

THE INTEGRATION OF PRODUCT-COUNTRY IMAGE AND FOREIGN DIRECT INVESTMENT SITE EVALUATION: AN EXPANDED MODEL

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ABSTRACT

Similar to products, countries also have images that often produce product associations. A country adds credibility to a product identity and generates a strong product personality that provides both a quality cue (e.g., Lowenbrau – engineered in Germany) and an important point of differentiation (e.g., Eugene de Paris – So French, So Rare) (Aaker 1996, p. 169). Countries, when associated with products or when viewed as investment products on their own, hold positive and/or negative images that may induce purchase and investment choices (Papadopoulos and Heslop 1993). From the manager's perspective, therefore, "countries are 'products' whose image may impact the choice among alternative locations" (Wee, Lim, and Tan 1993, p. 312).

Past research generally focused on the use of a country image as an external cue in forming consumer attitude and purchase intention (e.g., Bilkey and Nes 1982; Chao 1989; Han 1989), yet little emphasis has been given to product-country image (PCI) as an internal force in managerial decision. We attempt to redress this lacuna by proposing a model that employs PCI as an element in the managerial decision to invest in foreign production locations. The model integrates PCI into decision making to better discern why and how PCI influences marketing managers' foreign direct investment (FDI) site selection decision.

While managers face countless decisions when immersed in international marketing, production location is perhaps the most costly and most challenging to change once decided. The rapid increase of FDI worldwide, 19 percent growth rate during the 1980s (Khambata and Ajami 1992), and the high percentage of worldwide trade accounted for between units of MNEs, e.g., 29 percent of United Kingdom exports and 50 percent of UK imports (Beamish, et al. 1994), speak to the importance of FDI

decisions for both countries and companies.

We begin with a review of the PCI literature and the initial, limited definition of country image as the "made-in" label. In this review we highlight the call for research investigating managerial implications of PCI (Samiee 1994; Schooler 1965). An overview of foreign direct investment (FDI) research and the discussion of an existing FDI model follows (Wheeler and Mody 1992). We then propose a new framework that combines PCI information with the existing FDI model and suggest propositions for testing the framework.

There are numerous managerial applications for the proposed model. Managers operating in the international setting do so outside the familiar domestic settings and have few guidelines to use in decision making. The development of decision models, such as the one presented here, will aid managers in overcoming a process that is often nonsystematic and based on little information (Kobrin, et al. 1980). In the proposed model, managers will have a systematic approach to bring consumer perception into the FDI location decision process.

Managerial realities such as the recent public pressure and subsequent re-negotiations of Nike labor agreements in foreign sub-contractors, the alleged child labor practices of Adidas soccer ball manufacturers in India, and the Kathy Lee Gifford scandal illustrate the impact of PCI on consumer perception and the need for PCI studies to assist managers in developing strategic initiatives. One specific research question is: to what extent can positive PCI overcome negative rankings in other areas, i.e., political risk and labor relations, in choosing an FDI site? The complexity of the global environment and increased international competitiveness demand future studies asking similar questions and proposing appropriate models for decision makers outside the U.S. (Wee and Paloheimo 1989).

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