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## **Country-of-Origin Image (COI) as a Country-Specific Advantage (CSA): scale development and validation of COI as a resource within the firm perspective**

**Abstract:** The study discusses the country-of-origin-image (COI) as a country-specific-advantage (CSA) for internationalised firms. We developed and validated a scale to measure the importance of the incorporation of the COI as a resource in a firm's international strategy, the COI-CSA. Several psychometric procedures were adopted. We analysed data gathered from two case studies, validation procedures with experts and researchers, and three data sets from executives working in internationalised firms. The results validate the COI-CSA scale as a multidimensional construct reflected in a set of four dimensions: textual and visual elements, senses, cultural resources, and natural resources.

### **1. Introduction**

The home country of a firm and its image can represent a source of competitive advantage or disadvantage for the firm (Cuervo-Cazurra & Un, 2015). The incorporation of features from the country-of-origin image (COI) is a strategic decision that a firm makes (Suter et al., 2017). We claim that when it is used properly, it can become an advantage for the firm. This study presents the ways that firms use COI features in their brands by developing and validating a measurement scale. In this sense, we argue that a firm can choose whether or not to use the COI in its international marketing strategy. However, there is a gap in the literature with respect to the firm's belief on the COI as a country-specific advantage (CSA) (Johansson, 2014) that can also be used by the company (Rugman & Verbeke, 2001) as a source of competitive advantage, which our work addresses.

To date, it has not been obvious whether COI should be considered as a resource for a firm because COI has not always been reflected in a positive light when associated with products. Some international business (IB) scholars believe the COI may create a negative

perception arising from a perceived country-specific disadvantage (Cuervo-Cazurra & Genc, 2008; Cuervo-Cazurra & Ramamurti, 2017) or even increase its ‘liability of foreignness’ (Moeller, Harvey, Griffith & Richey, 2013). Furthermore, the lack of legitimacy from institutions that are weak and have poor reputations (Fiaschi, Giuliani & Nieri, 2016) generates a negative image of a country. In such cases, the COI creates more barriers than opportunities for the firms from these countries and their governments. Hence, many emerging market firms (EMFs) mitigate or even hide the image of their country when competing abroad (Cuervo-Cazurra & Ramamurti, 2017; Herstein, Berger, & Jaffe, 2014; Magnusson, Haas, & Zhao, 2008; Tallman & Yip, 2009). However, other investigations show that EMFs can effectively rely on attributes from their country-of-origin in their branding strategy (Suter et al., 2017), transforming a possible disadvantage into an advantage (Cuervo-Cazurra & Genc, 2008). The brands Concha Y Toro (Chile), café Colômbia (Colombia), Pima cotton fabric firms (Peru), and Havaianas (Brazil) are examples of firms that have successfully incorporated their COI into their brands. Studies regarding the latter, in which firms evaluate the COI positively, tend to stress the importance of COI from the consumer perspective but miss ‘the richness and significant strategic implications’ (Papadopoulos, 2014, p. 4) of this for firms in the internationalisation process. This reinforces our view that the use of the COI as a CSA is not automatic but requires special skills (Buckley, 2017) and depends on a firm’s decision to incorporate and manage the COI within its brand strategy.

The firm, therefore, needs to use its own firm-specific advantage (FSA), known as a unique asset or capability that contributes to the achievement of its competitive advantage (Rugman, 2009), such as its marketing communication capability, to transform the COI into a resource and leverage the COI-CSA (Buckley, 2017). The firm can use COI elements in its branding to develop this process as a brand is considered a semi-permanent protected asset (Buckley, 2017). This means that the COI will only be considered a CSA for the firm when the

COI features are transformed through a brand strategy, using internal marketing resources to create a valuable, rare, hard to imitate, and complex resource for the organisation (Barney, 1991; Wernerfelt, 1984).

We posit that the image conveyed by aspects of the 'made-in' label can represent a CSA in precisely the same way that a brand name carrying COI features can represent a resource to the firm (Johansson, 2014). We assume that the firm has previous knowledge as to whether or not the COI is positive and whether it represents values that are constructive and consistent with its brand prior to incorporating it into the firm strategy (Suter et al., 2017; Đorđević, 2008). Hence, we believe that when the COI is positive and recognised by the business as an asset, it can be internalised and used in the strategy of the firm, turning the COI into a firm resource, or a COI-CSA at the firm level. However, to make this happen, the firm needs to operationalise the CSA based on interaction between the COI (CSA) and the firm's marketing communication capability (FSA) (Rugman, 2009). We propose that this interaction can be developed by combining four different dimensions of the COI-CSA: textual and visual elements, the senses, natural resources, and cultural resources.

Therefore, this study addresses what is required for a firm to transform the COI into a CSA. Our study objective is aimed at developing and validating a scale that measures the COI as a CSA for firms. We assess the COI as a CSA by measuring its importance as a resource to the firm for incorporation into its brand strategy. The novelty of our study is in its perspective as we present a measurement scale for the COI using the firm as the unit of analysis. To achieve this, we perform several psychometric procedures (Churchill, 1979; Lee & Hooley, 2005; Mackenzie, Podsakoff, & Podsakoff, 2011) and use three data sets to run advanced statistical techniques (Confirmatory Factor Analysis - CFA and Structural Equation Modelling - SEM). We validate the scale with firms that sell products abroad with a competitive advantage already as they have been operating internationally continuously for more than five years.

To the best of our knowledge, there is no academic quantitative study that analyses the COI as a resource for internationalised firms. COI investigations have focussed on analysis from a consumer behaviour perspective (Carneiro & Faria, 2016; Peterson & Jolibert, 1995; Usunier, 2006) and offer little information related to strategy (Morello, 2014; Roth & Diamantopoulos, 2009; Samiee, 2010). From the strategic perspective, existing studies analysing COI as a resource provide only an exploratory construct evaluation through a qualitative or conceptual approach (Agrawal & Kamakura, 1999; Baker & Ballington; Đorđević, 2008; Chattopadhyay, Batra, & Ozsomer, 2012; Cuervo-Cazurra & Un, 2015; D'Antone & Merunka, 2015; Herstein, Berger, & Jaffe, 2014; Kumar & Steenkamp, 2013; Spence & Hamzaoui Essoussi, 2010; Suter et al., 2017). Our study fills this gap by developing a scale for the COI from a managerial perspective, attending Diamantopoulos, Schlegelmilch, and Palihawadana's (2011) call for new studies analysing COI not only as a driver of product image, but also as the guiding image of a brand captured through it. We also follow the suggestions of Samiee (2010), Cuervo-Cazurra and Un (2015), and Cuervo-Cazurra (2011) to investigate COI from a business perspective.

This perspective relies on the resource-based view of the firm (RBV) and the IB background. Contrary to most international marketing literature that analyses COI using the consumer's lens, our approach analyses it as something unique to a country's industry. The arguments presented in this paper align and contribute to different streams of research – IB, strategy, international marketing, and international policy – by showing how an international marketing issue can be analysed as a resource for the firm. Our intended contribution is fourfold. First, we highlight the path that can be followed by firms to develop the COI as a resource and transform it into a CSA. For that, we rely on the VRIO (value, rareness, imitability, and organisation) framework (Barney, 1991; Wernerfelt, 1984) and on the CSA-FSA literature (Rugman & Verbeke, 2001) to conceptualise COI-CSA as a second-order

construct reflected in its four dimensions (first-order constructs directly related to COI elements): visual and textual elements, the senses, natural resources, and cultural resources. Second, we develop and validate (combining several studies) a solid measurement scale of COI's importance as a resource, namely, the COI-CSA. Third, we test the COI-CSA nomological validity by relating it to antecedent variables. Finally, the study enables a better understanding of the COI-CSA, which can help managers in the internationalisation process take advantage of opportunities from their country-of-origin that have been missed (Johansson, 2014). It also helps make the COI's cues recognisable to consumers (Costa, Carneiro, & Goldszmidt, 2016) and target governments (Cuervo-Cazurra & Un, 2015).

## **2. Theoretical basis**

In this section, we present arguments to support the COI as a resource for both the country and its firms. We review the literature on COI regarding the country and the firm; then we explain the process that can be used by firms to transform the COI into a CSA.

### **2.1 COI as a resource for a country**

The COI is mostly regarded in the international marketing literature as the construct that explains how the image of a country affects the sales of a product or brand abroad (Agrawal & Kamakura, 1999; Diamantopoulos et al., 2011; Gürhan-Canli & Maheswaran, 2000; Herz & Diamantopoulos, 2013a; 2013b; Magnusson, Westjohn, & Zdravkovic, 2011; Roth & Diamantopoulos, 2009). This body of knowledge began to be established by international marketing scholars focusing on the firm level (Hooley, Shipley, & Krieger, 1988) by considering consumer perspectives towards brands and products coming from a specific country.

Other streams of research, for example, tourism (Herstein, 2012), public diplomacy (Gertner, 2011), international relations (Nye, 2008), marketing (Fetscherin, 2010), geography,

regional studies, sociology, social anthropology, cultural anthropology, and international law (Mariutti, 2015) started to investigate the country-of-origin image, bringing to the discussion different perspectives and new applications and extending the examination to a broader level – that of the country. These developments happened in a context of new global competition, highlighting the role of the image of a country, turning it into an important competitive factor, not just for firms but for governments as well. Consequently, countries began to manage their images as brands (Anholt, 2005; Barney & Zhang, 2008; Hakala, Lemmetyinen, & Kantola, 2013; Mariutti, 2015) in order to compete effectively with other countries (Fan, 2008; Kotler & Gertner, 2002; Youde, 2009), seeking advantageous competitive positions (Anholt, 2005; Barney & Zhang, 2008) and being noted for their diplomacy (Kaneva, 2011; Melissen, 2005; Nye, 2008).

Therefore, at the country level, COI can be considered a CSA as it evokes several benefits when well-articulated and created as well as managed as a brand. COI can be considered a resource when governments and trade associations develop it through national campaigns, intended to help firms in their countries compete with importers (Insch, Mather, & Knight, 2017; Papadopoulos, 2004; Szondi, 2007) and to attract more foreign direct investment (FDI) (Wee, Lim, & Tan, 2014). Other positive COI outcomes are: the improvement of a country's negative image; the mitigation of negative rumours and myths about a country; the creation of a universal and unique brand to identify a country; the attraction of tourists (Patel, 2010); the rise of exports; the search for new market opportunities; and the encouragement of immigration.

The international relations studies stream reinforces our argument of COI as a resource, pointing out that governments can use the COI as a soft power resource (Fan, 2008; Farooqi, 2009; Melissen, 2005; Nye 2008) by spreading the history and values of the country to an international target audience, not in the form of propaganda, but rather in a subtle and sensitive

way (Pilon, 2005). This rationale is reinforced by the logic that a competitive identity of place can provide governments, cities, and firms with information to strengthen their reputations (Anholt, 2005). Therefore, countries develop the COI as a brand (Anholt, 1998) to improve perceptions and to provide business institutions with a potential competitive advantage in international markets (Dinnie, 2002). This also brings wider benefits as it can stimulate the incorporation of COI into the brand strategy of firms (Kleppe, Iversen, & Stensaker, 2002). At the same time, the use of COI by firms can help strengthen COI at both the country and firm level. In this sense, both national governments and marketers should manage COI at dual levels in overseas markets to improve the performance of their brands (the country brand and firm brand) (Pappu, Quester, & Cooksey, 2007).

In sum, COI can be analysed at two levels: firm and country (Pappu et al., 2007). At the country level, researchers use nation brand or country brand measures that include broader dimensions (e.g. investment, immigration, people, culture, nature, innovativeness) to assess the COI an international citizen may have of an entire specific country (Hooley et al., 1988). At the firm level, traditional COI studies are used to measure the influence of COI on an international consumer's brand or product buying behaviour (Hooley et al., 1988). From both perspectives, the aim is to understand the image of a country from an international standpoint but each looks at it on a different level. In this study, we acknowledge the COI as a resource for both levels, but we examine the COI through the lens of the firm. In the next section, we develop the rationale for defending COI as a resource that can be transformed into a CSA when leveraged by the marketing communications capability of the firm.

## **2.2 COI as a CSA at the firm level**

In this section, we analyse the COI as a firm resource and define the COI-CSA. We also analyse the COI at the firm level considering the VRIO framework (Barney, 1991; Barney &

Wright, 1998) to understand whether the COI is capable of becoming a competitive advantage for the firm.

The RBV states that the organisation is a source of resources (Penrose, 1959; Barney, 1991) and that the competitive advantages of a firm emerge from the identification, development, and portfolio management of physical, financial, intangible, organisational, and human resources. These processes result in the development of capabilities and internal resources which ensure a sustainable competitive position when competitors cannot imitate such resources (Barney, 1991). In addition, the current competitive environment demands that firms seek resources across the organisation and beyond their borders (Krush, Sohi & Saini, 2015). The COI has such characteristics.

Although most research on the subject is focused on how a country's image influences consumer perceptions and attitudes towards products and brands from that country (Lu, Heslop, Thomas, & Kwan, 2016), we argue that it can also be analysed as a resource for firms. Our rationale is based on the fact that a COI is recognised as one extrinsic cue that can be part of a product's or brand's overall image (Papadopoulos & Heslop, 2014). It is a variable external to the firm, and is identified as an important factor that influences the evaluation of the brand by the international consumer (Agrawal & Kamakura, 1999).

International marketing studies bridge (although not explicitly) the gap between COI and firm resources through brand building and management. This relation is explained by the fact that COI is considered a source of information for brand assessment (Đorđević, 2008; Herstein et al., 2014) or even a component of brand equity (Samiee, Shimp & Sharma, 2005). As a result, the firm can benefit from the image of the home country in developing its brand strategy (D'Antone & Merunka, 2015; Đorđević, 2008; Herstein et al., 2014). However, any benefit from COI is not automatically gained. To transform it into a resource for the firm, or a COI-CSA at the firm level, it first has to be recognised by managers as a positive resource

(Suter et al., 2017). The firm then has to understand whether it has a FSA, such as its international marketing strategy, that can help it leverage the COI as a CSA in its brand strategy and internalise it by articulating COI features using internal marketing resources.

CSAs are inherited assets (Gugler, 2017) encompassing natural endowments (resources such as minerals, energy, forests, or land, climate, and location), the labour force, or even resources associated with cultural factors (Rugman, 2009). The CSA encompasses ‘exogenous location factors in a country that represent economic and institutional environment’ (Rugman & Nguyen, 2014, p. 53) and include geographic location, national culture, government policies, factor endowments, institutional framework, and industrial clusters. The definition of the CSA is similar to the COI at the country level (as discussed above). Many of the measurement scales for the COI have dimensions that encompass the CSA elements such as cultural factors (Brijs, 2006; Wang & Lamb, 1983); labour force, people, and country competence (Allred, Chakraborty, & Miller, 2000; Heslop, Papadopoulos, Dowdles, Wall, & Compeau, 2004; Yaprak & Parameswaran, 1986) and natural endowments such as climate, landscape, and natural resources (Brijs, 2006; Van Ittersum, Candel, & Meulenberg, 2003; Verlegh, 2001).

The COI can become a CSA to the firm when the firm’s decision-makers have confidence that the COI will benefit the firm. Processes are developed to internalise and transform the COI into an asset that is ‘semi-permanent’, linked to the firm (Cuervo-Cazurra, 2011, p. 383), and incorporated into the brand (Kleppe et al., 2002). However, to understand the potential of the COI as a source of competitive advantage, the COI and its features should be examined through the VRIO framework. Moreover, four questions need to be answered in regard to the COI incorporation into the brand.

The first question verifies the value created by the COI to the firm by either reducing product/service costs or differentiating it in a way that allows the firm to charge a premium price (Barney & Wright, 1998). We argue that the COI is a valuable resource for firms because

COI features can be used in the brand building process of internationalised firms (Balabanis & Diamantopoulos, 2008; Chattopadhyay et al., 2012; Kumar & Steenkamp, 2013) to enhance the brand and product image (Insch et al., 2017), and can be communicated through the marketing mix (Kleppe et al., 2002). Hence, COI is used to differentiate and add value to products through a specific positioning; for example, using helpful COI information in advertisements, packaging, and brand communications (Baker & Ballington, 2002). Furthermore, for firms in the initial internationalisation process, COI is considered a valuable asset as it requires low investment, is easily recognised, and adds value at a low cost (Spence & Hamzaoui Essoussi, 2010).

The second question addresses rareness. Barney states that a firm can reach ‘a competitive advantage when it is implementing a value creating strategy not simultaneously implemented by a large number of firms’ (Barney, 1991, p. 106). The COI is common to a set of firms from the same country, and it is not the exclusive property of any business; therefore, it is considered by Cuervo-Cazurra and Un (2015) as a resource with limited rarity. However, although COI is a resource that can be used by a large number of firms, it does not automatically mean that every firm has the FSA to exploit it in the same way. We argue that COI as a resource can be considered rare because it is intangible, and to fulfil its potential, requires the articulation of differentiated COI dimensions such as natural resources (Florek & Insch, 2008; Kumar & Steenkamp, 2013), cultural resources (Kumar & Steenkamp, 2013), visual elements, textual elements (D'Antone & Merunka, 2015; Florek & Insch, 2008; Insch & Florek, 2009; Magnusson et al., 2011; Samiee, 2011; Samiee et al., 2005; Thakor & Kohli, 1996; Usunier, 2011), and the senses (D'Antone & Merunka, 2015).

Therefore, to use the COI-CSA as a resource, the firm needs to implement complex interactions between internal resources and COI features (Amit & Schoemaker, 1993). This makes the COI incorporation in the brand a complex process and reduces the possibility of two

firms using the COI in the same way. The difficulty of replicating the COI as a resource answers the third question of the framework concerning the imitability of the resource (Barney, 1991; Barney & Wright, 1998). We argue that the COI-CSA offers more than a competitive parity because it is a resource that presents value and rareness as characteristics. In addition, it is difficult for competitors to imitate as it requires the coordination of complex resources that protect the advantage (Dierickx & Cool, 1989; Lippman & Rumelt, 1982).

Finally, for COI to be acknowledged and used as a source of sustained competitive advantage and be considered a CSA for the firm, the firm must be organised to exploit it (Barney & Wright, 1998). This means that to get the full potential of the COI, the firm must recognise the COI as a CSA and create practices, processes, and values that embrace the COI in the organisational culture and incorporate it in the brand strategy. We believe that this process reaches the organizational level when the firm articulates its internal resources and capabilities to develop a brand, combining internal marketing resources with external resources such as the COI dimensions (Agrawal & Kamakura, 1999; Baker & Ballington, 2002; Cuervo-Cazurra & Un, 2015). This approach is unique to each firm; despite the fact that two or more firms may build on the same COI, the process of coordinating and using COI dimensions with other firm resources to build a brand is complex. As a result, this creates something unique and difficult to imitate (Barney, 1991; Barney, Ketchen, & Wright, 2001).

### **2.3 Turning COI into COI-CSA (COI-CSA dimensions)**

The process of turning the COI into the COI-CSA happens when a firm takes advantage of COI aspects such as natural resources (Florek & Insch, 2008; Kumar & Steenkamp, 2013), cultural resources (Kumar & Steenkamp, 2013), visual and textual elements (Thakor & Kohli, 1996; Samiee et al., 2005; Samiee 2011; Florek & Insch, 2008; Insch & Florek, 2009; Magnusson et al., 2011; Usunier 2011; D'Antone & Merunka 2015), and the senses (D'Antone & Merunka, 2015). Figure 1 summarises the model that conceptualises the COI-CSA. We now

explain how these aspects of the COI-CSA manifest in the firm brand and give examples of firms that use their marketing communication capability to leverage the COI-CSA in their brand.

### **Insert figure 1**

#### **2.3.1 Natural resources**

One of the paths to convert the COI to a CSA relates to the recognition of a country's natural resources (Thakor & Kohli, 1996). Natural resources are also used as a dimension to measure consumer attitudes toward a product or brand from a country. As a consequence, we believe this is one of the characteristics of the COI-CSA that can be internalised to incorporate the COI into the firm's brand strategy. Several COI evaluation scales use aspects which capture the natural resources of a country to measure consumer attitudes: geo-culture (Brijs, 2006), natural landscape (Verlegh, 2001), climate (Van Ittersum et al., 2003; Verlegh, 2001), nature, and the environment (Van Ittersum et al., 2003). When a marketed product is supported by a firm's ability to extract, process, and promote the natural resource qualities of a country, the firm can extend the image of the country to its brand. This is one of the mechanisms highlighted by Kumar and Steenkamp (2013), which emerging market firms can use to add value to their brands.

Hence, firms can make use of the natural resources dimension in their brand strategy when they use raw material typical from their country in the manufacturing process; when they use and promote the biodiversity of the country (Suter et al., 2017); when they develop products based on ingredients extracted from the country's natural environment such as natural fibres, fruits, and seeds (Suter et al., 2017), or materials such as gems, metals, shells, gemstones, and wooden beads, among others. The benefits generated during the manufacturing process, such

as the way in which raw materials are cultivated to keep the therapeutic natural resource properties, can also be highlighted.

The Brazilian cosmetics brand Natura makes use of Brazilian natural resources by extracting ingredients from the biodiversity of Brazil within its different forests such as pitanga, açaí, andiroba, and acerola, and other fruits, seeds, plants, and resources from Brazilian fauna and flora (Suter et al., 2017). The premium chocolate brand Aquim (which originated in Brazil), also highlights in its marketing communication the natural resources used to produce its high-quality chocolate. For example, the brand stresses the origin of its cocoa, which is carefully selected from a single farm in southern Bahia (Aquim, 2017). Aquim uses storytelling on its website to convey the environment where the cocoa is cultivated: ‘once reaching the cacao farm, in the foreground, we recognise the typical flora of the Brazilian Atlantic forest. Between bromeliads and imperial palms, we observed the sparkling lake in the distance and the house amid the green tones. It is a new and playful universe that attracts and arouses curiosity. It sharpens the senses, surprises every new sensation. It is a line that brings us to the beginning of the journey in search of chocolate in its essence, bringing each of these sensations through each package and each bite’ (Aquim, 2017).

### **2.3.2 Cultural resources**

Most studies on COI measure how consumers assess a product based on the image they have of the country’s culture (Brijs, 2006; Van Ittersum et al., 2003). The culture of a country is related to the beliefs, attitudes, aspirations, values, and myths of the country’s society and also embraces the behaviour, the rules, the habits, and the prevailing customs that people respect and follow (Kumar & Steenkamp, 2013). Our contention is that elements of a country’s culture are incorporated into brand strategy when marketers want to show aspects such as the

art produced by the country's citizens, the use of national literature, the people, their cultural expressions, habits, and local customs.

The use of cultural resources of the COI can be identified in several brands. The Brazilian cosmetics brand Natura incorporates the Brazilian image into its brand using the miscegenation of the Brazilian culture to develop and promote its product portfolio as well as using national artists (Suter et al., 2017). In 2015, Natura hired a Brazilian singer to compose the soundtrack of one campaign. The Brazilian firm also encourages its sales consultants to develop warm, spontaneous, and joyous relationships with their clients (Suter et al., 2017). The Danish brewer Carlsberg also relies on its Danish roots to 'introduce the Danish way' to British consumers. The firm uses its COI by emphasizing the so-called 'hygge' element in its brand. The concept of hygge can be defined as a sense of cosiness (Sheppard, 2011) that makes 'explicit use of various sensory assemblages (sound and sights) to achieve effective outcomes that are wrapped in components of everyday life' (Howell & Sundberg, 2015, p. 101). In addition, Carlsberg hired a Danish actor (Mads Mikkelsen) to make the commercial launched in the beginning of 2017, who reflects on the 'secrets' of his country's happiness as he cycles through the streets of Denmark (Calsberg, 2017).

The chocolate cookie brand Giotto (owned by the Italian company Ferrero) also made use of its COI by hiring Elisabetta Canalis, an Italian model and actress with a representative Italian name, to be the main character of its TV commercial in 2011 to release the product in the German market (it was recorded in Italian with subtitles in German) (Aichner, 2013). At the end of the commercial, the Italian origin of the brand is confirmed by a frame with the text 'genießen auf italienische art', which means 'enjoy the Italian way'. In addition, the brand name 'Giotto' was probably inspired by the noteworthy Italian painter Giotto di Bondon, highlighting the use of cultural resources by this Italian firm (Aichner, 2013; Giotto, 2011).

The Brazilian rubber sandal Havaianas uses the Brazilian image to promote its brand internationally. Its main product (the flip-flop) presents functionality, low added-value, but a repositioning of the brand using the Brazilian COI, mainly through cultural references, turned it into a fashionable and desirable brand in several countries (Costa, Sousa, & Freyre Filho, 2010). The brand uses Brazilian citizens of different ethnicity in its communications, and its marketing strategy is centred on a reflection of the people and on Brazil's lifestyle (Costa et al., 2010). This is evidenced by the Brazilian lifestyle that combines simplicity and happiness used on both Havaianas' website and in its advertisements.

### **2.3.3 Textual and visual elements**

We also believe that marketers can articulate the textual and visual elements of a brand (Samiee et al., 2005), showing the country name, acronyms, and the flag and its colours. These elements can be used in advertisements, catalogues, websites, product packaging, and on employee uniforms, that is, at all points of contact with customers. Thus, we propose that textual and visual elements represent a resource of the COI that can be incorporated into brand strategy (Samiee et al., 2005). One way to connect the COI to the brand is through the language of the brand; that is, its spelling, how its pronounced, and whether the brand name makes reference to some element of its country-of-origin (Magnusson et al., 2011); language abbreviations and acronyms (Usunier, 2011), and other COI brand incorporation such as the use of references to the country-of-origin in logos and country expressions (Samiee, 2011).

In addition to textual elements, the brand can make use of visual cues because, together with textual information, they are important for the transmission of information about the product origin. These can be inferred from the design of the packaging, which may use elements such as icons, symbols, emblems, flags, colours, or typical scenarios that refer to a brand's country-of-origin (Florek & Insch, 2008; Insch & Florek, 2009; Papadopoulos &

Heslop 2002; Samiee, 2011; Thakor & Lavack, 2003; Thakor & Kohli, 1996; Usunier, 2011). The use of COI-CSA can be further strengthened by using adverts with the endorsements of celebrities, artists, or internationally recognised executives (Usunier, 2011). The COI can also be promoted explicitly as a CSA for the firm as an important part of the brand, for example, by including it in the packaging design and through the use of well-known symbols from the country (Papadopoulos & Heslop, 2014).

The main manifestations of the COI-CSA as a firm resource are seen when embedded directly into the brand name (Aichner, 2013). A few examples are Alitalia (airline, Italy), Air France (airline, France), Deutsche Bank (bank, Germany), Bank of America (bank, United States), Royal Dutch Shell (oil and gas operations, the Netherlands), Telecom Italia (telecommunications, Italy), Swisscom (telecommunications, Switzerland), China Railway Group (construction, China), and Natura Brasil (cosmetics, Brazil).

Carlsberg stresses its COI through its tagline ‘introduced the Danish way’ and the use of the term ‘Hygge’. Moreover, in the commercial (in Britain), Mads Mikkelsen cycles throughout Denmark, showing different and remarkable sights and special areas of the country saying ‘many say that we Danes are the happiest nation in the world – but what’s our secret? Living life the Danish way, of course. That means enjoying a work-life balance, nature and craft, spending time together feeling hygge. That is the Danish way’ (Carlsberg, 2017). Ferrero chose an Italian sounding brand name ‘Giotto’. The firm also used a famous landscape of Rome as background in several scenes of its TV commercial (Aichner, 2013).

Natura also uses its country name on its store facade in France (Natura Brasil) and labelled some product lines with names related to Brazil. In addition, the Brazilian cosmetics brand uses illustrations of the raw ingredients from Brazilian biodiversity in its packing. In regard to the Brazilian flip-flop brand (Havaianas), despite encompassing a word related to

another country in its name, the brand is recognised as one of the ‘biggest Brazilian icons abroad’ (Costa et al., 2010, p.118). The firm conveys its COI using a colourful and extended set of flip-flops that symbolizes the Brazilian culture both within Brazil and in international markets (Palmer, 2017; Kumar & Steenkamp, 2013). Each pair of Havaianas features a small Brazilian flag (Palmer, 2017). Additionally, its commercial draws on different landscapes in Brazil. Finally, the central image on Havaianas’ international website is a flip-flop emerging from a shoe package, with an image of a Toucan (a bird typically found in South and Central America forests) and carrying the tagline ‘endless energy – made of Brazilian summer – contains colour and energy’ (Havaianas, 2017).

#### **2.3.4 Senses**

The use of the senses linked to COI can give consumers a feeling and an experience to associate with the brand, encouraging them to perceive it as more genuine and authentic (D'Antone & Merunka, 2015). Additionally, it is important to emphasize the specific emotional attributes of a country through brand communication tools (Herz & Diamantopoulos, 2013a). Thus, we believe that the CSA can incorporate the COI through an atmosphere created at the point of sale, product design, events, and other partnerships (D'Antone & Merunka, 2015). Senses can be engaged by using national music during sales or on the website of a company. Most of the brand examples detailed earlier use national music in their commercials and on their websites. The brands Havaianas and Natura use typical Brazilian music in their commercials.

Based on the process of turning the COI into a resource for the firm, we propose a scale to measure the COI-CSA. The next section details the procedures used to develop and validate the scale.

### **3. Method: The development and validation of the COI-CSA scale**

The following section outlines a series of steps in the psychometric procedures (see Figure 2). We first specified the construct and then generated a pool of items that were exposed to the judgment of researchers and experts. During this process, the pool of items was refined, some items were rephrased, and others deleted. After face and content validation, we collected three sets of data and applied multivariate statistical techniques (Churchill, 1979; Mackenzie et al., 2011). Such procedures have psychometric properties and aim to ensure that the new proposal is shaped and structured appropriately to the construct that is being measured, and guarantee that it is reliable and valid (Churchill, 1979; Lee & Hooley, 2005).

#### **Insert figure 2**

#### **3.1 Construct definition (Step 1)**

To conceptualise the COI-CSA construct, a literature review was conducted and two case studies with firms that deliberately use the COI as a resource were undertaken. We defined the COI-CSA construct as the importance to the firm of the incorporation of the COI as a resource in its brand strategy. We argue that the COI-CSA is articulated through the firm's marketing communication ability to incorporate COI-related aspects into the brand. The COI-CSA construct is a hierarchical, multidimensional construct reflecting the importance to the firm of the internalisation of the COI as a resource. Based on qualitative findings, the COI-CSA is proposed as a second-order construct with four first-order constructs: visual and textual elements, senses, natural resources, and cultural resources. The relations among these are reflective since the first-order constructs are manifestations of the COI-CSA and it is expected that these measures correlate (Jarvis, Mackenzie, & Podsakoff, 2003). Its incorporation is achieved through the communication (part of the marketing FSA) of the brand identity at all points of contact with customers (websites, leaflets, offices, showrooms, and events), and

through the product (packaging, raw materials, and design) (Kapferer, 2012). In this sense, the scale's unit of analysis is the firm represented by its (tactical and strategic level) managers.

### **3.2 Item generation (Step 2)**

To generate the scale items, we followed well-established scale development procedures (Churchill, 1979; DeVellis, 2016). Analysis of the case study data and intense literature review (see Table 1) generated insights to create an initial pool of items to measure the construct. This preliminary version (composed of four dimensions and 18 items) was analysed and discussed by 10 international marketing researchers during a group meeting. The scale proposed to assess the degree of importance that respondents of the firms attributed to each item used a seven-point Likert scale (1-strongly disagree to 7-strongly agree).

#### **Insert table 1**

During the two-hour research meeting, all 18 items were analysed. Adjustments were suggested and the dimension textual and visual elements was split into two. After the improvement of statements and generation of new items, the pool totalled 21 items. The pool of items was re-evaluated by 15 PhD candidates to ensure the construct's consistency with our specifications of the COI-CSA. In this stage, no item was created but four PhD candidates disagreed with the split of the dimension textual and visual elements. We decided to keep the five dimensions and verify whether or not it should remain separated in the following steps.

### **3.3 Content validity and initial purification (Step 3)**

In the third step, we conducted a content validity and initial purification. First, the pool of 21 items and five dimensions were subjected to analysis by 15 IB researchers. A document with the definition of each dimension was presented to them followed by the pool of items randomly distributed. They were asked to identify the corresponding dimension for each item. The aim of this process was to verify whether the items were consistent with the study

specification of each dimension of the COI-CSA construct. Most of the researchers found it difficult to distinguish between textual and visual elements. They highlighted that a firm can use either visual or textual elements from the same perspective and that the two dimensions should be united to avoid misunderstanding by respondents.

We continued the content validity using four specialists in marketing experienced in developing scales in their studies (average of 25 years of experience in research). The aim was to gain suggestions to simplify and refine the phrases of each item and validate their content and dimensions. After content validation (Hair, Tatham, Anderson, & Black, 2009) items were removed to avoid redundancy (Lee & Hooley, 2005). The scholars also suggested uniting the textual and visual elements dimension and interviewing potential respondents to validate the scale before collecting data. At this stage, the pool of items was reduced to 16 and we decided to combine the textual and visual elements into one category as suggested by several researchers.

### **3.4 Face validity and purification (Step 4)**

In the fourth step, we conducted the face validity with experts. Twenty managers of sector projects and firms in the process of internationalisation were contacted. Among them, eight met with the researchers and highlighted important points for the development of the scale. Table 2 specifies the main features of each expert. The experts had to analyse each item and indicate whether they understood the meaning of the statements, if it applied to the firm/project where they work, and share further suggestions.

#### **Insert table 2**

The items pool underwent various adjustments. Some items appeared to be repetitive and others too detailed for respondents. After this evaluation phase, items were rephrased and three were deleted, resulting in a final pool of 13 organised into four dimensions. The process

of generating the items, face and content validity, and refinement of the items was in-depth and evolved over a two-year period. We dedicated significant effort to this first step, seeking to develop a pool of items that was cohesive to the construct and, in particular, concise. We focused our attention on developing a terse scale that would enable the construct to be applied in different contexts, with other variables, aiming to understand the interrelationships between it and other relevant constructs (e.g., performance, FDI, and international strategy, among others). For this reason, the specialists and the other studies consulted regarding scale development (see Stanton, Sinar, Balzer, & Smith, 2002; Stanton et al., 2002; Richins, 2004) highlighted the importance of developing a short scale to avoid high incompleteness and refusal rates.

### **3.5 Measurement refinement (Step 5)**

The remaining 13 items were incorporated into a questionnaire using a seven-point Likert scale assessing the degree of agreement by the firm to the importance of each item. Three rounds of pre-testing to adjust formatting (layout and language) were carried out to facilitate the response process. After the pre-test, adjustments, and final questionnaire, we began data collection from executives of internationalised companies.

Data were gathered using face-to-face solicitation (from well-established executive MBAs in Brazil) from executives working at international firms. Data collection took place between March and April 2016 and lasted about five weeks. The sample consisted of 457 executives and of those, 430 were considered valid.

We began the analysis separating the sample in two (sub-sample 1, n=200 and sub-sample 2, n=230) to continue the scale development. With the first data set (200 observations), we applied an exploratory factor analysis (EFA) to verify the appropriateness of the 13 items for capturing the four dimensions. It is important to remember that we had four items for the

first order construct textual and visual elements and for the other three first-order constructs, culture resources, natural resources, and senses, we had three variables for each (see Table 3).

### **Insert table 3**

Assuming the existence of a correlation between the factors, we applied an EFA with oblique rotation (Netemeyer, Bearden, & Sharma, 2003) with the items from the previous stages of scale development. The results show adequate fit for the exit, with the diagonal of the anti-image matrix above .500, KMO .850 ( $p < 0.01$ ), and explained variance of 74.91%. The items loaded on the four dimensions (factors) as expected. The results of retained loads (above .600) show that the item Tex.Vis.\_4 had to be removed. However, all the others items were distributed with an adequate load as in the previously defined first-order constructs for the COI-CSA scale.

### **3.6 CFA with study data set 2 (Step 6)**

After the four first-order constructs for the COI-CSA composition were confirmed – each one now with three variables – we tested the structure (12 items) through a confirmatory factor analysis (CFA). The objective of this step was to assess the fit of the CFA model and verify whether it presented construct validity (Hair et al., 2009) to support the COI-CSA scale. For this purpose, we used the second data set collected from 230 executives to perform the first CFA whereby the four dimensions were specified as first-order factors of the higher-order COI-CSA factor. The CFA was carried out using the covariance method.

In Table 4, we present the previous first-order construct adjustment measures that are considered adequate once every AVE is greater than .500, and CC and Cronbach's alpha are greater than .700 (Hair et al., 2009). To ensure the discriminant validity, we compared the AVE of each first order construct with the squared inter-construct correlations. The results of each squared correlation were shown to be less than the AVE, in accordance with Fornell and

Larcker's (1981) recommendations. Hence, the first order constructs related to COI-CSA also presented adequate discriminant validity, as can be seen in Table 2. Furthermore, both Cronbach's alpha and construct reliability estimates exceeded .80 for the four dimensions (Bagozzi & Yi, 1988), supporting the first order constructs' internal consistency.

#### **Insert table 4**

The overall fit of the model was satisfactory ( $\chi^2 = 1,930 - p < 0.01$ , d.f.= 48; goodness of fit index [GFI] = .938; comparative fit index [CFI] = .977; AGFI = .900; TFI = .969; NFI = .954; CFI = .977, root mean square error of approximation [RMSEA] = .064, and standardized root mean square residual [SRMS] = .048). All the items presented substantial and significant loadings on their respective dimensions. All factor loads were above .700, except for one (Tex.Vis.\_2), however, even this was very close to the benchmark and above 0.600, which may be acceptable to assume convergent validity (Pedhazur, 1997). The loadings from the second-order COI-CSA construct to the first-order dimensions were also significant. Table 5 presents the loadings.

#### **Insert table 5**

### **3.7 Nomological validity with data set 3 (Step 7)**

After we obtained the first adjustment of the model with the sample from CFA1, we undertook a second CFA with a new sample of another 400 executives representing international firms. Data were collected between July and August 2016. This sample was obtained from the FUNCEX database with 4,192 export companies of the national capital (Brazilian exporters). Following Ogasavara, Boehe, and Barin-Cruz (2016), who used the same mailing technique in 2008, the questions related to the main product of the firms and were targeted at the individual responsible for the international sales or marketing department, as most relevant for our scale.

The firms contacted via our database were Brazilian exporters, with uninterrupted operations in the foreign market for more than five years. From this database, 442 firms and managers of marketing or international sales areas were contacted and asked to respond to the questionnaire via telephone. Among these firms, 400 were considered valid.

Our aim with this data set was not only to validate the measurement model developed from the previous steps (EFA and CFA1) but also: (1) to evaluate the generalizability of the COI-CSA structure and (2) to investigate the COI-CSA fit in a nomological network. To this end, we chose one variable related to the branding capability (FSA) of the firm, associating it to the COI-CSA construct. As most of the transformation effort to build the COI-CSA relies on communication processes, we believe that to benefit from the COI, the firm should have a well-developed communication capability directly linked to firm branding (FSA). The COI-CSA is a construct regarding the strategy of a firm built on its branding capability. Thus, we opted to test the nomological validity relying on findings from marketing communication capabilities (Vorhies & Morgan, 2005). In this sense, we argue that the marketing communication capability construct has a positive relationship with the COI-CSA.

H1: Marketing communication capability is positively related to COI-CSA.

To measure the marketing communication capability, managers of marketing or international sales areas were asked to rate from one (“much worse than competitors”) to seven (“much better than competitors”) their business units in regards to their major competitors. The items used were: 1) developing and executing advertising programs; 2) advertising management and creative skills; 3) public relations skills; 4) brand image management skills and processes; and 5) managing corporate image and reputation (Vorhies & Morgan, 2005).

The final model tested is shown in Figure 3.

**Insert figure 3**

Initially, we checked the adjustment indicators of the constructs (Table 6). As can be observed, there are acceptable values for AVE, CC, Cronbach's alpha, and discriminant validity for both the COI-CSA and the marketing communication capability constructs.

#### **Insert table 6**

The adjustment results of the model presented a fit of  $\chi^2 = 2.070$  ( $p < 0.01$ ), GFI = .937; AGFI = .912; TFI = .961; NFI = .942; CFI = .969; RMSEA of .052, and SRMR of .039. This adjustment validates the COI-CSA scale. Finally, the relationship between marketing communication capability and COI-CSA is significant with a path estimate of .237 and t test of 5.254 ( $p < 0.01$ ), supporting H1. This result materializes the nominal validation of COI-CSA. Table 7 summarizes the factor loadings across studies.

#### **Insert table 7**

It is important to note that the adjustment indices reference values (pre-established) of the CFA should be considered indicative and not rigid frameworks (Pedhazur, 1997). Hence, although the literature recommends loadings between .60 and .90 (Bagozzi & Yi, 1988), for newly developed scales, values close to the references can be accepted (Pedhazur, 1997).

### **3.8 Development of norms (Step 8)**

Although it is important to develop explicit norms to use the scale in an appropriate manner (Churchill, 1979; Mackenzie et al., 2011), studies on scale development neglect this relevant step. We elaborated important norms that should be followed in future studies using the COI-CSA. The COI-CSA scale is a seven-point Likert scale; it has the firm as the unit of analysis. In this sense, to be capable of representing the firm, the data have to be collected directly from individuals working at the firm in a tactical or strategic position in the marketing or international business department. It is important to make clear to the respondent that by answering the scale he/she will be representing the firm and not his/her personal view on the

subject. Depending on the size of the firm, there could be many different brands or product lines sold abroad. In these cases, it is important to highlight the scope of the study and ensure that the respondent is answering based on a specific line of product or brand of the firm. Another option when applying the scale with multinationals with more than one brand is to sample across different business units and brands. It is important to highlight that this procedure has to be standard and applied to the entire sample of the survey. Finally, norms may change over time, so these can be updated and reviewed in the future by the researchers (Mackenzie et al., 2011).

## **4. Discussion and Conclusions**

### **4.1 Theoretical implications**

Although country-of-origin as a subject has been investigated since the 1960s (Pharr, 2005; Roth & Diamantopoulos, 2009), researchers have underestimated the aspect of the COI as a resource for firms. This phenomenon has been neglected in IB and international marketing literature, which has considered only the consumer, neglecting the opportunity to assess the subject as a potential source of competitive advantage (Cuervo-Cazurra & Un, 2015) from the enterprise perspective (Roth & Diamantopoulos, 2009; Samiee, 2010). In this study, we address this gap by advancing the conceptualisation of the COI as a resource and by developing and validating a measure (the COI-CSA scale) to operationalise it empirically.

Drawing from CSA-FSA literature (Rugman & Verbeke, 2001) aligned to the VRIO framework (Barney, 1991), using qualitative data and three quantitative data sets, we conceptually specify COI-CSA as a higher order construct encompassing four dimensions. The results from the data collected in the field endorsed the dimensions identified in the literature, measuring the construct, and estimating the model in order to assess the COI-CSA. The findings indicate that this construct is multidimensional and can be operationalised by a scale with 12 items structured in four dimensions: natural resources, cultural resources, textual and

visual elements, and senses. The construct is reflective because the dimensions of COI-CSA are construct manifestations. In addition to confirming a model to measure COI-CSA, the research identifies the main dimensions of COI-CSA used as resources by firms and the most important items to operationalise this process.

Hence, our study uses a new research perspective for COI (Roth & Diamantopoulos, 2009), following the suggestions of Samiee (2010), Cuervo-Cazurra and Un (2015), and Cuervo-Cazurra (2011) to apply a business perspective. In doing so, it links the country-of-origin to the CSA-FSA literature. We show that COI can be used as a CSA for internationalised firms when it is articulated with the FSA, such as its marketing communication capability, which can be operationalised through four dimensions (natural resources, cultural resources, textual and visual elements, and senses). The main contribution of the study is the development and validation of a scale that captures how the COI can be transformed into a CSA by and for the firm. In addition, the study shows, supported by the nomological validity, that a firm aiming to transform the COI into a CSA will only be able to achieve that when it possesses a FSA, such as marketing communication capability, and articulates it in combination with the four COI dimensions. This is something that has already been discussed and proposed through conceptual or qualitative approaches (Spence et al., 2010; Baker & Ballington, 2002; Đorđević, 2008; Chattopadhyay et al, 2012; Kumar & Steenkamp, 2013; Herstein et al., 2014; Cuervo-Cazurra & Un, 2015; D'Antone & Merunka, 2015; Suter et al., 2017) but has not yet been measured. Thus, we believe that this scale provides an opportunity for quantitative study of the integration of COI into firm strategy.

## **4.2 Managerial implications**

This study points to the processes strategic managers can use to incorporate COI into their strategy. As a result, the managerial contribution of the research is seen in its provision of evidence that firms can use to develop strategies to incorporate and strengthen their COI in

cross-border transactions, as well as the use of COI nuances (dimensions) that may become part of a brand's identity. Hence, once marketers see that the COI has the potential to generate desired competitive advantages for their firms, they should give special attention to the use of the four dimensions of COI in their international marketing communication strategies.

The study can help managers going through the process of internationalisation take advantage of opportunities from their country-of-origin that may have been missed (Johansson, 2014). It highlights the processes that can be used to employ COI cues recognisable to consumers (Costa et al., 2016). Turning the COI into a COI-CSA is a process that requires effort and skill from the firm. Some firms may lack the capabilities (FSAs) to turn the COI into a CSA. International agencies can develop strategies to evolve the COI-CSA in partnership with firms, serving as a relational resource.

#### **4.3 Limitations and future research**

The study was supported by several psychometric procedures to ensure construct dimensionality (intense literature review, case studies, research, meetings with researchers, and exploratory factor analysis); reliability (Cronbach's alpha and composite reliability); translation validity (face validity and content); construct validity (convergent and discriminant validity); and advanced statistical techniques (CFA and SEM). These aspects are recommended by several psychometricians when developing scales, notably by Roth and Diamantopoulos (2009) for COI scales, because, as stated by these authors, most studies on the theme of scale development lack validation procedures and reliability. Nevertheless, this is the first study to apply this scale. It would be interesting to carry out data collection in another country to compare the scale results (cross-validation) in other contexts to ensure their levels of reliability and validity.

In addition, we recommend future studies to validate the measure presented with other variables that COI-CSA may impact, such as export performance, strategy performance,

financial performance, and marketing performance. Future studies using the COI-CSA construct and marketing communications capability should also be conducted with firms that hide their origins. In this context, our hypothesis is that the relationship between marketing communications capability and COI-CSA is significant, yet, negative, because the firm may use its marketing capability in a precise manner to omit its origins.

There are several studies that can be undertaken using the COI-CSA scale. First, we recommend studies of firms operating in other countries and other nationalities, so differences between cultures and institutional contexts can be explored. The scale should also be applied in studies employing the industry as a moderator variable. For goods, retail, and services, we recommend that other variables are explored, such as experiential marketing and also the role of employees in the COI-CSA.

International Marketing researchers can use this scale to verify the relationship with other variables of the marketing capability and investigate these correlations in brand interaction strategy, such as the entry mode, marketing mix, and positioning. Further, firms need to understand whether the COI-CSA has a particular feature that matches within its industry to make better use of it.

For IB researchers, we suggest future studies using the scale in firms at different stages of internationalisation in order to observe differences in importance attributed to COI and, also, if such importance differs dependent on institutional aspects of the country origin. Specifically, for emerging markets (Cuervo-Cazurra & Un, 2015; Cuervo-Cazurra, 2011), another aspect that could be investigated is how partnerships between governments and businesses can increase the development and use of the COI-CSA and the relation between the COI-CSA and FDI in new markets (Cuervo-Cazurra & Un, 2015). The relation between COI-CSA and performance should also be studied. Finally, future studies could investigate the use of COI-CSA as a soft power resource for governments.

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