; Samie, 1994).

In addition, for many product categories, consumers tend to exclusively search for items from a specific country such as French perfumes, Italian fashion, German cars and Swiss watches. This is the case, since those countries are believed to have certain competence in the particular product category and thus consumers take the image of the particular country as a symbol that stands for certain quality characteristics such as: high quality engineering for Germany, beauty and style for France and appealing design for Italy. However, those stereotypes are product specific and it is not always possible to them transfer to other products from the same country (Keegan and Schlegelmilch, 2001).

Many well-known designer brands outsource their production in less reputable countries due to economic reasons such as cheaper labor source. However, researchers have found that consumers actually ignore this fact and in reality pay more attention to the country from which the brand originates and not to the one in which the product is manufactured - or namely to the more reputable of both countries (Johansson et al, 1985; Samie, 1994). This strengthens the above mentioned idea that the country of origin effect could be defined also as a product related stereotype.

As already mentioned, the master thesis will use the country of brand instead of the country of manufacture. Moreover, a focus will be given to the perceived quality instead of a mere product evaluation. Thus, the master thesis will use the following definition of a country of origin effect:

The extent to which the country of brand influences consumers' perception of quality of a given product.

2.1.3. Evolution of the country of origin research

Country of origin effect belongs to one of the most intensively researched topics in the marketing literature according to Papadopoulos and Heslop (2002). More than seven hundred academic works were published between 1965 and 2001 so that the country of origin concept was tested against different outcomes such as product evaluations, quality perception, consumers' purchase intention, willingness to buy and willingness to pay. (Phau and Prendergast, 2000).

The first phase of research is determined by single cue studies aimed first to determine whether COO really exist (Schooler, 1965; Reierson 1966, 1967). However these studies were

strongly criticized for their limited explanatory nature and thus giving a call for more sophisticated multi-cue tests (second phase). At the next stage, various studies were focused on hybrid products and on the facets of the country-of-origin concept.

PHASE 1 - SINGLE CUE STUDIES *Schooler (1965), Reierson (1966,1967), Gaedeke (1973)* Country of Origin effects inflation; call for multi-cue studies
PHASE 2 - PROGRESSION TO MULTI-CUE STUDIES *Bilkey and Nes (1982), Erickson et al (1984), Johansson et al (1985),* *Hong and Wyer (1989), Papadopoulas et al (1990)* Existence of Country of origin effects manipulations include: Product Type/Country Specificity; Consumer Patriotism/Ethnocentrism; Country Reputation/Level of Economic Development; Hierarchy of effects of Country; Brand familiarity; Caveats: Sampling Procedures, multidimensional cues.
PHASE 3 - HYBRID PRODUCTS/BINATIONAL PRODUCTS *D'Astous and Ahmed (1992), Chao (1993), Ettenson (1993), Ettenson and Gaeth (1991),* *Ettenson and Mathur (1995), Han and Terpstra (1988), Han (1989)* Dimensionalising country of origin - country of assembly, country of parts, country of design etc. Impact of brand names in a rapidly globalising market. Caveats: Complexity of multi-country affiliation, Cross national validity, level of involvement in purchase decision, brand familiarity and experience Relevance and significance of the country name
GLOBALIZATION (BORDERLESS WORLD) New evaluation tool?

Table 1: Evolution of Country of the Origin Research (Source: Phau and Prendergast, 2000, p. 161).

2.1.4. Intrinsic vs. extrinsic product cues

Eroglu and Machleit (1989) define a cue as an external dimension with the help of which a product can be categorized. The range of information cues to which the consumer is exposed can be categorized as intrinsic to the product (such as design, taste, and performance), and extrinsic ones (such as price, brand name, packaging, and warranties).

Intrinsic cues may be difficult to interpret prior to purchase, therefore the consumer will often take extrinsic cues into consideration to gain additional information about the product. Country of origin belongs to the extrinsic informational cues (Cattin et al., 1982). This implies that COO can be thus removed from the product without damaging its physical entity. Consumers tend to rely on this type of cues mostly when they have to evaluate products and intrinsic cues are either unavailable or hard to investigate (Maheswaran, 1994).

In addition, extrinsic cues are mostly taken into consideration by consumers who have little prior knowledge of the particular product which is frequently the case with foreign-made products (Cattin et al., 1982). According to Maheswaran (1994) there is a difference in the way novices and experts use the country of origin information. The author states that novices use the stereotype related to the country of origin to evaluate products, no matter whether their attributes are ambiguous or not. Experts, on the contrary, tend to use the cue only when they have to evaluate ambiguous product characteristics. Another investigation of the study is that negative associations with the country of origin would be important only for novices but not for experts. The same holds also for people who do not experience that much intercultural contact, as compared with people who do.

2.1.5. Country of origin and product types

Keegan and Schlegelmilch (2001) as well as Samli (1995) have found out a connection between specific product types and particular countries for which those products are seen as typical or ethnical. This is the case with French perfumes or Italian pizza, as well as German machines. This positive association between a country and a particular product implies that in the example of a German fragrance manufacturer willing to enter the American market it will be much harder to do so, as compared to a French manufacturer. This is due to the fact that for Germany the product category perfumes is not seen as ethnical or typical, which is the case for France. As Kotler and Armstrong (2001) state in their study, this type of a positive association is a prerequisite for a successful purchase decision.

Lampert and Jaffe (1998) investigate that the more homogeneous certain goods are, the lesser the effect of the country of origin is on the image of the products. An example about gas and electricity is given to strengthen this idea. Conversely, in the case of goods with a higher differentiation level, country of origin plays a vital role for their image building.

Piron (2000) investigates a difference in the strength of country of origin effect in the case of luxury and of necessity goods. The study relies on an experiment in which country of origin is attached as an additional external cue to a luxury sports car and to a tooth paste. In the case of a luxury car, attaching information about the country of origin changed the ranking of all other product characteristics. However, for the tooth paste, the additional information about the country of origin did not seem to have this effect. This implies that country of origin effect is much stronger for luxury goods rather than for necessity goods. Aiello et al. (2009) found out that for luxury goods the brand name and the design are the most important factors when evaluating this type of goods.

Another interesting insight is that very often there is an automatic relationship between the brand name and the country from which it originates. The marketing literature differentiates between high and low involvement product categories. Well known brands belong to the high involvement ones and they are usually associated with high price range (Schiffman and Kanuk, 1997). This is usually the case for well-known brands like Versace for clothing, Louis Vuitton for handbags travel wear and BMW for cars. No matter where the items of those brands are assembled, consumers usually link the brand name with its country of origin and the purchase is usually made because of the favorable reputation of the country of origin and not of the brand name (Samiee, 1994).

2.1.6. Country of origin concept – functioning mechanism

Li and Wyer (1994) focus in their study on the ways in which country of origin functions or impacts the evaluation of products. The authors argue that this depends on the following factors: availability of product attribute information prior to evaluation, respondent's familiarity with the particular product, evaluation importance and the order in which COO and attribute information were presented to the subjects. In this respect the authors hypothesize that country of origin of a product can function as a positive or negative product attribute information, as a heuristic for making a purchase decision, as a basis for the comparison of products, or as a way for the consumers to derive additional product information.

However, the results of the study confirm that the reputation of a country of origin can function as an additional product attribute only if it is announced before any additional product information or if the purchase decision of the particular product is seen as important

by the subjects. COO can also be used as a signal through which additional product attributes can be inferred. According to the study, this is usually the case when customers are familiar with the products but little amount of specific attribute information is available. If the product is perceived as familiar and substantial amount of information is available about it, or if the importance of the evaluation is not so high or the country of origin is revealed last, then the COO construct is seen to function as a comparative standard for the evaluation of a product. Finally, the study does not provide a support to a hypothesis that country of origin can function as a heuristic.

The country of origin effect is known to operate in two ways: as a halo effect and as a summary construct. Kotler and Armstrong (2001) investigate that a halo effect occurs when products have positive association with their country of origin. In this case, other goods from the same country benefit from this association and consumers perceive them to be of a good quality. When consumers have no information about a product from a specific country, then they obtain information about the good through the image of the country which they affect their attitude towards the brand (Han, 1989).

Balabanis and Diamantopoulos (2008) discuss the extent to which brand origin is easy to be investigated by consumers. Consistent with the study by (Samiee, 1994), the results suggest that people are usually low informed about the country of origin of the products. Consumers tend to either attach a wrong CO to a product or to be not able to assign a CO at all. According to Balabanis and Diamantopoulos (2008) and Samie et al. (2005), ethnocentrism tends to exercise a negative impact on the correct identification of CO.

Age and gender are also known to have specific effect on that. According to the study, older female respondents are more able to correctly identify the country of origin of a product because they are less ethnocentric. Also the more familiar a respondent is with a particular country, the more able is he or she to correctly identify a CO of a product. However, researchers found out also that consumers either lack an information about the CO of a product or do not consider that type of information as relevant (Balabanis and Diamantopoulos, 2008).

This problem is overcome in the way that usually surveys provide information about the country of origin to respondents, so it is not important whether they are really aware of it or not. However, this casts doubt as to whether the COO concept is overestimated in the marketing literature and whether consumers would actually initiate to ask about COO

information when performing the actual purchase decision of a product (Balabanis and Diamantopoulos, 2008).

2.1.7. Country of origin and consumer buying behavior

Han (2010) investigates the buying behavior of Taiwanese female consumers of luxury handbags. The research compares the country-of-origin effects for handbags originating from countries with reputable images (France) with such from less reputable countries (China). The study concludes that customers prefer products from reputable countries and are thus willing to pay higher price for them. Another insight from the study is that country of origin has stronger effect than the brand name.

Piron (2000) examines the also the luxury goods category and the perceptions of the COO concepts on consumers purchase intentions. The study concludes that the importance of country-of-origin is higher for luxury goods than for any other type of goods. However, it is rather a weak determinant of purchase intentions, since for this type of goods intrinsic queues (such as reliability and performance) are more important than extrinsic queues (such as country of origin). However, the research highlights that for numerous product categories such as bags/luggage well-known prestigious brands automatically form a connection with the country of origin of the brand (such as France for Louis Vuitton).

Koschate-Fischer et. al. (2012) focus their research on the willingness to pay while defining this outcome variable as more stricter and thus more appropriate way to examine the COO concept. The researchers find out that consumers not only evaluate products from developed countries more favorable, than those from less developed ones, but also that they are willing to pay higher premium for them. Another contribution of the study is that in a high-involvement setting, when consumers are more familiar with the brand, they are more likely to use intrinsic rather than extrinsic cues such as country of origin.

2.1.8. Country of origin and quality perceptions

Several studies confirm the importance of brand names and seller familiarity in consumer perceptions of quality and product evaluations (Jacoby, Olson, and Haddock, 1971; Jacoby, Szybillo, and Busato-Schach, 1977; Nelson, 1970; Shapiro, 1982). Wall *et al.*, (1991) noted

that for luxury items the COO tend to have a stronger effect than price in product quality assessment. In addition, the impact of geographic origin is found to be stronger in the case of categories of goods whose production is associated with countries that are renowned for their production tradition in a given sector, such as French perfume or Italian fashion (Baumgartner and Jolibert, 1977; Roth and Romeo, 1992).

Ahmed et. al. (2002) shown that COO has a stronger effect than the brand when percepting or evaluating the product quality. This interpretation is based on the following two arguments: the "stereotype" effect associated with the various countries and perceived by individuals, and the observation that purchasers ascribe great importance to the COO if it is discoverable at the moment when the product is being evaluated. But referring to purchasing intentions, the brand has greater influence than the COO. At the moment of the purchase, the customer is less affected by the country of origin stereotype and searches for more reliable cues for evaluating the alternatives such as a known brand. Consumers often use the brand name as a proxy of COO itself (Astous and Ahmed, 1999). According to Han and Qualls (1985) country-of-origin effect is product attribute specific. In addition, the source country (COM) has a greater influence than the brand on consumers' product quality evaluations.

Thorelli et al. (1989) took into account the importance of country of origin, product warranties, and store imageas that consumers relate to product evaluations. Modic (1990), Hampton (1977), and Cordell (1985) suggested a bias in the consumers' evaluations of products from various countries in favor of home country products. Other studies found out a that consumers in more developed countries tend to evaluate their own products more favorably than do foreigners (Nagashima, 1970, 1977; Lillis and Narayana, 1974; Bilkey and Nes, 1982; Toyne and Walters, 1989). Moreover, there is a positive correlation between the level of economic development of a particular country and the quality evaluations of its products (Gaedeke, 1973; Wang and Lamb, 1983; Toyne and Walters, 1989).

2.1.9. Country of origin and involvement

Most of the studies about country of origin effect have been conducted about high-involvement goods (Erickson et al., 1984; Peterson and Jolibert, 1995) but those types of goods not always correspond to high level of consumer involvement (Phau and Prendergast, 2000).

There are two controversial views in the marketing literature on the interaction effects between consumers' involvement and country of origin effect. According to the first perspective, involvement tends to strengthen the COO. This implies that prior the evaluation and product choice consumers who are more involved will intensively search for information about the country from which the product originates (Celsi and Olson, 1988). In the case of high involvement goods, the product evaluation will be based not only on factors like price and warranty, but also on COO as an additional piece of information (Ahmed and D'astous, 2004; D'astous and Ahmed, 1992). Moreover, users will assess all other available information more carefully. Thus, "the greater the involvement, the greater the likelihood of using COO information in a product evaluation situation" (D'astous and Ahmed, 1999, p.108).

The opposite view indicates that product involvement diminishes the COO. This perspective is in line with the elaboration likelihood model (ELM) according to which consumers make use of either central or peripheral path to evaluate information (Haugtvedt et al., 1992; Petty and Cacioppo, 1984; Petty et al., 1983). Through the use of a central route, consumers involve in cognitive effort when evaluating information. However, in the case of a peripheral route, users rely on salient and already available cues. The central route is used under high involvement, while the peripheral one is used under low involvement (Petty et al., 1983).

Referring to the ELM, several marketing studies suggest that COO is used by consumers as a salient cue when they are less involved with the particular product. Thus, COO in this case is not seen as an additional piece of information but as a substitute for more specific information about the product (Han, 1989; Maheswaran, 1994).

2.1.10. Country of origin and brand familiarity

Several studies found that country of origin has a significant effect on consumers' attitude towards a brand (Bilkey and Nes, 1982; Tse and Gorn, 1993). In addition, the perceptions of quality that consumers experience tend to be affected by both country of origin and brand name. However this can vary depending on the presence of consumer patriotism and also of additional product extrinsic cues such as warranty or extra service (Han and Terpstra, 1988).

Schaefer (1997) investigates that the use of the country of origin when evaluating products is influenced by both brand familiarity and consumer product knowledge. Lee and Ganesh (1999) found that users who possess moderate level of product and brand familiarity tend to

use the country of origin cue less than users with low or high brand and product familiarity. Kaynak and Cavusgil (1983) found out in their study that warranties and brand names tend to reduce the effect of country of origin on their willingness to pay.

2.1.11. Developed vs. less developed countries

The COO concept varies in its strength depending on the level of development of a country. Papadopolous et al. (1990) divide the level of economic development into market development and industrial development. Usually, those two stages occur at the same time; however exception to this rule exists in socialist countries like China and formerly-socialist ones such as the countries from Eastern Europe. A more developed market is seen to improve a country's image, compared to a less developed one.

Usunier (1996) found out that products originating from less developed countries are perceived to have higher risk and to have less quality as compared to products originating from more developed countries. Moreover, imported goods tend to be more preferred in the developing countries rather than in the developed ones. In the latter ones, consumers usually prefer domestic products over imported ones (Usunier, 1996).

Johansson and Nebenzahl (1986) argue that brand image tends to diminish, if products are assembled or designed in less developed countries. Schweiger et al. (1997) suggest that for this reason, brand managers should use the country of design to their benefit and promote it in the communication strategy of the particular brand. In addition, the study of Khachaturian and Morganosky (1990) investigates that clothing originating from less-developed countries pose a higher probability for decline in quality image of a brand than apparel originating from more developed countries. Wall et al. (1991) investigate that consumers would favor unknown brands only if those originate from countries with good reputation.

Cordell (1991, 1992) investigates that the image of developing countries tend to have strongest negative effect when referring to luxury goods or in a case when the financial and performance risk of the goods are high. A study by Manrai et al. (1998) founds that in the case of luxury products, consumers will minimize the risk by purchasing goods originating from a country with high market and economic development.

2.1.12. Country of origin, demographic and nationality characteristics

- *Gender, age, income and education*

Demographic variables are found to have a significant effect on the use of COO when evaluating products. This notion is in line with the findings of the following studies: Good and Huddelston (1995); Lawrence et al. (1992); Wall and Heslop (1986) and. According to the studies of Schooler (1971), Mittal and Tsiros (1995) and Bilkey and Nes (1982) female consumers tend to rate products from foreign countries more favorably than male consumers. In addition, the higher the education of a consumer, the higher will he or she evaluate foreign products as compared to consumers with lower education (Mittal and Tsiros, 1995). The same holds for people with higher income as compared to the ones with lower income (Han and Terpstra, 1988).

- *Culture*

Culture is also believed to have an impact on the way in which the country of origin concept operates. Koschate-Fischer et al. (2012) suggest a further research on cultural and cross-cultural traits together with consumers' willingness to pay.

- *Ethnocentrism*

A factor which may have special impact on the country of origin effect is ethnocentrism i.e. consumers' belief that their own country is superior to the others (Chen and Starosta, 1998). According to a study by Usunier (1996), purchasing foreign products might be perceived as unethical and wrong. Moreover ethnocentric consumers consider that this negatively impacts the economy and employment of the home country. Shimp and Sharma (1987) examine the reasons for ethnocentrism and relate the concept to the intensity of foreign competition on the market. If consumers perceive that competition from foreign brands is likely to threaten their quality of life and the economic situation in their country, then they experience a higher degree of ethnocentrism. According to a study by Kucukemiroglu (1999), the purchase intentions, as well as attitudes and opinion of non-ethnocentric consumers towards imported products are significantly more favorable than those of ethnocentric ones.

Watson and Wright (2000) investigated in their study that a purchase decision can also be influenced by consumer ethnocentrism as long as the there is a certain degree of similarity between the home and the foreign country. That implies that the more similar the two countries are, the more likely it is for consumers to buy products from the foreign country. The study provides the example of how consumers from New Zealand preferred buying products from UK and USA, rather than from Italy and Singapore. This is due to the fact that the American and the British culture are more similar to the culture in New Zealand as compared to the Italian and the Singapore ones.

- *Consumer patriotism*

Another important variable which in the marketing literature is seen to have influence on the country of origin effect is consumer patriotism. This concept defers from consumer ethnocentrism in the way that consumers choose to buy domestic products over foreign ones because they it is their duty and loyalty towards their country to do so and in this way they can support the producers from their home country.

However, patriotism can vary among product categories. For example, it was found that patriotism affects the quality perception of a vehicle but not on the repair service for it. In addition, while the study investigates a significant effect of patriotism on the purchase decision for cars, this was not the case for television. Demographic factors like age and culture are also known to interact with patriotism. For example, it was investigated that the older consumers are, the more patriotic towards domestic products they are (Han, 1988).

2.1.13. Theoretical framework

Based on the literature review as well as on the model developed by Steenkapm (1990), the master thesis will be based on the following conceptual framework:

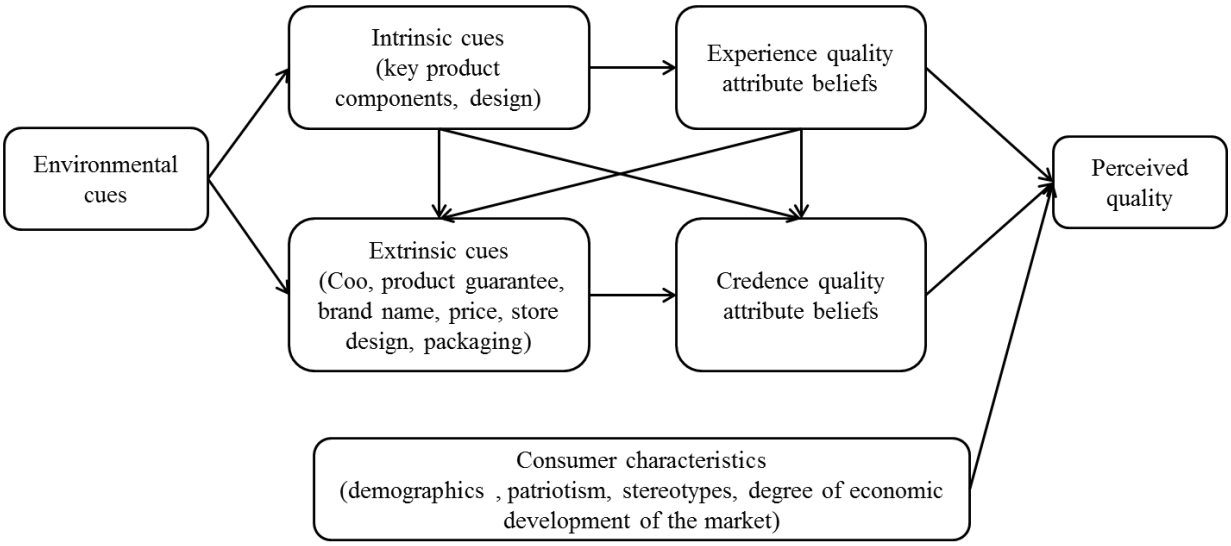


Figure 1: Mechanism of Country of origin effect, Source: Steenkamp (1990).

The model suggests that the perceived quality of a good is determined by consumer characteristics, experience quality and credence quality attribute beliefs. Variables which belong to the consumer characteristics are: demographic factors such as age, gender, income and education, but also cultural and nationality traits such as: degree of economic development of the market, patriotism, ethnocentrism and stereotypes.

Consumers' beliefs about the quality of a particular product are formed by both intrinsic product cues such as: size, color or design. Credence quality attribute beliefs are determined by extrinsic cues (such as price, COO, warranty, etc.) and experience with product attributes.

2.1.14. Luxury goods

- *Definition of the luxury concept*

Cornell (2002, p. 47) defines as key components of the luxury concept "A strong element of human involvement, very limited supply and the recognition of value by others". According to Kapferer (1997, p. 253) luxury "defines beauty; it is art applied to functional items. Like light, luxury is enlightening. [. . .] Luxury items provide extra pleasure and flatter all senses at once . . .Luxury is the appendage of the ruling classes". Berry (1994) compares luxury with necessities and utilitarian objects stating that the latter ones provoke discomfort and unpleasant emotions, while the luxury goods are connected with desire and pleasure.

Arghavan and Zaichkowsky (2000) add the notion that in the case of luxury goods a display of a brand name evokes esteem and status to the owner of the good and thus help consumers satisfy their psychological and functional needs. This is namely the point which distinguishes luxury from necessity or replica products. Pantzalis (1995) investigates the concept of rarity or exclusivity as a key element of the luxury products. In addition, luxury goods are the ones which are sold for the highest price (McKinsey, 1990). According to Nueno and Quelch (1998) those goods might not posses that high level of functionality. Nevertheless they offer the highest intangible utility. Phau and Prendergast (2000) found that luxury brands create brand identity, exclusivity, brand awareness and high level of perceived quality in consumer minds.

- Dimensions of the perceived value of luxury goods

Numerous studies in the marketing literature confirm the idea of "buying to impress" i.e. to create/maintain a favorable self image in the eyes of other people - as a main reason for the purchase of luxury goods (Berry 1994; Dittmar 1994; Corneo and Jeanne, 1997; Vigneron and Johnson, 1999, 2004; O'Cass and Frost, 2002). While the interpersonal factor of maintaining one's ego is a certain part of the consumption of luxury goods, one must also not forget the individual component. Thus, marketers should also pay attention to perfectionist and hedonistic reasons for the consumption of those types of goods (Dubois and Laurent, 1994) as well as to situational variable such as economic, societal and political factors (Vigneron and Johnson, 1999, 2004).

- Luxury value model

Wiedmann et al. (2007) propose the following conceptual framework which explains which factors contribute to the high quality perception of luxury goods. The researchers propose the existence of four first order latent variables or luxury value dimensions. Those are the: financial, functional, individual and social dimensions.

Financial dimension stays for the monetary value of a product expressed in dollars. The functional latent variable explains the key benefit or utility of the product. The individual variable is related to personal traits such as materialism, personal identity and hedonism,

whereas the social dimension refers to prestige value and conspicuousness. There is a strong correlation between the four latent variables; however they are not identical with each other.

Significant parts of the framework are the nine variables (antecedent constructs) which have an impact on the latent variables. Those are: price, usability, quality, uniqueness, self-identity, hedonic, materialistic, conspicuousness and prestige value. The perceived price is used as a signal of high quality or exclusivity and is related to the financial value of the luxury good. The value of usability is to be understood in the terms of superior functionality, quality value implies high-class performance and uniqueness refers to exclusivity and scarcity of the particular luxury product. Those three variables are all related to the functional dimension in the model.

Self identity refers to the perception one individual has about him-/herself. Hedonic value refers to the ability of a luxury good to satisfy emotional and sensory needs of one individual, while materialistic value is defined by consumers' level of material needs. All three variables are related to the individual dimension of the model.

The last two variables to be explained are: conspicuousness value and prestige value. The first of them is seen as a signal for wealth and status. The second of them is to be understood as a sign which guarantees a specific membership within a certain social group. Both variables are related to the social value of a luxury good.

While the antecedent constructs are aggregated to the four first order latent variables, they can also be related to other antecedent constructs. For example, the price value is a driver to financial value of a luxury good, but it can also moderate the perception of prestige related to the product. (Wiedmann et al,. 2007).

The model by Wiedmann et al. (2007) incorporates cognitive and emotional drivers of the perceived value of luxury goods. Compared to previous models designed in the same field of research, it incorporates more factors which are seen to contribute value and provides a richer base for understanding the conditions under which customers demand luxury goods. As such it can be regarded as an appropriate starting point for customer segmentation on a global level. Clustering consumers into different profiles according to their needs is a significant advantage of the model. This allows managers to target right product to right

customers matching their values and thus improving the purchase value of the particular goods (Wiedmann et al,. 2007).

Further strength of the model is that it builds on the existence of four latent variables (financial, functional, individual and social). At the same time, those variables can be used by marketing managers as key points to be developed and monitored over time in respect to the particular luxury brand. Thus, if managers determine the brand is losing in its luxury value, using the dimensions described in a model, they can investigate in which area the problem is located and improve this particular dimension (Wiedmann et al,. 2007).

Developing a framework of the factors which lead to value of a luxury good is from a great importance to managers, helping them to carefully plan the marketing strategy of a luxury brand. According to Wiedmann et al. (2007), managers should not limit themselves on the "buying to impress" as a factor determining the purchase of luxury goods. Using the framework, they can incorporate the other value drivers and communicate them as benefits related to the particular luxury brand (Wiedmann et al,. 2007).

Although the model serves as an appropriate basis for understanding the dimensions of value of luxury goods, there are cross-cultural effects which are hard to be captured. Perceptions of luxury may vary among cultures, which challenges the validity and reliability of the proposed model. This drawback creates the need for the use of a scale, which can be used in a cross-cultural context and lead to more generalizable results. Another important point is that respondent samples from different countries should be homogenous (Douglas and Craig, 1983; Durvasula et al.. 1997; Furrer et al. 2000) and comparable with each other (Madden et al., 2000; Mitchell and Vassos, 1997; Van Raaij, 1978).

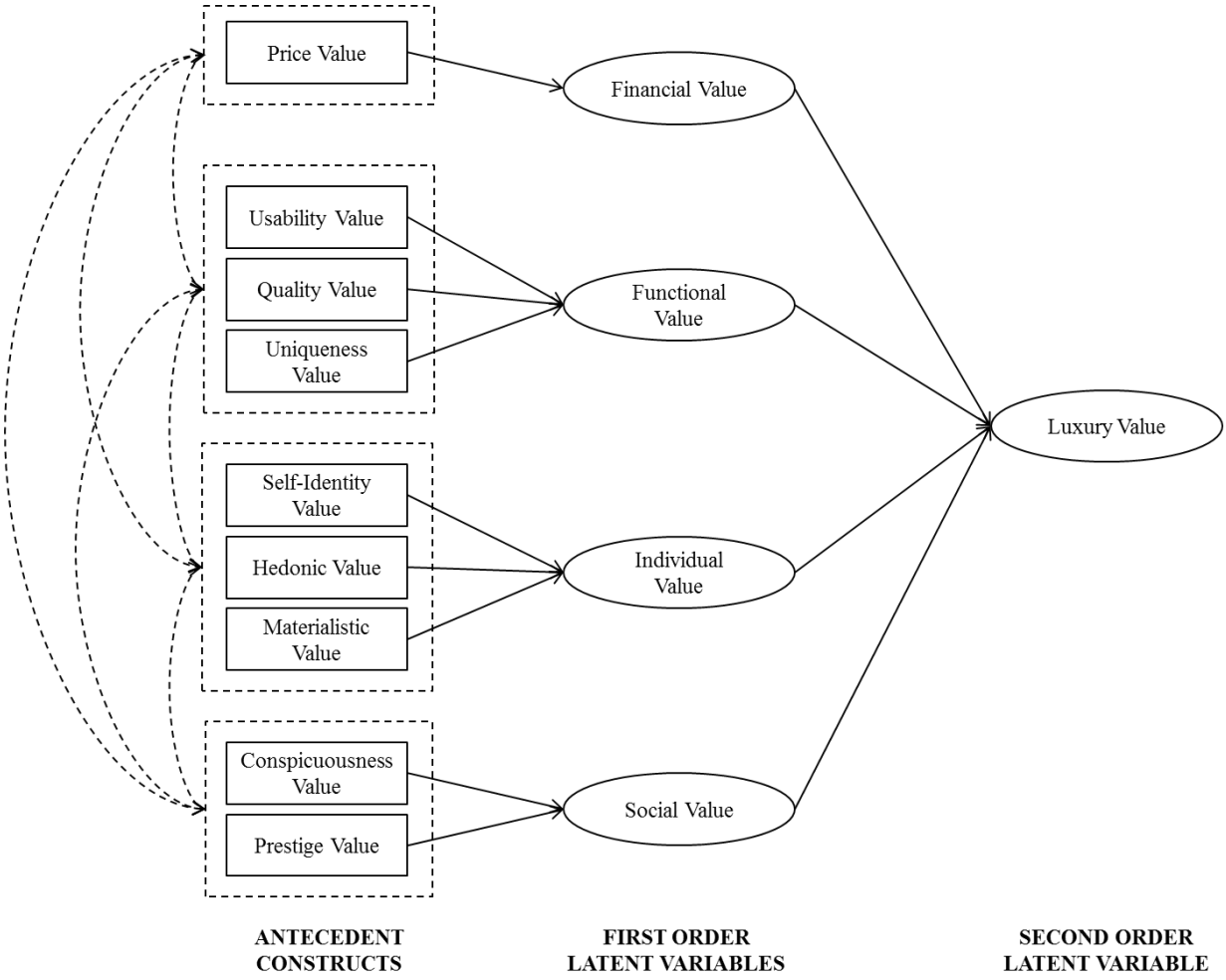


Figure 2: Luxury Value Model, Source: Wiedmann et al. (2007, p.5).

2.2. Generation of hypotheses

In the next section a focus will be given to the main research question as well as the supporting hypotheses for the master thesis. Based on the literature review as well as on further specific insights from additional studies a conceptual model will be developed which will provide an overview of the hypotheses and will be used as a basis for the empirical research of the master thesis.

The main research question of the study is whether the country-of-origin effect has a positive significant impact on consumers' perception of the quality of a luxury good.

In a market place where global brands dominate, it is reasonable to examine whether a country of origin is still a driver of brand equity especially given the fact that recent marketing studies indicate that the strength of the COO construct is diminishing (Josiassen,

Lukas and Whitwell, 2008; Verlegh and Steenkamp, 1999). The luxury goods category is particularly interesting, since it is characterized by well-known brands, which are perceived by consumers through their brand personality, origin and country ethnicity. However, there are relatively few studies on the country-of-origin effect referring to the luxury goods category (Usunier, 2006).

For simplicity reasons, only one product category of luxury goods is going to be examined – namely designer handbags. This type of products was chosen since female consumers use it in their everyday life because of their functionality, but also as an accessory and thus a way for self-expression. Moreover, respondents are expected to be familiar with it. Another important reason for the choice is that designer accessories items are strongly associated with France, because the country is famous for its competence in fashion and design. Big brand names for the product category "luxury handbags" originate from France – Chanel, Dior, Louis Vuitton etc. Referring to the model by *Wiedmann et al. (2007)* that was presented in the literature review part, it can be said that luxury handbags fulfill all four type of values: financial, functional, individual and social. Designer handbags are sold at premium prices. This high pricing policy contributes to the fact that they are perceived as a status symbol and an indicator for prestige, which in turns contributes to their financial value. On the functional level, luxury handbags are defined by superior features and usability; high quality of the materials used for their manufacturing and of the service provided in the boutiques where they are sold; and by a high uniqueness value – due to their exclusivity and limited availability. The individual value is created by the ability of the designer bags to serve consumers' self-identity, hedonic and materialistic needs. The possession of a luxury handbag not only is seen as a way for self-expression but also evokes positive emotions and satisfies consumers' desire to acquire items or also known as materialism.

As mentioned in the literature review, the country of origin concept was tested against many dependent variables such as: willingness to pay, purchase intention, purchase risk and quality evaluation. The reason why the master thesis is going to focus on the perceived quality valuation is that, as suggested in many studies, the consumption of luxury goods highlights the importance of superior quality as a main driver which adds value to this type of products (Quelch, 1987; Rao and Monroe, 1989; Garfein, 1989; Groth and McDaniel, 19993; Roux, 1995). Moreover, luxury products are strongly associated with high quality as their most representative characteristic (Quelch, 1987; Garfein, 1989; Roux, 1995).

As already mentioned in the literature review, demographic factors are recognized to have impact on the way consumers use the country-of-origin construct (Good and Huddelson, 1995; Lawrence et al. , 1992; Wall and Heslop, 1986). While gender will not be examined in the course of the master thesis research, due to the nature of the product which was chosen for the empirical part (women luxury handbag), age, income and nationality will be taken into consideration.

Culture plays a significant role in the utilization of the country of origin information. Ethnical differences lead to differences in the perception of the COO construct. Marketing studies found out that people from different countries have different degree of consumer ethnocentrism and patriotism. Moreover, according to Watson and Wright (2000) goods from countries, which are similar to the home country, will be favored over products from countries which are rather different from the domestic one. In the case of luxury goods and in particular designer handbags, it is important to notice that the degree of development of the market for luxury goods also can have a certain impact on how consumers perceive the quality of a luxury product. In this respect, it will be necessary to consider whether the domestic market for luxury goods is well developed or not. This means, whether there are enough luxury brands present on the market; how intensive the consumption of luxury goods in the home country is, are there fake goods to be found on the domestic market; and how the attitude of local consumers towards luxury goods is. Those factors are likely to have impact on the perception of quality of luxury handbags. For example, if in the local country the import of luxury brands is well developed, then consumers will be able to obtain product information more easily and compare quality of different products more accurately. Thus, the master thesis will rely on the following hypothesis:

H1: Nationality has a significant impact on the degree of country of origin effect – i.e. consumers from less developed countries will demonstrate higher country of origin effect on the perceived quality of luxury handbags than consumers from more developed countries.

Another important demographic characteristic is income. Han and Terpstra (1988) investigate in their research that individuals with higher income tend to evaluate foreign products more favorably. Key point especially in the case of luxury goods is that, wealthier individuals may afford the purchase of premium product more easily. Thus, this will enable them to get to know the product category better through the purchase of more luxury brands. As a result, the wealthy customers will most probably pay attention more to the factors such as brand name

and price, than to COO. Furthermore, since weather consumers are more experienced with luxury, they might not be so excited about it. For this reason, the research will develop the hypothesis that:

H2: Income will have a negative moderating role on the perceived product quality.

According to Schaefer (1997a), age has a significant impact on the magnitude of the country of origin effect (COE). The study investigates that COE increases when age increases. This is related to the fact that older people rely more on broader mental categories as means to offset the decrease in working memory. In addition, older individuals tend to have broader experience with goods from different countries and be able to compare the quality of those products. This means that also country stereotypes are more strongly residing in the memories of older individuals than in the memories of younger ones.

Moreover, according to some studies, cultures converge because of globalization (Inglehart and Baker, 2000; Leung et al., 2005). Thus, it can be said that individuals who grew up in a globalized environment (i.e. younger individuals) put not so much importance on the country of origin of a product or brand, as compared to older individuals, who did not grow up in a globalized setting. Thus, the master thesis will support the following sub-hypotheses:

H3: Age will negatively influence the relationship between country of origin and perceived quality of a luxury handbag – i.e. younger consumers will demonstrate weaker country of origin effect than older consumers when evaluating the perceived quality of a luxury handbag.

Referring to the insights presented in the literature review, another factor which is seen to change the magnitude of country of origin is brand familiarity (Schaefer, 1997). According to Kaynak and Cavusgil (1983), brand name is found to diminish the effect of the country of origin. Lee and Ganesh (1999) also support this idea, stating that the more familiar a consumer is with a certain brand, the less likely is he or she to use the country of origin construct as an additional piece of information while evaluating the quality of a particular product. Yet, according to Arghavan and Zaichkowsky (2000) and Wiedman et al. (2007), luxury brands have strong social power. They satisfy consumers' psychological needs to belong to a particular social class since the possession of luxury is emblematic for those groups of people. Thus, for the master thesis it is hypothesized that a high level of brand familiarity will result in a high level of quality perception of the products sold under this

particular brand, since this is regarded as a factor contributing to increased social value of the luxury. Thus, the next hypothesis that the master thesis is about to follow is:

H4: Brand familiarity has positive moderating impact on the relationship between country of origin and product quality evaluations.

Another element that is going to be incorporated into the empirical research for the master thesis is involvement. In the marketing literature there are controversial opinions in what direction this factor could change the magnitude of the country of origin effect. As presented in the literature review section, involvement can either strengthen or weaken the impact of COO on perceived quality of goods.

However, the master thesis will support the viewpoint that involvement weakens the magnitude of the COO construct as consistent with the findings of (Han, 1989 and Maheswaran, 1994). Thus, country of origin is likely to affect consumers' perceptions of the product quality when they are less involved and use the COO construct as additional piece of information. Derived from this insight, a further sub-hypotheses that the master thesis is going to follow is namely:

H5: Involvement has negative moderating impact on the relationship between country of origin and product quality evaluations.

Numerous studies confirmed the effect of country of origin on the product quality evaluation. According to Ahmed et al. (2002), the COO has stronger impact than the brand name on the perception of the quality of a certain product. Wall et al. (1991) investigated that in the case of luxury goods, the source country of a product has higher impact than the price for the quality evaluation. Very important are also the automatic associations which products form with their countries of origin – French perfume, Swiss watches, Italian fashion apparel or German cars (Baumgartner and Jolibert, 1977; Roth and Romeo, 1992). In addition, Gaedeke (1973), Wang and Lamb (1983) and Toyne and Walters (1989) found a positive correlation between the level of economic development of a country and the evaluation of quality of its products – means that products from highly developed countries are perceived to have higher quality than products from less developed ones. In line with the insights from those studies, the master thesis will follow the main research hypothesis that:

H6: Country or origin has a positive significant impact on consumers' perception of quality of a luxury designer handbag i.e. luxury handbags whose brands originate from developed

countries will be perceived to be of higher quality than handbags from less developed countries.

Based on the literature review and the above-listed hypotheses, the empirical research for the master thesis will rely on the following theoretical framework:

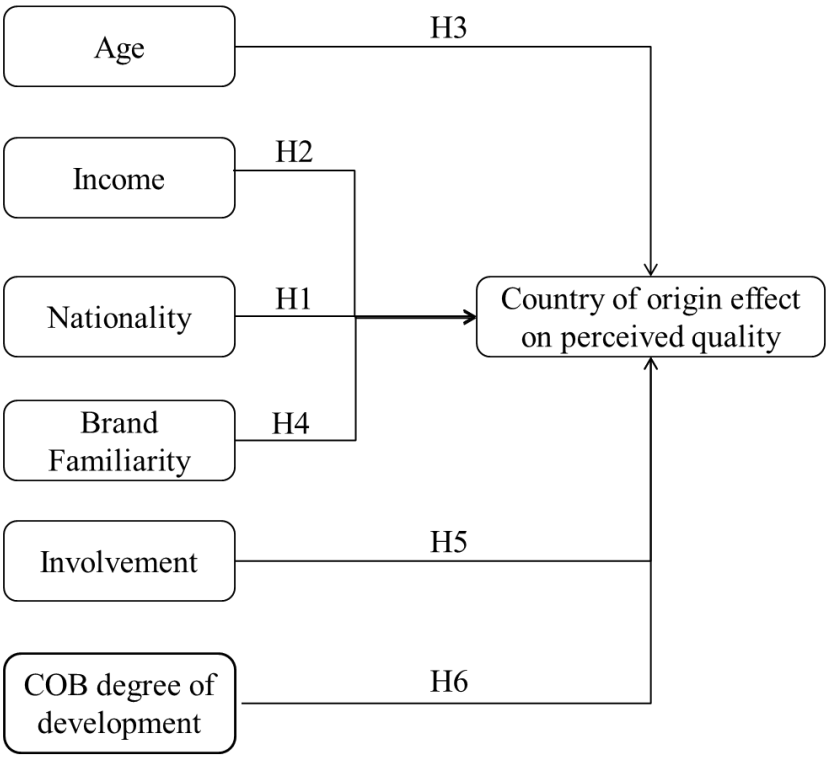


Figure 3: Conceptual framework of the master thesis

3. Methodology

The following section of the master thesis presents the empirical part of the study. First, the methods for sample selection and data collection are going to be discussed. Then, the section will provide insight into the techniques which were applied in order to test and analyze the hypotheses and the results that were generated.

3.1. Sample selection

For the empirical part of the study, a sample of female respondents at the age of 18 to 50 years was selected. Since a focus will be given only on one specific product category of luxury goods– namely women's designer handbags, the sample will not include male

respondents. Although men are also potential purchasers of luxury handbags, women are the direct consumers of this type of product and their level of involvement can easily be measured. As for the age interval which was chosen for the sample, females at the age of 18 to 50 years are assumed to be more interested in fashion and more likely to follow the newest fashion trends. In addition, since the study is conducted online and distributed via Facebook, respondents at that age were more easily to be reached, since people at that age are more likely to possess an account on this social network, than older consumers.

The empirical study is conducted only with respondents from European Union countries. This allows the research to be more specific and prevents from a bias which might occur if respondents outside Europe are included, due to strong cultural differences which will affect the quality perceptions of luxury goods. European nationalities were grouped in two categories – those of the old member states and of the new ones. The countries which belong to the group of the old member states are the original founders of the EU - France, Germany, Italy, Belgium, Netherlands, Luxembourg - including the countries that joined EU before 1995: Denmark, Ireland, United Kingdom, Greece, Portugal, Spain, Austria, Finland and Sweden. All other countries which joined the EU after 2004 are defined as new member states. Those are: Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia, Slovenia, Bulgaria, Romania and Croatia (see Appendix 2). As stated in numerous studies, researches indicate that there are significant differences in the economic development as well as lifestyle and culture in the old and new member states (Gerhards, 2007; Falkner and Treib, 2008). It is also interesting to see whether there will be also a difference in the quality perceptions of luxury goods of people from old and new member countries of the European Union.

3.2. Data collection

There are two types of data: primary and secondary data. While secondary data is collected by a third party other than the person conducting the research (e.g. censuses, statistics, data bases, literature reviews, etc.), primary data are collected for the purpose of research and are used directly by the researcher (Rabianski, 2003). The master thesis is based on the analysis of primary data which was collected specifically for the model on which the thesis relies.

Survey design

Data was gathered through an online questionnaire which was distributed to respondents via Facebook. The survey method was chosen because through its standardized questions, it allows for greater respondent rate. In addition, the data output that is obtained from it can easily be imported into software for statistical research such as SPSS etc. and thus easy to analyze. Because responses are recorded automatically, this minimizes the bias which might occur if the researcher enters them manually in the system. Another benefit of the survey method and especially of the online-survey method is its low cost. Due to the limited financial resources, this method was chosen, since the launch of the survey through the platform qualtrics.com and its distribution via the social network Facebook were completed at no monetary cost.

Furthermore, since a substantial part of the respondents live outside the Netherlands, it was easy to reach them online. In an online survey, respondents are flexible to fill in the questionnaire at time convenient for them or even to stop, save their responses and continue filling in at a later time. The survey is also anonymous and data is treated strongly confidentially – thus used only for the purpose of the research for this master thesis. Especially the anonymity of the survey is a substantial benefit for the participants, since those could answer with a greater comfort, when asked about more personal aspects such as income and age for example. The following chart from the study of Evans and Mathur (2005, p.196) provides a detailed overview of the strengths and weaknesses of the online survey method.

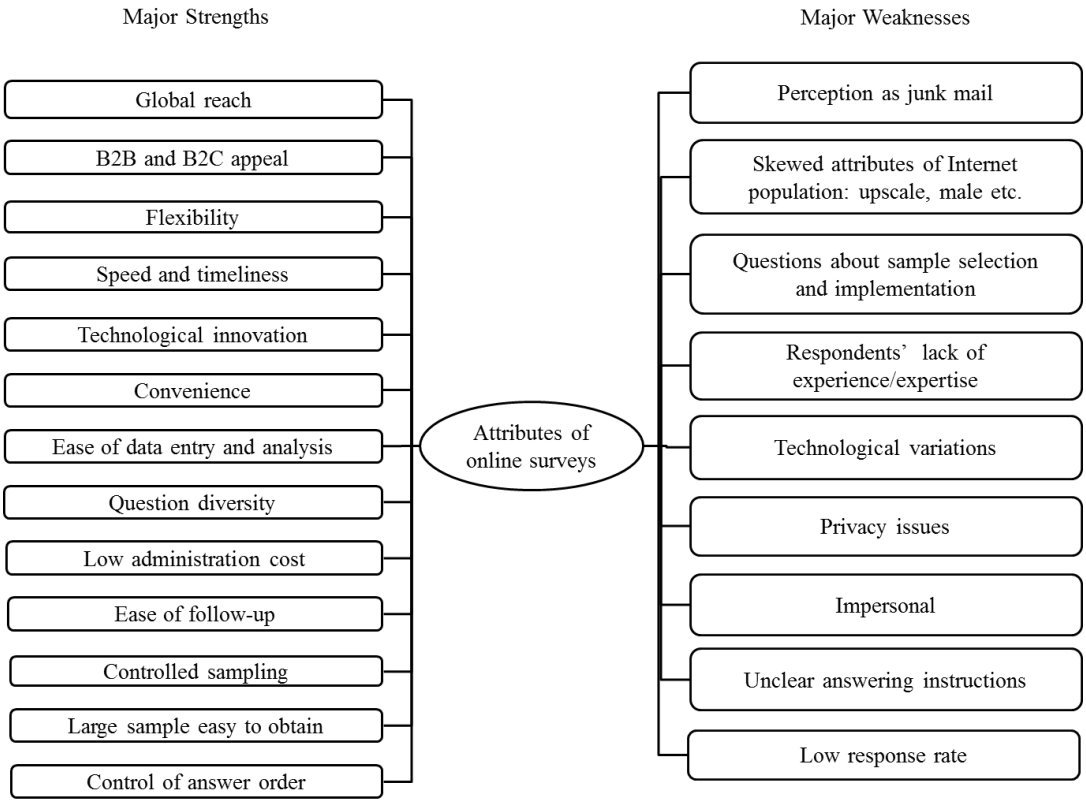


Figure 4: Strengths and weaknesses of online surveys. Source: Evans and Mathur (2005, p.196)

At the first step the survey was conducted online, however the rate of respondents from new member states was greater than the respondents from the old member states. Thus, the same survey was repeated offline at the library area of Erasmus University Rotterdam in order to collect additional respondents from old member states. Female visitors of the library were asked to fill in a printed version of the questionnaire. Respondents who were not from the European Union were regarded as outliers and thus excluded from the analysis.

The survey consists of 13 questions (a complete version of the questionnaire can be found in Appendix 1). At first, a short introduction is provided, explaining participants the purpose of the research and giving them overall instructions. The first section asks about demographics: age, nationality, occupation and personal monthly after-tax income. While age and nationality are entered directly by the respondents, occupation is given as a multiple choice question. Respondents are asked to indicate their occupation status out of the following categories: "college/high school student", "university student", "part-time worker", "full-time employee", "self-employed", "housewife/unemployed" and "other". While age and nationality are directly related to a hypothesis, occupation is asked in order to gain a better understanding of the given sample.

At the next step, participants are asked about their personal monthly after tax income and whether or not it is sufficient for the purchase of a luxury handbag. This question is directly related to hypothesis 3. It has been widely recognized, that respondents tend to avoid answering questions about the absolute monetary value of their income, or they tend to indicate lower results (Tourangeau and Yan, 2007). Thus, income levels are presented in the form of a Likert scale with seven different categories: “very low”, “low”, “somewhat low”, “neither low/nor high”, “somewhat high”, “high”, “very high”. In addition, a 7 point Likert scales are used everywhere in the master thesis survey, because they allow for more detailed and accurate answers.

In the next section of the survey (questions 5-7), respondents are asked to indicate how familiar they are with four brands of luxury handbags. This section of the questionnaire is directly related to hypothesis 4 of the thesis. Brand familiarity is a crucial factor which in the marketing literature is investigated to contribute to quality perception. In many case brands are emblematic for the country from which they originate – as in the case for Louis Vuitton and France as its country of origin. Two French brands were selected for the survey: Louis Vuitton and Herve Guyel Paris, as well as one German brand – Escada, and one Colombian brand – Nancy Gonzalez.

Those brands were selected because it is a crucial part of the research whether or not the country of brand will lead to a difference of the quality perceptions of luxury products. According to hypothesis 6 brands originating from more developed countries are perceived of higher quality than brands originating from less reputable or less developed countries. France and Germany are high developed countries (see appendix 3), however Colombia is less developed than them. In the world GDP ranking conducted by the International monetary fund, which can be found in appendix 4, Germany has rank 4, France has rank 5, whereas Colombia has the rank 32 (International monetary fund, 2013). France is a country which is believed to have special competence in fashion and design. It is popular with its numerous fashion and luxury brands, however Germany, even being a developed country, is not emblematic for fashion or design. The country is strongly associated with the production of high quality machines, vehicles etc, but not fashion products (Keegan and Schlegelmilch, 2001). Colombia is not a developed country and also not associated with its competence in fashion and luxury.

For the master thesis research it will be interesting to investigate whether there is a difference in the quality perception of designer handbags from high and low developed countries – namely a comparison between France or Germany as high developed ones and Colombia as a low developed one, and between France and Germany as two developed countries but differently perceived in respect to the manufacturing of luxury goods and fashion items. Popular as well as unpopular brands were chosen. In the example of the French brands – Louis Vuitton is a popular brand, whereas Herve Guyel Paris is not a popular one, as compared to Louis Vuitton. Both brands originate from Frace which is highly associated with its fashion competence, thus a comparison of the perceived qualities of the bags from those two brands, should indicate whether the brand familiarity contributes to a higher perceived quality or not.

Referring to Escada – it can be said that the brand is relatively familiar one, thus when comparing it to Louis Vuitton, which is also a familiar one, it would be possible to see whether there are difference in the country of origin effects between familiar brands and to measure those effects. Referring to the fourth brand – Nancy Gonzalez – it can be defined as a unfamiliar brand, which also originates from a less developed country. It would be also interesting to compare the perceived quality of the Nancy Gonzalez bag with the perceived quality of the Herve Guyel Paris bag, since both items are of unfamiliar brands, thus one can clearly see the country of origin effect, if it exists at all.

In the marketing literature, brand familiarity is defined usually as a one-dimensional construct (Baker et al., 1986). However, some studies suggest that it should be seen as a multidimensional construct (Mitchell, 1981; Krishnan, 1996). Korchia (2001) defines several aspects of brand familiarity: interpersonal familiarity, familiarity with the communication policy of the brand and familiarity with all type of products which belong to the particular brand. The questionnaire follows those dimensions of brand familiarity and incorporates them in the form of statements, through which it is assessed how far respondents are familiar with the four brands, which were listed above.

Referring to the statements from this question set, participants were asked whether or not they have heard of the particular brand or have been exposed to its communication policy (“awareness”); whether or not they already possess a product by the particular brand (“expertise”); and whether or not they are familiar with the products which are sold under the particular brand name (“recognition”). Also for this set of questions a 7 point Likert scale is

used with the following labeling: (1= “strongly disagree”, 2= “disagree”, 3= “somewhat disagree”, 4= “neither agree, nor disagree”, 5= “somewhat agree”, 6= “somewhat agree”, 7= “strongly agree”). The next set of questions focuses on the actual measurement of the country-of-origin effects through a short picture experiment. Participants are asked to position themselves into a situation in which they have to purchase a luxury handbag for themselves. Assuming that all prices are the same (EUR 750 which a standard price for a luxury handbag), female respondents have to consider the following products by the above mentioned brands, however this time they are also explicitly given the information about the countries from which each brand originates (Louis Vuitton – France; Escada – Germany; Herve Guyel Paris – France and Nancy Gonzalez – Colombia). In addition to the brand name and the country from which every brand originates, female participants are also provided with a black-and-white picture of each product.

Louis Vuitton – France

Herve Guyel Paris - France

Escada - Germany

Nancy Gonzalez - Colombia

Figure 5: Designer handbags overview

In a seven point Likert scale (1= very low, 2= low, 3= somewhat low, 4= uncertain, 5= somewhat high; 6= high; 7= very high) participants have to give their perceptions about the quality of the designer bags from the different brands. The dimensions of quality that are used for the survey are: craftsmanship, durability, reliability, preciseness, design and quality in the sense of value for money. Those dimensions are taken from the model of Garvin (1984).

The last question set consisting of eight statements is related to the fifth hypothesis and aims to measure consumers' involvement. Participants are asked to which extent they consider themselves interested in fashion, have affinity for luxury products and regard fashion as a way for self-expression. They are also required to indicate whether or not they already possess a luxury handbag, plan to buy one in the future or wish to possess one as long as they have the necessary monetary resources for that, in case they don't have sufficient budget at the moment. Those statements aim to provide insights how far participants are familiar with and involved in the product category luxury handbags. Additionally, female respondents have to indicate whether they know the big brand names in the particular product category and if they search intensively for information about the features of luxury handbags when they want to purchase one.

The last seven questions are not directly related to any hypothesis, but are especially interesting for the whole research since they offer additional insights into the consumers' behavior. Those are: to what extent consumers rely on the country of origin of a brand as a quality signal and if they pay attention if the country of brand is the same as country of manufacture. Moreover, participants are asked whether they would buy a luxury handbag because of the design or because of the quality, if they prefer well-known over not so well-known brands and to what extent they prefer foreign over domestic products (detailed information about the results from all questions can be found in appendix 4).

Those statements, as well as the above listed ones referring to consumers' involvement are organized in the form of a 7 point Likert scale: (1=very low, 2=low, 3=somewhat low, 4=neither low, nor high; 5=somewhat high; 6=high; 7=very high). In order to keep the coding of the necessary variables consistent and avoid troubles which might occur when recoding variables of different scale type, it was decided that all statements are going to be in the form of a seven point Likert scale, which allows for more precise answers.

3.3. Variables

The following section presents the variables that were computed in order to test the hypotheses for the underlying model for the master thesis.

Dependent variable: The main research question of the master thesis is how the quality perceptions of luxury goods are influenced by the country of origin of their brand. Thus, perceived quality is selected as a dependent variable for the underlying model:

$$PQ_{ij} = \{1; \ldots; 7\}$$

Since, perceived quality is measured on a 7 point Likert scale with 1 = "very low" and 7 = "very high" the results obtained for every respondent vary from 1 to 7. Respondent number is indicated by the letter "i", whereas the particular brand is indicated by the letter "j". For the brands, there are four options: j = {1; …; 4}, respectively: 1 = Louis Vuitton, 2 = Herve Guyel Paris, 3 = Escada, 4 = Nancy Gonzalez. As already discussed in the previous section, perceived quality is measured on the following six dimensions: craftsmanship, durability, reliability, credence/preciseness, design and quality following the model of Garvin (1984). For all those six criteria which are based on a 7 point Liker scale, variables were computed as following:

$$\text{Craftsmanship: } CR_{ij} = \{1; \ldots; 7\}$$

$$\text{Durability: } DU_{ij} = \{1; \ldots; 7\}$$

$$\text{Reliability: } RE_{ij} = \{1; \ldots; 7\}$$

$$\text{Preciseness: } PR_{ij} = \{1; \ldots; 7\}$$

$$\text{Design: } DE_{ij} = \{1; \ldots; 7\}$$

$$\text{Quality: } QU_{ij} = \{1; \ldots; 7\}$$

Overall perceived quality is computed as the average of those six criteria. A detailed explanation why an average was chosen as a way to compute perceived quality variable is provided in chapter 3.5 – statistical methods.

$$PQij = \frac{CRij + DUij + REij + PRij + DEij + QUij}{6}$$

Independent variables:

- *Age*

Respondents' age was computed as a continuous variable, since all respondents who participated into the survey indicated how old they are, and thus no responses were missing. Age is a variable which is usually ratio scaled, since there is an absolute zero and there is a metrical meaning between two observations (Janssens et al., 2008).

- *Nationality*

The research has to investigate how the quality perceptions vary among the European nationalities and countries are divided into two categories: old and new member states of EU. Thus, the nationality variable is given in the form of a dummy variable with 0 indicating an old member state and 1 indicating a new member state.

$$NAT_i = \{0; 1\}$$

- *Income*

Income is computed in the form of an interval variable recorded on the basis of a seven point Likert scale with the following categories: 1 = "very low", 2 = "low", 3 = "somewhat low", 4 = "neither low/nor high", 5 = "somewhat high", 6 = "high", 7 = "very high". Thus, the personal monthly after-tax income for every respondent is given as:

$$INC_i = \{1; \ldots; 7\}.$$

- *Brand familiarity*

As already discussed in the previous section, brand familiarity is regarded as a multi-dimensional construct incorporating interpersonal familiarity, familiarity with the communication policy of the brand and familiarity with all type of products which belong to the particular brand (Korchia (2001). These sub-dimensions are recoded as interval variables on a 7 point Likert scale with the following labeling: 1= "strongly disagree", 2= "disagree", 3= "somewhat disagree", 4= "neither agree, nor disagree", 5= "somewhat agree", 6= "somewhat agree", 7= "strongly agree". As a result, corresponding to the three dimensions of brand familiarity the following variables were created:

$$\text{Awareness: } AWA_{ij} = \{1; \ldots; 7\}$$

Recognition: $REC_{ij} = \{1; \ldots; 7\}$

Expertise: $EXP_{ij} = \{1; \ldots; 7\}$

The overall brand familiarity is computed as an average of those three sub-variables, which is further discussed in chapter 3.5.

$$BRFij = \frac{AWAij + RECij + EXPij}{3}$$

- *Involvement*

Similarly to perceived quality and brand familiarity, involvement is also in the form of a scale consisting of eight dimensions measured on a 7 point Liket scale with the following labeling: 1 = "strongly disagree", 2 = "disagree", 3 = "somewhat disagree", 4 = "neither agree, nor disagree", 5 = "somewhat agree", 6= "somewhat agree", 7 = "strongly agree". For the eight dimensions, the following variables were computed:

Statement 1 - Interest in fashion: $INV\_1_i = \{1; \ldots; 7\}$

Statement 2 - Affinity to luxury goods: $INV\_2_i = \{1; \ldots; 7\}$

Statement 3 – Fashion as a way for self-expression: $INV\_3_i = \{1; \ldots; 7\}$

Statement 4 – Possession of luxury bag: $INV\_4_i = \{1; \ldots; 7\}$

Statement 5 – Planned purchase of luxury bag: $INV\_5_i = \{1; \ldots; 7\}$

Statement 6 – Desire to possess luxury bag: $INV\_6_i = \{1; \ldots; 7\}$

Statement 7 – Awareness of the big brands for luxury handbags: $INV\_7_i = \{1; \ldots; 7\}$

Statement 8 – Intensive search for information about luxury handbags: $INV\_8_i = \{1; \ldots; 7\}$

The overall involvement is computed as an average of all eight statements, see chapter 3.5. for further information about that.

$$INV\mathrm{i} = \frac{\mathrm{INV_{1i}} + \mathrm{INV_{2i}} + \mathrm{INV_{3i}} + \mathrm{INV_{4i}} + \mathrm{INV_{5i}} + \mathrm{INV_{6i}} + \mathrm{INV_{7i}} + \mathrm{INV_{8i}}}{8}$$

- *Country of brands*

Two more dummy variables were used to indicate the country of brands for the different handbags. Since there are three countries – France, Germany and Colombia, it is not possible to use three dummy variables for them. Thus, a binary variable was created in order to indicate whether the product comes for France with 0 = "the bag is not from France" and 1 = "the bag is not from France".

COO_FR = {0; 1}

Another dummy variable was created indicated whether or not the product is from Germany with 0 = "the bag is not from Germany" and 1 = "the bag is not from Germany".

COO_FR = {0; 1}

3.4. Descriptives

Through the online and offline version of the survey 174 valid responses from 16 nationalities were collected. The number of female participants from the old member states is 83 (47,7%) vs. 91 (52,3%) of the respondents from the new member states. The most represented nationality is the Bulgarian (73 respondents; 42,0%), followed by Dutch (26 respondents, 14,9%), German (22 respondents, 12,6%), Greek (17 respondents, 9,8%), Italian (7 respondents, 4%) and Lithuanian (6 respondents, 3,4%). Other nationalities which took part into the survey, but represented with less than 5 respondents are: French and British (both with 4 respondents, 2,3%), Romanian and Slovak (both with 3 respondents, 1,7%), Spanish, Czech and Polish (all of each represented with 2 respondents, 1,1%) and Belgian, Croatian and Hungarian (with one respondent each, or 0,6%).

Table 2: Participants' nationality

Nationality	Frequency	%	Cum. %
Belgian	1	0,6	0,6
British	4	2,3	2,9
Bulgarian	73	42,0	44,8
Croatian	1	0,6	45,4
Czech	2	1,1	46,6
Dutch	26	14,9	61,5
French	4	2,3	63,8
German	22	12,6	76,4
Greek	17	9,8	86,2
Hungaria	1	0,6	86,8
Italian	7	4,0	90,8
Lithuanian	6	3,4	94,3
Polish	2	1,1	95,4
Romanian	3	1,7	97,1
Slovak	3	1,7	98,9
Spanish	2	1,1	100,0
Total	174	100,0	

Figure 6: Participants' nationality bar chart

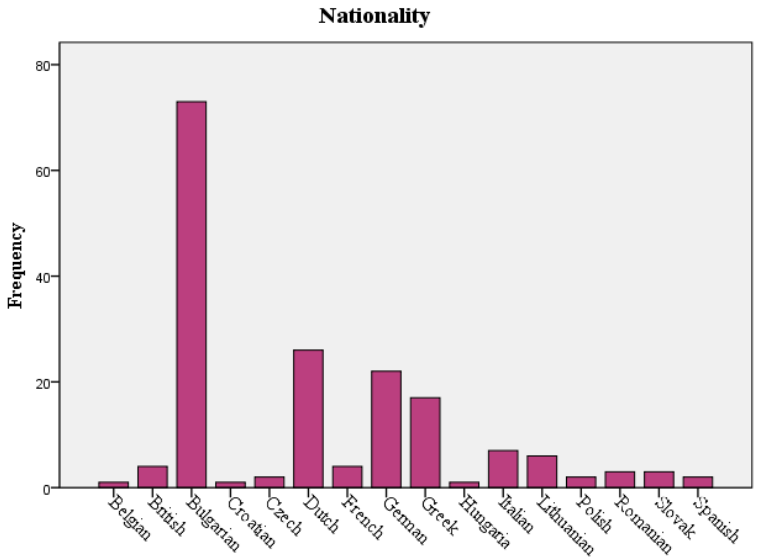
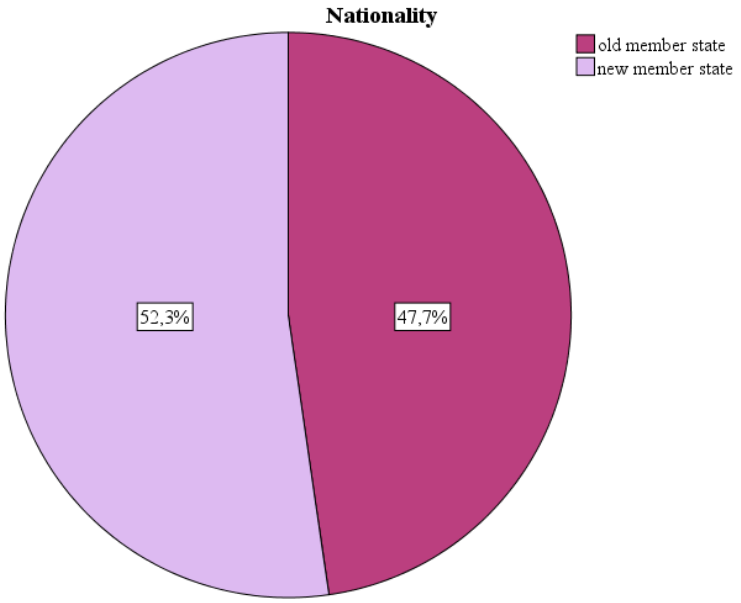


Figure 7: Participants' nationality in percentages pie chart



Participants' age varies from 18 to 49 years and thus fits within the desired interval which was set before the beginning of the data collection stage. The average age is 24,7 years, with a mode of 25, variance of 14,257 and std. deviation of 3,776. The most represented age category is from 22 to 28, followed by 18-21 and 29. The age category 30-50 is barely represented.

Age	Frequency	%	Cum. %
18	7	4,0	4,0
19	6	3,4	7,5
20	6	3,4	10,9
21	6	3,4	14,4
22	13	7,5	21,8
23	23	13,2	35,1
24	23	13,2	48,3
25	34	19,5	67,8
26	13	7,5	75,3
27	15	8,6	83,9
28	11	6,3	90,2
29	8	4,6	94,8
30	2	1,1	96,0
31	2	1,1	97,1
32	1	0,6	97,7
34	1	0,6	98,3
36	1	0,6	98,9
39	1	0,6	99,4
49	1	0,6	100,0
Total	174	100,0	

Table 3: Participants' age

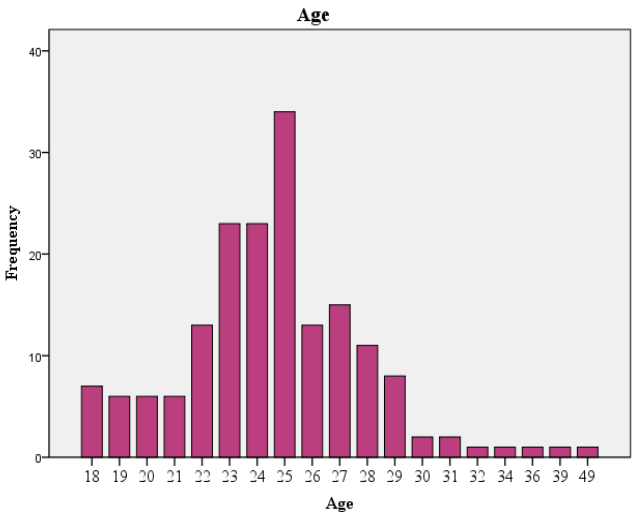


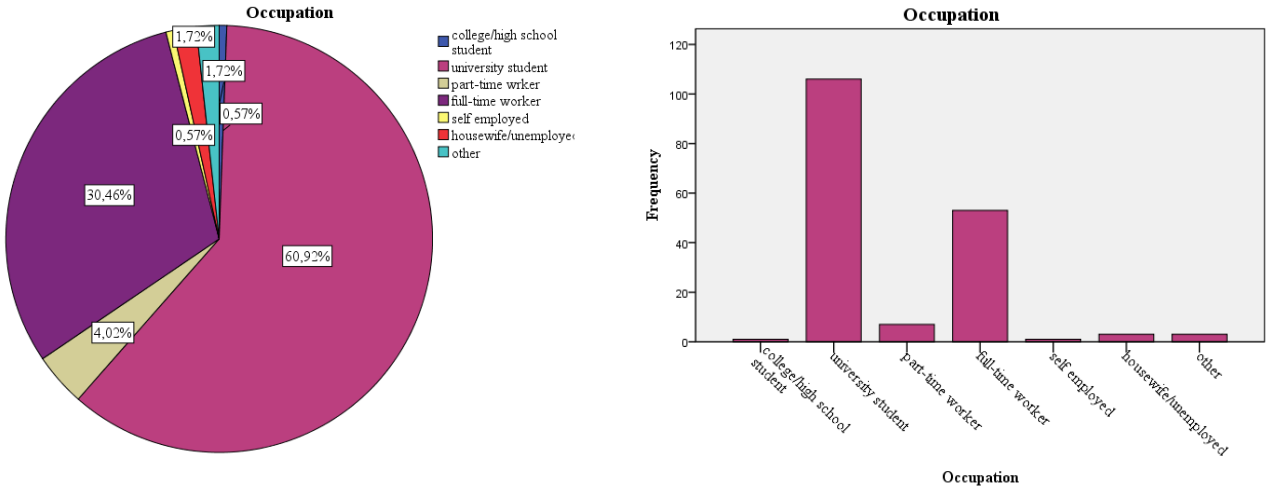
Figure 8: Participants' age – bar chart

Mean:	24,70
Median:	25,00
Mode:	25
Std. Deviation:	3,776
Variance:	14,257
Range:	31
Minimum:	18
Maximum:	49

In respect to their occupation status, the majority of the participants are grouped in the following two categories: "university student" (106 participants, 60,9%) and "full-time worker" (53 respondents, 30,5%). Part-time workers account for 4% of the respondents or 7 respondents in total. Barely represented were the categories "housewife/unemployed" and "others" with 3 respondents each (corresponding to 1,7% of the participants) and "self-employed" and "college/high school student" with only 1 respondent each (corresponding to 0.6% of the total number of respondents).

Occupation status	Frequency	%	Cum. %
college/high school student	1	0,6	0,6
university student	106	60,9	61,5
part-time worker	7	4,0	65,5
full-time worker	53	30,5	96,0
self employed	1	0,6	96,6
housewife/unemployed	3	1,7	98,3
other	3	1,7	100,0
Total	174	100,0	

Table 4: Participants' occupation

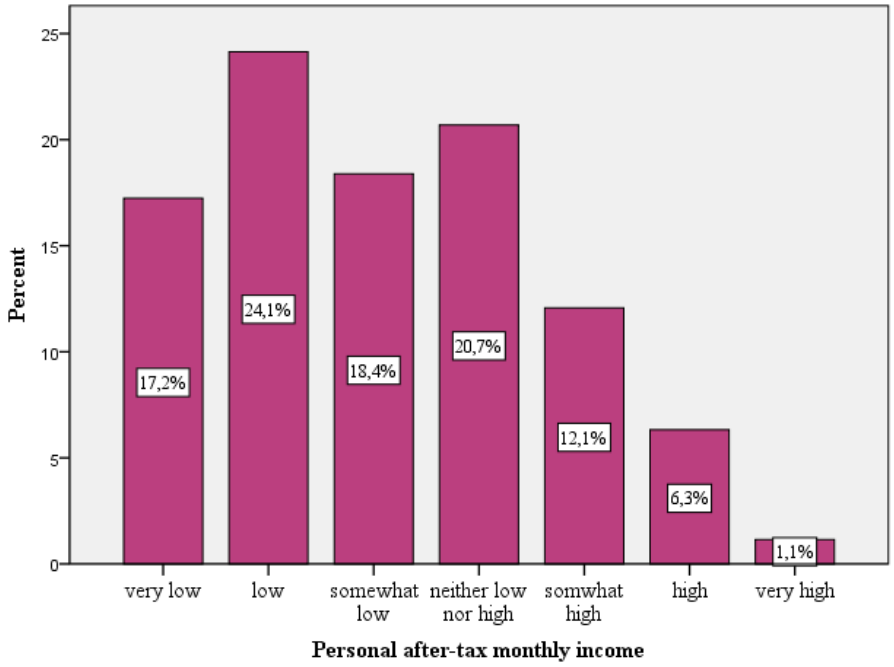


Figures 9 -10: Participants' occupation pie chart and bar chart

On the income level, the most frequently given answer is "low" with total of 42 observations. The mean income accounts for 3,1, with std. deviation of 1,542 and variance of 2,378. 59,8% of the participants belong to the three lowest categories "very low", "low" and "somewhat low". Additional 20,7% is concentrated into the middle income category "neither low, nor high". The cumulated percentage of respondents who classified their income as "somewhat high", "high" or "very high" is 19,5% or 34 respondents in total. The reason why this high income category is not so represented is related to the fact that the majority of participants are still students and therefore do not possess that high disposable income.

Income level	Frequency	%	Cum. %
very low	30	17,2	17,2
low	42	24,1	41,4
somewhat low	32	18,4	59,8
neither low, nor high	36	20,7	80,5
somewhat high	21	12,1	92,5
high	11	6,3	98,9
very high	2	1,1	100,0
Total	174	100,0	

Table 5: Participants' income



Mean:	3,10
Median:	3,00
Mode:	2
Std.Dev:	1,542
Var:	2,378
Range:	6
Min.:	1
Max.:	7

Figure 11: Participants' income – bar chart

3.5. Statistical Methods and Results

The following chapter of the master thesis will provide insights into the methods which were used for the analysis of the collected data and the testing of the underlying hypotheses.

3.5.1. Factor Analysis

Three of the constructs which are analyzed in the empirical part are measured through a scale consisting of multiple statements. Those constructs are: brand familiarity, involvement and perceived quality. In order to check whether a scale could be based on the particular statements an exploratory factor analysis is performed. This method allows the researcher to decrease the size of the underlying data to a more manageable amount of variables through grouping of data into same factors (Janssens et al., 2008). For the master thesis, through the factor analysis it would become clear whether or not the statements which were chosen to measure the constructs load into the same target factor and thus can be associated with this construct.

Before performing a principle component analysis, it was first checked whether or not the three necessary assumptions for this type of method were fulfilled. According to these criteria the variables in question should be interval or ratio scaled and if measured in a different units the data should be standardized. The third condition refers to the minimum number of observations accounting for at least ten times the number of variables, however the lowest acceptable number of observations should be at least one hundred (Janssens et al., 2008). The dataset which was obtained through the questionnaire absolutely fulfills the three necessary criteria. The total amount of respondents is 174 which is greater than 100. Additionally, seventeen variables are going to be included into the factor analysis: six statements describing the perceived quality (craftsmanship, durability, reliability, preciseness, design and quality), three statements measuring brand familiarity (recognition, awareness and expertise), as well as eight statements associated with involvement (interest in fashion, affinity to luxury goods, fashion as a way for self-expression, possession of luxury bag, planned purchase of luxury bag, desire to possess luxury bag, awareness of the big brands for luxury handbags, intensive search for information about luxury handbags). According to the last criteria, for those seventeen variables there must be at least ten times observations for each or at least 170 observations in total. Since 174 is greater than 170, the number of observations in the dataset is sufficient for the performance of a factor analysis. Also all variables in question are measured in the same units – seven point Likert scale which is precisely speaking considered ordinal, but due to the assumed equal intervals of those types of scales in the marketing literature this type of variables are treated as interval scaled. On the other hand, it was proven in the research that the use of Likert scales generates reliable results (Janssens et al., 2008).

A crucial step before starting a factor analysis is the calculation of "Pearson" correlation coefficient which will indicate whether or not it is meaningful to continue with the actual analysis. Sufficient amount of correlations between the variables of more than 0,3 indicates an adequate basis for a factor analysis (Janssens et al., 2008). The following chart indicates the correlations between the variables for the underlying model of the master thesis. A substantial amount of them are above the threshold of 0,3 meaning that the performance of a factor analysis is adequate in this situation.

		INV_1	INV_2	INV_3	INV_4	INV_5	INV_6	INV_7	INV_8	REC	EXP	AWA	CR	DU	RE	PR	DE	QU
Pearson Correlation	INV_1	1	,741**	,592**	,554**	,610**	,615**	,586**	,223**	,182**	,223**	,362**	,135**	,156**	,133**	,056	,129**	,088*
	INV_2	,741**	1	,520**	,684**	,738**	,614**	,597**	,327**	,166**	,348**	,348**	,150**	,124**	,095*	,073	,127**	,068
	INV_3	,592**	,520**	1	,433**	,402**	,459**	,402**	,217**	,129**	,172**	,236**	,130**	,146**	,109**	,115**	,101**	,096*
	INV_4	,554**	,684**	,433**	1	,649**	,511**	,452**	,207**	,155**	,309**	,292**	,131**	,144**	,087*	,064	,078*	,060
	INV_5	,610**	,738**	,402**	,649**	1	,668**	,610**	,315**	,185**	,319**	,369**	,082*	,106**	,094*	,042	,122**	,022
	INV_6	,615**	,614**	,459**	,511**	,668**	1	,563**	,265**	,146**	,193**	,275**	,129**	,137**	,121**	,084*	,134**	,059
	INV_7	,586**	,597**	,402**	,452**	,610**	,563**	1	,353**	,209**	,238**	,375**	,073	,069	,075*	,049	,090*	,017
	INV_8	,223**	,327**	,217**	,207**	,315**	,265**	,353**	1	,071	,117**	,144**	,066	,079*	,060	,031	,056	,052
	REC	,182**	,166**	,129**	,155**	,185**	,146**	,209**	,071	1	,380**	,698**	,102**	,174**	,204**	,149**	-,002	,180**
	EXP	,223**	,348**	,172**	,309**	,319**	,193**	,238**	,117**	,380**	1	,542**	,030	,070	,094*	,027	,049	,075*
	AWA	,362**	,348**	,236**	,292**	,369**	,275**	,375**	,144**	,698**	,542**	1	,147**	,208**	,239**	,173**	,088*	,201**
	CR	,135**	,150**	,130**	,131**	,082*	,129**	,073	,066	,102**	,030	,147**	1	,678**	,647**	,652**	,532**	,619**
	DU	,156**	,124**	,146**	,144**	,106**	,137**	,069	,079*	,174**	,070	,208**	,678**	1	,821**	,706**	,433**	,732**
	RE	,133**	,095*	,109**	,087*	,094*	,121**	,075*	,060	,204**	,094*	,239**	,647**	,821**	1	,759**	,473**	,712**
	PR	,056	,073	,115**	,064	,042	,084*	,049	,031	,149**	,027	,173**	,652**	,706**	,759**	1	,553**	,688**
	DE	,129**	,127**	,101**	,078*	,122**	,134**	,090*	,056	-,002	,049	,088*	,532**	,433**	,473**	,553**	1	,554**
	QU	,088*	,068	,096*	,060	,022	,059	,017	,052	,180**	,075*	,201**	,619**	,732**	,712**	,688**	,554**	1

Table 6: Pearson correlations

**Significant at the 0,001 level (2-tailed)

* Significant at the 0,005 level (2-tailed)

"Principal components" was chosen as a method for factor extraction, because it's aim is to create factor scores through which a maximum amount of variance is explained. In addition, the factors which are formed are orthogonal – i.e. no longer correlated with each other (Janssens et. al, 2008), which is a key point for any further methods such as linear regression which are going to be performed at a later stage. The rotation method was set to "varimax", first because it results in orthogonal factors, and second, because it aims to minimize the variables which will show high factor loadings on each factor, making the interpretation of the analysis much easier (Janssens et. al., 2008).

As already mentioned, one of the conditions which need to be fulfilled in a factor analysis is a considerable amount of correlations between the underlying variables. After performing principal component analysis (PCA) with the help of SPSS, the output which is generated by the software needs to be checked again for the correlation criteria. In this respect, a closer look is given to the anti-image correlation matrix which indicates the partial correlation

between the variables in a negative value. In the matrix the values under or over the diagonal are examined. Those need to be close to zero, so that the factor analysis can be meaningful. In the particular case, the values in the anti-image correlation matrix satisfy this condition.

Anti-image Correlation	INV_1	,866[a]	-,405	-,316	-,020	,013	-,176	-,170	,120	,024	-,046	-,073	,154	-,053	-,011	,032	,139	-,138
	INV_2	-,405	,877[a]	-,069	-,285	-,304	-,024	-,081	-,133	-,097	,049	,062	-,061	,024	-,021	,034	-,177	,043
	INV_3	-,316	-,069	,911[a]	-,100	,092	-,113	-,019	-,073	,008	-,023	,055	-,091	,024	-,004	-,007	-,016	,010
	INV_4	-,020	-,285	-,100	,919[a]	-,261	-,028	,023	,065	-,042	-,086	,067	-,003	,056	,004	-,007	-,091	,025
	INV_5	,013	-,304	,092	-,261	,888[a]	-,321	-,175	-,069	,080	-,026	-,052	,039	-,092	,078	,030	-,025	-,095
	INV_6	-,176	-,024	-,113	-,028	-,321	,927[a]	-,152	-,020	-,021	-,016	-,009	-,009	-,026	,030	-,028	,041	,043
	INV_7	-,170	-,081	-,019	,023	-,175	-,152	,933[a]	-,193	,007	,044	-,003	-,042	-,013	,046	,000	,043	-,133
	INV_8	,120	-,133	-,073	,065	-,069	-,020	-,193	,871[a]	-,004	-,038	,000	,049	,006	-,032	,008	,009	,003
	CR	,024	-,097	,008	-,042	,080	-,021	,007	-,004	,925[a]	-,250	-,068	-,160	-,230	-,064	,012	,057	-,012
	DU	-,046	,049	-,023	-,086	-,026	-,016	,044	-,038	-,250	,853[a]	-,489	-,092	,144	-,303	,010	,019	,008
	RE	-,073	,062	,055	,067	-,052	-,009	-,003	,000	-,068	-,489	,864[a]	-,352	-,008	-,126	-,029	-,052	-,031
	PR	,154	-,061	-,091	-,003	,039	-,009	-,042	,049	-,160	-,092	-,352	,894[a]	-,225	-,146	-,027	,083	-,028
	DE	-,053	,024	,024	,056	-,092	-,026	-,013	,006	-,230	,144	-,008	-,225	,855[a]	-,281	,128	-,054	,008
	QU	-,011	-,021	-,004	,004	,078	,030	,046	-,032	-,064	-,303	-,126	-,146	-,281	,910[a]	-,063	-,014	-,032
	REC	,032	,034	-,007	-,007	,030	-,028	,000	,008	,012	,010	-,029	-,027	,128	-,063	,711[a]	-,028	-,607
	EXP	,139	-,177	-,016	-,091	-,025	,041	,043	,009	,057	,019	-,052	,083	-,054	-,014	-,028	,818[a]	-,367
	AWA	-,138	,043	,010	,025	-,095	,043	-,133	,003	-,012	,008	-,031	-,028	,008	-,032	-,607	-,367	,758[a]

a. Measures of Sampling Adequacy(MSA)

Table 7: Anti-image correlation matrix

The degree of correlation is also determined by the values on the diagonal of the anti-image correlation matrix, or also known as measures of sampling adequacy (MSA). Those need to be greater than 0,5, otherwise the variables which indicate lower values, have to be excluded from the analysis. In the master thesis research all of the variables exhibit MSA greater than 0,5 (see appendix 5). At the next step, the global MSA value is examined, or also known as the Kaiser-Meyer-Olkin measure of sampling adequacy. In the model, this measure has a value of 0,875 which is greater than 0,5, indicating that there is sufficient amount of correlations between the variables. The Bartlett's Test of Sphericity has significance value of 0,000 which is lower than 0,001 (null-hypothesis rejected) and thus indicating that a factor analysis is meaningful to be performed.

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0,875
Bartlett's Test of Sphericity	Approx. Chi-Square	6974,046
	df	136
	Sig.	0,000

Table 8: KMO and Bartlett's test

Looking at the "Total variance explained" from the output, it can be clearly identified through the Eigenvalues that there are three factors which can be extracted, which is exactly the

number of constructs that were set in the beginning of the analysis – namely perceived quality, brand familiarity and involvement. Eigenvalue explains the share of variance which can be explained through every component (Janssens et. al, 2008). The number of factors is given by the number of components with Eigenvalues greater than one. The cumulative percent of variance which can be explained by extracting three components is 64,676. This number is the same before and after rotation, which can be seen from the columns: "Extraction Sums of Squared Loadings" and "Rotation Sums of Squared Loadings".

Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	5,558	32,691	32,691	5,558	32,691	32,691	4,630	27,237	27,237
2	3,785	22,267	54,958	3,785	22,267	54,958	4,226	24,857	52,094
3	1,652	9,718	64,676	1,652	9,718	64,676	2,139	12,582	64,676
4	0,901	5,299	69,975						
5	0,754	4,433	74,408						
6	0,649	3,821	78,229						
7	0,634	3,731	81,959						
8	0,474	2,788	84,747						
9	0,426	2,505	87,252						
10	0,386	2,273	89,525						
11	0,373	2,196	91,721						
12	0,309	1,816	93,537						
13	0,266	1,564	95,101						
14	0,258	1,518	96,619						
15	0,244	1,437	98,056						
16	0,173	1,015	99,072						
17	0,158	0,928	100,000						

Table 9: Explained variance

Also from the scree plot below, it can be seen that there are three components. In the particular analysis, since after the third one the change in Eigenvalue (slope of the graph) is not that steep and with every increase in number of components the graph becomes flatter.

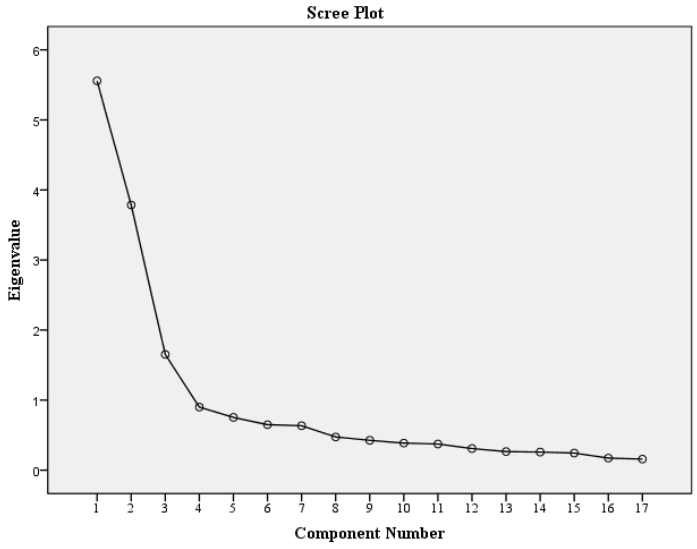


Figure 12: Scree plot

	Component		
	1	2	3
INV_2	0,871	0,053	0,150
INV_5	0,829	0,015	0,179
INV_1	0,823	0,077	0,122
INV_6	0,790	0,075	0,056
INV_4	0,744	0,048	0,145
INV_7	0,738	0,004	0,190
INV_3	0,659	0,103	0,040
INV_8	0,424	0,039	0,024
RE	0,042	0,878	0,149
PR	0,013	0,872	0,061
DU	0,082	0,871	0,104
QU	-0,006	0,857	0,116
CR	0,102	0,819	-0,003
DE	0,127	0,686	-0,092
REC	0,056	0,107	0,855
AWA	0,271	0,137	0,855
EXP	0,237	-0,011	0,697

Table 10: Rotated score coeff. matrix

At the next step, it has to be examined whether or not the desired statements load in the correct factor – i.e. whether or not the scale can be created out of those statements. This can be seen from the "Rotated component matrix" which gives the factor loadings for the particular factors. The term "factor loading" indicates how a set of scores for the original variable is correlated with a set of factor scores (Janssens et. al, 2008).

Components are formed from those statements which possess the highest factor loadings in absolute values. Thus, according to the given rotated component matrix, the eight statements from the involvement scale are all loaded into the same component, namely component 1; the six statements from the perceived quality scale load all into component 2 and the three brand familiarity statements load into component 3 (see the shaded area from the chart). A minimum loading is usually associated with the particular sample size. According to Janssens et. al (2008) a minimum factor loading of 0,45 is required for a sample size of 150, in the case of 200 observations, the minimum factor loading changes to 0,4. The underlying data set consists of 174 responses, thus the between 150 and 200, therefore a minimum factor loading should be exactly 0,424. In our case, the relatively low factor loading (0,424) of the variable INV_8 is going to be accepted for the further analysis.

Given the fact that the statements load in the desired factors, there are two options for the research: either to take the factor values or any linear combination of the underlying statements. Factor values are standardized and uncorrelated; they are calculated by taking the

weighting coefficients from the component score coefficient matrix. For the master thesis research, an average of the statements was chosen to be calculated for the constructs involvement, brand familiarity and perceived quality.

In the last step, a Cronbach's Alpha is calculated for the three constructs, so that the reliability of the scales can be assessed (see also Appendix 7). The values for the three constructs can be seen from the following chart. All of them are great enough for the reliable construction of a scale and thus, there is no need to remove any of the underlying statements in order to increase the value of the particular Cronbach's Alpha. According to Janssens et al. (2008) a scale can be constructed without any concern of reliability problems, as long as the Cronbach's Alpha is greater than 0,8, which holds for involvement and perceived quality. In the case of Cronbach's Alpha which lies between 0,6 and 0,8 the researcher should remove any of the underlying statements, usually the ones with the lowest "Item – Total Correlation" and/or highest "Alpha if item deleted ". However, there is additional rule which requires a minimum of three items for the calculation of the Cronbach's Alpha. Thus, in the case of brand familiarity, even if expertise is removed, because it has the lowest item-total correlation, the underlying statements will become two and thus violate the above-mentioned rule. Therefore, for the master thesis it was decided to keep all three statements, even if the Cronbach's Alpha of the brand familiarity construct is slightly below 0.8 (see appendix 7 for information on "Item-total correlation" values).

Construct	Cronbach's Alpha
Involvement	0,888
Brand Familiarity	0,767
Perceived Quality	0,904

Table 13: Overview Cronbach's Alpha

3.5.2. Multiple Regression Analysis

At the next step, the hypotheses of the underlying model are tested with the support of a linear regression. This method for analysis was selected, since it examines the causality between the dependent and independent variables. In the particular case, the empirical study is based on cross-section data – i.e. observation from multiple respondents but at one single point of time. In the general form, multiple regression equations are defined in the following way:

$$Y= b_0 + b_1X_1 + b_2X_2 + \ldots + b_nX_n + \varepsilon$$

Y = dependent variable

X_i = independent variable

b_i = coefficient, which is going to be estimated into the model

ε = error term

Adapted to the underlying model for the master thesis, the regression equation is expressed as follows:

$$PQ = b_0 + b_1AGE_i + b_2INC_i + b_3NAT_i + b_4BRF_{ij} + b_5INV_i + b_6COO\_DE_{ij} + b_7COO\_FR_{ij} + \varepsilon,$$

where i indicates the number of respondent and j indicates the particular brand (j = 1 for Louis Vuitton, j = 2 for Herve Gyuel Paris, j = 3 for Escada and j = 4 for Nancy Gonzalez). After entering the variables into SPSS and performing the necessary commands, the following output was generated by the software:

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0,302	0,091	0,082	1,03412

ANOVA

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	73,996	7	10,571	9,885	,000[b]
Residual	735,753	688	1,069		
Total	809,749	695			

Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	4,177	0,303		13,775	0,000		
INV	0,087	0,032	0,114	2,756	0,006	0,778	1,285
BRF	0,140	0,028	0,220	4,931	0,000	0,665	1,504
AGE	0,020	0,011	0,069	1,810	0,071	0,903	1,108
NAT	0,201	0,082	0,093	2,446	0,015	0,913	1,095
INC	-0,108	0,028	-0,155	-3,919	0,000	0,848	1,179
COO_FR	-0,267	0,102	-0,124	-2,620	0,009	0,593	1,687
COO_DE	-0,547	0,126	-0,220	-4,350	0,000	0,517	1,933

Tables 14, 15, 16: Model summary, Anova, Linear regression coefficients without interaction effects

As it can be concluded from the last chart, all of the variables except of age are significant (sig. level < 0,005). In order to reach a more accurate conclusion, whether or not the hypotheses can be supported, the model was checked for interaction effects. An interaction effect between age and involvement was found to be significant. The following outputs provide information about the revised model. Also the new regression equation has to be adapted as follows:

$$PQ = b_0 + b_1AGEi + b_2INCi + b_3NATi + b_4BRF_{ij} + b_5INVi + b_6COO\_DE_{ij} + b_7COO\_FR_{ij} + b_8INVxAGE + \varepsilon$$

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0,317	0,101	0,090	1,02964

ANOVA

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	81,414	8	10,177	9,599	0,000
Residual	728,334	687	1,060		
Total	809,749	695			

Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	6,739	1,014		6,643	0,000		
INV	-0,494	0,222	-0,643	-2,226	0,026	0,016	63,819
BRF	0,138	0,028	0,217	4,878	0,000	0,664	1,505
AGE	-0,084	0,041	-0,295	-2,064	0,039	0,064	15,553
NAT	0,217	0,082	0,101	2,650	0,008	0,908	1,101
INC	-0,114	0,028	-0,162	-4,119	0,000	0,844	1,185
COO_FR	-0,264	0,101	-0,123	-2,607	0,009	0,593	1,687
COO_DE	-0,543	0,125	-0,218	-4,334	0,000	0,517	1,933
InvxAge	0,024	0,009	0,833	2,645	0,008	0,013	75,764

Tables 17, 18, 19: Model summary, Anova, Linear regression coefficients with interaction effects

The revised model contributes to an increase in R square and adjusted R squared from to 0,91 and 0,82 to 0,101 and 0 90 respectively. Moreover, all variables, including the interaction effect are significant (sig. level < 0, 005). The sig. level in the ANOVA chart is 0,000 which is less than 0.05. The R square indicates what portion of the variance of the dependent variables can be explained by the independent ones – i.e. how good the fit between the data and the regression model is. The betas or also known as standardized coefficients explain what share of the dependent variable is due to the particular independent one or the relative importance of the independent variables. The signs of both standardized and unstandardized coefficients indicate how the dependent variable will change if the particular independent one will increase by one unit (Janssens et. al., 2008).

In the next paragraphs the coefficients of each variable are going to be examined which will lead to a further acceptance or rejection of the hypotheses but before that the model has to be tested for multicollinearity. As it can be concluded from the following chart, the correlation between the independent variables are all below 0,6. Thus, all of them can be included in the model without any concern of multicollinearity issues leading to insignificant results.

Correlations

		AGE	NAT	INC	COO_FR	COO_DE	INV	BRF
AGE	Pearson corr.	1	0,143**	0,285**	0,000	0,000	-0,048	0,001
	Sig. (2-tailed)		0,000	0,000	1,000	1,000	0,204	0,969
NAT	Pearson corr.	0,143**	1	0,191**	0,000	0,000	-0,129**	0,067
	Sig. (2-tailed)	0,000		0,000	1,000	1,000	0,001	0,079
INC	Pearson corr.	0,285**	0,191**	1	0,000	0,000	0,183**	0,087*
	Sig. (2-tailed)	0,000	0,000		1,000	1,000	0,000	0,022
COO_FR	Pearson corr.	0,000	0,000	0,000	1	-0,577**	0,000	0,043
	Sig. (2-tailed)	1,000	1,000	1,000		0,000	1,000	0,258
COO_DE	Pearson corr.	0,000	0,000	0,000	-,577**	1	0,000	0,333**
	Sig. (2-tailed)	1,000	1,000	1,000	0,000		1,000	0,000
INV	Pearson corr.	-0,048	-0,129**	0,183**	0,000	0,000	1	0,358**
	Sig. (2-tailed)	0,204	0,001	0,000	1,000	1,000		0,000
BRF	Pearson corr.	0,001	0,067	0,087*	0,043	0,333**	0,358**	1
	Sig. (2-tailed)	0,969	0,079	0,022	0,258	0,000	0,000	

**. Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).

Table 20: Multicollinearity check – overview Pearson correlations

H1: Nationality has a significant impact on the degree of country of origin effect – i.e. consumers from the New member states of EU (less developed countries) will demonstrate higher country of origin effect on the perceived quality of luxury handbags than consumers from the Old member states of EU (more developed countries).

The nationality binary variable NAT = {0,1}, where 0 stands for countries regarded as Old member states of EU and 1 for New member states of EU, has a positive sign of the standardized and unstandardized coefficient, indicating that a change in one unit will increase the perceived quality of the luxury product. In other words, respondents from Old member states have lower perceptions of the quality of a luxury handbag than the participants from the New member states. Since the NAT has statistically significant effect and the direction of this effect is the same as suggested in the beginning of the research (positive B values in both models: 0,201 and 0,217 respectively, with p-values of 0,015 and 0,08 for the two models), hypothesis one is fully supported. A possible explanation about the way the nationality works

might be that in the new member states the possession of luxury is much valued, not only because of cultural factors, but also because those countries achieved at a later point in time a high living standard. A slow economic development for those countries means that on the one hand, not to many people possess sufficient income for the purchase of luxury products, but also luxury brands might not be that strongly present on the particular market. Since luxury brands want to achieve an exclusive prestige image, they carefully chose the markets in which they expand. Entering the market of a not so well developed country might be a disadvantage for luxury brands. First this can negatively affect the image of the brand, second it might be unprofitable initiative, if there are not many people in the particular country who can afford buying the products from the given brand. When the supply of this kind of products on the market is limited, it is quite possible that consumers start perceiving them as exclusive and strongly desired. On the contrary, as long as consumers have sufficient income for the purchase of luxury products and those are well available on the market in their home country, they have a greater possibility to purchase those products and might be better able to assess their quality. Those reasons might lead to the high differences in the perceptions of quality of luxury handbags. However, due to limited data, those points cannot really be statistically confirmed and a future research in this direction is needed.

H2: Income has a negative moderating role on the relationship between COO and perceived product quality.

The income variable INC = {1; …; 7} also has negative sign as well in both initial and revised model with interaction effect – B values of -0,108 and -0,114 for the two models respectively. In addition, the variable is significant on the 0,05 level (p–value of 0,000 in both models). Thus hypothesis two can be fully supported. The reason why a high income level results in a lower quality perception is due to the fact that wealthy consumers can afford buying luxury products of different brands and luxury products as a whole, thus they can easily compare the goods in respect to their qualities. In many cases, consumers who already have expertise with a certain product are no longer that excited about the product as consumers who never did it but wish to acquire one in the future. This might lead to the differences in the perceived qualities of luxury handbags by consumers with high and low levels of disposable income.

H3: Age negatively influences the country of origin effect on perceived quality of a luxury handbag.

While insignificant in the first model, age becomes significant in the second model (p-value = 0,039 < 0,05). In both models, the variable has a negative sign of the B value and the beta, which implies that the higher the age of a respondent, the lower their perception of quality of a luxury good is assuming that they know the country of brand of the product in advance. The logic behind the reasoning is the same as with income. The higher the age, the higher the experience of consumer is with the particular brand or product category. More experienced consumers can more accurately evaluate product quality than unexperienced ones and will probably be more critical and demanding. The third hypothesis is fully supported, since the variable AGE is significant, in the full model including the interaction effect, and the direction of the effect is negative as predicted in the beginning.

H4: Brand familiarity has positive impact on the country of origin effect on product quality evaluations.

In both the standard and revised model, the variable BRF is significant (p-values of 0,000<0,05 for both models respectively) and with a positive sign of the standardized and unstandardized coefficients (B values of 0,140 and 0,138 for the two models respectively). This implies that the more familiar respondents are with a particular brand the more favorable they rate their quality. Brand names function as signals or a guarantee for a quality. Moreover, some of them like Louis Vuitton are strongly associated with the country of the brand – e.g. France. Hypothesis four is fully supported.

H5: Involvement has negative impact on the country of origin effect on perceived quality evaluation.

This hypothesis is supported in both models, since the involvement variable is significant in the two of them (p-values of 0,006 and 0,026 are both lower than 0,05). It is interesting that in the first model which captures the direct effects only, involvement has a positive sign for the standardized and unstandardized coefficients (B value of 0,087). However, if we include the interaction effect between age and involvement which is significant and with a positive

direction (INV x AGE has a p-value of 0,008 < 0,05 and a B value of 0,024), then the direct effect of the involvement becomes negative (B value equal to -0,494). Since, in reality it is not possible to isolate the impact of the age from the effect of the involvement, the interaction effect between the two of them is meaningful. Thus, the master thesis will follow the results obtained from the second model with the interaction effect. For this reason, involvement is accepted to have a negative effect on the perceived quality, meaning that the more involved a respondent is with the product category luxury handbags, the lower their perception is of the quality of the bags. The logic here is similar to the logic behind the negative effect of age and income. The more involved a person is with the product, the more capable they are of adequately evaluating the quality. It is also very likely, however not necessary, that more involved respondents already possess a luxury bag by a particular brand and thus might no longer be that excited about its quality or about the possession as a whole.

H6: Country of brand has positive impact on the quality perceptions of the product – i.e. luxury handbags from more developed/reputable countries are perceived more favorably than luxury handbags from less reputable countries.

For the examination of this hypothesis a closer look is taken at the binary variables COO_FR ={0,1} (where 0 indicates that the brand does not originate from France and 1 indicates that the brand originates from France) and COO_DE {0,1} (with 0 indicating that the brand is not German and 1 indicating that the brand is German}. Both of them are significant in the two models (p-values of 0,009 and 0,000 < 0,05) and have negative sign for the (un)standardized coefficients (B values in the first model: -0,267 for France and -0,547 for Germany; and B values for the second model: -0,264 for France and -0,543 for Germany as country of brand). The negative sign indicates that at least within the model for the master thesis the French and German bag(s) are not evaluated as favorably as the Colombian bag. Although Colombia is less developed/reputable than France and Germany and is not associated with its competence in fashion as for example France, the Nancy Gonzalez bag is rated better than the Escada and the Herve Guyel Bag. This can be seen from the results of a one-sample t-test that has been performed in order to test the hypothesis (see next page).

One-Sample Test						
	Test Value = 0					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
PQ_LV	62,725	173	0,000	5,20881	5,0449	5,3727
PQ_HG	64,656	173	0,000	4,72222	4,5781	4,8664
PQ_ES	53,965	173	0,000	4,81130	4,6353	4,9873
PQ_NG	66,245	173	0,000	5,06513	4,9142	5,2161

Table 21: One-sample t-test

In the column "Mean Difference" the average perceived quality for the four bags is given. The Louis Vuitton displays the highest quality rating. This is due to the popularity of the brand, which is also highly associated with France as its country of origin. The next highest evaluation of perceived quality is given to the Nancy Gonzalez bag, followed by the Escada and the Herve Guyel bag. This results, together with the outcome of the multiple regression model indicate that the country of brand, at least in the underlying model with the given sample, is does not positively contribute to an increase in perceived quality. For this reason, hypothesis 6 has to be rejected.

3.5.3. Results

After performing explorative factor analysis, multiple regression, one sample t-test as well as correlation analysis, five out of six hypotheses of the model were supported. As hypothesized nationality has positive significant effect on the quality perceptions of luxury products (in particular luxury handbags). Therefore, quality perceptions vary across the European countries in the way that respondent from the New Member States display higher quality perceptions than respondents from the Old Member States of the EU - hypothesis one is fully supported. Age and income have negative impact on the quality perception (hypotheses 2 and 3). The older and the wealthier respondents are, the lower their quality perceptions are of luxury handbags (hypotheses two and three are hereby fully supported).

In respect to the brand familiarity, as hypothesized familiar products from the same country are more favorably evaluated than unfamiliar ones – this can be also seen in the example of

both French bags – Louis Vuitton and Herve Guyel Paris. Hypothesis 5 is fully supported. The last hypothesis of the model has to be rejected. It suggests that products whose country of brand is more reputable are going to be evaluated better than products with a less reputable COB. However, no empirical evidence was found for that, at least in this particular model.

The following chart provides overview into the hypotheses which were supported/ rejected.

H1: Nationality has a significant positive impact on the degree of country of origin effect.	**Accepted**
H2: Income has a negative moderating role on the relationship between COO and perceived product quality.	**Accepted**
H3: Age will negatively influence the country of origin effect on perceived quality of a luxury handbag.	**Accepted**
H4: Brand familiarity has positive impact on the country of origin effect on product quality evaluations.	**Accepted**
H5: Involvement has negative impact on the country of origin effect on perceived quality evaluation.	**Accepted**
H6: Country of brand has positive impact on the quality perceptions of the product – products whose brands originate from more developed/reputable countries are going to be perceived more favorably than those from less reputable countries.	**Rejected**

Table 22: Results

4. Conclusion

The master thesis examined the impact of country of brand on the quality perceptions of luxury handbags. It was tested how the intensity of those perceptions vary across countries in the EU, different age, level of income, involvement and the level of brand familiarity of the respondent as well as across more and less developed countries of brand.

In the marketing literature country of origin effect is a widely discussed topic. However, researchers hold controversial views on the impact of COE on the quality perceptions of a good. While, some studies indicate positive influence of the country of origin, others claim that it is no longer a factor contributing to a high quality perceptions. The master thesis research strengthens the view that country of brand is no more an important quality cue, showing that designer handbags originating from less developed countries such as Colombia, are perceived more favorably than products coming from well developed countries (France). In addition, the study shows that the effect of brand familiarity is greater than the effect of the country of brand.

From the results of the empirical study can be concluded that quality perceptions of luxury handbags vary across European nationalities. Respondents from the Old Member States of the EU tend to give lower rating of the quality of those products, compared to participant of the New Member States. The same holds for older and wealthy participants. Those respondents seem to have lower quality perceptions of luxury handbags, due to the reason that they probably have already some experience with this product category and can adequate assess and compare qualities.

Another insight from the research is that the individual level of involvement has a negative impact on the quality perceptions of luxury handbags. However, an interaction effect between involvement and age was found, which has positive influence on the way respondents evaluate the quality of the bags.

5. Managerial implications

With the insights generated by the analytical methods which were performed, the master thesis study adds value to the research on the country of origin in the marketing literature. First of all, there are not so many studies conducted with luxury goods and in particular with the product category designer handbags. Second, most of the research took place in countries outside Europe. The master thesis study adds value to this topic, since it examines the gap between old and new member states of the EU and in particular the affinity towards luxury goods consumption. Another novelty of the study is that it sees the brand familiarity as a multidimensional construct.

Taking into account the results of the empirical study, the several implications would be valuable to marketing managers of luxury brands. First of all, managers should consider the country differences in the perceived quality of luxury goods. In general, female consumers from the new member states seem to perceive luxury handbags of higher quality and thus value them more, than consumers from the old member states. This can imply that consumers coming from less developed member states are somehow more impressed/excited, whereas consumers from the more developed ones are more demanding not so fascinated by them. The same holds for highly involved and wealthy customers. Therefore, for luxury brands it is from a great importance that they maintain excellent level of product quality and service, so that they can satisfy even the most demanding and experienced customers. Furthermore, referring to the cultural differences in quality perceptions, the new member countries appear to be an interesting market for luxury brands since consumers there seem to be really excited about possessing a luxury designer bag. Of course entering one of those markets should be considered only after careful examination of the level of the economic development of the new members countries of EU and thus after assessing how much potential those markets offer.

However, at least in the particular empirical study, the impact of country of brand seems to have no positive influence on the quality perceptions as compared to the brand name. Thus, it is from a great importance for managers to build a strong name and to maintain it over a long period of time through careful brand strategies. Surprisingly, even for unknown brands, the country of brand did not contribute to a higher quality perceptions. It was found out that attractive design and excellent quality are far more important to consumers than solely a favorable country of brand (see Appendix 4.13). The importance of design can be explained

by the fact that designer bags are an important accessory for female consumers and its purchase evokes strong positive emotions. Therefore, luxury brands should constantly set high standards for quality and come up with exclusive design, even if they cannot rely on a favorable background of the country of brand.

6. Limitations and directions for future research

The empirical study examined the effect of demographics, income, brand familiarity and involvement on the country of origin effects. It was also tested how perceived quality varies in respect to the differences in countries of brands. Although most of the hypotheses were confirmed, the study has also several limitations.

Despite the fact that the number of responses was sufficient for testing the underlying model (total number of participants was greater than ten times the number of variables), the sample was not extensive. Increasing the amount of the sample size would generate additional insights for the study and will probably change the results.

In addition, the sample consisted of mostly younger people – 67,8 % of the respondents are at the age of 18 – 25 years. It would be interesting to examine how older consumers perceive the quality of luxury products, because they display stronger stereotypes towards particular countries. Another limitation of the study is that the majority of the respondents are university students and their income is insufficient for the purchase of a luxury handbag. Repeating the survey with wealthy participants would contribute additional insights in respect to their consumer habits and the influence of country of brand on their quality perceptions. Instead of distributing the survey online, or at the university area, it would have been also reasonable to approach respondents at the point of sale – stores and shopping malls, since in this way it would be possible to approach the target consumers and thus the more involved and wealthy ones.

Since one of the research questions was how the quality perceptions vary among European consumers, it would have been interesting to examine more countries of the EU. Only 16 out of 28 EU nationalities were reflected. Northern nationalities such as Finland, Norway and Denmark were not represented at all, due to limited resources, while Bulgarian nationality was over-represented (42% of the respondents). A reasonable direction for a future research would be how quality perceptions and consumer habits fluctuate in a north-south and east-

west comparison with representative samples of all EU members. It is questionable whether the research should focus only on EU countries or on Europe as a continent. Switzerland, for example, is not a EU member, however due to its high living standard it represents a valuable market for luxury goods, which is extremely interesting for luxury brand marketing managers. Another critical factor that needs to be examined is the so called "sojourn". Further studies could focus on how quality perceptions change when people from a particular country change their country of residence for a long period of time.

Another important limitation is that the study focuses on only one category of luxury goods – women handbags. Thus, future research could examine other type of product categories: shoes, clothing, watches, perfumes etc. It would be also interesting to focus on products which can be purchased and used by females as well as male consumers – such as luxury cars – so that gender differences in quality perceptions could be captured. Further reason why the survey should be repeated with other product categories is that the strength of country of origin effects might vary across type of goods/types of product categories.

Referring to the survey design, additional insights would be generated if the research would have asked about the attitudes that participants have towards the countries of brands of the chosen products (France, Germany, Colombia). Another way of measuring the country of origin effect would be a comparison of the perceptions that consumers have of the quality of the bags when confronted only with the pictures and after they become information about the COB. In the experiment, the information about the COB was given to respondents explicitly, which could be seen as a limitation of the research. Since the country of origin effect is hard to be separated from the impact of the brand name, it would be valuable for future research to question the perceptions and attitudes that respondents have to the given brands (especially for the popular ones like Escada and Louis Vuitton).

In the luxury products segment there are numerous brands, thus the choice of only four of them can be seen also as a limitation of the research. It is recommended that future research should be repeated with other brand names – more than two brands from a given country and more than just three countries of brands. Since luxury handbag is a product which evokes emotions in the female consumers, desire to possess and is related to their individuality, it can be said that inserting pictures into the experiment could significantly influence the perceptions of quality and thus the strength of the country of origin effect, since the design of a bag appeals differently to each participant. In reality, when consumers are about to purchase a

luxury handbag they have the possibility to view the product. However, completely omitting the pictures of the survey would be unrealistic. Thus, it will be reasonable, in order to keep the results unbiased, to compare the quality perceptions before and after informing the participants about the country of brand, as suggested in the previous paragraph.

Further limitation of the empirical study is the choice of labelling for the Likert scale when measuring the perceived quality. The answer range is given as follows: “very low”, “low”, “somewhat low”, “uncertain”, “somewhat high”, “high” and “very high”. Many respondents have indicated “uncertain” as an answer choice. This could be problematic, since it is hard to analyze how respondents have understood this answer: as “neither low nor high”, because it is the middle option between “very low” and “very high”, or as “not sure about that”. Instead, a semantic differential could have been use with 1 = “very low” to 7 = “very high”, while omitting the labelling of the answer choices in the middle.

Lastly, the study focused on only one dependent variable, namely perceived quality, while ignoring other directions for research such as: willingness to pay and purchase decision, which might be more accurate indicators of country of origin effects. The model would have also included other independent variables such as: gender differences, consumer patriotism, sojourn, brand attitudes and country stereotypes and more insights into the cultural differences into the luxury consumption.

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8. Appendix

Appendix 1 – Online Survey:

Questionnaire: Country of origin effect in the luxury goods category

Dear participants,

The following survey is part of my master thesis at the Erasmus University Rotterdam. You will be asked to give your responses to questions about a hopefully enjoyable for you topic: Country of origin effect on the quality perception of luxury handbags. There are no right or wrong answers. You just need to read the questions carefully and give your sincere responses. Thanks very much for your willingness to cooperate and have fun filling in the survey!

Bests,

Pollyna Stoimenova

1. What is your age? ……..

2. What is your nationality? …….

3. What is your current occupation?

- ❍ College/ High school student
- ❍ University Student
- ❍ Part-time worker
- ❍ Full-time employee
- ❍ Self employed
- ❍ Housewife/Unemployed
- ❍ Other

4. Please indicate how sufficient your personal monthly income after taxes is for the purchase of a luxury handbag:

	Very low	Low	Somewhat low	Neither low/nor high	Somewhat high	High	Very high
If I want to buy myself a luxury handbag, I consider my personal monthly income after taxes to be:	❍	❍	❍	❍	❍	❍	❍

5. Please, indicate how familiar are you with the brand <u>Louis Vuitton</u>:

	Strongly Disagree	Disagree	Somewhat Disagree	Neither Agree nor Disagree	Somewhat Agree	Agree	Strongly Agree
I have heard of the brand Louis Vuitton and/or been exposed to its advertising.	❍	❍	❍	❍	❍	❍	❍
I already possess one or more Louis Vuitton product(s).	❍	❍	❍	❍	❍	❍	❍
I consider myself well informed about the products which are sold under the Louis Vuitton brand name.	❍	❍	❍	❍	❍	❍	❍

6. Please, indicate how familiar are you with the brand <u>Escada</u>:

	Strongly Disagree	Disagree	Somewhat Disagree	Neither Agree nor Disagree	Somewhat Agree	Agree	Strongly Agree
I have heard of the Escada and/or been exposed to its advertising.	❍	❍	❍	❍	❍	❍	❍
I already possess one or more Escada product(s).	❍	❍	❍	❍	❍	❍	❍
I consider myself well informed about the products which are sold under the Escada brand name.	❍	❍	❍	❍	❍	❍	❍

7. Please, indicate how familiar are you with the brand <u>Nancy Gonzalez</u>:

	Strongly Disagree	Disagree	Somewhat Disagree	Neither Agree nor Disagree	Somewhat Agree	Agree	Strongly Agree
I have heard of the Nancy Gonzalez and/or been exposed to its advertising.	❍	❍	❍	❍	❍	❍	❍
I already possess one or more Nancy Gonzalez product(s).	❍	❍	❍	❍	❍	❍	❍
I consider myself well informed about the products which are sold under the Nancy Gonzalez brand name.	❍	❍	❍	❍	❍	❍	❍

8. Please, indicate how familiar are you with the brand <u>Herve Guyel Paris</u>:

	Strongly Disagree	Disagree	Somewhat Disagree	Neither Agree nor Disagree	Somewhat Agree	Agree	Strongly Agree
I have heard of the Herve Guyel Paris and/or been exposed to its advertising.	❍	❍	❍	❍	❍	❍	❍
I already possess one or more Herve Guyel Paris product(s).	❍	❍	❍	❍	❍	❍	❍
I consider myself well informed about the products which are sold under the Herve Guyel Paris brand name.	❍	❍	❍	❍	❍	❍	❍

Imagine that you would like to buy a luxury designer handbag for yourself. Please evaluate the following products given that their prices are equal (EUR 750) and their features are nearly similar (elegant hand carry, high-quality material). Below you will find information regarding the **brand** and the **country from which it originates.**

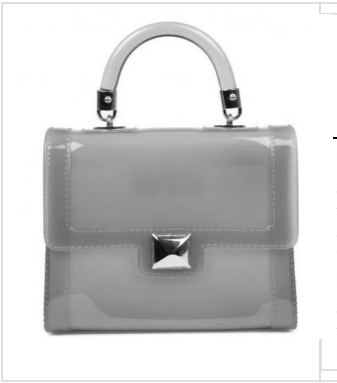
Louis Vuitton – **France**

9. Please have a look at the picture and evaluate the **Louis Vuitton** bag regarding the below-listed criteria:

	Very Low	Low	Somewhat Low	Uncertain	Somewhat High	High	Very High
Craftsmanship	❍	❍	❍	❍	❍	❍	❍
Durability	❍	❍	❍	❍	❍	❍	❍
Reliability	❍	❍	❍	❍	❍	❍	❍
Credence/(Preciseness)	❍	❍	❍	❍	❍	❍	❍
Design	❍	❍	❍	❍	❍	❍	❍
Quality	❍	❍	❍	❍	❍	❍	❍

Herve Guyel Paris – **France**

10. Please have a look at the picture and evaluate the **Herve Guyel** bag regarding the below-listed criteria:



	Very Low	Low	Somewhat Low	Uncertain	Somewhat High	High	Very High
Craftsmanship	❍	❍	❍	❍	❍	❍	❍
Durability	❍	❍	❍	❍	❍	❍	❍
Reliability	❍	❍	❍	❍	❍	❍	❍
Credence/(Precisenes)	❍	❍	❍	❍	❍	❍	❍
Design	❍	❍	❍	❍	❍	❍	❍
Quality	❍	❍	❍	❍	❍	❍	❍

Nancy Gonzalez – **Colombia**

11. Please have a look at the picture and evaluate the Nancy Gonzalez bag regarding the below-listed criteria:

	Very Low	Low	Somewhat Low	Uncertain	Somewhat High	High	Very High
Craftsmanship	❍	❍	❍	❍	❍	❍	❍
Durability	❍	❍	❍	❍	❍	❍	❍
Reliability	❍	❍	❍	❍	❍	❍	❍
Credence/(Preciseness)	❍	❍	❍	❍	❍	❍	❍
Design	❍	❍	❍	❍	❍	❍	❍
Quality	❍	❍	❍	❍	❍	❍	❍

Escada – **Germany**

12. Please have a look at the picture and evaluate the Escada bag regarding the below-listed criteria:

	Very Low	Low	Somewhat Low	Uncertain	Somewhat High	High	Very High
Craftsmanship	❍	❍	❍	❍	❍	❍	❍
Durability	❍	❍	❍	❍	❍	❍	❍
Reliability	❍	❍	❍	❍	❍	❍	❍
Credence/(Preciseness)	❍	❍	❍	❍	❍	❍	❍
Design	❍	❍	❍	❍	❍	❍	❍
Quality	❍	❍	❍	❍	❍	❍	❍

13. Please, indicate to which extent you agree or disagree with the following statements:

	Strongly Disagree	Disagree	Somewhat Disagree	Neither Agree nor Disagree	Somewhat Agree	Agree	Strongly Agree
I. Involvement							
1. You are interested in fashion and designer products and you follow the newest fashion trends.	❍	❍	❍	❍	❍	❍	❍
2. You have affinity to luxury accessories (in particular designer bags).	❍	❍	❍	❍	❍	❍	❍
3. For you fashion is a way of self-expression.	❍	❍	❍	❍	❍	❍	❍
4. You already possess a luxury designer bag.	❍	❍	❍	❍	❍	❍	❍
5. You plan to purchase a luxury designer bag in the near future.	❍	❍	❍	❍	❍	❍	❍
6.Though you might not have enough financial resources at this point of time, you would like to obtain a luxury designer bag if you have the budget for that.	❍	❍	❍	❍	❍	❍	❍
7. You know the big brand names in the product category luxury designer handbags.	❍	❍	❍	❍	❍	❍	❍
8. You look for information about the quality/features of designer handbags intensively.	❍	❍	❍	❍	❍	❍	❍
II. Additional Questions							
9. When buying a luxury designer handbag, for you it is not so important whether the country of manufacture of the product is the same as the country of its brand.	❍	❍	❍	❍	❍	❍	❍
10. When buying a luxury designer handbag you take the country of brand of a bag as a quality signal.	❍	❍	❍	❍	❍	❍	❍
11. For you purchasing a designer handbag is a way to impress others.	❍	❍	❍	❍	❍	❍	❍
12. If you decide to purchase a designer handbag, this would be mostly because of its high quality.	❍	❍	❍	❍	❍	❍	❍
13. If you decide to purchase a designer handbag, this would be mostly because of its exclusive design.	❍	❍	❍	❍	❍	❍	❍
14. You mostly prefer well-known brands over not so well-known ones.	❍	❍	❍	❍	❍	❍	❍

15. When purchasing a luxury designer handbag, you will prefer a product from your home country over a product from a foreign one.	❍	❍	❍	❍	❍	❍	❍

Appendix 2 - Member states of the EU:

No.	State	Capital	Entry	Population	Area (km2)	Currency	Official Language(s)
1	France	Paris	Founder (1952)	65,397,900	674,843	Euro	French
2	Germany	Berlin	Founder (1952)	81,843,700	357,021	Euro	German
3	Italy	Rome	Founder (1952)	60,820,800	301,338	Euro	Italian
4	Belgium	Brussels	Founder (1952)	11,041,300	30,528	Euro	Dutch, French & German
5	Netherlands	Amsterdam	Founder (1952)	16,730,300	41,543	Euro	Dutch
6	Luxembourg	Luxembourg	Founder (1952)	524,900	2,586	Euro	French, German & Luxembourgish
7	Denmark	Copenhagen	Jan 1, 1973	5,580,500	43,075	Danish Krone	Danish
8	Ireland	Dublin	Jan 1, 1973	4,582,800	70,273	Euro	Irish, English
9	United Kingdom	London	Jan 1, 1973	62,989,600	243,610	Pound Sterling	English
10	Greece	Athens	Jan 1, 1981	11,290,900	131,990	Euro	Greek
11	Portugal	Lisbon	Jan 1, 1986	10,541,800	92,390	Euro	Portuguese
12	Spain	Madrid	Jan 1, 1986	46,196,300	504,030	Euro	Spanish
13	Austria	Vienna	Jan 1,	8,443,000	83,855	Euro	German

			1995				
14	Finland	Helsinki	Jan 1, 1995	5,401,300	338,424	Euro	Finnish ,Swedish
15	Sweden	Stockholm	Jan 1, 1995	9,482,900	449,964	Swedish Krona	Swedish
16	Cyprus	Nicosia	May 1, 2004	862,000	9,251	Euro	Greek and Turkish
17	Czech Republic	Prague	May 1, 2004	10,505,400	78,866	Czech Koruna	Czech
18	Estonia	Tallinn	May 1, 2004	1,339,700	45,227	Euro	Estonian
19	Hungary	Budapest	May 1, 2004	9,957,700	93,030	Hungarian Forint	Hungarian
20	Latvia	Riga	May 1, 2004	2,041,800	64,589	Latvian Lats	Latvian
21	Lithuania	Vilnius	May 1, 2004	3,007,800	65,200	Lithuanian Litas	Lithuanian
22	Malta	Valletta	May 1, 2004	416,100	316	Euro	Maltese & English
23	Poland	Warsaw	May 1, 2004	38,538,400	312,685	Polish Złoty	Polish
24	Slovakia	Bratislava	May 1, 2004	5,404,300	49,035	Euro	Slovak
25	Slovenia	Ljubljana	May 1, 2004	2,055,500	20,273	Euro	Slovene
26	Bulgaria	Sofia	Jan 1, 2007	7,327,200	110,994	Bulgarian Lev	Bulgarian
27	Romania	Bucharest	Jan 1, 2007	20,121,641	238,391	Romanian Leu	Romanian
28	Croatia	Zagreb	Jul 1, 2013	4,398,000	56,594	Croatian Kuna	Croatian

(Source: http://www.mapsofworld.com/world-eumember-map.htm)

Appendix 3 – Country development ranking 2012:

Rank	Country	GDP (Mill. USD)
	World	72,216,373
	European Union	16,673,333
1	United States	16,244,575
2	China	8,221,015
3	Japan	5,960,269
4	Germany	3,429,519
5	France	2,613,936
6	United Kingdom	2,476,665
7	Brazil	2,253,090
8	Russia	2,029,813
9	Italy	2,014,078
10	India	1,841,717
11	Canada	1,821,445
12	Australia	1,541,700
13	Spain	1,323,500
14	Mexico	1,177,398
15	South Korea	1,129,536
16	Indonesia	878,536
17	Turkey	788,299
18	Netherlands	770,867
19	Saudi Arabia	711,050
20	Switzerland	631,183
21	Iran	548,590
22	Sweden	523,804
23	Norway	499,633
24	Poland	489,795
25	Belgium	483,904
26	Argentina	475,211
27	Taiwan	474,149
28	Austria	394,868

29	South Africa	384,315
30	United Arab Emirates	383,799
31	Venezuela	381,286
32	Colombia	369,018
33	Thailand	365,966
34	Denmark	314,889
35	Malaysia	303,726
36	Singapore	276,520
37	Nigeria	270,211
38	Chile	268,177
	Hong Kong	263,259
39	Israel	257,480
40	Egypt	256,729

Source: http://en.wikipedia.org/wiki/List_of_countries_by_GDP_(nominal)

Appendix 4 – Detailed overview of the survey results:

4.1. Brand Familiarity Louis Vuitton

	Recognition		Expertise		Awareness	
	Frequency	%	Frequency	%	Frequency	%
Strongly disagree	3	1,7	91	52,3	29	16,7
Disagree	2	1,1	47	27,0	27	15,5
Somewhat disagree	2	1,1	5	2,9	12	6,9
Neither agree, nor disagree	0	0	5	2,9	23	13,2
Somewhat agree	9	5,2	2	1,1	33	19,0
Agree	68	39,1	9	5,2	26	14,9
Strongly agree	90	51,7	15	8,6	24	13,8
Total	174	100,0	174	100,0	174	100,0

4.2. Brand Familiarity Escada

	Recognition		Expertise		Awareness	
	Frequency	%	Frequency	%	Frequency	%
Strongly disagree	16	9,2	82	47,1	37	21,3
Disagree	9	5,2	41	23,6	39	22,4
Somewhat disagree	2	1,1	5	2,9	16	9,2
Neither agree, nor disagree	2	1,1	5	2,9	25	14,4
Somewhat agree	12	6,9	5	2,9	27	15,5
Agree	63	36,2	18	10,3	16	9,2
Strongly agree	70	40,2	18	10,3	14	8,0
Total	174	100,0	174	100,0	174	100,0

4.3. Brand Familiarity Nancy Gonzalez

	Recognition		Expertise		Awareness	
	Frequency	%	Frequency	%	Frequency	%
Strongly disagree	92	52,9	121	69,5	110	63,2
Disagree	38	21,8	45	25,9	39	22,4
Somewhat disagree	4	2,3	4	2,3	9	5,2
Neither agree, nor disagree	5	2,9	3	1,7	10	5,7
Somewhat agree	17	9,8	0	0	5	2,9
Agree	11	6,3	0	0	0	0
Strongly agree	7	4,0	1	0,6	1	0,6
Total	174	100,0	174	100,0	174	100,0

4.4. Brand Familiarity Herve Guyel Paris

	Recognition		Expertise		Awareness	
	Frequency	%	Frequency	%	Frequency	%
Strongly disagree	91	52,3	124	71,3	110	63,2
Disagree	33	19,0	41	23,6	41	23,6
Somewhat disagree	11	6,3	4	2,3	10	5,7
Neither agree, nor disagree	8	4,6	4	2,3	8	4,6
Somewhat agree	13	7,5	1	0,6	4	2,3
Agree	11	6,3	0	0	0	0
Strongly agree	7	4,0	0	0	1	0,6
Total	174	100,0	174	100,0	174	100,0

4.5. Overview mean values for brand familiarity dimensions

	Recognition Louis Vuitton	Recognition Escada	Recognition Nancy Gonzalez	Recognition Herve Guyel
Recognition	6,30	5,61	2,30	2,31
Expertise	2,24	2,63	1,39	1,37
Awareness	4,02	3,40	1,65	1,61

4.6. Perceived Quality Louis Vuitton

	CR		DU		RE		PR		DE		QU	
	Fr.	%	Fr.	%	Fr.	%	Fr.	%	Fr.	%	Fr.	%
very low	3	1,7	1	0,6	1	0,6	1	0,6	6	3,4	1	0,6
low	6	3,4	3	1,7	4	2,3	6	3,4	23	13,2	2	1,1
somewhat low	9	5,2	3	1,7	11	6,3	14	8,0	19	10,9	5	2,9
uncertain	40	23,0	34	19,5	27	15,5	23	13,2	17	9,8	24	13,8
somewhat high	41	23,6	38	21,8	36	20,7	37	21,3	39	22,4	35	20,1
high	52	29,9	74	42,5	71	40,8	67	38,5	45	25,9	72	41,4
very high	23	13,2	21	12,1	24	13,8	26	14,9	25	14,4	35	20,1
Total	174	100,0	174	100,0	174	100,0	174	100,0	174	100,0	174	100,0

4.7. Perceived Quality Herve Guyel

	CR		DU		RE		PR		DE		QU	
	Fr.	%	Fr.	%	Fr.	%	Fr.	%	Fr.	%	Fr.	%
very low	0	0	1	0,6	1	0,6	0	0	5	2,9	2	1,1
low	6	3,4	4	2,3	4	2,3	6	3,4	24	13,8	5	2,9
somewhat low	10	5,7	7	4,0	13	7,5	7	4,0	25	14,4	6	3,4
uncertain	59	33,9	69	39,7	74	42,5	61	35,1	28	16,1	62	35,6
somewhat high	50	28,7	42	24,1	40	23,0	45	25,9	35	20,1	45	25,9
high	38	21,8	39	22,4	34	19,5	38	21,8	41	23,6	44	25,3
very high	11	6,3	12	6,9	8	4,6	17	9,8	16	9,2	10	5,7
Total	174	100,0	174	100,0	174	100,0	174	100,0	174	100,0	174	100,0

4.8. Perceived Quality Nancy Gonzalez

	CR		DU		RE		PR		DE		QU	
	Fr.	%	Fr.	%	Fr.	%	Fr.	%	Fr.	%	Fr.	%
very low	3	1,7	2	1,1	2	1,1	2	1,1	7	4,0	2	1,1
low	1	0,6	1	0,6	2	1,1	1	0,6	6	3,4	0	0
somewhat low	2	1,1	2	1,1	4	2,3	4	2,3	9	5,2	4	2,3
uncertain	54	31,0	59	33,9	58	33,3	60	34,5	35	20,1	51	29,3
somewhat high	43	24,7	37	21,3	41	23,6	43	24,7	32	18,4	41	23,6
high	58	33,3	57	32,8	53	30,5	48	27,6	59	33,9	57	32,8
very high	13	7,5	16	9,2	14	8,0	16	9,2	26	14,9	19	10,9
Total	174	100,0	174	100,0	174	100,0	174	100,0	174	100,0	174	100,0

4.9. Perceived Quality Escada

	CR		DU		RE		PR		DE		QU	
	Fr.	%	Fr.	%	Fr.	%	Fr.	%	Fr.	%	Fr.	%
very low	2	1,1	2	1,1	2	1,1	2	1,1	10	5,7	3	1,7
low	7	4,0	4	2,3	3	1,7	5	2,9	16	9,2	5	2,9
somewhat low	19	10,9	11	6,3	14	8,0	13	7,5	34	19,5	11	6,3
uncertain	42	24,1	48	27,6	44	25,3	47	27,0	24	13,8	37	21,3
somewhat high	47	27,0	49	28,2	46	26,4	48	27,6	46	26,4	48	27,6
high	42	24,1	48	27,6	47	27,0	42	24,1	30	17,2	48	27,6
very high	15	8,6	12	6,9	18	10,3	17	9,8	14	8,0	22	12,6
Total	174	100,0	174	100,0	174	100,0	174	100,0	174	100,0	174	100,0

4.10. Overview quality dimensions

	Louis Vuitton	Herve Guyel	Nancy Gonzalez	Escada
Craftmanship	5,06	4,79	5,06	4,79
Durability	5,36	4,79	5,09	4,90
Reliability	5,31	4,62	5,16	4,97
Credence	5,26	4,88	5,01	4,89
Design	4,70	4,44	5,07	4,30
Quality	5,56	4,81	5,16	5,03

4.11. Involvement (statements 1-4)

	Inv_1		Inv_2		Inv_3		Inv_4	
	Fr.	%	Fr.	%	Fr.	%	Fr.	%
Strgl. disagree	10	5,7	28	16,1	3	1,7	44	25,3
Disagree	20	11,5	27	15,5	12	6,9	29	16,7
Swht. disagree	16	9,2	18	10,3	8	4,6	10	5,7
Neither/ nor Disagree	21	12,1	25	14,4	14	8,0	8	4,6
Swht. agree	46	26,4	37	21,3	45	25,9	15	8,6
Agree	41	23,6	27	15,5	59	33,9	38	21,8
Strgl. agree	20	11,5	12	6,9	33	19,0	30	17,2
Total	174	100,0	174	100,0	174	100,0	174	100,0

4.11. Involvement (statements 5-8)

	Inv_5		Inv_6		Inv_7		Inv_8	
	Fr.	%	Fr.	%	Fr.	%	Fr.	%
Strgl. disagree	39	22,4	19	10,9	9	5,2	14	8,0
Disagree	19	10,9	13	7,5	12	6,9	22	12,6
Swht. disagree	11	6,3	17	9,8	9	5,2	24	13,8
Neither/ nor Disagree	24	13,8	17	9,8	21	12,1	36	20,7
Swht. agree	23	13,2	24	13,8	46	26,4	38	21,8
Agree	36	20,7	48	27,6	53	30,5	30	17,2
Strgl. agree	22	12,6	36	20,7	24	13,8	10	5,7
Total	174	100,0	174	100,0	174	100,0	174	100,0

4.12. Additional Questions

	CO importance		COM = COB		Buying to impress		Qual. importance	
	Fr.	%	Fr.	%	Fr.	%	Fr.	%
Strgl. disagree	10	5,7	20	11,5	37	21,3	10	5,7
Disagree	17	9,8	31	17,8	37	21,3	8	4,6
Swht. disagree	15	8,6	33	19,0	19	10,9	12	6,9
Neither/ nor Disagree	32	18,4	35	20,1	32	18,4	14	8,0
Swht. agree	49	28,2	18	10,3	30	17,2	48	27,6
Agree	39	22,4	27	15,5	14	8,0	60	34,5
Strgl. agree	12	6,9	10	5,7	5	2,9	22	12,6
Total	174	100,0	174	100,0	174	100,0	174	100,0

4.12. Additional Questions

	Design importance		Brand name importance		Patriotism	
	Fr.	%	Fr.	%	Fr.	%
Strgl. disagree	7	4,0	15	8,6	36	20,7
Disagree	9	5,2	25	14,4	52	29,9
Swht. disagree	11	6,3	28	16,1	21	12,1
Neither/ nor Disagree	21	12,1	35	20,1	32	18,4
Swht. agree	48	27,6	29	16,7	12	6,9
Agree	49	28,2	24	13,8	10	5,7
Strgl. agree	29	16,7	18	10,3	11	6,3
Total	174	100,0	174	100,0	174	100,0

4.13 Mean values additional question set

	N	Mean	Std. Deviation	Std. Error Mean
Country of origin importance	174	4,48	1,605	0,122
Importance of equality in COM and COB	174	3,70	1,762	0,134
Buying to impress	174	3,25	1,754	0,133
Importance of quality	174	5,01	1,598	0,121
Importance of design	174	5,05	1,563	0,118
Importance of brand name	174	4,05	1,782	0,135
Consumer patriotism	174	3,03	1,770	0,134

Appendix 5 - Pearson Correlations:

		INV_1	INV_2	INV_3	INV_4	INV_5	INV_6	INV_7	INV_8	REC	EXP	AWA	CR	DU	RE	PR	DE	QU
Pearson Correlation	INV_1	1	,741**	,592**	,554**	,610**	,615**	,586**	,223**	,182**	,223**	,362**	,135**	,156**	,133**	,056	,129**	,088*
	INV_2	,741**	1	,520**	,684**	,738**	,614**	,597**	,327**	,166**	,348**	,348**	,150**	,124**	,095*	,073	,127**	,068
	INV_3	,592**	,520**	1	,433**	,402**	,459**	,402**	,217**	,129**	,172**	,236**	,130**	,146**	,109**	,115**	,101**	,096*
	INV_4	,554**	,684**	,433**	1	,649**	,511**	,452**	,207**	,155**	,309**	,292**	,131**	,144**	,087*	,064	,078*	,060
	INV_5	,610**	,738**	,402**	,649**	1	,668**	,610**	,315**	,185**	,319**	,369**	,082*	,106**	,094*	,042	,122**	,022
	INV_6	,615**	,614**	,459**	,511**	,668**	1	,563**	,265**	,146**	,193**	,275**	,129**	,137**	,121**	,084*	,134**	,059
	INV_7	,586**	,597**	,402**	,452**	,610**	,563**	1	,353**	,209**	,238**	,375**	,073	,069	,075*	,049	,090*	,017
	INV_8	,223**	,327**	,217**	,207**	,315**	,265**	,353**	1	,071	,117**	,144**	,066	,079*	,060	,031	,056	,052
	REC	,182**	,166**	,129**	,155**	,185**	,146**	,209**	,071	1	,380**	,698**	,102**	,174**	,204**	,149**	-,002	,180**
	EXP	,223**	,348**	,172**	,309**	,319**	,193**	,238**	,117**	,380**	1	,542**	,030	,070	,094*	,027	,049	,075*
	AWA	,362**	,348**	,236**	,292**	,369**	,275**	,375**	,144**	,698**	,542**	1	,147**	,208**	,239**	,173**	,088*	,201**
	CR	,135**	,150**	,130**	,131**	,082*	,129**	,073	,066	,102**	,030	,147**	1	,678**	,647**	,652**	,532**	,619**
	DU	,156**	,124**	,146**	,144**	,106**	,137**	,069	,079*	,174**	,070	,208**	,678**	1	,821**	,706**	,433**	,732**
	RE	,133**	,095*	,109**	,087*	,094*	,121**	,075*	,060	,204**	,094*	,239**	,647**	,821**	1	,759**	,473**	,712**
	PR	,056	,073	,115**	,064	,042	,084*	,049	,031	,149**	,027	,173**	,652**	,706**	,759**	1	,553**	,688**
	DE	,129**	,127**	,101**	,078*	,122**	,134**	,090*	,056	-,002	,049	,088*	,532**	,433**	,473**	,553**	1	,554**
	QU	,088*	,068	,096*	,060	,022	,059	,017	,052	,180**	,075*	,201**	,619**	,732**	,712**	,688**	,554**	1

Appendix 6 - Factor analysis:

6.1. KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0,875
Bartlett's Test of Sphericity	Approx. Chi-Square	6974,046
	df	136
	Sig.	0,000

6.2. Anti-image matrixes

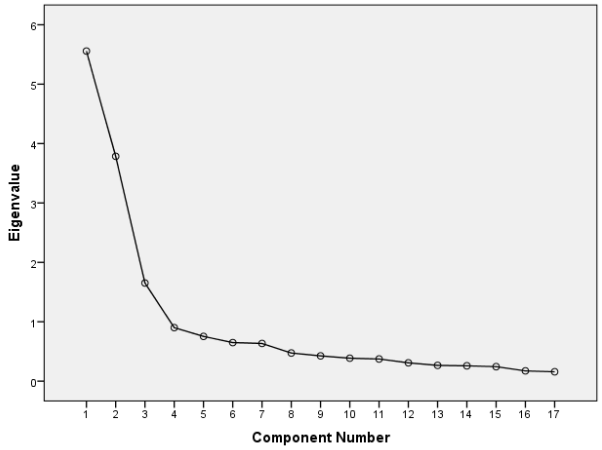
		INV_1	INV_2	INV_3	INV_4	INV_5	INV_6	INV_7	INV_8	CR	DU	RE	PR	DE	QU	REC	EXP	AWA
Anti-image Covariance	INV_1	,332	-,120	-,142	-,008	,004	-,069	-,069	,063	,009	-,013	-,021	,051	-,023	-,004	,013	,064	-,048
	INV_2	-,120	,264	-,027	-,100	-,089	-,008	-,029	-,062	-,033	,013	,016	-,018	,009	-,006	,012	-,073	,013
	INV_3	-,142	-,027	,606	-,053	,041	-,059	-,010	-,052	,004	-,009	,021	-,041	,014	-,002	-,004	-,010	,005
	INV_4	-,008	-,100	-,053	,465	-,101	-,013	,011	,040	-,019	-,029	,023	-,001	,029	,002	-,003	-,050	,010
	INV_5	,004	-,089	,041	-,101	,323	-,124	-,070	-,036	,030	-,007	-,015	,013	-,039	,026	,012	-,011	-,033
	INV_6	-,069	-,008	-,059	-,013	-,124	,459	-,073	-,012	-,009	-,005	-,003	-,004	-,013	,012	-,013	,022	,018
	INV_7	-,069	-,029	-,010	,011	-,070	-,073	,495	-,124	,003	,016	-,001	-,017	-,007	,019	,000	,024	-,057
	INV_8	,063	-,062	-,052	,040	-,036	-,012	-,124	,831	-,002	-,017	,000	,025	,004	-,017	,005	,007	,002
	CR	,009	-,033	,004	-,019	,030	-,009	,003	-,002	,434	-,082	-,022	-,060	-,114	-,025	,005	,030	-,005
	DU	-,013	,013	-,009	-,029	-,007	-,005	,016	-,017	-,082	,251	-,121	-,026	,054	-,090	,003	,008	,002
	RE	-,021	,016	,021	,023	-,015	-,003	-,001	,000	-,022	-,121	,246	-,100	-,003	-,037	-,010	-,021	-,009
	PR	,051	-,018	-,041	-,001	,013	-,004	-,017	,025	-,060	-,026	-,100	,326	-,097	-,049	-,011	,038	-,010
	DE	-,023	,009	,014	,029	-,039	-,013	-,007	,004	-,114	,054	-,003	-,097	,567	-,126	,068	-,032	,004
	QU	-,004	-,006	-,002	,002	,026	,012	,019	-,017	-,025	-,090	-,037	-,049	-,126	,352	-,026	-,006	-,011
	REC	,013	,012	-,004	-,003	,012	-,013	,000	,005	,005	,003	-,010	-,011	,068	-,026	,493	-,016	-,258
	EXP	,064	-,073	-,010	-,050	-,011	,022	,024	,007	,030	,008	-,021	,038	-,032	-,006	-,016	,642	-,178
	AWA	-,048	,013	,005	,010	-,033	,018	-,057	,002	-,005	,002	-,009	-,010	,004	-,011	-,258	-,178	,368
Anti-image Correlation	INV_1	,866[a]	-,405	-,316	-,020	,013	-,176	-,170	,120	,024	-,046	-,073	,154	-,053	-,011	,032	,139	-,138
	INV_2	-,405	,877[a]	-,069	-,285	-,304	-,024	-,081	-,133	-,097	,049	,062	-,061	,024	-,021	,034	-,177	,043
	INV_3	-,316	-,069	,911[a]	-,100	,092	-,113	-,019	-,073	,008	-,023	,055	-,091	,024	-,004	-,007	-,016	,010
	INV_4	-,020	-,285	-,100	,919[a]	-,261	-,028	,023	,065	-,042	-,086	,067	-,003	,056	,004	-,007	-,091	,025
	INV_5	,013	-,304	,092	-,261	,888[a]	-,321	-,175	-,069	,080	-,026	-,052	,039	-,092	,078	,030	-,025	-,095
	INV_6	-,176	-,024	-,113	-,028	-,321	,927[a]	-,152	-,020	-,021	-,016	-,009	-,009	-,026	,030	-,028	,041	,043
	INV_7	-,170	-,081	-,019	,023	-,175	-,152	,933[a]	-,193	,007	,044	-,003	-,042	-,013	,046	,000	,043	-,133
	INV_8	,120	-,133	-,073	,065	-,069	-,020	-,193	,871[a]	-,004	-,038	,000	,049	,006	-,032	,008	,009	,003
	CR	,024	-,097	,008	-,042	,080	-,021	,007	-,004	,925[a]	-,250	-,068	-,160	-,230	-,064	,012	,057	-,012
	DU	-,046	,049	-,023	-,086	-,026	-,016	,044	-,038	-,250	,853[a]	-,489	-,092	,144	-,303	,010	,019	,008
	RE	-,073	,062	,055	,067	-,052	-,009	-,003	,000	-,068	-,489	,864[a]	-,352	-,008	-,126	-,029	-,052	-,031
	PR	,154	-,061	-,091	-,003	,039	-,009	-,042	,049	-,160	-,092	-,352	,894[a]	-,225	-,146	-,027	,083	-,028
	DE	-,053	,024	,024	,056	-,092	-,026	-,013	,006	-,230	,144	-,008	-,225	,855[a]	-,281	,128	-,054	,008
	QU	-,011	-,021	-,004	,004	,078	,030	,046	-,032	-,064	-,303	-,126	-,146	-,281	,910[a]	-,063	-,014	-,032
	REC	,032	,034	-,007	-,007	,030	-,028	,000	,008	,012	,010	-,029	-,027	,128	-,063	,711[a]	-,028	-,607
	EXP	,139	-,177	-,016	-,091	-,025	,041	,043	,009	,057	,019	-,052	,083	-,054	-,014	-,028	,818[a]	-,367
	AWA	-,138	,043	,010	,025	-,095	,043	-,133	,003	-,012	,008	-,031	-,028	,008	-,032	-,607	-,367	,758[a]

a. Measures of Sampling Adequacy(MSA)

6.3. Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	5,558	32,691	32,691	5,558	32,691	32,691	4,630	27,237	27,237
2	3,785	22,267	54,958	3,785	22,267	54,958	4,226	24,857	52,094
3	1,652	9,718	64,676	1,652	9,718	64,676	2,139	12,582	64,676
4	0,901	5,299	69,975						
5	0,754	4,433	74,408						
6	0,649	3,821	78,229						
7	0,634	3,731	81,959						
8	0,474	2,788	84,747						
9	0,426	2,505	87,252						
10	0,386	2,273	89,525						
11	0,373	2,196	91,721						
12	0,309	1,816	93,537						
13	0,266	1,564	95,101						
14	0,258	1,518	96,619						
15	0,244	1,437	98,056						
16	0,173	1,015	99,072						
17	0,158	0,928	100,000						

6.4. Scree Plot



6.5. Rotated Component Matrix

	Component		
	1	2	3
INV_2	0,871	0,053	0,150
INV_5	0,829	0,015	0,179
INV_1	0,823	0,077	0,122
INV_6	0,790	0,075	0,056
INV_4	0,744	0,048	0,145
INV_7	0,738	0,004	0,190
INV_3	0,659	0,103	0,040
INV_8	0,424	0,039	0,024
RE	0,042	0,878	0,149
PR	0,013	0,872	0,061
DU	0,082	0,871	0,104
QU	-0,006	0,857	0,116
CR	0,102	0,819	-0,003
DE	0,127	0,686	-0,092
REC	0,056	0,107	0,855
AWA	0,271	0,137	0,855
EXP	0,237	-0,011	0,697

6.6. Component Score Coef. Matrix

	Component		
	1	2	3
INV_1	0,189	-0,004	-0,044
INV_2	0,198	-0,013	-0,034
INV_3	0,158	0,010	-0,069
INV_4	0,167	-0,011	-0,020
INV_5	0,185	-0,023	-0,010
INV_6	0,190	-0,001	-0,076
INV_7	0,161	-0,024	0,008
INV_8	0,103	0,000	-0,044
CR	0,009	0,200	-0,057
DU	-0,011	0,208	0,002
RE	-0,027	0,208	0,031
PR	-0,023	0,211	-0,013
DE	0,030	0,171	-0,103
QU	-0,034	0,205	0,020
REC	-0,100	-0,019	0,459
EXP	-0,031	-0,044	0,354
AWA	-0,047	-0,016	0,429

Appendix 7 - Cronbach's Alpha:

7.1. Involvement

7.1. a) Reliability Statistics

Cronbach's Alpha	N of Items
0,888	8

7.1. b) Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
INV_1	30,75	97,870	0,752	0,865
INV_2	31,50	92,613	0,828	0,856
INV_3	30,06	107,087	0,562	0,883
INV_4	31,44	91,021	0,669	0,875
INV_5	31,36	89,992	0,781	0,860
INV_6	30,60	95,136	0,707	0,869
INV_7	30,39	101,729	0,676	0,873
INV_8	31,23	111,717	0,340	0,901

7.2. Perceived Quality

7.2. a) Reliability Statistics

Cronbach's Alpha	N of Items
0,904	6

7.2. b) Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
CR	24,79	30,168	0,739	0,887
DU	24,68	30,251	0,794	0,881
RE	24,74	29,654	0,808	0,878
PR	24,70	29,510	0,801	0,878
DE	25,08	28,745	0,585	0,921
QU	24,57	29,779	0,787	0,881

7.3. Brand Familiarity

7.3. a) Reliability Statistics

Cronbach's Alpha	N of Items
0,767	3

7.3. b) Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
REC	4,58	9,775	0,628	0,697
EXP	6,80	16,758	0,488	0,805
AWA	6,04	12,085	0,758	0,515