

# **The roles of Categorization Theory and Confirmation Bias in Australian Owned Brands**

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## **Abstract**

The paper proposes a research framework to study the influence of country of origin cues, consumer economic nationalistic and consumer ethnocentric tendencies toward product judgement of and the willingness to buy Australian brands. Categorization theory, confirmation bias and schema congruity principles form the theoretical bases. Both consumer economic nationalistic and consumer ethnocentric tendencies are separate constructs however are correlated. Symbolic and functional brand concepts are anticipated to reflect consumer schematic tendencies. Consumer knowledge is proposed to moderate the relationship between these cues and consumer's willingness to buy Australian brands. The hypotheses will be tested with structural equation modeling. The main contributions of the proposed research are also delineated.

## **Introduction**

Country-of-Origin (COO) has become an integral part of the repertory of extrinsic cue to product evaluations (Bilkey and Nes, 1982), along with price (Keller, 1998), brand name, packaging and seller (Aaker, 1991; Park, Milberg and Lawson, 1991), on consumer products (Maheswaran, 1994; Gurhan-Canli and Maheswaran, 2000a, 2000b), consumer knowledge on a product's country origin and subsequent product evaluations (Peterson and Jolibert, 1995; Piron, 2000), as opposed to the study of the role of intrinsic qualities of the product such as materials, design, style, workmanship, colour and smell (Ahmed, d'Astou and El Adraoui, 1994).

It is proposed that specific COO information is becoming less dominant and or relevant, as it is becoming increasingly difficult for consumers to extract the multiplicity of country information embedded in the product (O'Cass and Lim, 2002). As such, COO is no longer seen as significant to buying behavior and that the perceived origin of the brand and ownership cues are more suggestive as a demographic variable (Thakor and Kohli, 1996; Phau and Prendergast 2000a; O'Cass and Lim, 2002; Mort and Duncan, 2003)

This paper proposes a research framework to study the various COO cues, namely 'made in', 'owned by' and 'country of brand'. Consumer economic nationalistic tendencies (CENT) and consumer ethnocentrism tendencies (CET) will be investigated as distinct constructs and their relationship toward product judgement of Australian brands and the willingness to buy Australian brands will be examined. Consumer knowledge is suggested to moderate the relationship between these COO cues and constructs. The theoretical underpinnings together with relevant literature will be reviewed and gaps identified. Justifications will be provided to support these constructs.

## Relevant Literature, Theory and Hypotheses

Shimp and Sharma (1987, p. 280) defined consumer ethnocentrism as beliefs held by (American) consumers about the “appropriateness, indeed morality of purchasing foreign made products”. In addition, purchasing foreign products may be viewed as improper because it costs domestic jobs and hurts the economy. This tendency exhibits a positive, or favourable, predisposition toward products that originate from their own country and to reject imported products (Kwak, Jaju and Larsen, 2006). The purchase of foreign products may even be seen as simply unpatriotic (Shimp and Sharma, 1987; Netemeyer et al., 1991; Sharma, Shimp and Shin, 1995; Klein, 2002). Thus, the construct involved normative beliefs of ‘morality’ in buying behaviour. Lastly, consumer ethnocentrism is linked to country of manufacture cues (i.e. made in cues), captured by the CET scale (Shimp and Sharma, 1987; Sharma, Shimp and Shin, 1995).

Consumer economic nationalism is a concept distinct from consumer ethnocentrism and the ‘manufacture in’ country cues (Mort and Duncan, 2003). In addition, CENT values are relative to the concerns of country ownership and the business / firm nationality. Thus, these tendencies are conceptualized as ‘owned by’ country cues. Research has suggested that CENT is largely derived from the apprehension of economic power and security of a country (Baughn and Yaprak, 1996), the local industry / commerce (Reich, 1991) and lastly, country ownership (Mort and Duncan, 2003). Thus, this tendency exhibits a positive, or favourable, predisposition toward products that are owned by the home country and to reject foreign- owned products. It is important to note, however, that CENT is a construct clearly distinct from that of CET, however they are weakly correlated (Mort and Duncan, 2003).

The explicit recognition of country ownership and firm nationality importance has opened a new and essential avenue in COO research. This is fundamentally known as ‘country of ownership’ or the ‘ownership or owned by’ cue as proposed by Mort and Duncan (2003). Interestingly, the importance of the owned by cue and its uses has been demonstrated and emphasized through marketplace activity. In relation to the need and importance to support the interest of local ownership, interviews with current and past marketing firms in regard to Australian-owned companies such as Qantas, Herron and the Brisbane Broncos (Duncan, 1999; Thomas, 2001), all strongly confirmed that marketers and managers do in fact use or have used the ownership or owned by cues in designing, labelling, promoting and lastly, differentiating their product and services.

Past research have noted that the traditional COO cues assume a direct relationship between a consumer’s product judgement and their purchase behaviour (Klein et al., 1998; Klein, 2002). However, consumer attributes of nationalism, animosity and patriotism have suggested that such tendencies together with COO cues are able to affect buying behavior not just directly but also independently of product judgment (Klein et al., 1998).

The self categorization theory (SCT) describes in detail the cognitive, and perhaps underdeveloped (Haslam, 2001, p. 42; Hornsey, 2008), analysis of social categorization (Turner, 1985; Abrams and Hogg, 1999). The theory proposes that the importance of a social identity is context-dependent, hence with the importance of

that identity being dependent upon the particular social comparisons which are available in any given context (Oakes, Haslam and Turner, 1994).

The core of the SCT process is that of stereotyping and depersonalization of self-perception (Hornsey, 2008). The term depersonalization refers to a process through which cognition, perception, and behaviour is regulated by group standards (e.g. group norms, stereotypes or prototypes) rather than idiosyncratic personal standards (Turner, 1987; Hogg, 1992, p. 94). The process of depersonalization causes a cognitive redefinition of self (and others) which is psychologically real and identical with a particular social category of people (Hornsey and Hogg, 2000). Similarly, prototype based categorization focuses on traits or characteristics used as criteria to define what is considered or to be judge prototypical of a category (Rosch and Mervis, 1975; Rosch et al. 1976). Thus, consumers who are ethnocentric will be motivated to create distinction by favouring their own (domestic) products and discriminating other (foreign) products. Similarly, consumers who are economically nationalistic would discriminate and even boycott products from towards foreign countries or foreign companies. As such the following hypotheses are presented:

H<sub>1</sub> –CENT and CET will emerge as separate and distinct constructs in the model. They however are positively correlated.

H<sub>2</sub> – Product judgment of Australian brands and CET are held constant; CENT will have a direct and positive impact on the Willingness to Buy Australian Brands.

H<sub>3</sub> – Regardless, CENT will influence willingness to buy Australian brands independently of product judgment of Australian brands. That is, CENT will have no effect on product judgment of Australian brands.

H<sub>4</sub> – CET will be positively related to product judgment of Australian brands.

H<sub>5</sub> – CET will be positively related to willingness to buy Australian brands.

H<sub>6</sub> – More favorable product judgment of Australian brands will be positively related to willingness to buy Australian brands.

Recent findings in the literature have proposed that the concept of brand origin, also known as country of brand (Phau and Prendergast, 2000a; 2000b) is perceived to be influencing consumer evaluations and that the brand name itself, is noted to be an important cue in consumer decision making, in particular buying behaviour (Iyer and Kalita, 1997; Hulland, 1999). More importantly, the brand cues, brand name or brand image are claimed to be much more salient attributes than the original COO label (O’Cass and Lim, 2002). This means, when there is congruence between brand and manufacture cues, the latter cues will have no significant impact on consumer product or brand evaluation as the effect of the former cues are noted to be more superior (Thakor and Kohli, 1996; Phau and Prendergast, 2000a; 2000b; Hui and Zhou, 2003). As such, the following is presented:

H<sub>7</sub> – the effect of product judgment of Australian brands on willingness to buy Australian brands is stronger than the effect of CET on willingness to buy Australian brands.

The congruity theory elucidated by Osgood and Tannenbaum (1955) postulates that, because incongruent information creates dissonance, congruent information is preferred. It is expected therefore that consumer responses to congruent conditions will be more positive than those to incongruent conditions. Hence, if consumers

perceive a symbolic brand to be symbolic, they would have more favourable judgment towards the brand.

Findings have indicated that both symbolic and functional values can be embedded in a brand (Bhat and Reddy, 1998). The proposition that brands can be either symbolic or functional in their appeal to consumers introduces a number of interesting issues (Park et al., 1986) such as whether symbolism and functionality are two distinct concepts or are two ends of one brand concept continuum. According to Park et al. (1986) each of these concepts is uni-dimensional. Furthermore, brands should be positioned to appeal to either one of these types of needs (i.e. symbolic or functional), but not to both due to a number of reasons. Thus, Park et al. (1991) proposed that consumer's reaction to symbolic extensions of symbolic brands will be more favourable as opposed to their reaction towards functional extensions of symbolic brands. This proposition is summarised as follows:

H<sub>8</sub> – Consumers will react more favorably to the judgment of a “functional” (versus symbolic) brand when the brand reflects a “functional” (versus symbolic) concept than when it reflects a “symbolic” (functional) concept.

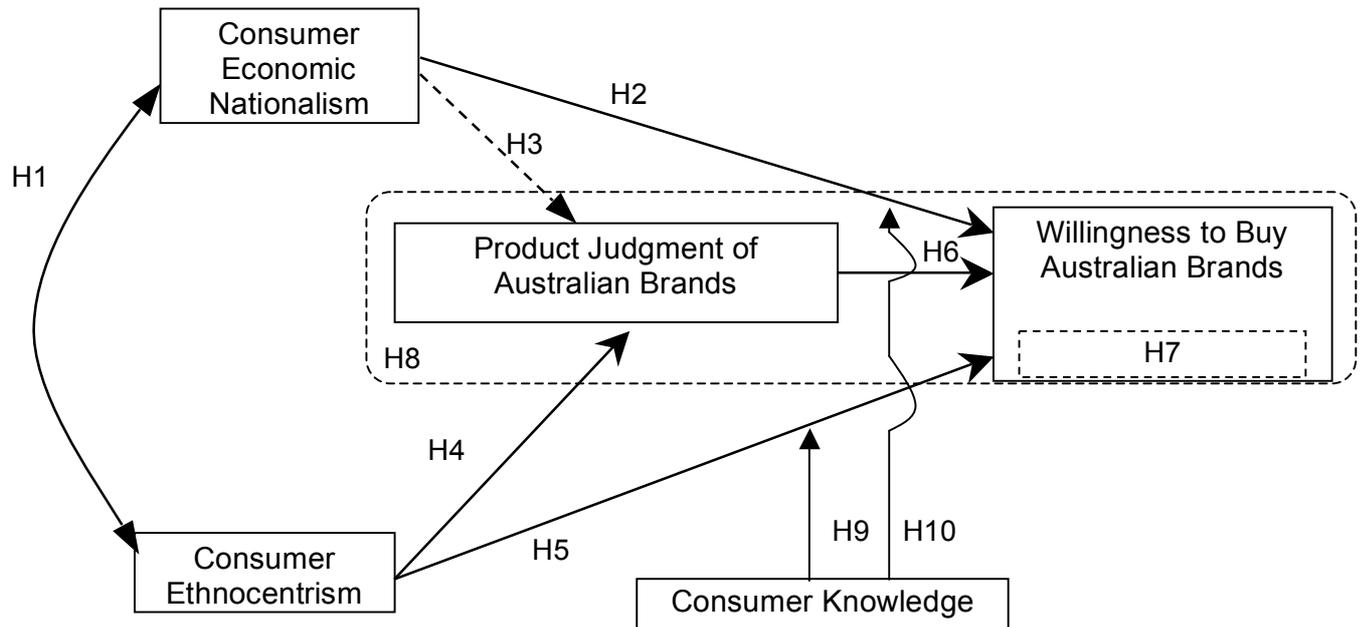
Confirmation bias is a type of statistical bias describing the tendency to search for or interpret information in a way that confirms one's preconceptions (Nickerson, 1998; Gilovich, 1993; Kotler and Gertner, 2002; Fugelsang et al., 2004). The theory explains that decision makers have been shown to actively seek out and assign more weight to evidence that confirms their hypothesis, and ignore or under-weigh evidence that could disconfirm their hypothesis (Mynatt, Doherty and Tweney, 1977; Nickerson, 1998). An outcome like this may result in a notion of overconfidence, induced by the confirmation bias process which would lead to a person believing in something that is more likely wrong than right (Bollinger et al., n.d; Fiske, 1980; Ofir and Simonson, 2001; Fugelsang et al., 2004; Ofir and Simonson, 2006).

For instance, when a product brand is manufactured in the home country however, owned by another country is introduced to a consumer who has economic nationalistic tendencies and/or ethnocentricity, the consumer would then unknowingly seek evidence to confirm rather than to deny their hypotheses. In other words, the consumers would resist changing or adjusting their cognitive structures or prior knowledge about that product brand and simply accept their “new idea or perception” by ignoring the fact that the product is part foreign. This proposition is summarised in the following hypotheses:

H<sub>9</sub> – Consumer knowledge moderates the effect of CET on willingness to buy Australian brands. More specifically, the effect of CET on willingness to buy Australian brands is stronger when consumer knowledge is high than when consumer knowledge is low.

H<sub>10</sub> – Consumer knowledge moderates the effect of CENT on willingness to buy Australian brands. More specifically, the effect of CENT on willingness to buy Australian brands is weaker when consumer knowledge is high than when consumer knowledge is low.

**Figure 1 provides a research model developed for this study.**



### Conclusion

The preceding discussion provides a sound theoretical framework and highlights the implications between the various COO cues and constructs (country of ownership, country of manufacture, country of brand, consumer economic nationalistic tendencies and consumer ethnocentric tendencies) and the impact these cues will have on consumer’s product judgment of Australian and their willingness to buy Australian branded products. In addition, the research framework provides an understanding of the level of consumer knowledge and brand concepts associated with the confirmation of purchase based on the significance of each independent COO cue. The next step is to design a research methodology to further test these hypotheses.

The initial significance of this study highlights new insights into the effects of the various proposed COO cue or constructs on the product judgment and purchase intention within the context of consumer behavior marketing, branding and related divisions. One of the primary objectives for the study is to develop and validate a measurement scale- “Consumer Economic Nationalistic Tendencies” (CENT-SCALE), which will add significant methodological contribution to the area of COO study. Further scales and measures can be developed or adopted from existing literature to ensure validity and reliability. There are several key managerial contributions. Country of ownership is an important cue for consumers in their purchase decisions is a crucial one and has many “educating” implications for managers and researchers alike. As such, important implications for marketing, and management practices, especially the strategies should incorporate the ownership cue. Contributions also exist for the COO, social and consumer marketing literature. As this area of research has focused much on empirical studies such as product evaluations and behavioral intentions, most COO studies do not have a strong overriding theoretical background perspective. This study has the potential to open a

new area of research, in order to examine the plausible method(s) of how theoretical concepts and constructs can affect future literature in this field.

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