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Country-of-origin effect in professional services – literature review

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Abstract. The objective of this article is to examine country-of-origin (COO) effect in relation to the professional services. The concept of COO has been broadly analyzed in the marketing literature and is strongly supported by a notable amount of empirical work. However, most COO studies have been conducted with respect to products, whereas the impact of COO in service organizations has been relatively lightly researched. The study indicates directions for future research, basing on an analysis of the literature of marketing of professional services.

Introduction

The concept of country-of-origin (COO) effect has been broadly analyzed in the marketing literature, yet research about country of service origin is scarce. As the service economy boosts, country of service origin, attracts more attention than ever before. Using medical tourism services as the context, this article analyzes the existence of country of origin effect in professional service industry. The objective of this paper is to provide an up-to-date extended literature review on country of origin effect in the light of professional services. More specifically, the purpose is to summarize descriptive findings, classify which topics are evident

in the literature, and point out the areas where further research is called for. Given the critical nature of these two concerns, this topic deserves greater examination by researchers.

Concerning research methodology, this study supplements the literature conceptually. Scant research has addressed the impact of country of service origin on professional services, therefore, this research, while being exploratory in nature, seeks to address this gap in the marketing and services literatures. This literature review covers most of the citation on the subject and is believed to be comprehensive. The period covered is from 1957 to 2016.

Professional service firms (PSF)

The goal of this part is to develop theoretical propositions that can help further understand the complex phenomenon of professional services. Globally, professional service firms are a rapidly-growing service industry today (Smedlund, 2008), and are more important than other services in today's and tomorrow's Western economies (Toivonen, 2004). Thus the marketing of professional services is a growing area of interest in both academic and professional press (Bloom, 1984; Jones, 1997; Lapierre, 1997; Thakor, Kumar, 2000; Hausman, 2003; Reid, 2008). In general, services such as accounting, legal, and medical are commonly cited as the traditional professions. The nature of the professional services-marketing interface is changing, with many professions facing complexities, such as: managing the impacts of globalisation, dynamism, turbulence, acceleration, rationalisation, connectivity, convergence, ephemeralisation, and consolidation (Daniell, 2006). Hence, there is still little agreement as to which services can be considered professional (Thakor, Kumar, 2000). Gummesson (1978) identified a series of the following criteria that distinguish professional services: service should be provided by qualified people, be advisory, focus on problem solving, be an assignment from the buyer to the seller, and the professional should be independent of suppliers of others goods and services. The professions are often distinguished in terms of possessing systematic theory and professional authority, being sanctioned by the community, being governed by an ethical code, and exhibiting a professional culture (Greenwood, 1957; Thakor, Kumar, 2000). Moreover, the professions offer services that are highly complex, intangible, highly customized, and are created and delivered by highly qualified personnel, over a continuous stream of transactions or service encounters (Jones, 1997; Thakor, Kumar, 2000). In fact, owing to the high degree of customer contact, as well as the level of individual judgment required by the professional, this form of service is considered the most intangible (Jaakkola, Halinen, 2006). Knowledge intensiveness is another distinguishing characteristic of this business, where

knowledge has a role both as a resource and as a service sold to clients (Smedlund, 2008). Professionals offer their clients a sophisticated, knowledge-based expertise (Maister, 1993), and the relationships these professionals create with their clients are the medium through which they impart this expertise to solve their clients' problems (Reihlen, Apel, 2007; Walsh, Gordon, 2010). In professional services, as in most services in general, the reason for the highlighted role of the client is related to the fact that the client provides significant inputs into the production process, making the success of the service heavily reliant on client input (Sampson, Froehle, 2006). Ultimately, other characteristic of professionals is that, in the past, many of them did not have to perceive themselves to be sales or market-oriented, but the increasing competition has meant that professionals need to compete aggressively for business (Lapierre, 1997).

Country-of-origin effect

Several streams of literature support the notion that country (i.e. the location where the firm conducts its operations) plays a significant role in determining the outcomes of firms. In this competitive, global market, the accessibility to foreign products and services is improved. In this situation, the role of the country of origin is more significant than before, when only domestic goods were available.

The COO effect refers to the tendency among individuals to infer the quality of a product from its country of manufacture. Many researchers have built upon the definition for the COO effect offered by Nagashima in 1970. He described the COO as “the picture, the representation, the stereotype that businessmen and consumers attach to products of a specific country. This image is created by such variables as representative products, national characteristics, economic and political background, history and tradition” (Nagashima, 1970, p. 68). Thus COO is the consumers' overall perception of products from a particular country based on their prior perceptions of the country's production and marketing strength (Roth, Romeo, 1992). For example, products or services from countries with a positive image tend to receive favorable evaluations, which may lead to purchase (Han, Terpstra, 1988). Simultaneously, COO effects are intangible barriers to enter new markets in the form of negative consumer bias towards imported products (Wang, Lamb, 1983). To sum up, the literature regarding COO suggests a general home-country selection bias (Bannister, Saunders, 1978). The effect of COO has been associated with certain conditions, including the buyer's ethnocentric attitude towards COO attributes and his/her underlying cultural values (Han, Terpstra, 1988). By transferring country related images to products or services, the use of COO effects seems especially useful when other quality cues are missing and/or the brand is not well known.

COO is one of the most researched topics in international marketing literature – more than 1,000 studies have been published including at least 400 issues in academic journals (Roth, Diamantopolous, 2009). Some Authors (Baker, Currie, 1993) even suggested that COO concept should be considered a fifth element of the marketing mix, along with the product itself, its price, promotion, and distribution. However, little empirical research exists concerning the COO effect on services (Javalgi, Cutler, Winans, 2001). This is because the differences in the country of the company and the country of the person providing the service are due to the service characteristic of inseparability and are difficult to hide. Only some scholars focus on the sub-branch of COO study, which is service oriented COO study or Country of Service Origin (COSO).

Country of service origin and country-of-service-origin effect

Service delivery inherently includes customer contact and interaction with employees, so that stereotypes pertaining to the service personnel's national origin may exert a greater overall influence on consumer's evaluations of services than on their evaluations of tangible goods (Mattila, 1999). Furthermore, an empirical study by Harrison-Walker (1995) found that selection of a service provider is dependent on the interaction between service provider's nationality and consumer's nationality, with consumers generally favoring same-nationality service providers. This might be even clearer in the context of professional services.

COSO, a natural progression to the COO literature, can be used as a cue by the consumers who engage in stereotyping rather than objective evaluation of a service (Thelen, Honeycutt Jr, Murphy, 2010). It refers to consumer perceived image derived from the service level related to one country, or the capability of firms of that country to provide satisfying service experience, so it affects consumers' evaluation of the service (Zhang, Wang, Xie, 2013). COSO may affect evaluation to a greater extent comparing to that on goods. The following definition is offered for COSO: the opinion held by domestic consumers of the general service level associated with a country, and the ability of service providers from that country to provide a quality service experience (Thelen et al., 2010). Most of the study in this area lies in the fields of cross-country marketing and culture studies. To sum up, considering services, the COO is an essential carrier of information for consumers (Ahmed, Johnson, Ling, Fang, Nui, 2002) which affects their assessment of purchase risk (Michaelis Woisetschläger, Backhaus, Ahlert, 2008) and purchase intentions (Harrison-Walker, 1995; Morrish, Lee, 2011). Moreover, it serves as a cue from which consumers make inferences about a product and product attributes,

such as evaluation of quality or performance. Consumers infer the attributes to the product based on a country stereotype and experiences with products from that country.

Relationships between COO and PSF

In this part, the existence of COO effect in professional service industry will be described, using medical tourism services as the context. Medical tourism refers to the travel of people to another country for the purpose of obtaining medical treatment in that country. As other medical services, medical tourism services are professional services. There are many interesting findings within this subject. First of all, the results of research show that the COO dimensions apply to the assessment of medical services. It has been proved in Korea that the political, relative, and economic images do not have as significant influences on tourism service and trust in health service quality as the national image (Kim, Choi, Oh, 2009).

Considering the purchase of medical services and attendant high risk which becomes even higher when the location of the service provider is outside the consumer's place of residence, it is important to acquire some information about the particular medical service to reduce such risk. Among other sources, such information can be also provided by the image of the COO (Boguszewicz-Kreft, Magier-Lakomy, Janiunaite, 2016).

Research also show that the COO effect is strongest on older consumers and those who do not know much about the product or product type, and weakest on the consumers who are well-informed or more familiar with the service (Schweiger, Otter, Strebinger, 1997). It is crucial in terms of medical services, because of discrepancy in knowledge between a service provider and customer.

As it was showed above, many factors contribute to the country's image, including the country's economy. Most countries with a positive COO effect are highly industrialized, developed countries extent of technological advancement of a country. The countries that are less economically developed tend to have a negative country image and a negative COO effect. In comparison to the services from the countries of negative COSO image, the services from the countries of better COSO image are more often perceived of higher service quality. This also implicates medical tourism because the recent trend is for people to travel from developed countries to third-world countries for medical treatments because of cost consideration. However, the study conducted by Michaelis et al. (2008) showed that a positive COO effect leads to a higher level of initial trust only in the case of a risky service.

Conclusion

The service sector contributes to a major part of the GDP of the most developed countries, while the share of services of the total export of these countries is comparably low (Peters, 2011). With regard to the use of COO effects, the special service characteristics create challenges for professional service companies, e.g. by the inseparability of service provision and consumption. In particular, the factors influencing the crucial customer–provider relationship, such as language or cultural aspects, are considered more critical at services than at products (Capar, Kotabe, 2003). Furthermore, the intangibility of services results in challenges for consumers to compare offers in advance, as a simple inspection whether the service is of high or low quality is not possible (Bharadwaj, Varadarajan, Fahy, 1993).

By reviewing different literature, it can be concluded that there are many factors that have an impact on the relations between COO effect and professional services. Service companies are forced to support a positive consumer perception of their services. As it has been proved, COO effect plays a pivotal role as the indicator of international competitiveness of professional services firms.

Limitations and further research implications

The theoretical framework presented in this paper offers a comprehensive set of research propositions for empirical validation. The lack of empirical verification as limitation of the paper, can be addressed in future empirical studies.

There are also the areas where future theoretical research is called for. For example, identification of how the COO, in the context of professional services where there is a huge knowledge discrepancy, can affect the perceived quality of services, can be valuable.

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Rola efektu kraju pochodzenia (COO) w usługach profesjonalnych – przegląd literatury

Słowa kluczowe: marketing usług, usługi profesjonalne, efekt kraju pochodzenia (COO)

Streszczenie. Koncepcja efektu kraju pochodzenia (COO) była wielokrotnie opisywana i analizowana w literaturze marketingowej. Zdecydowana większość prowadzonych w tym zakresie badań dotyczyła produktów materialnych, natomiast zjawisko pozostaje stosunkowo słabo rozpoznane w marketingu usług, a zwłaszcza usług profesjonalnych. Artykuł ma charakter teoretyczny, a jego głównym celem jest analiza zależności pomiędzy efektem kraju pochodzenia a marketingiem usług profesjonalnych. Sformułowane wnioski, oprócz przeglądu dotychczas dostępnej wiedzy, określają również przyszłe kierunki badawcze w tym zakresie.

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