



The role of country-of-origin, ethnocentrism and animosity in promoting consumer trust. The moderating role of familiarity

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ABSTRACT

The objective of this study is to present empirical evidence on the extent to which socio-psychological variables (*ethnocentrism* and *animosity*) and the *reputation of firms associated to a country-of-origin (COO)* are related to an important relational exchange factor (trust). Furthermore, the study tests the moderating effects of familiarity. Data were collected from 202 automobile owners in a large Spanish region. Path and multi-group analyses were performed using a structural equation modelling approach. This paper investigates the effects of reputation of firms associated to a COO and animosity on trust, which have not been commonly used as a dependent variable of these concepts before. Moreover, this study explores the moderating role of familiarity. This study supports the view that reputation of firms associated to a COO can safeguard international transactions and create trust in foreign firms, and thus may decrease due to interrelated emotional consumer reactions such as animosity and ethnocentrism.

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1. Introduction

The existence of asymmetric information in international markets can lead to uncertainty over the characteristics of the products for the less well-informed party, in this case the consumer (Mishra, Heide, & Cort, 1998). In addition to this problem, new market economies often lack institutional-based trust supported by a strong legal system and do not have a recognized reputation of producing high-quality goods. Thus, when a firm seeks to cultivate a new export market or expand its share of an existing market, it may well realize that it has been preceded by its reputation to sell or manufacture specific kinds of products. If the firm does not have a readily identifiable brand name, which is the case of manufacturers from developing countries, reputation of firms associated to a COO could play an important role in solving the adverse selection problem faced by the consumer when buying foreign products. While building institutional-based trust in international markets takes time due to macroeconomic conditions and social structure (Dahlstrom & Nygaard, 1995), the reputation of firms associated to a COO can work as a safeguard transaction element (Steenkamp & Geyskens, 2006). Other more emotional factors, such as ethnocentrism and animosity, which are all-too-often ignored in the literature, can negatively influence consumer behaviour.

The *objective* of this study is to develop a multidisciplinary model that explains issues relating to COO effect. It also offers empirical evidence on the extent to which socio-psychological variables associated with the foreign origin of goods (ethnocentrism and animosity) and an important relational exchange factor (trust) are tied to the concept of a quality signal that arises from an association between COO and firm reputation. The study of the socio-psychological

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variables related to the consumer choice behaviour in situations of asymmetric information can be particularly interesting when individuals face up to important external changes like an increase of competition, a financial or economic crisis and other important political and social adjustments (Ang et al., 2004; Good & Huddleston, 1995). The speeds with which countries overcome economic problems depend on how fast firms and consumers adapt to new competitive circumstances in the market (Vida & Reardon, 2008).

The *main contribution* of this research lies in studying COO effect from the perspective of the consumer, and in using multidisciplinary concepts taken from marketing, psychology and sociology to enrich our understanding of consumer behaviour. More specifically, its contributions to both theory and practice are as follows. (1) Taking into account that COO play a major role in safeguarding transactions and create trust, the study of reputation of firms associated to a COO that signals a firm or manufacturer's capability to maintain specific standards in a specific product category and help to solve adverse selection problems. (2) Drawing on multidisciplinary concepts taken from marketing, psychology and sociology, this paper considers reputation of firms associated to a COO, animosity, ethnocentrism and trust as different but interrelated variables. (3) Our study empirically tests how animosity and ethnocentrism are related because although several authors have proposed the existence of a correlation between these two variables, scarcely studies in the past have corroborated their relationship. (4) To the best of our knowledge, this is the first study that analyzes the effect of the animosity on consumer trust and the moderating role of familiarity in a model that relates reputation of firms associated to a COO, animosity, ethnocentrism and trust. (5) Contributions to professional practice are based on a model that encompasses consumer trust, animosity, ethnocentrism, and reputation of firms associated to a COO. The model is applied to automobiles imported from newly industrializing country with high-growth rates and a developing automobile industry, while most studies have focused on European or North-American automobiles.

The paper is structured into four sections. Following this introduction, a review of the literature is presented in which the key variables are defined and the hypotheses stated. The research method is then explained and the results are discussed. Finally, reference is also made to its implications, limitations and to future lines of research.

2. Background

2.1. COO literature review

Globalisation has increased the opportunities for companies to distribute their goods to consumers all over the world. At the same time, consumers are able to choose from a broad range of products and services in almost any category. Therefore, COO is an important variable to consider when studying consumer evaluation of foreign products. COO is associated with diverse marketing factors that affect consumer behaviour, including trust and familiarity (Michaelis, Woisetschlager, Backhaus, & Ahlert, 2008; Tam, 2008). The relationship between satisfaction and trust has been found to be enhanced by favourable COO perception: the more positive feeling people have about the foreign firm; the more satisfaction affects trust (Nijssen & Herk, 2009). In addition, positive COO effect and favourable reputation leads to a higher level of initial trust, especially when transaction implies high levels of risk (Michaelis et al., 2008). The origin of a product has an effect on consumers' opinion of a product since COO may be a good proxy to evaluate and trust new brands and products (Bilkey & Nes, 1982; Häubl, 1996; Michaelis et al., 2008; Vida & Reardon, 2008).

Researchers examining COO effect have arrived at diverse findings due to the varied backgrounds, conceptions and contexts involved in the analysis of this variable. In extensive studies, COO is an image element that includes country associations about the characteristics of a country and products associated with it (e.g. innovation, technology, reliability, price, overall quality, typical products). Other studies deal with the consequences of COO, others have focused on the relative influence of COO information versus other product attributes or have considered it as yet another cue (such as brand name, price and warranty) with which to evaluate product quality (Agrawal & Kamakura, 1999; Bilkey & Nes, 1982; Tan, Lee, & Lim, 2001; Thorelli, Lim, & Ye, 1989). There are, moreover, studies that define COO as one element of a brand that leads consumers to identify the firm with the country of original domicile even when the product under evaluation has not been manufactured there (Ahmed et al., 2004; Jin, Chansarkar, & Kondap, 2006; Thakor & Kohli, 1996). Table 1 presents some studies on COO and related variables.

In spite of the diversity of studies about COO, it has been mainly perceived as a cue that is capable of summarizing information on products, brands and firms from different countries (Ahmed & d'Astous, 1996; Bilkey & Nes, 1982; Hamzaoui and Merunka, 2006; Han & Terpstra, 1988; Klein, Ettenson, & Morris, 1998). Information theoretical perspective considers products as an assortment of informational cues that serve consumers to evaluate a product (Bilkey & Nes, 1982; Häubl, 1996; Vida & Reardon, 2008). In situations where purchase implies more uncertainty, which is often the case of products from new market economies, individuals will strive for cognitive consonance considering informational cues (such as COO) in order to forming product impressions (Chisik, 2003).

2.2. The adverse selection problem and signalling in international markets

Following the Agency Theory, in international exchanges a pre-contractual problem of asymmetric information (adverse selection problem) can emerge because one agent (the foreign seller) has more information than another (the buyer) (Arrow, 1986; Mishra et al., 1998). Besides, international product adaptation makes it difficult to differentiate between goods, and

Table 1
Previous research papers on COO and related variables.

COO related variables	Key references
Familiarity Perceptions of quality	Ahmed and d'Astous (2008), Samiee (1994), Park and Lessig (1981), Tam (2008) Hong and Wyer (1989), Agrawal and Kamakura (1999), Han and Terpstra (1988), Bilkey and Nes (1982), Ahmed and d'Astous (1996), Tam (2008)
Perception of other product attributes Technology complex product perception and adoption	Han and Terpstra (1988), Hong and Wyer (1989) Ahmed and d'Astous (2008), Kwak, Jaju, and Larsen (2006), Wang and Yang (2008)
Consumer attitudes Perception of risk	Lee and Ganesh (1999), Darling and Arnold (1988), Bannister and Saunders (1978) Cordell (1992), Wall and Heslop (1986), Hampton (1977)
Perceived value of a product	Ahmed and d'Astous (1996), Teas and Agarwal (2000)
Consumer preferences	Peris, Newman, Bigne, and Chansarkar (1993), Kaynak, Kucukemiroglu, and Kara (1994)
Purchase intentions	Thorelli et al. (1989), Roth and Romeo (1992), Han and Terpstra (1988), Häubl (1996), Ahmed et al. (2004)
Perceived product safety	Ching (1999), Becker et al. (2000)
Satisfaction	Darling and Arnold (1988)
Trust	Michaelis et al. (2008), Dahlstrom and Nygaard (1995), Nijssen and Herk (2009)

consumers find it more complicated and costly to obtain additional information on the quality of imports and on the behaviour of foreign firms. When establishing international transactions, consumers delegate foreign firms to supply products with the promised quality, but sellers have more information about products than buyers. This makes it difficult for consumers to assess foreign products quality accurately (Eisenhardt, 1989; Mishra et al., 1998). Thus, consumers cannot distinguish between high-quality products/providers and low-quality products/providers because consumer information is incomplete and sellers can be dishonest and misrepresent the quality offered (lemons problem¹) (Akerlof, 1970).

Adverse selection is a serious problem in developing countries where quality variation is greater than in developed areas (Akerlof, 1970). In these cases, the consumer requires other quality indicators or signals to evaluate products from these origins and that can counteract quality uncertainty and allow them to avoid firms that could not fulfill their obligations (Mishra et al., 1998; Spence, 1973). In the literature, a proposed solution for adverse selection problem is signalling quality by firms with the purpose of being distinguished from low-quality suppliers. At the same time, signalling is a control mechanism that consumer can use to infer product quality using informative messages (signals) sent by firms (Boulding & Kirmani, 1993; Spence, 1973). If a firm does not perform the commitment implicit in the signal satisfactorily, the firm could, as a consequence, lose its reputation, see its value reduced and suffer financial losses (Klein & Leffler, 1981).

In an attempt to be distinguished by the consumer, high-quality firms make an effort and additional expenditures to signal their quality and try to develop a good international reputation. The consumers screening for distinguishing between high and low quality producers can use the COO to choose the high-quality producers, and firm will maximize its expected profits (Herbig & Milewicz, 1996).

2.3. Reputation of firms associated to a COO

As has been pointed out before, signalling helps consumers to associate the underlying difficulties of evaluating foreign products and the relevance of reputation of firms associated to a COO to efficient decision making and solving the adverse selection problem. A firm's reputation, as conveyed by its brand name (especially in the case of automobiles because of the close association between the product category and the brand) is a commonly used extrinsic cue to assess products quality (Roggeveen, Bharadwaj, & Hoyer, 2007). It is therefore likely that consumers will use the reputation of firms associated to a COO as a means of evaluating its products and inferring information about its behaviour, history, values, prestige and trustworthiness in international markets (Anderson & Weitz, 1992; Chisik, 2003; Kreps & Wilson, 1982). In situations where genuine quality is unobservable for the consumer and supplier may misrepresent it by making false product quality claims (lemons problem) (Akerlof, 1970), the positive impact of a good reputation may increase the probability of trusting in foreign firms and purchasing their products (Anderson & Weitz, 1992).

Nevertheless, few empirical studies have researched the effectiveness of reputation of firms associated to a COO as a signal of quality (Chisik, 2003; Hong & Wyer, 1990). In previous literature, there are studies that have included other cues in addition to COO, such as warranty and price (Lee, Kim, & Miller, 1992; Okechuku, 1994; Thorelli et al., 1989), though no studies have examined the consequences of reputation of firms associated to a COO. Indeed, there is no commonly established definition of what reputation of firms associated to a COO actually means and several suggestions exist in the literature. Some authors have stressed that COO concept is a reflection of the prestige and recognition of a country regarding its capability to produce and trade a product (Roth & Romeo, 1992). Our study employs the concept of reputation of firms associated to a COO as an element that

¹ Lemons is a concept employed by Akerlof (1970) to refer to misrepresented low quality cars that can be sold as high-quality cars because individuals in the market buy automobiles without knowing their real quality or state.

allows countries to be perceived ex-ante as differing in their percentage of high-quality producers (Chisik, 2003). In this way, we understand reputation of firms associated to a COO in terms of a quality signal that reveals information on the quality of the goods produced by manufacturers or firms linked to a specific origin. From the Agency Theory, reputation of firms associated to a COO becomes a self-fulfilling and ex-ante safeguard which allows consumers to identify a priori a supplier that has the skills required for providing certain level of quality and that mitigate pre-contractual opportunism (Ahmed & d'Astous, 1996; Akerlof, 1970; Chisik, 2003; Mishra et al., 1998).

Apart from this informative perspective, our study considers different socio-psychological variables associated with the origin of the products (affective perspective), which are integrated in a model that studies consumer trust. In fact, consumers tend to relate products that are made in a given country with positive or negative attitudes, beliefs and feelings (Hong & Kang, 2006; Laroche & Mourali, 2005). However, in previous marketing and consumer behaviour literature, issues relating to COO effects, consumer trust, ethnocentrism and animosity have been separately examined (Ettenson & Klein, 2005; Nijssen & Douglas, 2004; Ruyter, Birgelen, & Wetzels, 1998; Sharma, Shimp, & Shin, 1995; Suh & Kwon, 2002). To the best of our knowledge, this is the first study to analyze these variables in the same model.

2.4. Consumer trust

Several studies have proven that trust plays a very important role in any relationship, because it is associated with building successful relational exchanges, generating expectations of continued benefits and decreasing consumer uncertainty (Crosby, Evans, & Cowles, 1990; Harris & Goode, 2004; Moorman, Deshpande, & Zaltman, 1993; Morgan & Hunt, 1994). Long-term exchanges between firms and ultimate customers are categorised as a form of relationship marketing that seeks to develop, establish and maintain successful relational exchanges (Hunt, Arnett, & Madhavaram, 2006). A critical issue in Relationship Marketing Theory is the development of trust. However, as trust depends on the country-of-origin of the firm, managers will require employing different incentives that lead to the perception of firm reliability in international markets. It should be pointed out that firms which establish relational exchanges and develop trustworthiness gain competitive advantages, and achieve superior financial performances, greater levels of consumer satisfaction and loyalty (Kalwani & Narayandas, 1995; Morgan & Hunt, 1994; Sirdeshmukh, Singh, & Sabol, 2002).

Trust involves the consumer's willingness to be vulnerable, and to believe that the chosen exchange partner (the firm) will act in the interests of the trustor (the consumer) and will behave responsibly and with integrity. It involves the perception of confidence in the exchange partner's competence, reliability and integrity (Moorman et al., 1993; Morgan & Hunt, 1994) and this belief in the firm's behaviour can provoke consumer perceptions that the firm's products are reliable. This study analyses the variable trust that implies the willingness to rely on an exchange partner and is generated through past experience. It has been identified as "Interpersonal" based trust (Brashear, Boles, Bellenger, & Brooks, 2003; Dahlstrom & Nygaard, 1995; Zucker, 1986).

Trust depends on many factors such as shared values, communication strategies, opportunistic behaviour, cultural similarity, goal congruence, satisfaction, risk and product and firm attributes (Emons, 1988; Gruen, 1995; Hunt et al., 2006; Morgan & Hunt, 1994; Nelson, 1974; Rao, Qu, & Ruekert, 1999; Singh & Sirdeshmukh, 2000). COO influences individual and organizational behaviour such that it has implications for trust building and management efficiency. For instance, firms from mature market economies with established international trade rules are associated with institutional elements emanating from legislation that ensure contractual obligations and reduce individual's uncertainty (i.e. legal regulation, bureaucratic organizations, export quality controls). In new market economies, without a well-established institutional-based trust, firms should provide other safeguard mechanisms (i.e. signalling) to generate consumers' trust in them and establish international exchanges (Dahlstrom & Nygaard, 1995). Previous studies show that signals of quality (e.g. reputation, COO) have more relevance and influence on relationship variables in countries with weak regulatory systems (Steenkamp & Geyskens, 2006).

In uncertain contexts with information asymmetry, the reputation of firms associated to a COO plays a driving element with a double purpose: (1) to guarantee transactions by distinguishing high-quality firms from dishonest and opportunistic suppliers. Trust may be a consequence of a well-established reputation of firms associated to a COO, because reputation can be an effective signal of quality if consumers believe foreign firms will accomplish their responsibilities, promises and whatever else is expected of them (Singh & Sirdeshmukh, 2000); and (2) to create trust when other institutional structures are deficient. COO reputation can be transferred across firms from the same country, thereby enhancing the credibility of suppliers (Chisik, 2003; Doney & Cannon, 1997; Ganesan, 1994). In absence of institutional mechanisms, consumers draw on signals to evaluate firm trustworthiness and information acquires huge importance to assess firm expertise and intentions. Reputation of firms associated to a COO can invoke trust in new brands and enhance the credibility of suppliers (Anderson & Weitz, 1992; Doney & Cannon, 1997; Steenkamp & Geyskens, 2006).

If imports are associated with foreign firms that have a bad reputation or with developing countries, consumers may distrust these firms and consider their products as low-quality goods (Hamzaoui & Merunka, 2006). In contrast, a good established reputation positively affects consumers' preference for certain products and increases the perceived reliability of a firm because it offers a safeguard that promises and obligations will be fulfilled (Anderson & Weitz, 1992; Bennett & Gabriel, 2001; Doney & Cannon, 1997; Ganesan, 1994; O'Cass & Grace, 2003). Consequently:

H1. A good reputation of firms associated to a COO positively influences consumer trust in that firm.

2.5. Consumer animosity and ethnocentrism

The concepts of ethnocentrism and animosity are variables associated with the origin of a product. They have been introduced into marketing literature from other disciplines such as psychology and sociology (Balabanis, Mueller, & Melewar, 2002). Marketing literature describes animosity and ethnocentrism as concepts that imply psychological and behavioural reactions to specific countries of origin (Nijssen & Douglas, 2004). We could describe ethnocentrism as a link between social and moral norms and consumer behaviour, while animosity is a variable that emphasizes a consumer's emotional attachment to the geographic origin of a product. Ethnocentric consumers believe that buying foreign products hurts the domestic economy and national employment (Balabanis et al., 2002; Shimp & Sharma, 1987). Animosity refers to remnants of antipathy, or hostility towards a country (Klein et al., 1998; Riefler & Diamantopoulos, 2007). This emotion can act as a protective instinct and increase in-group solidarity, domestic defensive behaviours and ethnocentrism (Fishbein, 2003; Nijssen & Douglas, 2004). Researchers have laid great stress on the need to study animosity as an antecedent of ethnocentrism, because they may be related (Klein et al., 1998; Shankarmahesh, 2006). Thus, animosity is an important variable to consider when studying consumer evaluation of foreign products, especially if it can reinforce consumer ethnocentrism (Nijssen & Douglas, 2004). Thus:

H2. Consumer animosity positively influences consumer ethnocentrism.

Hostile reactions towards a country can be partially influenced by consumer perceptions of reputation of firms associated to a COO and other relevant information. Previous literature illustrates how COO perceptions influence consumer animosity and suggests that companies with good reputations are unaffected by feelings associated with national identity (Russell & Russell, 2006; Wang, 2005). Thus, high reputation associated with a COO has the opposite effect of animosity and the impact of a country's good reputation may override the animosity effect (Hong & Kang, 2006). Although we have found no previous empirical evidence to support the view that reputation influences animosity, firms that seek to mitigate the effects of animosity could send signals to the market about their past behaviour, history, values and prestige. We therefore propose:

H3. Reputation of firms associated to a COO has a negative influence on consumer animosity.

We have previously established that animosity is an emotional reaction and that trust is considered of great importance when studying consumers' emotional states and their trigger mechanisms. If relevant information is limited, as happens at the start of a relationship, evaluations of a firm's reliability could be based on individual emotional states. Previous empirical evidence confirms the idea that emotions play an important role in generating and maintaining consumer trust (Dunn & Schweitzer, 2005). Their investigation determined that positive valence emotions (happiness and thankfulness) increased trust and negative valence emotions (anger and sadness) reduced trust. The authors suggested that emotions should be differentiated by the level of control that individuals have over them. Within negative valence emotions, anger can be differentiated because it is prompted by other persons and the level of individual control over its sources is null, whereas sadness or fault are negative valence emotions with a high level of perceived individual control. The perceived level of emotional control means that the impact of emotional responses on trust varies. Emotional states with low levels of individual control (anger, animosity) might have a greater influence on perceived trustworthiness.

Negative valence emotions perform an important role in eroding trust, but consumers are generally unable to notice the significant influence that their emotional states have on their judgments, attitudes and behaviour (Kiefer, 2005). Antipathy towards a country can affect a consumer's judgments of COO reliability and consumer evaluations (Ettenson & Klein, 2005). Previous investigations have analyzed the impact of animosity on consumer behaviour towards products stemming from companies associated with a country (Ang et al., 2004; Klein et al., 1998; Klein, 2002; Nijssen & Douglas, 2004). The literature suggests that products made by a foreign firm can be rejected because of their association with a country that provokes feelings of consumer animosity. We found previous confirmatory evidence that negative emotions are able to reduce trust (Dunn & Schweitzer, 2005; Kiefer, 2005). Despite the relevance of animosity as an explanatory variable when modelling the purchase of foreign products, there has been no attempt to identify its effects on trust, which is a key concept in marketing literature. Therefore:

H4. Consumer animosity negatively influences consumer trust in foreign firms.

2.6. The moderating role of familiarity

Consumers accumulate direct and indirect product-related experience from advertising exposures, interaction with salespersons, word of mouth communications, trial and consumption (Alba & Hutchinson, 1987; Tam, 2008). Therefore, consumers develop country images through familiarity with foreign products (Roth & Romeo, 1992). Familiarity reflects the capability of consumers to recognize a particular brand and to relate it to a certain product category with which he/she has direct or indirect experience (Matthiesen & Phau, 2005; Robert & Chris, 1994). Based on an extensive literature review, familiarity can be an important factor in explaining the propensity to use COO information and its effects on other variables. Previous studies have shown that familiarity influences consumers' decision-making process, above all consumers' evaluations of COO products (Moorman, Diehl, Brinberg, & Kidwell, 2004; Park & Lessig, 1981; Samiee, 1994). Consumers

may consider not buying an unfamiliar foreign brand because they may make unfavourable inferences about the quality of this product (Han, 1990).

COO effect could be explained as a halo effect or a summary construct; a distinction that is founded on familiarity-based explanations (Han, 1989; Johansson, Douglas, & Nonaka, 1985). The halo effect explains how COO directly affects consumers' opinions and perceptions when they are not familiar with the product. When familiarity levels increase, COO may work as a summary construct with a direct effect on consumer attitudes, and the firm's reputation may operate as a cue that summarizes consumer beliefs and influences their attitudes and purchasing behaviour (Han, 1989). Familiarity is inversely related to the usage of COO as an extrinsic cue (Eroglu & Machleit, 1989; Maheswaran, 1994). Thus, if consumers are not familiar with products and brands, COO information will play a predominant role. Although familiarity has been studied in relation to COO effect (Eroglu & Machleit, 1989; Maheswaran, 1994), we have found no prior evidence in the literature on the moderating role of familiarity in the relationships between reputation of firms associated to a COO, ethnocentrism, animosity and trust.

Reputation of firms associated to a COO is relevant when consumers evaluate products because they use this information to predict the constancy of certain characteristics in products manufactured in a country (Maheswaran, 1994). A halo effect might be at work here, because consumers retain images and stereotypes about other countries and their industrial competence (Hamzaoui & Merunka, 2006). Whenever familiarity is limited and there is animosity, consumers may decide not to evaluate products differently, and animosity may increase their rejection of foreign products and their preferences for domestic products (ethnocentrism) (Russell & Russell, 2006). Furthermore, other studies suggest that anti-foreign feelings exist latently, but do not surface unless triggered by COO stimulus (Hong & Kang, 2006). Consequently, as consumers become more familiar with a product, the COO associations can become more obvious, with the result that greater COO familiarity might act as an incentive that activates feelings of animosity and moderates its effect on consumer trust and ethnocentrism.

H5. Familiarity moderates the relationships between reputation of firms associated to a COO, ethnocentrism, animosity and trust.

3. Method

3.1. Product category selection

When it comes to decide which product and COO study, literature on COO suggests contemplating the importance of the product to the economy in the consumer's home country (Ahmed & d'Astous, 1996; Hamzaoui & Merunka, 2006; Kaynak & Kara, 2002). Therefore, purchasing an automobile implies a high level of expenditure and consumers spend more time and money looking for additional information to evaluate this product than they spend on purchasing other products (Hamzaoui & Merunka, 2006; Murphy, 1986). The automobile is an important durable product in the economic and social life of developed countries. Automobile registrations have increased over recent years in Spain, reaching rates that are comparable to those in more developed European countries (44 new automobile registrations annually per one thousand people) (ANFAC, 2007). In Spain, automobile production represents 4.2% of Gross Domestic Product (GDP), 21% of total exports and 15% of total imports (ICEX, 2007).

In Spain, registrations of new passenger automobile totalled 1.2 million units in 2008, a 28% less than in the previous year. However, the average percentile growth of Korean automobiles registered in Spain between 2002 and 2007 has increased considerably (10%) (ANIACAM, 2007; DGT, 2002–2007). Korea is an Asian nation that is currently experiencing high rate of economic growth (10.7%) (Asian Development Bank, 2007) and their automotive industries are becoming more competitive. Last year automobile manufacturers from this origin sold 92,456 automobiles in Spain, which represents 5.7% of the national market share. Their market share has almost doubled over the last 5 years (from 3.7% in 2002). The findings from a pre-test conducted on a sample of 30 respondents showed that Spanish consumers noticeably distinguish Korean automobile brands from Japanese, American and European automobile brands, which are perceived with a better reputation for producing high-quality products (Ching, 1999; Javalgi, Khare, Gross, & Scherer, 2005; Nagashima, 1970; Yavas & Alpay, 1986). Moreover, several studies have already analyzed the COO effect of Japanese American and European products (Ahmed & d'Astous, 1996; Hamzaoui & Merunka, 2006; Laroche & Murali, 2005; Sharma et al., 1995).

Finally, the decision not to use brand names is intended to ensure that consumer associations with specific brand images do not influence the results, as they could impair their internal consistency (Thakor & Kohli, 1996). The brands that corresponded to those origins were mentioned to interviews at the beginning of the interview to ensure that interviewees would evaluate them. Lastly, as the main interest of the study is to advance our general understanding of reputation of firms associated to a COO rather than to obtain brand-specific evaluations, we studied the case of a COO with a reduced market penetration to avoid an indirect and hidden brand image effect.

3.2. Data collection

This study examines the validity of the animosity construct in a new social context (Spain), since there is a need to discover where animosity as a marketing construct has validity in others parts of the world (Klein & Ettenson, 1999). The information needed to test the model was gathered through a survey of a universe composed entirely of individuals who

were Spanish automobile owners and users at the time of the interview. Automobile owners typically possess at least a moderate degree of product knowledge on their cars. The study employed simple random sampling. The researchers distributed equal number of questionnaires in the cities of the region of Castilla y León (Spain) in May and June, 2007. A total of 350 questionnaires were personally administered and collected, though there was a first filter question to establish whether the interviewee had bought an automobile at least once. Finally, 202 questionnaires were returned resulting in a satisfactory response rate of 57.7%.

Regarding the demographic and socio-economic profile of the sample, the majority of respondents (63.9%) are males, are 35 years old or younger (54.4%), the 40.7% of the respondents have a monthly income between €1201 and €2400. The most common professions in the sample were employees (65.6%) and students (13.9%). The profile of our sample is similar to the automobile user profile outlined by the Spanish Government Traffic Department (DGT, 2007) (66.7% of drivers are male and 30% are between 25 and 34 years old).

3.3. Measurements

Relevant reference literature was used to ensure the content validity of the measures. The variables were measured on a 5-point Likert question scale anchored by strongly disagree with to strongly agree with. *Reputation of firms associated to a COO* was measured mainly by items drawn from prior works (Doney & Cannon, 1997; Kaynak & Kara, 2002; Yasin, Noor, & Mohamad, 2007). *Trust* was measured through six widely accepted items (Crosby et al., 1990; Doney & Cannon, 1997; Ganesan, 1994; Harris & Goode, 2004). In order to measure *ethnocentrism*, we use of the “Consumer Ethnocentrism Tendencies Scale” (CETSCALE) (Ettenson & Klein, 2005; Nijssen & Douglas, 2004; Shimp & Sharma, 1987). This scale has been validated in several contexts including the USA, France, Japan, Germany (Netemeyer, Durvasula, & Lichtenstein, 1991), Turkey (Kaynak & Kara, 2002) and Poland and Russia (Good & Huddleston, 1995). Previous authors validated the scale used in this study to measure *animosity* (Klein et al., 1998; Shimp, Dunn, & Klein, 2004). Indicators of animosity have been adapted from several studies in accordance with the specific context under investigation (Ettenson & Klein, 2005; Klein et al., 1998; Nijssen & Douglas, 2004; Russell & Russell, 2006). Previous authors have measured familiarity in a subjective mode as a self-reported consumer response (Laroche & Mourali, 2005). Searching for an alternative and more objective manner to measure consumer *familiarity*, we asked interviewees to mention the Korean automobile brands they knew. In order to distinguish between degrees of familiarity, we considered those subjects that were able to correctly identify at least three of the four brands of these origin sold in Spain in 2007 (Kia, Hyundai, Sanyoong, Daewoo) (DGT, 2007) as highly familiar consumers, whereas less familiar consumers were those that made errors (i.e. mistakenly associating a brand with an incorrect origin) when identifying the same brands. A pre-test was also conducted to evaluate consumer perceptions about automobiles and about several COO, and to ascertain whether or not the final statements were ambiguous and whether or not they were understood.

4. Results and discussion

After a univariate and bivariate analysis that did not reveal significant anomalies in the data, an exploratory factor analysis was conducted to ensure the unidimensionality of the latent variable measurements, specifically principal factor analysis (varimax rotation). Then, the data were analyzed using LISREL 8.7 structural equation modelling software. The convergent and the discriminant validity of the scales were subjected to confirmatory factor analysis that reflected causal relationships between the observed variables and theoretical constructs (Jöreskog & Sörbom, 1993). Detailed results of the overall fit of the measurement models and item loadings are presented in Table 2. It was necessary to eliminate V1 and V15 because they presented a low R^2 and V23 because its measurement errors were correlated with other variables in order to obtain an adjusted model and an acceptable goodness of fit. After validating the measurement model, the corresponding Cronbach alpha, composite reliability coefficients and extracted variances were calculated to confirm the reliability of the final scales (Bagozzi & Yi, 1988). The discriminant validity was assessed by comparing the square correlation between the constructs and the extracted variance (Tables 2 and 3).

In order to test the hypotheses, the structural equation analysis was performed with the previously refined scales of latent variables with LISREL 8.7 (Jöreskog & Sörbom, 1993). The maximum-likelihood method was selected for the estimation of the model. Fig. 1 presents the assessment of the overall model fit and the results of testing the main hypothesis.

This multidisciplinary study highlights the importance of reputation of firms associated to a COO as well as socio-psychological variables (ethnocentrism and animosity) in engendering consumer trust when buying foreign products of new markets economies. It addresses some concerns expressed in the literature by outlining that reputation of firms associated to a COO is a signal of quality that reflects the capability of firms associated with a COO to manufacture and sell specific products especially in the absence of institutional-based trust, as it is the case of new market economies. The consideration of this concept fills a gap found in many papers on COO effect (Chisik, 2003; Nagashima, 1970; Roth & Romeo, 1992). In contrast to previous studies that have focused on corroborating the COO effect on quality perceptions, evaluations and attitudes (Ahmed & d'Astous, 1996; Bilkey & Nes, 1982), we have found evidence to support the view that reputation of firms associated to a COO affects relevant relational aspects of consumer choice behaviour, such as trust (H1).

Animosity and ethnocentrism could be related, even though the relationship between these two variables has hardly been studied (Klein et al., 1998; Shankarmahesh, 2006). Based on the view that consumers do in fact project negative feelings

Table 2
Results of the adjusted confirmatory factor analysis.

Latent variable	Observed variable	Lambda coefficients			R ²	α	Composite reliability	AVE
		λ	Measurement error variance	t				
Ethnocentrism	V1			Eliminated		0.843	0.883	0.607
	V2	0.769	0.466	12.626	0.532			
	V3	0.820	0.400	13.920	0.600			
	V4	1.000	0.214	–	0.786			
	V5	0.666	0.589	10.343	0.411			
	V6	0.770	0.465	12.653	0.535			
Reputation	V7	0.746	0.488	12.883	0.512	0.875	0.907	0.625
	V8	0.918	0.257	18.877	0.743			
	V9	1.000	0.171	–	0.829			
	V10	0.863	0.335	16.615	0.665			
	V11	0.609	0.650	9.591	0.350			
	V12	0.720	0.521	12.192	0.479			
Trust	V13	1.000	0.197	–	0.803	0.869	0.906	0.661
	V14	0.789	0.441	13.653	0.559			
	V15			Eliminated				
	V16	0.793	0.437	13.742	0.563			
	V17	0.867	0.339	16.013	0.661			
	V18	0.789	0.441	13.648	0.559			
Animosity	V19	0.805	0.425	13.537	0.575	0.854	0.900	0.695
	V20	0.911	0.286	16.438	0.714			
	V21	1.000	0.231	–	0.769			
	V22	0.802	0.428	13.477	0.572			
	V23			Eliminated				
Goodness-of-fit indexes		χ ² = 313.06 (p = 0.00); RMSEA = 0.05; NFI = 0.91; CFI = 0.96; IFI = 0.96; RFI = 0.90; GFI = 0.87						

Note: χ²: Chi-square statistic, RMSEA: Root-Mean-Square-Error of Approximation, NFI: Normed Fit Index, CFI: Comparative Fit Index, IFI: Incremental Fit Index, RFI: Relative Fit Index and GFI: Goodness-of-Fit Index.

Table 3
Correlation matrix between the latent variables.

	Ethnocentrism	Reputation	Trust	Animosity
Ethnocentrism	1.000			
Reputation	–0.016	1.000		
Trust	–0.019	0.614	1.000	
Animosity	0.260	–0.055	–0.310	1.000

associated with a few foreign countries onto all foreign countries, our findings support an earlier study by Nijssen and Douglas (2004), which suggested that hostile out-group behaviour increases ethnocentrism, although the relatively low correlation between the two constructs should be noted (H2).

Our findings do not support the negative influence of reputation of firms associated to a COO on consumer animosity (H3). One possible explanation is that the latter depends on the country and market under study (Häubl, 1996). Thus, while one country might produce deep reactions based on an affective component (animosity), another might provoke reactions based

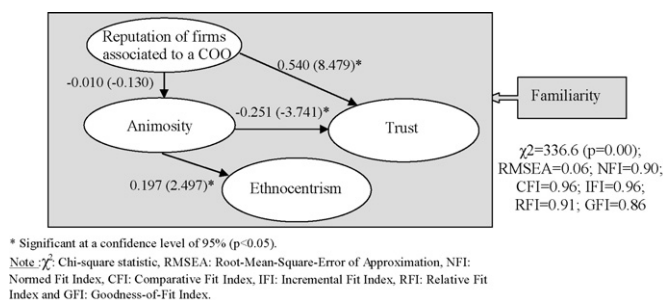


Fig. 1. Results of the final estimation of the model.

*Significant at a confidence level of 95% (p < 0.05). Note: χ²: Chi-square statistic, RMSEA: Root-Mean-Square-Error of Approximation, NFI: Normed Fit Index, CFI: Comparative Fit Index, IFI: Incremental Fit Index, RFI: Relative Fit Index and GFI: Goodness-of-Fit Index.

Table 4
Multi-group analysis (moderating role of familiarity).

Dependent variable	Group 1. High familiarity		Group 2. Low familiarity	
	Independent variable			
	Animosity	Reputation	Animosity	Reputation
Trust	−0.412**	0.515**	−0.011	0.566**
Animosity		−0.007		−0.013
Ethnocentrism	0.145		0.305**	
Goodness-of-fit indexes	$\chi^2 = 328.06$ (50.34%); RMR = 0.08; GFI = 0.88 χ^2 (408) = 651.32 ($p = 0.00$); CFI = 0.92; RMSEA = 0.07; NFI = 0.90		$\chi^2 = 332.26$ (49.63%); RMR = 0.09; GFI = 0.87	

Note: χ^2 : Chi-square statistic, RMSEA: Root-Mean-Square-Error of Approximation, NFI: Normed Fit Index, RMR: Root-Mean-Squared Residual, GFI: Goodness-of-Fit Index and CFI: Comparative Fit Index.

** $p < 0.05$.

on a cognitive component (reputation). A further explanation for this lack of support is that animosity has the potential to become a very strong feeling, in which case it would be difficult for only one signal, in this case reputation, to reduce it.

Despite the attention paid to the concept of trust in the literature across many disciplines, the relationship between consumer trust and emotional consumer reactions – such as animosity and ethnocentrism – has virtually been ignored. This study contributes to offer empirical support for the relationship between consumer animosity and trust in firms of a certain country (H4). Accordingly, if consumers believed that the international behaviour of a foreign country was inappropriate, they would distrust and doubt that the COO firms could ever behave correctly.

After confirming three of the four postulated relationships, we tested the moderating effect of familiarity. In the first analysis, the sample was divided into less familiar and highly familiar consumers, which gave 108 highly familiar and 94 less familiar consumers. *Multi-group* analysis was performed with LISREL 8.7 using a hierarchical approach to compare the Chi-square of the two sub-samples and to calculate an overall Chi-square difference. In this case, a model that imposed equality constraints parameters across the subgroups was compared with the general non-restricted model. Regarding the moderating effect of familiarity, the restricted model showed a significant chi-square difference (χ^2) value of 10, 34 (df = 4, $p = 0.05$) (Table 4).

Our results support and suggest that COO familiarity is a relevant moderator in the context of the proposed model (H5). This finding is consistent with both the halo and summary construct views, as the effect of reputation of firms associated to a COO on trust decreases, to some extent, as familiarity increases. Furthermore, familiarity with a country's products and brands may override any possible effect of animosity on ethnocentrism because the consumers already possess more knowledge on the origin and the firm (Russell & Russell, 2006). The consumers will probably be less sensitive to the influence of ethnocentrism or group protection. Moreover, the impact of animosity on trust may be greater under conditions of high familiarity, because greater knowledge of the targeted foreign country coupled with animosity towards the latter could be projected onto the country's products and firms and reduce the level of trust in firms from that country.

5. Implications

The results of this research entail several *implications* for marketing managers of international businesses. In uncertainty contexts, reputation of firms associated to a COO allows consumers to distinguish those firms that make significant investments to maintain prestige and certain promised quality attributes from those firms that opportunistically misrepresent the quality of their products. Reputation of firms associated to a COO is a key trigger of trust, thus building up a good reputation is especially important for firms from new market economies that need to increase their exports and to generate reliability in international markets (Bilkey & Nes, 1982). This is a relevant finding also because signals of quality can substitute regulatory institutional elements, commonly absent in new markets economies.

An interesting point emerging from this study is that the effect of animosity in product-country evaluation appears to be evident not only in countries where past cruelties were committed (Klein et al., 1998). Accordingly, we suggest that global firms continue researching to disclose such animosities held by consumers towards a COO in the markets they sell or introduce their products, and take necessary marketing actions to attenuate its negative impact. Furthermore, the automotive sector operates in a global market and in order to avoid a decrease in consumption strongly related to consumer distrust and ethnocentric tendencies, firms competing abroad should consider whether consumers in the target foreign market harbour animosity toward their COO. In international contexts, consumers deal with simultaneous positive and negative perceptions about products from a foreign country. Therefore, an interesting implication of this study is that managers can use positive marketing factors related with the foreign firms (reputation of firms associated to a COO) to neutralize negative effects of animosity and ethnocentrism on consumer behaviour, including trust. However, managerial strategies should be carefully employed, because when the consumers are highly familiar with the foreign brands, making salient the foreign origin can cause an undesirable reduction of trust through animosity.

The results of our study also serve to remind managers that familiarity plays an important role in international markets. Managers should be aware as to whether the consumers targeted by their strategies could express animosity towards the

COO associated with their firm, on account of the accompanying negative consequences, whether the consumers are familiar with the brands (in which case, animosity might act to reduce consumer trust when buying foreign products) or whether the consumers are unfamiliar with the brands (in which case, the negative feeling implicit in animosity might serve to enhance ethnocentrism and protect the products of the domestic market). The results also show that if consumers harbour animosity towards the COO, they will tend to have higher levels of ethnocentrism and to protect the products of Spanish firms especially when they are unfamiliar with the brand. When new brands are introduced in international market, it is desirable develop familiarity as it facilitates the purchase decision process, reduce negative effects of emotional variables and increases confidence in the purchase.

6. Limitations

The selection of automobiles, which is a unique product category, within a single country sample, means that our results cannot be generalized. However, some authors suggest that in investigating the potential impact of ethnocentrism and animosity on consumer behaviour, a product-specific approach is likely to be more informative as compared to a more aggregated analysis based on unspecified products from certain countries (Balabanis & Diamantopoulos, 2004). Another limitation is the fact that this study has focused on socio-psychological, COO reputation effects on trust, and does not include other marketing factors that influence trust and familiarity (e.g. price, implication, satisfaction, technology orientation, brand quality, advertising, previous experience). A further limitation also arises from the product selected for the study: the automobile industry is a competitive sector in which mergers and acquisitions are frequent and consequently automobiles have progressively become more standardised and similar which makes it difficult for consumers to differentiate automobiles by their origin. Additionally, the effects of other signals of quality could add to a similar study.

7. Future research

It would be interesting to test the proposed model in other sectors and product categories. Important findings and implications could be found regarding different products categories, such as food or services. For example, in order to judge the quality of food that has experience attributes that can only be evaluated after consumption (i.e. test or freshness) and are products directly linked to health, reputation of firms associated to a COO may be used by consumers to infer food quality and safety (Becker, Benner, & Glitsch, 2000). COO is an important issue in global transactions of food because countries are making a big effort to establish strict schemes for the safety certification and the original denomination of imported food (Dimara, Petrou, & Skuras, 2004).

A further opportunity for research is the inclusion of other marketing factors that affect trust and familiarity (i.e. nationality, cultural similarity, value, technological orientation, price). Future studies should analyze other instruments for gaining trust (e.g. warranties, international brand associations) and reducing animosity, especially in the case of a negative perception of COO and in new markets economies. Despite our study has shown a significant and positive impact of animosity on ethnocentrism, their relationship should be contrasted in other contexts. Moreover, it would be useful to include other antecedents for ethnocentrism in the model, such as patriotism or collectivism.

This study also prompts future research by proposing a model that shows that individuals can have ambivalent perceptions about the same country-of-origin. Since, consumers are influenced by positive and negative elements related with objective criteria and psychological factors as well. In this situation, it would be interesting that future research analyze, whether negative or positive factors have a dominant effect on the decision to quit or continue the relationship with a foreign provider. Finally, this model should be validated in a cross-cultural and cross-national context to test and discover different consequences of variables linked to COO and other marketing factors that moderate the proposed relationships.

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