



DEPENDENCE BETWEEN QUALITY AND PERCEPTION OF THE PRODUCTS

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Abstract: *There are situations in which consumers do not care where a certain product was made, it does not make a difference to them because it serves a purpose for the consumer. However, there are also some products that are perceived differently by the consumers after they find out what is the product's (brand's) country of origin. A large number of authors advocate that the country of origin refers to the country where the headquarters is located. Consumers are benevolent towards products from countries with a distinctive and desirable image, and very often, they are ready to offer a higher price for it, regardless of actual quality. Numerous authors argue that the product's country of origin is the country where the company is based. Consumers favour products from countries that have a recognisable and desirable image and are willing to pay more for those products regardless of their actual quality level.*

INTRODUCTION

National image or a manufacturer's image can play a significant role in product politics. Japanese appliances had a bad image 20 years ago, but now they are deemed to be reliable, of high quality and technically perfect, which is a huge advantage for any product in addition to its visible features. The same can be said about French perfumes and Italian fashion products².

These days, Chinese products are experiencing similar problems to the ones Japanese products once had. Business philosophy in China, a country with such a large population, has been built on the rule 'produce as much as possible for as little as possible' which is achieved at the expense of quality. It was vital to increase quantity and the quality was not taken into account too much. Although Chinese products have improved in quality lately it looks as though the bad image of products whose quality is suspect will linger on for a long time to come. The reputation of the manufacturer or a company has a similar effect, although consumer loyalty is built and based mainly on a particular product or a brand. Therefore, it is important to point out that it is possible to identify not only global products but more so global producers that are capable of supplying the consumers with a product endowed with all of the characteristics of a global product.

1. DEPENDENCE BETWEEN IMAGE OF THE PRODUCT AND OF THE COUNTRY OF ORIGIN

Some of the authors states is an interdependent relationship and he argues that just as the positive image of a country and the category of a product from such a country influence positively the perception of certain brands, experience with certain brands contributes to the general attitude formed

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² Mile Jovic, International Marketing, IntermaNet, Belgrade, 2002., p. 353

to certain products from certain countries. He cites as an example a survey conducted in 2005 about the products from the most prominent partners of the Republic of Serbia in foreign trade and from the neighbouring countries. Respondents³ were asked to assess the products by marking the following instruments of a marketing mix: the level of quality, price, promotion, distribution. The aforementioned survey has shown that German products are the undisputed leaders in terms of quality. Products from Slovenia are in the second place, ahead of US products whereas products from China are perceived by far as the worst.

Perhaps the best example of interdependent branding of products and a nation and their relationship is provided by W. Olins in his book. He expounds his theory using Germany as an example. In the 19th century most countries made products primarily for domestic consumption, although some export goods were of great importance for certain countries. Nearly every single product greatly varied from country to country. Everything from bread, cakes to styles in architecture had its national flavour, he claims, which was often hugely important. The competition was fierce. In the French-Prussian war waged from 1870 to 1871, German guns with a firing pin were of much better quality than the same type of guns made by the French. When the new needle-gun designed by the French appeared, it was already too late - the Germans had won the war. That is why the nations that wanted to modernise their armies in the last quarter of the 19th century, such as the Ottoman Empire and Japan, turned to German rather than French consultants, equipment and weapons. At that moment, Olins claims, a symbolic relationship between some distinctly national products and nations with which they are associated was established⁴.

These associations became indestructible and mythical when Christian Lautenschlager won the French Grand Prix in his Mercedes vehicle. Thus, he argues, by means of a single victory, and many more after that one, Mercedes has become a symbol of what is best in German engineering and through osmosis-like process of what is best about German products. However, most importantly, Mercedes has become Germany. Mercedes has branded a whole nation: the brilliant German engineering, German technology, German attention to detail and perfectionism. Completely unintentionally and unwittingly these instances paved the way for the myth of German engineering and Germans as a technologically advanced hardworking nation.

1.1 The impact of globalization

Globalisation and the constant quest to lower production costs have dramatically changed the reality. Very few people who are sitting at the wheel of a Mercedes, let's say in America, know that their beloved car was made in Tuscaloosa, Alabama. They are not interested in that, associations connected to the Mercedes brand are so strong that the loyalty and trust are infinite.

There are numerous similar cases such as Toyota whose latest model is completely assembled in Europe using exclusively parts from European suppliers. Although we all perceive technology to be of the US or Japanese origin, nobody is complaining if their IBM computer was produced in Ireland, Taiwan or the Silicone Valley.

Authors who have written on this topic have defined concepts of mono-national and bi-national products. The products that are manufactured in the country of origin are called mono-national products (a Mercedes car made in Germany, or Nike sneakers made in the USA). With globalisation, the number of such products is continuously declining. Bi-national products are everywhere. No one is any longer surprised to see France as the country of origin and Indonesia as the place of manufacture or the Japanese Sony CD players manufactured in Malaysia as moving the production from industrial to less developed countries has become commonplace.⁵

M. Kačar notes that consumers react differently to brands depending on their country of origin. If there is a positive correlation between the image of the country of origin and the image of the

³ Sasa Veljkovic, Brand Management- in market conditions, Faculty of Economics Belgrade, 2010., p. 383-384

⁴ Wally Olins, On Brand, Profile, Belgrade, 2004., p. 136-137

⁵ Bozo Skoko, Country as Brand-management of national identity, Matica Hrvatska, Zagreb, 2009., p. 121

company in question, emphasis is put on the country of origin (e.g. French wine, Swiss cheese)⁶. If there is a strong national comparative recognisability of a brand, the image of the country of origin is more important and stronger than the image or the name of the brand when positioning it in the international market. Gouda and Edam cheeses are listed as an example since they can be produced in many countries. Gouda and Edam from France need to declare the country of origin as the best and original Gouda and Edam come from Switzerland.

It cannot be disputed that Germany and Japan have a positive image when it comes to car-making, while France and Italy are known for fashion design of footwear for men and women. Italy's brand image of a fashion and style producer made it difficult for Olivetti, a computer equipment manufacturer, to do business and sell its.

The enormous influence of country image on the success of the product or the company may be best illustrated by the following example. According to professional organizations estimate (Beijing Famous-Brand Evaluation Co., LTD.) China's Haier Group is on the top list of most valuable Chinese brands. This home appliance manufacturer is the most valuable brand with assets estimated at more than 100 billion yuan (12 billion USD). In 2004, Group has announced the export of over one billion USD. The reasons for this huge success lay in opening of additional markets and increasing competition in this specialized sector.

Haier is one of the biggest refrigerator brands in the world today. Some say it is in part due to the fact that consumers have come to believe that this brand is of German origin. **More than 20 years ago the company bought a production line from a German industrial conglomerate Liebherr.** Apparently they helped themselves to the name as well as the technology (here resembles the most the way Haier is pronounced in China).⁷

The image of the country comes to the fore and has high importance in alcohol production. Literally all the wines, beers and spirits include their country of origin as an integral part of their branding: Czech lager, light English beer and Irish dark beer. Indian beers like Kingfisher and Cobra, at least in part, for use with Indian food at Indian restaurants all over the world. Tsingtao, a descendant of brewery established on German - Chinese concession territory is, a beer to drink with Chinese food. Kronenbourg was from Alsace, a kind of a mixture of Franco-German, Carlsberg and Tuborg are Danish beer, Heineken is, the Dutch, and Sol is a Mexican. Budvar from the Czech Republic was in conflict for years with Bud from the United States over the right who owns the name Budweiser, but their taste and personality of the brand are very different, so there is no doubt what is the origin of each product.

Olins says that a similar formula is applied to wines, French, Spanish, Italians, all of which are categorized by region and type of grape. The same thing is with whiskey. To Scotch whisky is said to owe its special characteristics to local natural features, water and land and genius of those who inherited it distilled. Irish whiskey (which contains E) differs from the Scotch, Bourbon and is also different. It all leads to that in many foods and beverages, national origin is a trademark of quality. Olins argues that national brands are expiring, while the imagined national brands such as Nutrogin (Norway) or the London fog (Britain) are flourishing and advised companies such as Siemens and Sony' to shift from the "Siemens-Made in Germany" and "Sony-Made in Japan", the "Made by Siemens" or "Made by Sony," which will, be hard, and have major implications for the nation and for the brand⁸.

The positive image of the country of origin does not guarantee a satisfactory perception of product quality, so it is said that a good image of Russia has little influence on the image of the car production in that country and Russian vodka, on the contrary perceives the same or greater overall image of Russia⁹.

A well selected celebrity can draw attention to a product or a brand, like for example the Duchess of York, Sarah, better known as Fergie, who has attributed her weight loss to a product called

⁶Kačar Mira, International brand positioning through media promotion, PhD. Dissertation, Faculty of Economics, University of Kragujevac, 2010., p. 121

⁷ Clifton, R., „The Future of Brands“, in: Brands and Branding, Rita Clifton and John Simmons (eds), 2003., p. 232

⁸ Wally Olins, On Brand, Profile, Belgrade, 2004., p. 146

⁹ Eugene D Jaffe, Israel D. Nebenzahl, National Image&competitive Advantage, Copenhagen Business School Press, 2006., p 49

Weight Watchers. A character trait of a celebrity can be transferred to a brand like when Bill Cosby is entertaining the children while eating a product called Jell-O.¹⁰ Celebrities can play a strategic role for brands. Therefore, they do not have to be limited to product promotion, they can also be involved in the design, placement and sales of goods and services. Ever since Tiger Woods signed a contract with Nike, this company's share of the golf balls market has increased from 1% to 6%. Woods plays a key role in the development of products and clothes for golf which Nike occasionally changes so as to reflect the changes in his personality and taste in design. In addition to advertising the products he endorses, he is also advertising the country he comes from and lives in.

2. BRANDING OF THE PRODUCT BU THE QUALITY

The globalization of world economy has resulted among other things that a growing number of companies are competing on the basis of delivery of superior value to consumers. Quality is an essential element of the value of what consumers receive in the exchange on the market. Consumer perception of value is a balance between quality and benefits for the consumer sees in the products relative to what they should pay the price. Specifically, innovation usually starts with innovation of new technology, but it can also be a result of better understanding of the consumers needs and demands of . In this case the market goes back to the company to create new processes and product attributes in order to come to the creation and delivery of value perceived by consumers¹¹.

The quality will depend on the actual product performance, but it communicates the choice of physical signs and symbols. Here are some examples: the manufacturer of lawn mowers, who claims that his mowers are "strong" puts into them loud engine because the buyers believe that the louder engine the more powerful it is! Truck manufacturer polish its' chassis, not because they really need it, but because polished chassis suggests care for the quality.

There are two concepts that deal with the issue of quality is essential for creating a strong and successful brand. TQM (Total Quality Management) aims to improve the quality of the overall organizational processes, based on the participation of all its members and TCS (Total Consumer Satisfaction), which is more recent than the first concept and is defined by the standpoint of the needs and interests of consumers, with the aim of permanent fulfillment of their desires and needs.

The market in Kosovo and Metohija have tried to copy our products; according to many, one of the biggest brands of Serbia, "Bambi Plazma". After a while the market has undergone tectonic changes in the form of dissatisfaction with local consumers who immediately noticed a difference in the quality between the original and "wild" products. Packing and packaging was completely identical to the original Plazma, but the difference in quality was evident. Dissatisfaction was so great that the main agent of "Bambi plazma" for Kosovo and Metohija, had to advertise for days in the media where is possible to obtain the original Serbian brand¹².

"Jagodinsko" beer is 160 year old brand. Many factors, in addition to "transition" that our country can not seem to leave behind, have contributed to the serious deterioration of the brand. In a survey¹³ by the author of this article conducted on a random sample of 200 respondents to the question: "Do you drink Jagodinsko beer?", The vast majority, 60 respondents, said they do not consume it because of the quality, and one part due to poor distribution (it is simply not distributed in their place, see picture 1).

On the contrary, Carlsberg Serbia, is very concerned about the quality of its has products, produced and created a beer for personal preference and choice of beer fans. After testing a unique process of creating new products, consumers in Serbia "created" a new product called "Golden Lion"(Zlatni lav). After two days of testing, the brewery in Čelarevo visited by many beer fans, of many different backgrounds and ages, over four hundred of them from all over voted for the beer by its personal taste. With the vast amount of positive energy, consumers have demonstrated their

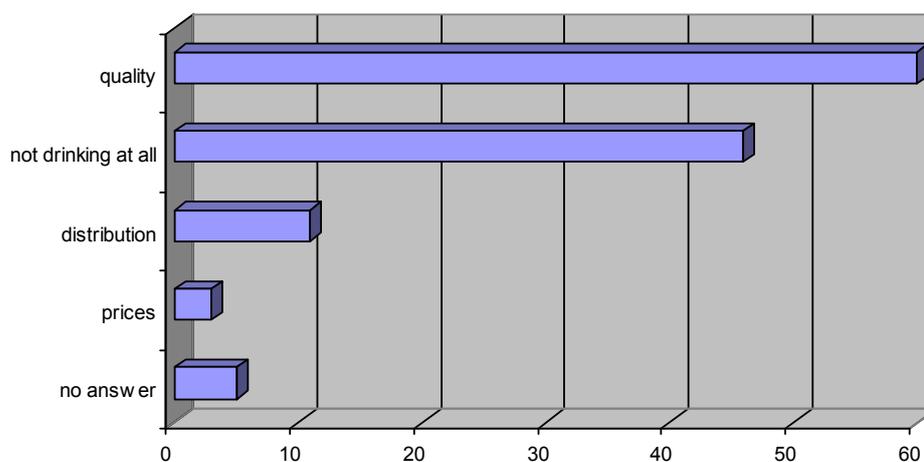
¹⁰ Philip Kotler, Kevin L.Keler, Marketing Management, 12-to release, Data Staus, Novi Sad, 2006., p. 547

¹¹ Momcilo Milosavljevic, Strategic Marketing, second edition, Faculty of Economics Belgrade, 2006., p. 238

¹² Oliver Jovanovic, RTS – morning program, 1 channel, 25.7.2011.

¹³ Dejan Dasic, Ethical aspects of various forms of branding with special review to some of Serbian brands, Ph.D. Dissertation, University of "Alfa" , Belgrade, 2012., Appendix

knowledge of beer and have chosen the "Golden Lion", which is specially produced for this occasion by company technologists, and it will be listed in Serbian brewery history as the first beer whose color, taste and name has been specified by consumers.



Picture 1. Reasons for not consuming Јагодинско beer

3.1 Branding of the product by innovations

Some people sell ideas, others sell reports, some sell knowledge and information, others projects and quality standards. What most of us sell are actually ideas. You need to persuade someone into something, sell them something and after all, this paper is an example of such trade as it offers plenty of ideas.

The greatest creative mind in the recorded history of mankind was definitely Leonardo da Vinci. Every single page of his notebooks contains at least one breath-taking idea – a submarine, helicopter or automatic forging. However, definitely none of these magnificent ideas could have come into existence with the innovation, technology and materials that had existed up to 1500s.

The Japanese have been exploiting this particular resource much better than the Western companies through their kaizen¹⁴ companies, i.e. continuous improvement system. Hermann Simon in his book *Hidden Champions* mentions dramatic evidence of differences between Germany and the USA, on the one hand and Japan on the other. These calculations are based on the data collected by the Deutsches Institut für Betriebswirtschaft. The presented results probably cannot be cross-referenced by country, but the differences are so baffling that minor errors in calculations cannot be remotely relevant.¹⁵

German companies with 16 suggestions and American with 21 suggestions (ideas) on every 100 employees are similar, but Japanese companies reach as many as 2500 suggestions (ideas), 156 times better than German companies and 119 times better than the American ones. In Germany and the US merely 39% and 35% of the ideas are realised respectively, whereas the rate of realisation in Japan is as much as 86% (see the table).

Xerox is a company that was created based on the most profitable innovation in the recent history of American business world, the copying machine. Xerography, the process which is based on the dry copying process, has been invented in 1938. Its inventor, Chester Carlson, had been trying to implement his idea for 10 years, offering his invention to other companies but still encountering the same response, refusal. Among the companies that had not recognized this brilliant invention are Kodak, IBM, General Electric and others.

¹⁴ 'do it better', see more in: Buvač Drago, Japan-Anatomy success, Globus, Zagreb, 1982.

¹⁵ Hermann, S., HIDDEN CHAMPIONS-Lessons from 500 the World's Best Unknown Companies, Harvard Business School Press, 2006., стр. 220-221

About how the product was successful can be seen from the fact that in two years only Xerox succeeded to be on list of 500 largest U.S. companies in the Fortune magazine and Xerox's model 914 did not have a true competitor for 10 years and many have accused the company for monopolistic conduct.

Having said all that, a famous quotation by Bill Gates is perfectly understandable. When he was asked whether Microsoft was afraid of competition he answered: 'I am not afraid of any existing company, visible in the market. I am afraid only of a group of young people, full of ideas, who are designing a new and original business model in some garage that will conquer the world.'

Table: Employee Suggestions for Company Improvement, in Germany (1993), in Japan (1992) and in the USA (1992)

Country	Germany	Japan	USA
Suggestions per 100 employees	16	2.500	21
Average bonus per suggestion (USD)	621	4,1	461
Rate of realisation of suggestions	39%	86%	35%
Realised suggestions per 100 employees	6,2	2.150	7,4
Net savings per realised suggestions	2.609	139	
Net savings per employee (USD)	161	3.921	

Source: Simon, Hermann: *HIDDEN CHAMPIONS-Lessons from 500 the World's Best Unknown Companies*, Harvard Business School Press, 2006., p. 221

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