

# The double-edged sword of foreign brand names for companies from emerging countries

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## ABSTRACT

Foreign branding—or using brand names that evoke foreign associations through, for example, spelling a brand name in a foreign language—is a popular means in both developed and emerging countries of suggesting a specific country of origin (COO) in the hope that it will evoke certain product qualities. As a result, consumers increasingly encounter products with brand names that imply a COO that differs from the actual COO (where the product is manufactured). In four experiments, the authors find support for the hypothesis that incongruence between the actual COO and implied COO decreases purchase likelihood asymmetrically. Incongruence backfires in hedonic categories but has hardly any effect in utilitarian categories. Furthermore, incongruence decreases purchase likelihood more if the actual COO is an emerging rather than developed country. The authors address the psychological process underlying the asymmetric effect of incongruence by showing that consumers apply different information-processing strategies to hedonic versus utilitarian products. These results have important implications for (foreign) branding decisions.

**Key words:** foreign branding, international marketing, emerging economies, brand management

Choosing a brand name is fundamentally important for companies (Aaker 1996; Keller, Heckler, and Houston 1998; Keller and Lehmann 2006). A strategy that an increasing number of companies worldwide have adopted uses foreign brand names—that is, "spelling or pronouncing a brand name in a foreign language" (Leclerc, Schmitt, and Dubé 1994, p. 263). Foreign branding implies a specific

country of origin (COO) in an effort to build or enhance perceptions of certain product attributes. For example, Häagen-Dazs, an American ice cream brand, implies a Scandinavian origin, and Storck, a German confectionary producer, gave French names to its products *Merci* and *Chocolat Pavot*. Similarly, a Japanese fashion designer, Issey Miyake, gives French names to his perfumes

(e.g., L'Eau Bleu, La Crème de L'Eau) presumably to highlight their hedonic elegance and temptation properties through automatic references to French perfume brands. The Renkus-Heinz American loudspeaker company uses German language associations presumably to enhance perceptions of their products' reliability.

However, foreign branding is not limited to companies from developed economies. Firms from emerging countries increasingly market their own brands domestically and internationally with the ambition of positioning them as global brands (Brown 2005). Yet many of them use foreign brand names in the hope that foreign (mostly Western) appeal will induce higher quality perceptions and greater social status for their brands (Zhou, Yang, and Hui 2010). For example, several Korean firms have assigned French brand names to their cosmetic lines (e.g., Laneige and Mamonde [by Amorepacific], Luichel [by Hanbul Cosmetics Co. Ltd]). Two leading Chinese appliance brands, Haier and Galanz, use more Germanic brand names, perhaps to enhance the utilitarian associations, such as durability and quality, often assigned to German appliances.

Consumers thus encounter products that carry a foreign brand name that implies a particular, often developed, COO while the "made in" label (actual COO) reveals that the product was manufactured in an emerging country. Do such strategies work? What happens when consumers read the actual "made in" information? According to Miller (2011), approximately one-quarter of consumers make purchase decisions on the basis of COO information. Anecdotal evidence consistently illustrates that companies strongly believe that consumers pay attention to "made in" labels (i.e., the actual COO) and their congruence with the foreign brand names when making purchase decisions. For example, in the fashion industry, Chinese firms began to manufacture in Italy simply to ensure that they could use the "Made in Italy" label to enhance favorable COO associations (Donadio 2010). Prior research has also demonstrated the ability of "made in" labels to create differential advantage (Sheth 2011). Therefore, understanding consumers' reactions to the (in)congruence between the COO implied by

the brand name and the product's actual COO is of crucial importance for branding decisions.

Academic literature has established that consumers use COO as an extrinsic cue to evaluate products (for reviews, see Agrawal and Kamakura 1999; Verlegh and Steenkamp 1999). Much research considers consumers' reactions to *actual* (i.e., "made in") COO cues (Balabanis and Diamantopoulos 2004) and factors that determine the weight given to these cues, especially cultural (Gürhan-Canli and Maheswaran 2000a) and consumer-related (Gürhan-Canli and Maheswaran 2000b; Hong and Wyer 1989; Klein, Ettenson, and Morris 1998; Maheswaran 1994) factors. In contrast, despite the prevalence of foreign branding as a global managerial practice, academic research that addresses questions about the effectiveness of *implied* COO cues, such as foreign branding, and their (in)congruence with actual COO cues is scarce.

Two important gaps have emerged in existing literature regarding the effectiveness of foreign brand names (see Table 1). First, prior studies focus on the effects of foreign brand names from developed countries combined with an actual developed COO. At the time this research was conducted, this focus was understandable, but today, emerging countries are important suppliers of manufactured goods (Sheth 2011). Since the 1990s, the share of exports from emerging economies has increased dramatically, and in 2010, it reached 41.05% of the worldwide merchandise trade (World Trade Organization [WTO] 2011). According to an Organisation for Economic Co-operation and Development forecast, emerging economies will account for nearly 60% of the world's gross domestic product by 2030 (Gurria 2010). The popularity of foreign branding strategies in these economies (Zhou, Yang, and Hui 2010) makes it crucial for managers to understand the extent to which the positive associations implied by a foreign brand name hold if consumers discover the product was made in an emerging country.

Second, existing research focuses primarily on the effects of foreign brand names on consumers' perceptions of hedonic products (see Table 1). Leclerc, Schmitt, and Dubé (1994) demonstrate that French brand names

(cf. English and thus domestic names) enhance U.S. consumers' attitudes toward, and taste perceptions of, hedonic products. Similarly, Verlegh, Steenkamp, and Meulenberg (2005) demonstrate that foreign brand names enhance perceptions of tomatoes' taste, and Häubl and Ekod (1999) show that foreign brand names influence perceptions of Alpine skis. However, recent literature suggests that consumers activate different sets of goals (functionality- vs. pleasure-related goals) and employ different information-processing strategies when considering utilitarian and hedonic products (Chemev 2004; Chitturi, Raghunathan, and Mahajan 2007, 2008). To the extent consumers' processing strategies determine the type of product information they consider diagnostic in their product purchase, their reactions to foreign brand names and their (in)congruence with the actual COO may have asymmetric effects on purchase intentions for hedonic and utilitarian products.

Despite a rich body of literature on consumers' reactions to actual COO cues and academic literature emphasizing the increasing popularity of foreign branding, no study has systematically addressed the interaction effect between these two (i.e., actual and implied) COO cues. In this research, we not only address the interaction between the two COO cues but also investigate two important moderators of the effect of incongruence between the two COO cues on purchase likelihood. We demonstrate that incongruence between the actual and implied COO has an asymmetric effect for hedonic versus utilitarian products, such that it backfires for hedonic products but has hardly any effect on utilitarian products. Furthermore,

incongruence decreases purchase likelihood to a greater extent if the actual COO is an emerging country rather than a developed country. Finally, we explain this asymmetric effect by revealing that different processing strategies for hedonic and utilitarian products represent the underlying psychological process.

## THEORETICAL BACKGROUND: PROCESSING STRATEGIES FOR HEDONIC VERSUS UTILITARIAN PRODUCTS

The idea of foreign brand names is to utilize an appropriate, usually category-favorable, country image to influence consumers' evaluations of a product. For example, research has suggested that French brand names enhance hedonic perceptions of products (Leclerc, Schmitt, and Dubé 1994), whereas German brand names evoke utilitarian associations with products (Heslop and Papadopoulos 1993). In any case, foreign brand names provide consumers with an *implicit* COO cue (Agrawal and Kamakura 1999; Verlegh and Steenkamp 1999). This implied COO cue may or may not be congruent with the actual COO cue that consumers obtain from the "made in" information (Gürhan-Canli and Maheswaran 2000b; Maheswaran 1994). In general terms, "congruence" implies the extent to which associations of one object share content and meaning with another object's association (Keller 1993). Here, we focus on country

**TABLE 1**  
**Overview of Literature on Foreign Brand Names**

Actual COO	Type of Foreign Brand Name/Product Match	
	Hedonic	Utilitarian
Developed countries	Leclerc, Schmitt, and Dubé (1994) Verlegh, Steenkamp, and Meulenberg (2005) Häubl and Elrod (1999) This research	This research
Emerging countries	This research	This research

image associations. Thus, we define "incongruence" as a mismatch between the country associations triggered by the actual

COO ("made in" label) and the associations triggered by the COO implied by the foreign brand name. Both the implied COO and the

actual COO information serve as COO cues (Häubl and Ekod 1999; Leclerc, Schmitt, and Dubé 1994). Yet the amount of attention that consumers pay to any COO cue may differ depending on how they process the product information (Sengupta, Goodstein, and Boninger 1997).

In line with previous research (Batra and Ahtola 1990; Chitturi, Raghunathan, and Mahajan 2008; Gill 2008; Hirschmann and Holbrook 1982), we define "hedonic products" as products that are associated with sensory, experiential, and enjoyment-related attributes and are consumed and evaluated primarily on the basis of benefits related to enjoyment, taste, aesthetics, and symbolic meaning. We define "utilitarian products" as products associated with functional, practical, and tangible attributes that are consumed and evaluated primarily on the basis of functional, instrumental, and practical benefits.

The literature suggests that consumers activate different sets of goals depending on the type of product they are considering; they tend to have functionality-related goals when they consume utilitarian products and pleasure-related goals when they consume hedonic products (Chemev 2004; Chitturi, Raghunathan, and Mahajan 2007, 2008). These goal-related differences imply that consumers' product evaluation criteria and the information-processing procedures they use to evaluate products may differ systematically between hedonic and utilitarian products. Specifically, several studies suggest that the consumption of utilitarian products (i.e., those consumed with a utilitarian goal) is highly cognitively driven and accomplishes a functional or practical task (Homburg, Koschate, and Hoyer 2006; Strahilevitz and Myers 1998). Thus, for a utilitarian product, consumers are more likely to scrutinize all available information to arrive at a reasoned product attitude (Aaker and Sengupta 2000; Giirhan-Canli and Maheswaran 1998; Petty, Cacioppo, and Schumann 1983; Petty and Wegener 1999). At the same time, because consumers who consider buying a utilitarian product are more likely to engage in deep cognitive elaboration and effortful information processing, they are also better able to differentiate product information according to its relevance for their goal and ignore the irrelevant information.

Consequently, they are likely to pay more attention and attach greater weight to individual product attributes and less weight to cues in general, including COO cues, regardless of their congruence (Babin, Darden, and Griffin 1994; MacInnis and Jaworski 1989). Consistent with this view, Giirhan-Canli and Maheswaran (2000b) find (in their Experiment 1) that people who processed product information cognitively (under high involvement) largely ignored COO information because it was not relevant (salient) enough for them.

In contrast, the consumption of hedonic products is driven by affective and sensory experiences of sensual or aesthetic pleasure (Chemev 2004; Dhar and Wertenbroch 2000; Okada 2005). Therefore, rather than being evaluated on the basis of individual product attributes, hedonic products are evaluated on the basis of their experiential or symbolic meaning (Holbrook and Hirschman 1982; Mittal 1989; Zajonc and Markus 1982). In particular, consumers form a global product image, which is evaluated subjectively and abstractly (e.g., the extent to which the image of a product fits a consumer's self-image), rather than process separate product attributes. Furthermore, for some hedonic products, especially those linked to consumer self-image (e.g., self-expressive products, such as fine arts, jewelry), it is meaningless to even attempt to decompose them into individual product attributes because this type of product is meaningful only as a whole (Hirschman 1983). Thus, consumers' evaluations of hedonic products are driven by their satisfaction with the holistic images of the products. Consequently, they are less likely to go through deep cognitive elaboration and extensive processing of individual product attributes. Instead, they are more likely to process information holistically and rely on more affective and subjective heuristics (Botti and McGill 2011; Mittal 1989; Shiv and Fedorikhin 1999), including COO cues (Giirhan-Canli and Maheswaran 2000a, b).

This prediction is also consistent with the literature on holistic versus analytic processing. For example, as Monga and John (2010, p. 81) conclude, "holistic thinkers and analytic thinkers detect different kinds of connections between objects." While analytic

thinking enhances the tendency to find similarities between objects, category memberships, and attributes, holistic thinking promotes the tendency to find thematic interdependencies between objects. With regard to our research, these differences in thinking styles would suggest that for utilitarian products, analytic processing facilitates detachment of the product from the context and a focus on the extent to which the product's attributes are similar to what would be expected from the product category (e.g., price, color). For hedonic products, holistic thinking leads consumers to process how a product fits a theme (e.g., "style"). Thus, the degree to which the incongruence between actual and implied COO matters for hedonic products depends on how strongly the incongruence harms the holistic image or the theme a consumer has in mind. For example, the perception of "style" implied by a French COO cue may be diminished by a "Made in China" cue.

Thus, consumers employ different processing strategies for hedonic versus utilitarian products. In turn, the processing strategy will determine how much attention they pay to individual product attributes (e.g., price, shape) versus cues (e.g., COO) and the type of product information they consider diagnostic in their product purchases. Therefore, we expect that consumers are more likely to pay attention to both implied and actual COO cues and are more influenced by those cues when processing information about hedonic products (vs. utilitarian products). Consequently, we expect that incongruence between implied and actual COO cues has stronger negative effects on purchase intentions for hedonic than for utilitarian products.

We tested our main proposition and the underlying process in four studies. Studies 1 and 2 test the effect of incongruence between actual (emerging and developed) and implied COO cues for both hedonic and utilitarian products. Studies 3 and 4 address the underlying process and the managerial implications, with Study 4 using more information-rich stimuli to further support the notion of different processing strategies for hedonic versus utilitarian products.

## STUDY 1 : THE EFFECT OF INCONGRUENCE BETWEEN ACTUAL AND IMPLIED COO ON PURCHASE LIKELIHOOD

Study 1 tests the effects of foreign branding on purchase likelihood when consumers confront a foreign brand name that implied one COO and a "made in" label suggesting a different (either emerging or developed) COO. In addition, we investigated whether incongruence between the implied and actual COO affected hedonic versus utilitarian products differently. In extant literature on foreign branding, this incongruent condition has been represented only by a domestic actual COO cue (i.e., a French brand name with a "Made in the U.S.A." label for a sample of U.S. consumers; Leclerc, Schmitt, and Dubé 1994), which could be subject to ethnocentrism (Klein, Ettenson, and Morris 1998). In contrast, we investigated products with foreign brand names manufactured in a foreign country.

Because consumers are less likely to pay attention to COO cues when processing utilitarian products, we expect that incongruence between the actual and implied COO will have a stronger negative effect for hedonic products than for utilitarian products. However, the size of this effect should also depend on the favorableness of the country's product stereotypes, as suggested by both COO cues. A strong perceived quality bias separates developed countries, which tend to evoke favorable product quality associations, from emerging countries, which tend to evoke unfavorable associations (Häubl and Ekod 1999; Heslop and Papadopoulos 1993). To note these differences, we distinguished incongruence caused by an *emerging* COO from that caused by a *developed* COO. Incongruence caused by a developed COO occurs when both COO cues (foreign brand name and actual "made in" information) suggest two different developed COOs—for example, when a French-looking brand name suggests that the product is made in France when it is actually made in Germany. In contrast, incongruence caused by an emerging COO describes a situation in which at least one of the COO cues suggests an emerging COO. Specifically, we focused on the common

practice of adopting a brand name that suggests a developed COO for a product whose manufacturing actually occurs in an emerging country.

We expect that incongruence caused by an emerging COO reduces consumers' purchase likelihood more than incongruence caused by a developed COO. Formally,

H<sub>1</sub>: Incongruence between the implied and actual COO reduces purchase likelihood for hedonic products more than for utilitarian products.

H<sub>2</sub>: Incongruence caused by an emerging COO reduces purchase likelihood more than incongruence caused by a developed COO.

### Pretests

*Implied COO.* We generated a list of fictitious foreign brand name pairs (French-German) that satisfied two conditions. First, French and German native speakers checked the brand names to ensure that they were acceptable in both languages and followed syntactic and phonetic rules of the French and German languages. Second, the brand names exhibited the greatest possible similarity in terms of syllables and length (i.e., visual appearance). For the pretest, 37 native English speakers from New Zealand (17 female) viewed the brand names in a randomized order. They judged the extent to which they perceived each of the brand names as foreign and the country from which they likely came. The pretest identified several brand name pairs with correct identification hit rates of more than 75%, which we used in Studies 1-4.

*Hedonism versus utilitarianism of the actual COO.* We used the two-dimensional multi-item scale from Voss, Spangenberg, and Grohmann (2003) to test the degree to which France and Germany appeared to be hedonic or utilitarian (from -3 to +3). Respondents perceived France as significantly more hedonic than Germany ( $M_{\text{France\_hedonic}} = -.71$ ,  $M_{\text{Germany\_hedonic}} = -.27$ ;  $t[349] = 4.07$ ,  $p < .001$ ), and they perceived Germany as significantly more utilitarian than France ( $M_{\text{Germany\_utilitarian}} = .97$ ,  $M_{\text{France\_utilitarian}}$

$= .44$ ;  $t[349] = 5.03$ ,  $p < .001$ ).<sup>1</sup> Bangladesh as the emerging actual COO provoked neither hedonic nor utilitarian perceptions ( $M_{\text{Utilitarianism}} = -.25$ ,  $t[30] = 1.10$ ,  $p > .10$ ;  $M_{\text{Hedonism}} = -.10$ ; not significantly different from the midpoint (0):  $t[30] = -.40$ ,  $p > .10$ ) in an additional pretest of several emerging countries.

### Method

*Study design and sample.* Study 1 used a 2 (brand name: French [Croixbergière] vs. German [Kreuzberger]) x 3 (actual COO: congruent [same country as suggested by the foreign brand name] vs. incongruent developed COO [made in a different developed country] vs. incongruent emerging COO [made in a different emerging country]) x 2 (product type: hedonic vs. utilitarian) between-subjects design. We used a luxury watch as the hedonic product and a sports watch as the utilitarian product. To control for a potential price effect, we held the price constant across all the conditions.

We collected data using a web-based survey of consumers in New Zealand, which was conducted by a professional firm that specializes in online market research. Online surveys offer a good alternative to lab experiments because they can reach representative consumer samples and decrease response style bias (Deutschens et al. 2004; Fischer, Völckner, and Sattler 2011). We chose New Zealand because it is a developed country with a high level of foreign trade and is exposed to different types of foreign products (WTO 2009). English is the native language in New Zealand, so both French and German were foreign languages to the respondents. Finally, by moving beyond the U.S. student sample used by Leclerc, Schmitt, and Dubé (1994), we increase generalizability of our findings for this research field. The sample consisted of 577 (298 female)

<sup>1</sup> Both countries also scored sufficiently high on the other dimension (values of approximately 0), so it is unlikely that our findings were driven by Germany (France) being perceived extremely low on the hedonic (utilitarian) dimension.

respondents randomly assigned to the 12 experimental conditions.<sup>2</sup>

*Procedure and measures.* Respondents received an invitation to participate in an online survey. They saw a fictitious advertisement that showed the product, its brand name, its price, and a short description. Figure 1 presents the stimuli for the French brand name; the stimuli for the German brand name were identical except that we replaced "Croixbergière" with "Kreuzberger." For the conditions with congruent COO cues, "Made in France" ("Made in Germany") appeared in the advertisement for the product with a French brand name (German brand name). In the incongruent developed COO conditions, "Made in Germany" appeared for the product with a French brand name, and "Made in France" appeared with a German brand name. Finally, in the incongruent emerging COO conditions, "Made in Bangladesh" appeared for both products. After viewing the advertisement, participants indicated their likelihood of purchasing the product on a seven-point scale (1 = "not at all likely," and 7 = "very likely").

We controlled for interest in the product category as an alternative driver of consumers' purchase likelihood. For example, in the luxury watch condition, participants indicated their agreement with the following statement: "Overall, I am very interested in luxury watches" (seven-point scale: 1 = "strongly disagree," and 7 = "strongly agree"). There were no significant differences between the hedonic and utilitarian product ( $p > .10$ ). Next, to rule out a potential alternative explanation that the asymmetry in the effect of the incongruence is caused by participants attributing higher quality to German brand names than to French ones, we asked participants to indicate their expectations about the product's quality level on a seven-

point scale (1 = "very poor," and 7 = "excellent"). There were no significant differences in quality perceptions between products with French or German brand names ( $M_{\text{German}} = 5.94$ ,  $M_{\text{French}} = 6.14$ ;  $t[181] = -1.37$ ,  $p > .10$ ). That is, the perceived quality of the products with a French brand name was equal to the perceived quality of the products with a German brand name.<sup>3</sup>

*Brand name.* We asked participants to indicate the likelihood that the brand shown in the stimuli was foreign (1 = "definitely domestic," and 7 = "definitely foreign"). They judged the brand names as foreign ( $M_{\text{Croixbergière}} = 6.42$ ,  $M_{\text{Kreuzberger}} = 6.34$ , significantly different from Üie midpoint of 4; French:  $t[266] = 37.24$ ,  $p < .001$ ; German:  $t[309] = 37.66$ ,  $p < .001$ ).

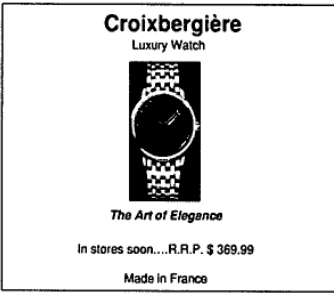
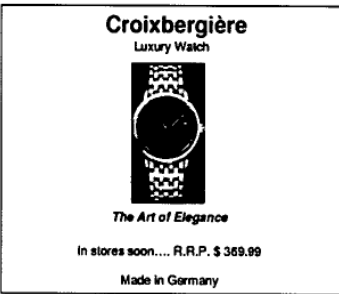
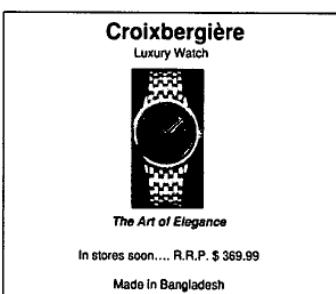
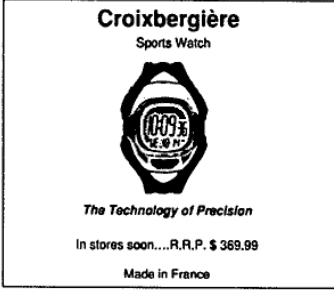
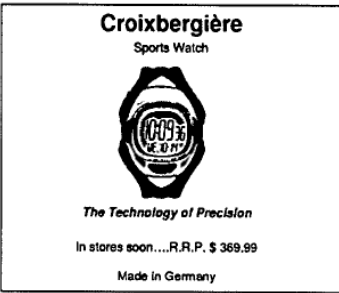
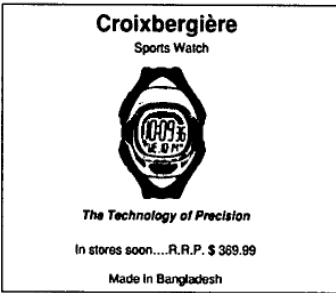
*Implied and actual COO.* When we asked participants, "Based on the spelling of the brand name, which country is [brand name] most likely to come from?" 79% in the French brand conditions correctly identified the brand name as French, and 87% of the respondents in the German brand conditions correctly identified the brand name as German. The recall hit rates of the actual COO were 80% for Bangladesh, 76% for France, and 88% for Germany. Finally, as anticipated, consumers' general attitude toward Bangladesh ( $M = 3.59$ ) was significantly lower than their attitude toward France ( $M = 5.05$ ;  $t[381] = 11.94$ ,  $p < .001$ ) and Germany ( $M = 5.17$ ;  $t[378] = 14.03$ ,  $p < .001$ ). France and Germany did not significantly differ in terms of general attitude ( $t[389] = -1.03$ ,  $p > .10$ ).

*Hedonic versus utilitarian products.* We tested the degree to which respondents perceived the products as hedonic or utilitarian (Leclerc, Schmitt, and Dubé 1994; Okada 2005) on a seven-point utilitarianism/hedonism scale (1 = "definitely utilitarian," and 7 = "definitely hedonic"). Respondents rated the luxury watch ( $M_{\text{luxury\_watch}} = 4.64$ ) significantly ( $t[575] =$

<sup>2</sup> In the sample, 51.6% of the respondents were women (compared with 51.9% of New Zealand's population; Statistics New Zealand 2006). In terms of age, 37.4% of the sample were 15-34 years of age (34.5% of New Zealand's population), 34.4% were 35-54 years (36.8% of New Zealand's population), and 28.1% were older than 54 years (28.8% of New Zealand's population). Regarding monthly individual net income, 24.4% earned less than \$1,000; 50.0% earned \$1,000-\$4,999; 8.5% earned more than \$5,000; and 17.2% indicated they "would rather not say."

<sup>3</sup> Note that when we compared congruent (i.e., brand name and actual "made in" information suggesting the same country) and incongruent (i.e., brand name and actual "made in" information being different countries) cells, we found significant differences ( $p < .05$ ) in the logical direction; that is, perceived quality was higher for the congruent cells ( $M_{\text{quality\_congruent}} = 6.03$ ) than for the incongruent cells ( $M_{\text{quality\_incongruent}} = 5.30$ ).

FIGURE 1  
Stimuli for French Brand Name (Study 1)

	Congruent Actual COO Information	Incongruent Developed Actual COO Information	Incongruent Emerging Actual COO Information
Hedonic	 <p>Croixbergière Luxury Watch The Art of Elegance In stores soon....R.R.P. \$ 369.99 Made in France</p>	 <p>Croixbergière Luxury Watch The Art of Elegance In stores soon.... R.R.P. \$ 369.99 Made in Germany</p>	 <p>Croixbergière Luxury Watch The Art of Elegance In stores soon.... R.R.P. \$ 369.99 Made in Bangladesh</p>
Utilitarian	 <p>Croixbergière Sports Watch The Technology of Precision In stores soon....R.R.P. \$ 369.99 Made in France</p>	 <p>Croixbergière Sports Watch The Technology of Precision In stores soon....R.R.P. \$ 369.99 Made in Germany</p>	 <p>Croixbergière Sports Watch The Technology of Precision In stores soon....R.R.P. \$ 369.99 Made in Bangladesh</p>

12.85,  $p < .001$ ) more hedonic than the sports watch ( $M_{\text{sports\_watch}} = 3.03$ ).

## Results

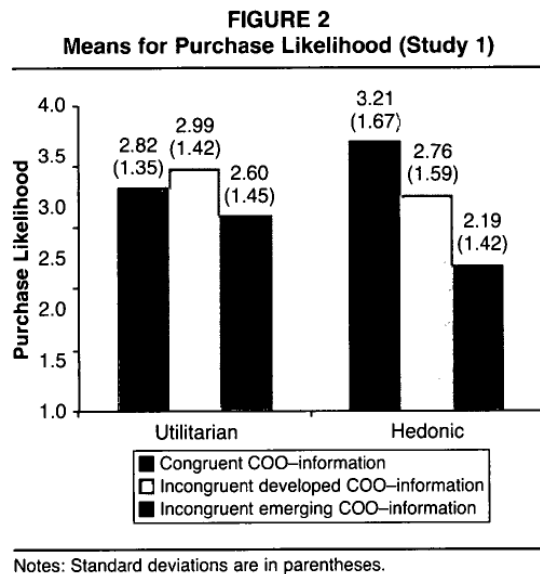
We estimated a 2 (Croixbergière vs. Kreuzberger) x 3 (congruent vs. incongruent developed COO vs. incongruent emerging COO) x 2 (hedonic vs. utilitarian) full-factorial analysis of variance (ANOVA) with purchase likelihood as the dependent variable. As expected, we found a significant main effect of the three-level incongruence factor ( $F[2,565] = 8.64, p < .001$ ; means in Figure 2), suggesting that the incongruence between actual and implied COO decreased purchase likelihood. We predicted that incongruence would reduce purchase likelihood more for hedonic products than for utilitarian products ( $H_1$ ). Consistent with this expectation, we found a significant interaction effect of the product type with the three-level incongruence factor ( $F[2, 565] = 3.98, p < .05$ ). To interpret this significant interaction effect, we conducted planned comparisons to contrast the three cells (i.e., congruence, incongruence caused by a developed COO, and incongruence caused by

an emerging COO) for both hedonic and utilitarian cases (Hair et al. 2010).<sup>4</sup>

First, the simple main effect of incongruence was only significant for the hedonic case ( $F[2,570] = 10.90, < .001$ ) and not for the utilitarian case ( $F[2, 570] = 1.75, p > .10$ ), which suggests that incongruence between actual and implied COO only matters for hedonic products, whereas it does not have a significant effect for the utilitarian product in this study. Second, for the hedonic case, the congruence between the actual and implied COO ( $M_{\text{congruent}} = 3.21$ ; see Figure 2) led to

<sup>4</sup> We tested for the homogeneity of variance in all studies. The assumption holds true except for this planned comparison (hedonic case,  $p < .01$ ). According to Tabachnick and Fidell (2007, p. 123), "the assumption of homogeneity of variance is robust to violation when (1)  $F_{\text{max}}$  [(largest variance/smallest variance)]  $\leq 10$ , (2) the ratio of largest to smallest sample size is less than 4:1, (3) two-tailed tests are used, and (4) an omnibus analysis is performed." If these requirements are met, "the probability associated with the critical value of F is close to the tabled value" (Tabachnick and Fidell 2007, p. 123). While conditions 1-3 are fully met, planned comparisons "violate" the omnibus analysis requirement. Therefore, we followed Tabachnick and Fidell's (2007) guidelines and applied Welch's correction when determining the critical F values (which compensates for an inflated Type I error rate).





a greater purchase likelihood than either the incongruent condition with a developed COO ( $M_{\text{incongruent\_developed}} = 2.76$ ;  $F_{\text{Welch}} [1, 185.21] = 4.31$ ,  $p < .05$ ) or the incongruent condition with an emerging COO ( $M_{\text{incongruent\_emerging}} = 2.19$ ;  $F_{\text{Welch}} [1, 177.23] = 21.61$ ,  $p < .001$ ). In contrast, for the utilitarian case, none of the differences were significant: neither the congruent COO condition ( $M_{\text{congruent}} = 2.82$ ) compared with the incongruent emerging COO condition ( $M_{\text{incongruent\_emerging}} = 2.60$ ;  $F[1, 570] = .99$ ,  $p > .10$ ) nor the congruent COO condition compared with the incongruent developed COO condition ( $M_{\text{incongruent\_developed}} = 2.99$ ;  $F[1, 570] = .70$ ,  $p > .10$ ). We also found support for our hypothesis (H2) that the incongruence caused by an emerging COO reduces purchase likelihood more than the incongruence caused by a developed COO ( $F[1, 588] = 10.22$ ,  $p < .01$ ; Figure 2). The difference between the two types of incongruence was significant for the hedonic case ( $F_{\text{Welch}} [1, 190.35] = 7.00$ ,  $p < .01$ ) but only marginally significant in the utilitarian case ( $F[1, 570] = 3.50$ ,  $p = .07$ ).

Neither the main effect of the brand name nor its interactions with other variables were significant ( $p > .10$ ). Thus, it is unlikely that the asymmetry was caused by consumers' simple preference for products with German brand names over products with French names. To rule out that the asymmetry was simply caused by the "made in" label (rather than the incongruence), we compared the difference between "Made in France" and "Made in Germany" across the congruent and incongruent conditions. This difference was

insignificant ( $p > .10$ ). Thus, it is not just the "made in" label that drives the asymmetric effect; it is the incongruence between both COO cues.

With respect to the underlying process, if the asymmetry in the effects of incongruence on purchase likelihood was indeed caused by participants relying more on COO cues when processing a hedonic product (cf. utilitarian product), respondents should also be able to recall the "made in" cue better if they evaluated a hedonic product. Although recall does not necessarily imply that the respondents used the information for decision making, the reverse should be true; that is, respondents who did not recall the information were not able to use it in their purchase decision. According to classical memory theory, information can only be recalled if consumers (1) paid attention to it in the sensory memory and (2) elaborated on it in the short-term memory (e.g., MacGregor 1987). Thus, respondents' ability to recall the "made in" cue should indicate whether they had processed the information. The results supported our expectation: Respondents made significantly more mistakes in the identification of the actual COO (i.e., "made in" information) in the case of utilitarian products (correct identification: 77.5%) than in the case of hedonic products (correct identification: 84.5%;  $z = 2.16$ ,  $p < .05$ ).

## Discussion

The results of Study 1 indicate that the effect of incongruence between the COO implied by a foreign brand name and the actual COO on purchase likelihood is asymmetric and depends on the product type (utilitarian vs. hedonic) and the type of incongruence (i.e., developed or emerging actual COO). We found that any incongruence between the actual and implied COO (vs. congruence) decreased purchase likelihood for the hedonic product. In contrast, for the utilitarian product, neither the incongruence caused by an emerging COO nor the incongruence caused by a developed COO was significantly different from the congruent condition. In line with our prediction of the underlying process, we also found that consumers who evaluated a utilitarian product were significantly less

likely to correctly recall the actual COO. This finding is consistent with the idea that consumers process information about hedonic and utilitarian products differently—namely, they pay less attention to COO cues when evaluating utilitarian products. Consequently, the incongruence between implied and actual COO cues is less likely to be noticed for utilitarian products, thus leading to the asymmetric effects for hedonic versus utilitarian products. As we expected, overall, the incongruence caused by an emerging COO reduced purchase likelihood more than incongruence caused by a developed COO across product types.

## STUDY 2: GENERALIZING THE ASYMMETRIC IMPACT OF INCONGRUENCE IN A DIFFERENT CONTEXT

Thus far, we have established that incongruence between the implied and actual COO reduces consumers' purchase likelihood for hedonic products more than for utilitarian products. In Study 2, we extend the generalizability of our research by testing the asymmetry hypothesis with a different country sample, a different product, and a different set of foreign brand names.

### Study Design and Sample

Study 2 was similar to Study 1 with the following exceptions. We collected the data in a different country (Australia, an English-speaking country with a high level of foreign trade and where French and German are foreign languages). We used different products (perfumed shower gel as the hedonic product and an antiperspirant shower gel as the utilitarian one), a different emerging country (the Philippines) in the incongruent emerging COO condition,<sup>5</sup> and different brand names (French "Banième" and German "Bänheim").

Study 2 used a 2 (product type: hedonic vs. utilitarian) x 3 (actual COO: congruent ["Made

in France (Banième)"/ "Made in Germany (Bänheim)"] vs. incongruent developed COO ["Made in Germany (Banième)"/"Made in France (Bänheim)"] vs. incongruent emerging COO ["Made in the Philippines (Banième and Bänheim)"]) between-subjects design (Figure 3). In contrast to Study 1, we always used the French brand name for the hedonic product and the German brand name for the utilitarian one to focus on the incongruence between implied and actual COO.

### Procedure and Measures

The same research firm collected the data from a representative Australian consumer sample.<sup>6</sup> The sample consisted of 267 respondents (142 female). The data collection procedure was identical to Study 1. We confirmed the intended manipulations with manipulation checks using the same scales as in Study 1 (see the Web Appendix at [www.marketingpower.com/jm\\_webappendix](http://www.marketingpower.com/jm_webappendix)).

### Results

We estimated a 2 (hedonic vs. utilitarian) x 3 (congruent vs. incongruent developed COO vs. incongruent emerging COO) ANOVA with interest in the product as a covariate and purchase likelihood as the dependent variable. Consistent with Study 1, we found a significant main effect of the three-level incongruence factor ( $F[2, 260] = 11.89, p < .01$ ) such that incongruence decreased purchase likelihood.<sup>7</sup> The interaction effect between the three-level incongruence factor and the product type was significant ( $F[2, 260] = 3.32, p < .05$ ), indicating that incongruence especially backfires in hedonic categories (vs.

<sup>6</sup> In the sample, 53.2% of the respondents were women (compared with 49.4% of the Australian population; Australian Bureau of Statistics 2006). In terms of age, 40.8% of the sample were 15-34 years of age (35.4% of the Australian population), 34.8% were 35-54 years (37.7% of the Australian population), and 24.3% were older than 54 years (27.1% of the Australian population). In terms of monthly individual income, 18.4% earned less than \$1,000; 55.1% earned \$1,000-\$4,999; 8.2% earned more than \$5,000; and 18.4% indicated they "would rather not say."

<sup>7</sup> As in Study 1, when comparing congruent (i.e., brand name and actual "made in" information suggesting the same country) and incongruent cells (i.e., brand name and actual "made in" information being different countries), we find that perceived quality is significantly higher for the congruent cells ( $M_{\text{quality\_congruent}} = 5.35$ ) than for the incongruent cells ( $M_{\text{quality\_incongruent}} = 4.68; t[265] = -3.28, p < .01$ ).

<sup>5</sup> In a pretest, we determined that the Philippines was perceived as a country that is neither hedonic nor utilitarian. Respondents indicated the hedonism/utilitarianism of the country on a sevenpoint, one-item scale (23 respondents;  $M = 4.05$ , not significantly different from the midpoint of 4;  $t[20] = .27, p > .10$ ).

FIGURE 3  
Stimuli for Study 2

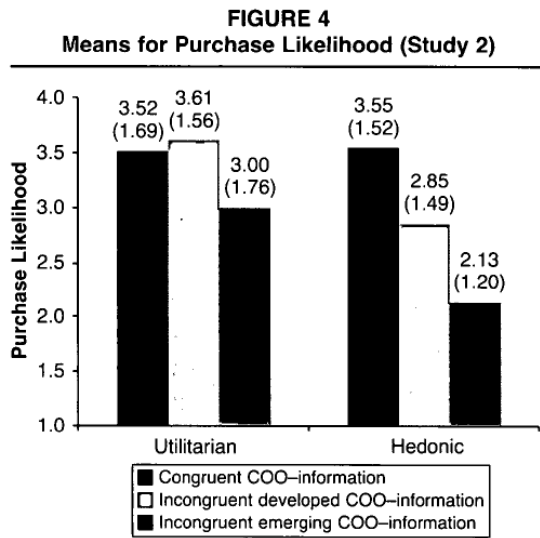
	Congruent Actual COO Information	Incongruent Developed Actual COO Information	Incongruent Emerging Actual COO Information
<b>Hedonic</b>			
<b>Utilitarian</b>			

utilitarian categories), further supporting the hypothesized asymmetric effect. Consistent with Study 1, we also found that incongruence caused by an emerging COO reduced purchase likelihood more than incongruence caused by a developed COO across product types ( $F[1, 261] = 7.95, p < .01$ ). More importantly, consistent with Study 1, the incongruence between the actual and implied COO seemed only to affect the hedonic category, not the utilitarian category. That is, in the hedonic case, the incongruence between the actual and implied COO had a significant negative effect on purchase likelihood ( $M_{\text{incongruent\_emerging}} = 2.13$ ;  $F[1, 260] = 24.32, p < .01$ ) compared with the congruent condition ( $M_{\text{congruent}} = 3.55$ ). In contrast, for the utilitarian case, this difference was insignificant ( $M_{\text{incongruent\_emerging}} = 3.00$ ,  $M_{\text{congruent}} = 3.52$ ;  $F[1, 260] = 2.43, p > .10$ ). These results replicate our finding in Study 1 that incongruence harms hedonic products but does not seem to significantly affect utilitarian products. The effects for product type ( $F[1, 260] = 15.91, p < .001$ ) and interest in the product category ( $F[1, 260] = 102.43, p < .001$ ) were also significant (Figure 4). Again, respondents paid less attention to the actual COO cue (i.e., "made in" information) in the utilitarian case. That is, they made

significantly more mistakes in the identification of the actual COO in the case of the utilitarian product (correct identification: 75.2%) than in the case of the hedonic product (correct identification: 85.4%;  $z = 2.12, p < .05$ ).

## Discussion

Using a different country sample (Australia), a different product (shower gel), and different foreign brand names. Study 2 provides further support for our proposition that incongruence between the actual and implied COO asymmetrically decreases purchase likelihood depending on the product type (utilitarian vs. hedonic) and the type of incongruence (developed or emerging actual COO). Consistent with Study 1, we found that respondents in the utilitarian condition made significantly more mistakes in the correct identification of the actual COO than participants in the hedonic condition. This finding provides additional support for the idea that the asymmetry in the effects of the incongruence is caused by consumers paying less (more) attention to COO cues when evaluating utilitarian (hedonic) products.



Notes: Standard deviations are in parentheses.

### STUDY 3: ADDRESSING THE PROCESS AND DECREASING THE EFFECT OF INCONGRUENCE

Studies 1 and 2 show that incongruence caused by an emerging COO significantly decreases purchase likelihood for hedonic products but does not have a significant effect on purchase likelihood for utilitarian products. Studies 1 and 2 also provide initial support for the proposition that this asymmetry is due to different processing strategies that consumers utilize for hedonic versus utilitarian products. In particular, consumers tend to rely less on cues, such as COO cues, when processing utilitarian products. Rather, they seem to engage in relatively more extensive information processing and elaborate on individual product attributes. However, if the processing strategy is indeed the underlying explanation for the asymmetry, it would be expected that stimulating consumers who consider buying a hedonic product to use a processing strategy that is usually used for utilitarian products (i.e., a more cognitive and attribute-based elaboration strategy) should decrease the negative effect of incongruence between actual and implied COO cues on purchase likelihood. Study 3 tests this idea:

H<sub>3</sub>: For hedonic products, stimulating cognitive elaboration decreases the negative effect of incongruence between the actual and the implied COO on purchase likelihood.

In Study 3, we focused on hedonic products and directly manipulated respondents' processing strategy. We also extended the generalizability of the results to different product categories (perfume and wine), different foreign brand names, and a different country sample.

### Method

*Study design and sample.* Study 3 had a 2 (cognitive elaboration vs. no cognitive elaboration) x 2 (actual COO: congruent ["Made in France"] vs. incongruent emerging COO ["Made in Bulgaria" for the perfume/"Made in Uruguay" for the wine"]) x product category (perfume "Banième"/wine "Emèntoux") between-subjects design. We restricted Study 3 to hedonic products (with compatible French brand names) because decreasing the effect of incongruence for this condition by manipulating the processing strategy would represent the strongest test of the underlying process. We also selected a different non-European emerging country (Uruguay) and an additional emerging European country (Bulgaria) for the incongruent COO condition, ensuring that the corresponding products were actually manufactured in those countries. Neither Uruguay nor Bulgaria provoked hedonic or utilitarian perceptions (sevenpoint scale: 1 = "definitely utilitarian," and 7 = "definitely hedonic") in a pretest (21 respondents). We confirmed the intended manipulations with manipulation checks (for details, see the Web Appendix at [www.marketingpower.com/jm\\_webappendix](http://www.marketingpower.com/jm_webappendix)).

*Procedures and measures.* We collected data with a paper-and-pencil lab experiment at a large Western European university in which French was a foreign language to the respondents. The sample consisted of 372 respondents (161 female), 87% of whom were students. They saw a fictitious advertisement that showed the product, its brand name, and a short product description. In both conditions, participants first saw the ad and then were asked to write something down on a gift card that would go with the product. Next, they indicated their purchase likelihood for the product. However, the content of what they

were asked to write down on the card differed per condition.

In the cognitive elaboration condition, participants were asked to write down one reason they would give the product to their best friend. This manipulation is based on prior literature suggesting that requiring justification stimulates attribute-based cognitive elaboration (Simonson 1989; Simonson and Nowlis 2000). We define "attribute-based cognitive elaboration" as a consumer's tendency to think more extensively about a product's attributes and evaluate products on an attribute-by-attribute basis (Petty and Cacioppo 1986; Thompson and Hamilton 2006). In the no cognitive elaboration condition, respondents were asked to write down one feature of their best friends' character they admire the most. In both conditions, participants were asked to write something down to ensure that they allocated an equal amount of attention and time to the task irrespective of the condition and to eliminate potential demand effect problems.

A potential concern for managers of hedonic brands is whether inducing cognitive elaboration detracts from the hedonic brand associations. To address this concern, we compared the perceived hedonism of the brand between the cognitive elaboration and the no cognitive elaboration conditions and found no significant difference ( $t[364] = .45, p > .10$ ). Thus, inducing cognitive elaboration does not seem to change the hedonic perceptions of the brand.

## Results

We expected respondents to pay less attention to cues in the attribute-based cognitive elaboration condition and, as a result, an insignificant difference of purchase likelihood between the congruent and the incongruent cases within this condition. In contrast, within the no cognitive elaboration condition, we expected to replicate the corresponding results of Study 2. That is, we expected a significant, negative effect from the incongruence (i.e., significantly lower purchase likelihood in the incongruent case than in the congruent case). Consistent with these expectations, we found that purchase likelihood in the no cognitive elaboration condition was significantly ( $p < .05$ ) lower in the incongruent case than in the congruent case (both within and across categories; for the respective means, see Table 2). Most important, we found that this difference becomes insignificant ( $p > .10$ ) in the cognitive elaboration condition. Thus, stimulating consumers who consider buying a hedonic product to use an attribute-based cognitive elaboration strategy (which is usually used for utilitarian products and increases the attention consumers pay to product attributes such as volume, shape of the bottle, and price) decreases the negative effect of incongruence between the actual and the implied COO on purchase likelihood. Furthermore, consistent with the idea that consumers pay less attention to cues when using a cognitive elaboration strategy, participants made significantly more mistakes in the recall of the actual COO in the cognitive elaboration condition (correct identification: 85.3%) than in the no cognitive elaboration condition (correct identification: 93.1%;  $z = -2.48, p < .05$ ).

**TABLE 2**  
Means for Purchase Likelihood (Study 3)

Manipulation of Cognitive Elaboration About Product	Incongruence		
	Incongruent	Congruent	
<b>Wine</b>			
Cognitive elaboration	4.92 (1.56) (n = 50)	5.17 (1.27) (n = 46)	$t[94] = -.87, p > .10$
No cognitive elaboration	4.14 (1.39) (n = 42)	4.77 (1.54) (n = 44)	$t[84] = -1.99, p = .05$
<b>Perfume</b>			
Cognitive elaboration	4.11 (1.67) (n = 53)	4.25 (1.69) (n = 48)	$t[99] = -.41, p > .10$
No cognitive elaboration	3.40 (1.62) (n = 45)	4.14 (1.66) (n = 44)	$t[87] = -2.12, p < .05$
<b>Total</b>			
Cognitive elaboration	4.50 (1.66) (n = 103)	4.70 (1.57) (n = 94)	$t[195] = -.86, p > .10$
No cognitive elaboration	3.76 (1.55) (n = 87)	4.45 (1.63) (n = 88)	$t[173] = -2.90, p < .01$

We estimated a 2 (congruent vs. incongruent) x 2 (cognitive elaboration vs. no cognitive elaboration) x 2 (product category: perfume vs. wine) ANOVA with purchase likelihood as the dependent variable. The main effect of product category ( $F[1, 367] = 23.42, p < .001$ ) was significant, suggesting that respondents were more likely to buy wine than perfume. Consistent with Studies 1 and 2, we found a significant, negative main effect of the incongruence between actual and implied COO ( $B = -.682; F[1, 367] = 7.35, p < .05$ ), suggesting that for hedonic products, the incongruence has a strong negative effect on purchase likelihood. Most important, we found a significant, positive main effect of cognitive elaboration ( $B = .256; F[1, 367] = 9.56, p < .01$ ), indicating that an increase in attribute-based cognitive elaboration about a product has a positive effect on purchase likelihood. Indeed, not only did participants in the incongruent cognitive elaboration condition ( $M_{\text{incongruent\_cognitive elaboration}} = 4.50$ ) indicate higher purchase intentions than participants in the incongruent no cognitive elaboration condition ( $M_{\text{incongruent\_no cognitive elaboration}} = 3.76; t[188] = 3.18, p < .01$ ), but their purchase intentions were also at the same level as in the congruent no cognitive elaboration condition ( $M_{\text{congruent\_no cognitive elaboration}} = 4.45; t[189] = .21, p > .10$ ). This finding suggests that stimulating consumers to process information about hedonic products with more cognitive elaboration eliminates the negative effect of the incongruence between actual and implied COO.

## Discussion

Study 3 provides additional support for the proposition that the asymmetry in the effect of incongruence between actual and implied COO on purchase likelihood for hedonic versus utilitarian products is caused by different processing strategies. Consumers process hedonic products more holistically and pay more attention to cues, whereas they use a more attribute-based elaboration strategy when considering utilitarian products. Consistent with this view, we demonstrate that the negative effect of incongruence for hedonic products can be reduced when consumers

are manipulated to use a more attribute-based cognitive elaboration strategy. In addition, we further extend our results to different product categories (wine and perfume), a different set of foreign brand names, and a different geographical region (Western Europe).

## Study 4: Managerial Implications

We designed Study 4 to validate the hypothesis of different processing strategies underlying the asymmetric effect of incongruence between the implied and actual COO on purchase likelihood for hedonic versus utilitarian products. In addition, Study 4 addresses a vital managerial implication namely, how companies from emerging countries can use the processing strategy to decrease the negative effect of incongruence between actual and implied COO. We achieved this by focusing on an emerging country and manipulating the attribute-based cognitive processing strategy with a managerially relevant variable: inclusion of a rhetorical question. We define a "rhetorical question" as a question "where the answer is implicit within the question" (Ahluwalia and Bumkrant 2004, p. 26). Prior research indicates that using rhetorical questions in advertisements or taglines enhances cognitive elaboration of the message content (Ahluwalia 2008; Ahluwalia and Bumkrant 2004) and therefore is likely to draw attention to the product information and attributes listed in the ad (Mothersbaugh, Huhmann, and Franke 2002). Consequently, if an attribute-based cognitive processing strategy is indeed the processing strategy that decreases the effect of incongruence between cues for hedonic products (as shown in Study 3), inclusion of a rhetorical question should initiate the same mechanism. That is, rhetorical questions in ads for hedonic products are likely to make respondents elaborate more on the attribute information listed and focus less on cues, including COO cues. Consequently, the negative effect of incongruence should be reduced. Therefore, we expect the following:

H4: For hedonic products, inclusion of a rhetorical question decreases the negative effect of

incongruence between actual and implied COO on purchase likelihood.

H5: For hedonic products, attribute-based cognitive elaboration mediates the effect of the rhetorical question on purchase likelihood in the incongruent condition.

It is important to note that this strategy may not necessarily result in the same effect for utilitarian products. Because consumers who process information about utilitarian products are more likely to use the attribute-based cognitive processing strategy, priming them to pay more attention to attributes is not likely to change their purchase likelihood. Instead, this further allocation of processing resources on attributes may result in direct effects on memory, such as better recall of message attributes and more accessible attitudes (Ahluwalia and Bumkrant 2004; Mothersbaugh, Huhmann, and Franke 2002), which are beyond the scope of this research.

### Method

*Study design and sample.* Study 4 used a 2 (product type: hedonic [Banième] vs. utilitarian [Bänheim]) x 2 (statement vs. rhetorical question) between-subjects design. A control group represented the best-case scenario (i.e., congruence between actual and implied COO cues). The Philippines represented the emerging country. As in Study 2, we used perfumed shower gel as the hedonic product and antiperspirant shower gel as the utilitarian product. The same market research company as in Studies 1 and 2 collected data from a new representative New Zealand consumer sample.<sup>8</sup> The sample consisted of 224 (118 female) respondents randomly assigned to the experimental conditions.

*Procedure and measures.* The data collection procedure was identical to Studies 1 and 2, but the stimuli in Study 4 provided a broader set of attribute information in the ad text to create a more information-rich environment (Figure 5).

<sup>8</sup> In the sample, 52.7% of the respondents were women (compared with 51.9% of New Zealand's population; Statistics New Zealand 2006). In terms of age, 26.8% of the sample were 15-34 years of age (34.5% of New Zealand's population), 33.9% were 35-54 years (36.8% of New Zealand's population), and 39.2% were older than 54 years (28.8% of New Zealand's population).







We manipulated cognitive elaboration using three rhetorical questions (vs. statements): one in the headline, one at the beginning, and one at the end of the ad copy itself (see Ahluwalia and Bumkrant 2004).

We included established multi-item measures for purchase likelihood (adopted from Baker and Churchill 1977; Cronbach's  $\alpha = .912$ ) and brand name attitude (adopted from Ahluwalia and Gürhan-Canli 2000; Cronbach's  $\alpha = .975$ ). For the cognitive elaboration, we used three items ("I was thinking to a large extent about the product's features," "I evaluated the product feature by feature rather than evaluating the product as a whole," and "I was highly involved"; Cronbach's  $\alpha = .701$ ; see also Thompson and Hamilton 2006). We confirmed the intended manipulations with manipulation checks (see the Web Appendix at [www.marketingpower.com/jm\\_webappendix](http://www.marketingpower.com/jm_webappendix)). The attitude between the French brand Banième ( $M = 4.82$ ) and the German brand Bänheim ( $M = 4.64$ ) did not differ significantly ( $t[222] = -.86, p > .10$ ); both brand names prompted equally favourable attitudes.

### Results

We estimated a 2 (hedonic vs. utilitarian) x 2 (rhetorical question vs. statement) ANOVA with age as covariate and purchase likelihood (as the mean of the sum of the three measurement items) as the dependent variable. We predicted that the use of rhetorical questions would reduce the negative effect of incongruence between actual and implied COO on purchase likelihood for hedonic products. We found a significant interaction effect of the product type with the rhetorical question factor ( $B = 1.09; F[1, 138] = 3.92, p < .05$ ), suggesting that rhetorical questions in the ad text enhanced purchase likelihood in the hedonic case ( $M_{\text{hedonic\_rhetorical question}} = 3.65$  VS.  $M_{\text{hedonic\_statement}} = 2.81; t[66] = -2.21, p < .05$ ) but not in the utilitarian case ( $M_{\text{utilitarian\_rhetorical question}} = 3.63$  vs  $M_{\text{utilitarian\_statement}} = 3.82; t[73] = .49, p > .10$ ; see also Figure 6). Thus,  $H_4$  is supported. The main effects of the rhetorical question factor and product type were not significant ( $p > .10$ ). The former suggests that across all products, the rhetorical question did not enhance purchase likelihood. (This result is also consistent with Ahluwalia's [2008]

FIGURE 5  
Stimuli for Study 4

	Control Condition (= Statement)	Statement	Rhetorical Question
Hedonic	<p><b>Banième Perfumed Shower Gel</b></p>  <p>200 ml R.R.P. \$ 19.95 Made In France</p> <p><i>A bit of dazzle in the morning!</i> This Banième Perfumed Shower Gel, for him and her, is a treat to your senses - a splash of delight for your morning shower.</p> <ul style="list-style-type: none"> <li>Essential oils wash away all fatigue and re-energise your body with a long-lasting pleasant fragrance.</li> <li>Contains only natural ingredients.</li> <li>A special treat for your skin making it silky and soft.</li> <li>Stylish packaging</li> <li>PH neutral</li> </ul> <p>Start your day with a Banième Perfumed Shower Gel!</p>	<p><b>Banième Perfumed Shower Gel</b></p>  <p>200 ml R.R.P. \$ 19.95 Made In The Philippines</p> <p><i>A bit of dazzle in the morning!</i> This Banième Perfumed Shower Gel, for him and her, is a treat to your senses - a splash of delight for your morning shower.</p> <ul style="list-style-type: none"> <li>Essential oils wash away all fatigue and re-energise your body with a long-lasting pleasant fragrance.</li> <li>Contains only natural ingredients.</li> <li>A special treat for your skin making it silky and soft.</li> <li>Stylish packaging</li> <li>PH neutral</li> </ul> <p>Start your day with a Banième Perfumed Shower Gel!</p>	<p><b>What would you expect from a Banième Perfumed Shower Gel?</b></p>  <p>200 ml R.R.P. \$ 19.95 Made In The Philippines</p> <p><i>Looking for a bit of dazzle in the morning?</i> This Banième Perfumed Shower Gel, for him and her, is a treat to your senses - a splash of delight for your morning shower.</p> <ul style="list-style-type: none"> <li>Essential oils wash away fatigue and re-energise your body with a long-lasting pleasant fragrance</li> <li>Contains only natural ingredients</li> <li>A special treat for your skin, making it silky and soft</li> <li>Stylish packaging</li> <li>PH neutral</li> </ul> <p>Wouldn't it be great to start your day with a Banième Perfumed Shower Gel?</p>
	<p><b>Bänheim Antiperspirant Shower Gel</b></p>  <p>200 ml R.R.P. \$ 19.95 Made In Germany</p> <p><i>Protection of your skin!</i> This Bänheim Antiperspirant Shower Gel, for him and her, helps avoid body odour all day - moisturise and protect with your morning shower.</p> <ul style="list-style-type: none"> <li>Active ingredients create a breathable protective layer that prevents odours</li> <li>Contains only natural ingredients</li> <li>A special treat for your skin making it silky and soft</li> <li>Convenient packaging</li> <li>PH neutral</li> </ul> <p>Avoid body odour all day with the Bänheim Antiperspirant Shower Gel.</p>	<p><b>Bänheim Antiperspirant Shower Gel</b></p>  <p>200 ml R.R.P. \$ 19.95 Made In The Philippines</p> <p><i>Protection of your skin!</i> This Bänheim Antiperspirant Shower Gel, for him and her, helps avoid body odour all day - moisturise and protect with your morning shower.</p> <ul style="list-style-type: none"> <li>Active ingredients create a breathable protective layer that prevents odours</li> <li>Contains only natural ingredients</li> <li>A special treat for your skin making it silky and soft</li> <li>Convenient packaging</li> <li>PH neutral</li> </ul> <p>Avoid body odour all day with the Bänheim Antiperspirant Shower Gel.</p>	<p><b>What would you expect from a Bänheim Antiperspirant Shower Gel?</b></p>  <p>200 ml R.R.P. \$ 19.95 Made In The Philippines</p> <p><i>Looking to protect your skin?</i> This Bänheim Antiperspirant Shower Gel, for him and her, helps avoid body odour all day - moisturise and protect with your morning shower.</p> <ul style="list-style-type: none"> <li>Active ingredients create a breathable protective layer that prevents odours</li> <li>Contains only natural ingredients</li> <li>A special treat for your skin making it silky and soft</li> <li>Convenient packaging</li> <li>PH neutral</li> </ul> <p>Wouldn't it be nice to avoid body odour all day with the Bänheim Antiperspirant Shower Gel?</p>
Utilitarian			

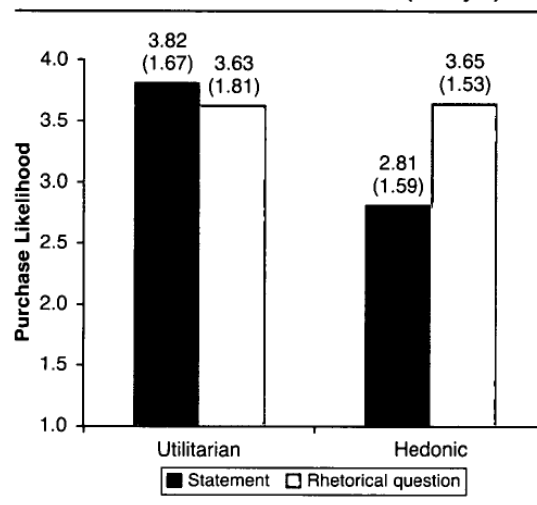
Study 4.) The effect of age was significant ( $B = .194$ ;  $F[1, 138] = 4.55, p < .05$ ).

Importantly, we also compared the control groups (i.e., congruence between actual and implied COO) with the incongruent statement conditions for both hedonic and utilitarian products. Consistent with our findings across Studies 1-3, we found that incongruence between the actual and the implied COO harms purchase likelihood in the hedonic case ( $M_{\text{hedonic\_statement}} = 2.81$  vs.  $M_{\text{hedonic\_control}} = 3.74$   $t[73] = -2.49, p < .05$ ), whereas we did not find a significant difference in the utilitarian case ( $M_{\text{utilitarian\_statement}} = 3.82$  vs.  $M_{\text{utilitarian\_control}} = 3.97$ ;  $t[73] = -.39, p > .10$ ), which provides further evidence for the generalizability of our key findings for the asymmetry.

Finally, with respect to the managerial implications of this research, an important question pertains to the magnitude of the rhetorical question effect in the hedonic category. Comparing the hedonic control (congruent COO) group with the incongruent rhetorical question condition revealed no significant differences between the two groups ( $M_{\text{hedonic\_rhetorical question}} = 3.65$  vs.  $M_{\text{hedonic\_control}}$

$= 3.74$ ;  $t[71] = -.25, p > .10$ ). Thus, our results suggest that for hedonic products, inclusion of a rhetorical question not only reduces the negative effect of incongruence between actual and implied COO (see the preceding paragraph) but also brings purchase likelihood to a level similar to the condition where both COO cues are congruent.

FIGURE 6  
Means for Purchase Likelihood (Study 4)



Notes: Standard deviations are in parentheses.



*Mediation analysis.* According to our predictions, rhetorical questions in an ad make respondents elaborate more on the message content and the attribute information and focus less on cues, such as the incongruent actual COO label. Thus, the negative effect of the incongruence should be reduced. However, this underlying process should only affect hedonic products because consumers already tend to scrutinize all product information when confronted with utilitarian products. Thus, the positive effect of increased elaboration is likely to emerge for the hedonic case in the rhetorical question condition (high cognitive elaboration) but not in the statement condition (low cognitive elaboration). We expect the following mediation for the hedonic case: rhetorical question  $\rightarrow$  elaboration  $\rightarrow$  purchase likelihood. As the mediating variable, we used the multi-item measure of attribute-based cognitive elaboration. Applying the bootstrapping procedure (Preacher and Hayes 2008; Zhao, Lynch, and Chen 2010), we found a positive and significant ( $p < .01$ ) effect of elaboration on purchase likelihood. The indirect effect of the rhetorical question factor on purchase likelihood was positive and significant ( $a \times b = .1733$ ), with the 95% confidence interval excluding zero (.0316 to .4047). The direct (c-prime path) effect of the rhetorical question factor on purchase likelihood was not significant ( $B = .2451, p > .10$ ), indicating indirect-only mediation (Zhao, Lynch, and Chen 2010). Thus, H5 is supported.

*Open-ended thoughts analysis.* To gather additional insights into the respective processing strategies, we asked respondents to write down their initial thoughts when looking at the advertisement. This question was the first one after the stimulus was presented, and respondents could not progress with the questionnaire until they had answered this question. Respondents could take as much time as they wanted, and there were no space restrictions. These unaided thoughts represent the information that was most salient to consumers and thus the focus of their attention (Nielsen, Shapiro, and Mason 2010; Roskos-Ewoldsen and Fazio 1992). Two independent coders identified whether respondents mentioned any (1) actual or implicit COO information and (2) product attributes. These two measures indicate the perceived

diagnosticity of COO cues versus product attributes across the conditions. Examples for COO cues include "Sounds French," "Bänheim sounds foreign," "German name that most Kiwis would find unpronounceable" (implied COO), "Made in the Philippines —negative impact," "can it be trusted, made in the Philippines," and "not made in New Zealand" (actual COO; i.e., "made in" information). Examples for product attributes include "bottle is small," "doesn't even have a flip top," "natural ingredients," and "200 ml for a good price."

Consistent with our predictions, we find that in the hedonic statement condition, respondents paid more attention to COO cues (60.0% mentioned a COO cue) compared with both utilitarian conditions (statement: 35.3%,  $z = -2.12, p < .05$ ; rhetorical question: 24.4%,  $z = -3.34, p < .05$ ). Importantly, respondents mentioned fewer COO cues in the hedonic case under the rhetorical question condition (24.2%,  $z = -3.21, p < .01$ ) compared with the statement condition. In a similar vein, with regard to product attributes, the results reversed in line with our expectations. Compared with the hedonic statement condition, in which 62.9% mentioned a product attribute, in the hedonic rhetorical question condition, this percentage increased to 87.9% ( $z = 2.51, p < .05$ ). Moreover, in general, respondents mentioned more product attributes in both utilitarian conditions than in the respective hedonic ones (85.3% in the utilitarian statement condition and 97.6% in the utilitarian question condition; the difference between the two utilitarian conditions was insignificant [ $p > .10$ ], as we expected). These results provide additional evidence for the underlying process: Attribute-based cognitive processing decreases the negative effect of incongruence between actual and implied COO cues on purchase likelihood.

## Discussion

In line with our theoretical arguments, the cognitive elaboration and the diagnosticity measures suggest that in the case of hedonic products, respondents pay more attention to cues and less attention to attributes than in the case of utilitarian products, especially in situations in which they are not manipulated to elaborate intensively (statement condition).

The results of Study 4 further support the findings of Study 3: For hedonic products, increased attribute-based cognitive elaboration draws consumers' attention away from cues, such as COO cues, thereby reducing the negative effect of the incongruence between actual and implied COO cues on purchase likelihood. This finding suggests that marketers can effectively use ad copy techniques to reduce this negative effect by enhancing processing motivation and elaboration.

## General Discussion

### Summary

Companies worldwide apply foreign branding strategies to suggest a specific COO in the hope that it will evoke certain product qualities. Brands from emerging countries increasingly implement such foreign branding strategies (Zhou, Yang, and Hui 2010). At the same time, developed countries oblige companies to report actual COO information (Verlegh, Steenkamp, and Meulenberg 2005). Thus, understanding when foreign branding can be successful is critical for managers, especially when the implied COO does not match the actual COO.

Across three countries, multiple products, different foreign brand names, and different "made in" labels, we found a consistent pattern with an asymmetric effect of incongruence between implied and actual COO on purchase likelihood for hedonic and utilitarian products. For hedonic products, incongruence between the implied and actual COO (either developed or emerging) decreases purchase likelihood. In contrast, for utilitarian products, the incongruence caused by either an actual emerging or an actual developed COO does not have a significant effect. We addressed the psychological process underlying this asymmetric effect by showing that consumers apply different processing strategies to hedonic versus utilitarian products.

Our study makes several contributions to extant literature. First, we enhance research on implicit COO cues (Leclerc, Schmitt, and Dubé 1994; Verlegh, Steenkamp, and Meulenberg 2005) by investigating the conditions in which foreign brand names and their incongruence with actual COO information affect consumers' purchase intentions. We build on existing literature pertaining to actual "made in" COO cues (Agrawal and Kamakura 1999; Gürhan-Canli and Maheswaran 2000a; Maheswaran and Chen 2006) by investigating how

consumers react to the interaction between multiple COO cues (implied and actual COO).

Second, we contribute to consumer decision-making literature with our focus on the different processing strategies consumers use for hedonic versus utilitarian products (Dhar and Wertenbroch 2000; Gill 2008; Okada 2005). Our results support the notion that consumers go through different processing strategies for products that are consumed with hedonic versus utilitarian goals, which suggests asymmetric effects for hedonic versus utilitarian products. We find that consumers process information about utilitarian products by using an attribute-based cognitive elaboration strategy with which they are less likely to pay attention to cues in general (including COO cues); therefore, they are also less affected by the incongruence between actual and implied COO cues. In contrast, hedonic products are processed more holistically, using heuristics and cues; therefore, the incongruence between actual and implied COO cues backfires.

Third, we contribute to the branding literature because at a more abstract level, both the branding literature and our research involve the perceived similarity of two entities. Specifically, we focus on the similarity of two brand-like entities—the foreign brand name and the country brand (i.e., actual COO). Likewise, research on extending two or more brands to a new product (co-branding) analyzes consumers' similarity perceptions of two (or more) brands. Our results are counterintuitive from the perspective of brand extension research, which suggests that prestige brands are less affected by dissimilar extensions than functional brands (Park, Milberg, and Lawson 1991). Yet brand extension research involves a different dissimilarity because consumers' assessment of similarity pertains to two products (i.e., the parent brand and the extension product). In contrast, we investigate one product marked with (1) a brand name implying a specific COO and (2) actual COO information. Moreover, although prestige products are a subcategory of hedonic products, consumers' preference for prestige brands is driven by their desire to associate or dissociate with members of their own and other groups (Han, Nunes, and Drèze 2010). A prestige brand extension, even if dissimilar to the parent brand, can be more successful than a functional one because it helps fulfill this "signalling status" goal. However, most

hedonic products (e.g., chocolate, aromatic shower gel) are consumed with a different goal—namely, the goal of indulging, which makes consumers pay attention to both implied and actual COO cues and their incongruence. Nevertheless, because the branding literature and our research focus on the perceived similarity between two entities, our insights into the processing strategies for hedonic versus utilitarian products and the interaction between multiple COO cues should generalize to the interplay between two brands in co-branding research.

### ***Managerial Implications***

Our findings have several implications for branding. First, because current regulations in most countries mandate displaying the country of production (Verlegh, Steenkamp, and Meulenberg 2005), producers from emerging countries should be aware that using foreign branding for hedonic products may backfire significantly, whereas using foreign brand names for utilitarian products may work. For example, a Chinese company may successfully export electric appliances (utilitarian products) with German brand names, but it would likely have more difficulty selling decorative cosmetics (hedonic products) under French names.

Second, for companies (especially from emerging countries) that are already implementing foreign brand names that are incongruent with the actual "made in" information, our results have important implications in terms of decreasing the incongruence effect. Namely, the results of Studies 3 and 4 suggest that stimulating consumers' cognitive elaboration about a product with an ad copy technique (using rhetorical questions) significantly decreases the attention consumers pay to cues and thus reduces the effect of incongruence between the actual and implied COO. In particular, our results suggest that using open-ended questions in advertisements or taglines (e.g., "It is. Are you?" [*The Independent*], "Has it changed your life yet?" [Compaq Computers]) could work. Importantly, our results (Study 3) also ruled out the possibility that inducing cognitive elaboration discourages consumers from hedonic brand associations, indicating

that hedonic perceptions of the brand remain unchanged. Actually, including a rhetorical question not only reduces the negative effect of the incongruence between actual and implied COO but also brings purchase likelihood to a level similar to the case in which COO cues are congruent.

Third, when a consumer good is produced in a country with a favorable product image (e.g., French cosmetics, German appliances), a brand name reflecting the actual COO (e.g., Lancôme, a French cosmetic brand produced in France; Wüsthof, a German knife accessories brand produced in Germany), rather than a country-neutral name (e.g., RoC or Nickel, French cosmetic brands produced in France; Superior and Dickoron, German knife accessories produced in Germany by F. Dick) may enhance consumers' purchase likelihood.

Finally, although our studies used hypothetical brand names, our results suggest that manufacturers of hedonic products (e.g., cosmetics) from developed countries should rethink their decisions to manufacture in emerging countries. For example, Elizabeth Arden (U.S. brand) and Sasch (Italian fashion label) outsource production of some items to China (Donadio 2010). Our results suggest that the incongruence between the implied and actual COO can dilute both Elizabeth Arden's and Sasch's brand value.

### ***Limitations and Further Research***

Several issues remain for refining and expanding our results, and these points provide promising avenues for further research. In line with previous studies (e.g., Gürhan-Canli and Maheswaran 2000b; Verlegh, Steenkamp, and Meulenberg 2005), we focused on purchase intentions. Consumer evaluations are important indicators of their actual behavior, and in general attitudes and intentions are positively related to purchasing behaviors (e.g., Ajzen and Fishbein 1980). However, purchase intentions do not always translate into actual (purchase) behavior (Chandon, Morwitz, and Reinartz 2005). Thus, further research should address this point by investigating actual purchase behavior.

Although some emerging countries are currently associated with unfavorable quality

image perceptions, these perceptions may change over time. Historical examples, such as the Korean manufacturer Lucky Goldstar, which successfully transformed its brand LG into a well-accepted electronics brand, and the Korean company Samsung, impressively demonstrate this development (Deshpandé 2010). Likewise, China has made vast progress with regard to its production of high-quality products (Ewing et al. 2002). Further research should address the potential dynamics of consumers' perceptions of a country's image and explore how perceptions of (emerging) countries change and how this affects consumers' reactions to incongruent actual COO information in the context of foreign branding.

Furthermore, this research examines an ad copy technique to reduce the negative effect of the incongruence between the actual and implied COO, but several other possibilities exist. For example, brand extension research has shown that a subbranding strategy could help shield the parent brand from negative effects of launching dissimilar extensions (e.g., Kirmani, Sood, and Bridges 1999; Milberg, Park, and McCarthy 1997). Further research might explore whether a similar strategy helps reduce the negative effect of the incongruence between the actual and implied COO on purchase likelihood (e.g., subbranding the product by stating that it is manufactured in a high-quality site in Bangladesh under supervision of a French/German company).<sup>9</sup> Another technique that might effectively enhance cognitive elaboration (Eisend 2010) is the use of two-sided messages (e.g., "It's ugly, but it gets you there!" [Volkswagen]).

Finally, in our studies, the advertisements clearly displayed the actual COO information. In the marketplace, actual COO information could be more difficult to find. However, commonly used claims (especially in times of economic recessions), such as "Be American, Buy American," "Kiwi made," "Proudly created in Europe" (communication campaign by Bugatti fashion), and "Made in Germany" (Gigaset) indicate that consumers are increasingly confronted with actual COO information when making their purchase decisions. Nevertheless, further research

should address the potential effects of actual COO ambiguity and, related to this issue, the relative strength of the effects of actual and implied COO cues on consumer decision making.

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