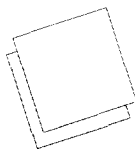


An executive summary for managers and executive readers can be found at the end of this article



At your service! Does country of origin research apply to services?

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Abstract *The objective of this paper is to examine the country of origin (COO) research as it applies to services. This stream of research has seemed to focus on products since the 1960s, but has been applied to services in only a very few areas. This dearth of research is surprising as trade in international services has increased greatly in recent years and continues to grow. This study thoroughly examines the related journal articles and attempts to answer the question: "Does COO research apply to services?" Our investigation found three classes of literature focusing on services, and details the studies in each. The study concludes with recommendations for future research.*

Trade in goods

World trade in services currently accounts for about 25 per cent of the value of all global trade, and has been growing faster than the trade in goods (Kotabe and Helsen, 1998). Total world trade in services exceeded \$1.3 trillion in 1997, an increase of 3 per cent from the previous year (World Bank, 1999). Services now account for over 70 per cent of production and employment in many developed countries (Moore, 1999).

Even in two countries best known for trade in goods, South Korea and Singapore, service exports have grown faster than goods exports, by 5 per cent and 2 per cent respectively, since 1990 (Moore, 1999). Firoz and Maghrabe (1994) emphasize that the service economy is also important in the economic development of Third World nations. Developing nations have attained a growing share of world trade in services, expanding from 17 per cent in 1980 to 20 per cent in 1997 (World Bank, 1999).

In the USA service exports exceeded \$263 billion in 1998, and provided the USA a positive balance of payments of \$82 billion (US Census Bureau, 1999). This offset about 40 per cent of the trade deficit in goods during that year. Services today account for over 60 per cent of gross domestic product (GDP) in the USA, and about 80 per cent of the labor force is employed in service industries (Slater, 1998). Rearden *et al.* (1996) state the USA has had a competitive advantage in world trade for services, citing the work of McKinsey and Co., among others. For further information on US trade in goods and services from 1960 to 1994, see Javalgi *et al.* (2000).

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The Uruguay Round of the World Trade Organization in 1986 was a significant event because it began to reduce previous national restrictions placed on the marketing of international services (Fieleke, 1995; Almi, 1994). The agreement was expected to increase international trade and the growth of the world economy, and decrease the likelihood of trade wars (Almi, 1994). The increased level of world trade in the 1990s appears to support this. The USA has entered into over 200 international agreements during the past ten years (Robb, 1998). NAFTA gained the most attention of any trade agreement, and has been effective in promoting trade in both goods and services in North America (Sowinski, 1999). Gooley (1997) reports large import and export trade growth attributable to NAFTA, and that NAFTA greatly reduced the impact of the Mexican currency devaluation of US exporters.

International trade

Other services are becoming important in international trade. The greatest growth in US service imports occurred in training, legal, advertising, computer/data processing, travel, and sports and entertainment services; export growth occurred in health care, management, legal, agricultural, accounting, travel, and data base/information services (Fieleke, 1995). Growth has also occurred in business-to-business and internal marketing. Many business services are now provided to the headquarters unit from subsidiaries in other countries. Ireland is now a major supplier of data processing and data entry services (Anthes, 1991; Eckerson, 1989), and India a source for medical transcription (Jordan and Hilsenrath, 2000), computer programming, computer-aided-design and other high tech services (Vijayan, 1996; Eckerson, 1989; Wheatley, 1997), as is China (Warner, 1985; Wheatley, 1997).

Despite the increasing importance of global trade in services, relatively few studies have considered this issue. Knight (1999) found only 124 articles published between 1980 and 1998 in a review of over 30 journals. Grönroos (1999) examined strategies to internationalize services, and concluded that whatever entry mode is used, the service provider will need to convince the local consumer to purchase from a foreign firm. However he did not address the issue of country of origin (COO) as it applies to services. Samiee (1999) comments on the lack of information on international services marketing.

COO effects

Because so little research has been undertaken, this study was completed to review the COO literature that specifically applies to services. While the existing literature focuses primarily on the COO effect on product image, at least a few studies included a services category or service component. In this study we will attempt to determine if COO effects apply to services as well as to products.

To ensure a complete literature review we reviewed marketing and general business journals over a 20-year period for articles relating to international services and COO. This methodology is similar to that methodology of Samiee and Jeong (1994), though they reviewed marketing and advertising journals over a 12-year period. The set of journals reviewed was expanded to include additional international journals, including several published in the UK. The list of journals reviewed:

- *Columbia Journal of World Business;*
- *European Journal of Marketing;*
- *International Journal of Advertising;*
- *International Journal of Retail & Distribution Management;*

- *International Marketing Review*;
- *Journal of the Academy of Marketing Science*;
- *Journal of Advertising*;
- *Journal of Advertising Research*;
- *Journal of Business Research*;
- *Journal of Consumer Marketing*;
- *Journal of Consumer Research*;
- *Journal of Global Marketing*;
- *Journal of International Business Studies*;
- *Journal of Macromarketing*;
- *Journal of Marketing*;
- *Journal of Marketing Management*;
- *Journal of Marketing Practice: Applied Marketing Science*;
- *Journal of Marketing Research*;
- *Journal of Services Marketing*;
- *Journal of Professional Services Marketing*;
- *Journal of Retailing*;
- *Marketing Intelligence and Planning*;
- *Management International Review*;
- *Service Industries Journal*;
- *Services International Review*.

A set of characteristics

For this study, cross-national is defined to be any research that studies comparisons of producing (source) or consuming countries. Services are seen as a set of characteristics including performance, not output, as the task and consumer involvement in production (Lovelock, 1991; Lovelock and Yip, 1996). We identified three primary categories of studies:

- (1) COO and supplementary services (e.g. warranties);
- (2) cross-national or cross-cultural comparisons of services; and
- (3) COO studies of direct services. Both studies of consumer services and business-to-business services are included.

The initial research also identified several categories that were inappropriate for our purposes. We did not include studies that use the quality of product service (good/poor) as a cue for satisfaction. These studies are not included, as the service rating is not used as a cue to be manipulated but is merely a result, a consumer response to a COO cue. Examples include Papadopoulos *et al.* (1989, 1994), who consider service as one of 21 items in a semantic differential scale. Han and Terpstra (1988) consider service as one of six quality criteria.

COO studies

Marketers have used consumer perception of COO to promote products for many years. Morello (1993) reports that "Made in ..." labels have been

Evaluation of products

used for over 100 years. Studies of the COO effect in the marketing literature began in the 1960s: e.g. Schooler (1965) and Rierson (1966, 1967).

Many studies find that COO influences the consumer. Yoo (1992) found that 22 of 25 studies showed significant COO effects, and four major review articles have confirmed the relationship: e.g. Bilkey and Nes (1982), Ozsomer and Cavusgil (1991), Peterson and Jolibert (1995), and Al-Sulaiti and Baker (1998).

Bilkey and Nes (1982) reviewed 25 studies and concluded that COO affects evaluation of products in general, specific classes and types of products, and brands. None of the studies they reviewed, however, considered services. They did set the stage for refinements in COO studies by pointing out three methodological limitations of previous studies:

- (1) they were based on a single cue, COO;
- (2) the studies offer only a verbal description of the product, no sample or visual representation; and
- (3) reliability and validity were seldom demonstrated in the studies. Many studies during the following years began to address these concerns (Papadopoulos, 1993).

To improve the applicability of COO to services marketing, the treatment of COO not as a single cue, but as one among an assortment of cues is especially important. Several subsequent studies were improved to include supplementary service variables as an additional cue.

Ozsomer and Cavusgil (1991) reviewed an additional 20 studies published after Bilkey and Nes (1982), and recommended future studies consider the influence of marketing activities and the marketing mix on COO. Among these marketing activities mentioned, and especially important to this paper, are supplementary services such as warranties and service contracts.

Analysis of 52 COO studies

Peterson and Jolibert (1995) analyzed 52 COO studies in an effort to find a quantitative measure of the COO effect. They found COO accounted for 26 per cent of the variance in quality perception and purchase intent, which they consider a strong result. They cite Cohen (1988), who would classify this as a large effect size, indicating that COO impacts on both quality perception and purchase intent; though the relationship is considerably stronger (0.30 to 0.19) for quality perception. None of the papers they reviewed were of services, though some considered services as an additional cue, covered in this paper as "supplementary services".

The latest review article, Al-Sulaiti and Baker (1998) analyzed 99 COO studies, and found only seven that involved services. They commented on the few studies of services completed to date, and on the focus of those studies on western or developed countries.

The topic of COO continues to be of importance, with studies of hybrid products entering the journals. Laskey and Seaton (1995) found country of assembly and country of component manufacture important attributes to consumers evaluating automobile purchases.

Findings

This review identified 19 studies that fell primarily into three categories:

- (1) core services, such as medical care or travel services;
- (2) supplementary services provided to enhance the value of a product, such as a warrantee or guarantee; or

- (3) cross-national service comparisons, where services produced and consumed in individual countries are compared.

Core services by country of origin

Ofir and Lehman (1986) studied European ski vacations by surveying 296 skiers at a ski show in New York State. The consumers, all US citizens, were asked to compare Ski Resorts in Switzerland, Austria, and France. These countries were considered important as Swiss Air had begun a marketing effort in the USA, several major French ski resort owners had previously joined with Air France to establish a company to compete for international business, and Austria was considered an important competitor. They found significant differences in the attitudes of US consumers toward resorts in Switzerland versus resorts in France. The Swiss were considered more friendly, honest, challenging and romantic, while the French were considered more modern, entertaining, and expensive. They conclude that when brand names are not well known, COO may be more important than brand image for a resort.

Study of services by COO

Although this was the first study of services by COO, the word "service" is not used in the article. The authors used ski vacations as a "product" category, in which the COO could be expected to have a significant impact in determining choice as Americans are not familiar with the European resorts and they are commonly promoted by trade associations.

Kraft and Chung (1992), in a business-to-business marketing study, evaluated firms offering export assistance to other businesses. They found Korean importers rate Japanese export services as superior to the US on most dimensions. Japanese firms were judged superior in reputation, negotiation style, consumer orientation, and cultural awareness. US firms were judged slightly superior in personal communication and also rated more highly in exporting finished goods than raw materials.

Shaffer and O'Hara (1995) examined US legal services from the viewpoint of immigrants. The immigrants were identified from an immigration attorney's mailing list. In one study the participants were divided into groups based on the power distance (Hofstede, 1983) in their home culture, high or low. Those from higher power distance countries were more likely to expect the service provider to participate in unethical activities, and less likely to trust that service provider. They also found that the characteristic of an individualistic or collectivist culture (Hofstede, 1983) would affect trust and ethical perceptions. People from low individualistic countries expressed less trust of professional service providers and were more likely to expect them to engage in unethical actions.

Retailer services examined

Lascu and Giese (1995) examined retailer services, and in the first study of retailer COO, asked US consumers to compare hypothetical German and Mexican retailers that were considering expansion into the USA. The results were somewhat as anticipated, the German retailer would be expected to have better product offerings, service, and advertising; the Mexican retailer would have lower prices and larger discounts.

Harrison-Walker (1995) examined perceptions of ophthalmologist services in the USA, asking consumers to evaluate foreign business owners. Ophthalmologists were identified by Japanese, US, Spanish, or Indian surnames. The study found that when the consumer recognizes the COO, nationality bias does play a role in choice of service provider. When the nationality of the provider and consumer were the same, this worked to the

advantage of the service provider. When the nationalities did not match, the service provider was at a disadvantage. Other variables, such as service level and information included in advertising, could partly overcome this disadvantage. While this study was of service provider ethnicity and not COO, it still adds to our knowledge of consumer reaction to COO.

Bruning (1997) found COO second only to price in a study of consumer airline preference. Consumers were found to prefer their own country's air carrier, but would switch to another nation's carrier if they received a price or service advantage. Consumers were quite sensitive to price differences between medium and low levels, less sensitive to price changes between high and medium levels.

COO second only to price

These studies are detailed in Table I, and the results of the studies appear to be similar overall to those for products. Consumers preferred services from their own country, the more economically developed country, or the country with closer cultural distance (Hofstede, 1980). Further research is needed to determine if services act as products in other ways and in what situations they might differ.

Supplementary services

Supplementary services are those provided along with the sale of products, and are also called "product services" (Nicoulaud, 1989). These services included warranties, guarantees, extended credit terms, or help lines to aid customers. Lovelock (1994, 1995) emphasized the importance of supplementary services, especially in developing competitive advantage in mature industries. Many services, including telecommunications (Keck and Kuehn, 1998) and banking (Tannous and Sarkar, 1993), depend on supplementary offerings for competitive advantage.

Providing supplementary services may provide a firm a competitive advantage (Lovelock, 1994, 1995; Anderson and Narus, 1995). Consumers today face an ever growing number of alternate choices in their decision

Reference	Service	Country of origin (COO)	Country of consumption (COC)	Subjects
Ofir and Lehman (1986)	European ski vacations	Switzerland France Austria	USA	Ski show attendees
Kraft and Chung (1992)	Exporting firms	Japan USA	South Korea	Firm purchasing managers
Shaffer and O'Hara (1995)	Legal services	USA	Comparison of consumers from high v. low power distance countries	Clients of an immigration law firm
Lascu and Giese (1995)	Retail stores	Mexico Germany	USA	Consumers in an east coast city
Harrison-Walker (1995)	Ophthalmologist services	India USA Japan "Hispanic"	USA	Undergraduate business students
Bruning (1997)	Airlines	Canada USA Mexico	Canada	Prospective travelers

Table I. Core services by country of origin

Supplementary services are important

making process (Netemeyer *et al.*, 1991). Two major factors drive companies to provide services:

- (1) to offer a competitive advantage as products and prices become similar; and
- (2) concerns about purchasing from a foreign supplier, especially in regards to adequate follow-up and after sale activities (Hise and Gable, 1995).

Whitley (1991) finds customers are more likely to switch suppliers because of service concerns than price or product issues. Quinn and Humble (1993) find superior service quality a differential advantage leading to superior customer satisfaction. Pollack (1992) emphasizes excellence in customer service, noting the lack of it could be disastrous in international marketing.

Supplementary services are important in the internationalization process and this is especially true for businesses in Third World countries. Most consumers held negative images regarding Third World products, and supplementary services are necessary to reassure buyers. (Schooler *et al.*, 1987). "The customer service programs of international marketers can increase sales, reduce costs, improve bottom lines, build market share, and obtain a sustainable competitive advantage" (Hise and Gabel, 1995, pp. 151-2). Those studies that specifically addressed supplementary services are identified in Table II. The studies covered are those that utilized a supplementary service to a good. No studies considered a supplemental service for a core service.

Thorelli *et al.* (1988) examined the effect of COO, store image, and product warranty on:

- (1) product quality;
- (2) attitude toward the product; and
- (3) purchase intent.

They found product warranty significantly impacted on all three, and store image impacted on consumer perception of quality. Interaction effects between COO, store image, and warranty were also observed, though none were significant at the 5 per cent level.

Lee *et al.* (1992) examined personal computers and wall clocks, finding that both price and warranty had a greater impact than COO. The impact of warranty was greater for the personal computer, indicating that when the product is more complex, higher priced, or is a greater risk, a warranty becomes more important. They studied US consumers with South Korea and the USA as COOs.

Conjoint analysis

Ahmed and d'Astous (1993) studied consumers in Canada and Belgium, conducting a conjoint analysis with COO, brand name, price, and service level. All were significant at the 0.001 level, and some interaction effects were significant at the 0.05 level. Service level was of greater importance than price in both countries of consumption (Canada and Belgium) for automobiles.

Okechuku (1994) examined US, Canadian, German, and Dutch consumers for TV sets and car radios through conjoint analysis; warranty was an attribute for the television sets. While warranty was less important than the other attributes (brand name, COO, price, and picture quality) it did impact on the decision making process. German consumers, followed by Canadian

Reference	Service	Products	Country of origin	Country of consumption	Subjects
Thorelli <i>et al.</i> , (1988)	Warranty Retail store reputation	Stereo cassette recorder	Japan Taiwan	USA	Graduate students
Lee <i>et al.</i> , (1992)	Warranty	Personal computer Wall clock	USA South Korea	USA	Consumers
Ahmed and d'Astous (1993)	Warranty	Automobile	Japan Russia Canada or Belgium	Canada Belgium	Modified area sampling procedure
Okechuku (1994)	Warranty	Television sets Car radio-cassette players	Japan, USA, The Netherlands South Korea Germany Canada Mexico	US Canada Germany The Netherlands	Convenience samples
Ahmed and d'Astous (1995)	Guarantee	Household: Automobiles VCRs Organizations: Computers Fax machines	Canada Japan Mexico	Canada	Male adults or purchasing managers: Area sampling procedure
Ahmed and d'Astous (1996)	Warranty	Automobiles VCRs Shoes	Canada Mexico Japan Italy Mexico	Canada (Quebec)	Male adults, area sampling procedure
Ahmed <i>et al.</i> (1997)	Warranty or availability of exchange or refund	Automobiles VCRs Shoes	Mexico	Canada USA	Male adults, area sampling procedure
Ahmed and d'Astous (1999)	Satisfaction assurance	Refrigerators Cameras T-Shirts Automobiles VCRs Shoes	China Canada	China Canada	Male adults

Table II. Supplementary services

and then American, found the warranty more important than Dutch consumers.

Ahmed and d'Astous (1995) examined the effect of warranties for medium and high involvement products. The presence of the warranty was of much greater importance to household consumers than to organizational consumers. It also had more impact on purchase value than on perceived quality. The warranty was the most salient attribute determining purchase value of a VCR, and was second to country of assembly on the automobile.

Ahmed and d'Astous (1996) studied the effect of price and satisfaction assurance to determine if consumers will use this information in addition to brand name and COO in judging product quality and purchase value. The country of origin effect was split into country of design and country of assembly. They found satisfaction assurance, while a lesser factor in determining perceived quality, was the most important factor in determining purchase value. It was the most important factor for automobiles and VCRs, and second to country of assembly for shoes.

Ahmed *et al.* (1997) examined the perceptions held by US and Canadian consumers of products made in Mexico. They found country of design and

Price and satisfaction assurance

Comparison of Chinese and Canadian consumers

country of assembly the most important variables. Brand name, price, and warranty or exchange were of lesser importance in determining perceived quality or value. Warranty or exchange had more impact on product purchase value than on perceived quality, and greater impact on the higher technology products, automobiles and VCRs, than on shoes.

In a later study Ahmed and d' Astous (1999) compared Chinese and Canadian consumers, finding that Chinese consumers placed a higher emphasis on the price-quality relationship and a higher value on return or exchange policies for low priced items. This satisfaction assurance was of greater value on a T-shirt than on a camera or refrigerator purchase. The study also found satisfaction assurance was statistically significant on all six products examined, and had the greatest influence on perceived value of the T-shirt and refrigerator (both in China) and was the second most influential to country of assembly on the automobile (in Canada).

Cross-national services comparison

These studies compare the services of one country with those of another country by studying consumers in each country. These are not true COO studies, as individual consumers evaluate the services of only one country, and the services are evaluated by the consumers of only one country. As services are largely intangible and can not be easily stored and moved from one country to another, this comparison across countries might be useful as a surrogate for a comparison of services across countries, and some conclusions may be drawn. The services covered in the studies below receive government funding or support (e.g. medical, education, export support) and are "localized" by country. Few consumers would have had the opportunity to sample these services in more than one country. These studies are identified in Table III, and are explained below.

Comparison of export promotion services

Seringhaus and Botschen (1991) compared export promotion services in Canada and Austria. In Canada, export promotion is handled by a government agency, while a quasi-private sector organization performs the function in Austria. The study found that Austrian firms were more likely to use the service and to acquire exporting knowledge from external sources.

Schlegelmilch *et al.* (1992) compared US and UK family practitioners. They found no major differences in patient perceptions of quality, despite the differences between the medical systems of the two countries. They suggest the consumer's prior expectations, not the actual differences between the cultures, determine the evaluations.

Reference	Service	Country of origin and consumption	Subjects
Seringhaus and Botschen (1991)	Export promotion services	Canada Austria	Exporting firms with 500 employees or less
Schlegelmilch <i>et al.</i> (1992)	Physicians (family practitioners)	USA UK	Students
Ford <i>et al.</i> (1993)	Educational services	USA New Zealand	Business students
Edgett and Cullen (1993)	Educational services	Canada Scotland	Students
Ford <i>et al.</i> (1999)	Educational services	USA New Zealand	Business students

Table III. Cross-national comparisons



Comparison of Canadian and Scottish consumers

Ford *et al.* (1993) studied the quality of universities in the USA and New Zealand using SERVQUAL. Their study of undergraduate business students found the two cultures were quite similar; the only area of significant difference was in tangibles (equipment, facilities, and employee dress). Questions focusing on the ideal university showed US students held higher expectations than New Zealand students. Questions focusing on the service level found New Zealand students rated their current university more highly than US students rated their university.

Edgett and Cullen (1993) compared Canadian and Scottish consumers making a high involvement service decision, university attendance. Of 34 affective involvement variables included, 27 were significant, while of 21 cognitive involvement variables, 11 were significant. The findings appeared to support generally recognized difficulties in measuring and judging performance on service delivery, and the consequent influences of qualitative as opposed to quantitative factors.

In a later study, Ford *et al.* (1999) found that students in both countries were not getting what they expected from college education, a concern in a more competitive world with more non-traditional students. They also found interesting challenges in cross-cultural research, as a factor analysis of the research questions produced considerably different results in the two cultures.

Implications

This review of previous research would appear to have implications for marketing practitioners. Service marketers can anticipate that in many cases the concerns of consumers in other cultures will be similar to those in their home country. Consumers were remarkably alike in many countries in regards to the factors they considered important when evaluating services. For example, Schliegelmilch *et al.* (1992) found patients' perception of health care services in the USA and UK were essentially the same, and Ford *et al.* (1993, 1999) found consumers in the USA and New Zealand both rated institutes of higher learning weak in certain areas.

Concerns regarding COO

When consumers have concerns regarding a specific COO, which is commonly the case for developing countries, service providers should offer additional assurances, such as warranties or guarantees to overcome consumer concerns. In COO studies of both core services and supplementary services, the provision of additional services was found to influence consumer decision making. In core services, Harrison-Walker (1995) found that simply informing consumers of these extra services gave them a more positive impression of the service deliverer. In supplementary services, Ahmed and d'Astous (1996) found satisfaction assurance was the most important influence on purchase value. Ahmed *et al.* (1997) found warranty or exchange guarantees influenced purchase value more than perceived quality, but did not have as strong an impact as satisfaction assurance. Tan and Leong (1999) drew similar conclusions from their study of warranties on hybrid products, finding warranty and quality of warranty positively affected consumer quality perception and risk assessment.

Supplementary services were also found to be more important when products were more complex or technologically advanced. A satisfaction assurance or warranty was an important factor in determining value for cars, appliances, and electronic products for consumers in several countries. In one instance satisfaction assurance was a major factor for a non-technical product

(T-shirt). Perhaps a warranty is the most important supplementary service for technical products, and satisfaction assurance for non-technical products.

Producers of services originating in countries that have been tainted by negative COO effects will find professionals more willing to accept their offerings than non-professionals are. In their study of retail stores, Lascu and Giese (1995) found managers held higher performance expectations of a Mexican retailer, while clerical personnel held lower expectations. Similarly, in a business-to-business setting, Korean importers rated US exporters equal to Japanese in several categories. These professionals would consider US products despite lower overall consumer ratings of US exporters (Kraft and Chung, 1992).

Cultural sensitivity

There is also a need for local cultural sensitivity when supplying services in the international arena. Kraft and Chung (1992) found Korean businesses rated Japanese exporters higher for cultural sensitivity than US exporters, though the US firms were rated higher on negotiation style. McGee and Spiro (1991), among others, also found cultural differences. There is an opportunity here for firms to compete by addressing the needs of the local customer and their culture. Different promotional materials may be needed for each culture (Edgett and Cullen, 1993).

Conclusions

The question we originally asked was: Does COO research apply to services? After reviewing the existing literature our conclusion is – basically yes. Of the studies reviewed, several show that the relationship between COO and services appears similar to the relationship between COO and goods. Ofir and Lehman (1986) concluded that when brand names are not well known, COO becomes relatively more important in the evaluation. Lascu and Giese (1995) found consumers rated a developed country more highly than a developing country in most areas, except price. Studies offering consumers additional cues found that the COO effect lessened with the presence of additional information. These results are similar to the results for goods in international trade (Bilkey and Nes, 1982; Ozsomer and Cavusgil, 1991; and others).

Research methods

We might also ask to what extent services may be examined across countries, and find that research methods on services have often been used successfully across national boundaries. Researchers found tools of their own making, or previously developed instruments, worked very well among respondents from different cultures. Several studies used the same or similar questionnaires in different countries and sometimes in different languages to record data. More specifically, a study by Ford *et al.* (1993) found that the US developed SERVQUAL was generalizable both to studies of higher education and to consumer research in New Zealand.

Several studies cited the challenges in comparing services across countries. For example, Schlegelmilch *et al.* (1992) express concern about how similar their results appeared to be across cultures, considering the major differences between the medical systems of the USA and the UK. Because services are often tailored to each specific culture, sometimes a resident of one country may not have the opportunity to experience the service as it is constructed in another country, and would therefore have no basis for comparison. Educational and medical services vary by local custom, funding, and legislation. They often vary greatly from one country to another, and efforts to compare them may be constrained by culture, by differing service

concepts, and because customers do not have adequate knowledge regarding the comparability of services in the other country.

Future research

The lack of studies concentrating on international services by COO, coupled with the rapid growth of service economies, argues for the continuance of studies in this area. For this review we located only 19 papers comparing services by COO, and some of those studies considered a service merely as an additional cue moderating the COO-product relationship. The COO literature has looked at products from many different perspectives, and there are opportunities to extend further these perspectives to services. In addition, studies are needed to test if consumer perceptions of services parallel consumer perception for goods in all industries, or to identify industries that differ.

Classification schemes

Many classification schemes for services have been developed (Lovelock, 1983; Grönroos, 1990; and the more recent Lovelock, 1995). Research could be undertaken to determine whether or not COO affects services similarly in each category. The small number of studies of core services that we have identified prevented comparisons across service type in this paper. In the area of supplementary services, Anderson and Narus (1995) discuss the value of including certain services as standard as opposed to optional. This also could be explored internationally by COO.

Booms and Bitner (1981) describe services as having seven "Ps", an expansion from the accepted four Ps for products. The additional three are:

- (1) people, the service providers;
- (2) process, the act of providing the service; and
- (3) physical evidence, a physical symbol or result of the service.

How will these be perceived cross-nationally? Each could be examined according to COO.

Impact of nationalism

The impact of nationalism on COO varied in product research. Papadopoulos *et al.* (1994) found it greatly affected the decisions of purchasers in France, West Germany and The Netherlands, who preferred their own country's products over others. They found it did not hold for purchasers in Canada, the USA, and the UK, who rated Japanese products better than their own. Johansson *et al.* (1985) did not find nationalism among either US or Japanese consumers. Although nationalism appears to have declined in many industrialized countries, it seems to have increased in a number of developing countries. It might be worthwhile to now shift the research focus on nationalism to developing countries, or to the countries that were a part of the former Soviet Union.

Similarly, whether services are affected by national stereotyping could also be studied. Papadopoulos *et al.* (1989) found a complex relationship between national stereotype and product. Future research could determine if consumers evaluate services by national stereotype, and if the consumer's stereotype of a nation can be affected by services produced in that country.

Future research should also examine the areas in which greatest service export/import growth occurs, and what service is currently the largest traded internationally. Preble (1992) identified fast food as an area of growth that was dominated by US firms. Fieleke (1995) found US services trade growth occurred in advertising, health care, management, legal, agricultural,

Studies

accounting, data base/information, travel, and sports and entertainment services.

Another area for future research would be business-to-business marketing and internal marketing, where many business services are now provided to the headquarters unit from subsidiaries in other countries. In addition to Ireland (data processing and data entry services (Anthes, 1991; Eckerson, 1989)), India (medical transcription (Jordan and Hilsenrath, 2000)), computer programming, computer-aided-design, and other high tech services (Vijayan, 1996, 1997; Eckerson, 1989; Wheatley, 1997)), and China (computer services (Warner, 1985; Wheatley, 1997)), companies have contracted with Russia, China, and the Ukraine for space technology. These nations have reliable launch vehicles and can provide the service less expensively than western nations (Saunders, 1995).

The most recent area of product COO studies has examined percentage of content; products which may have parts made in several countries or that may have been manufactured in one country and assembled in another. The provision of services internationally might also come under percentage of content requirements and studies could examine consumer reaction to percentage of content labels.

Studies could also examine the effect of COO on consumer perceptions of quality, versus purchase intent. In their meta-analysis, Peterson and Jolibert (1995) found COO had a stronger impact on quality perception than on purchase intent, Ahmed *et al.* (1997) also found this in their study of supplementary services. Identification of how the COO cue can be used to affect both quality and purchase intent would be valuable to service providers around the world.

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This summary has been provided to allow managers and executives a rapid appreciation of the content of this article. Those with a particular interest in the topic covered may then read the article in toto to take advantage of the more comprehensive description of the research undertaken and its results to get the full benefit of the material present

Executive summary and implications for managers and executives

International trade in services is growing

World trade in services accounts for around a quarter of the value of all global trade, and has been growing faster than the trade in goods. Services account for more than 70 per cent of production and employment in many developed countries, and are also important in the economic development of third world nations. Developing countries' share of world trade in services expanded from 17 per cent in 1980 to 20 per cent in 1997. India, for example, is now an important source for medical transcription, computer programming, computer-aided design and other high technology services.

How purchasers react to the country of origin of a service

Despite these statistics, there has been little investigation of the way in which purchasers react to the country of origin of a service. It is well known that country of origin affects the evaluation of products in general, specific classes and types of product, and brands. Javalgi et al. attempt to determine, through an examination of the literature, if country-of-origin effects apply to services as well as products. The authors examine: core services, such as medical care or travel services; supplementary services provided to enhance the value of a product, such as warranties, extended credit terms or help lines to aid customers; and cross-national service comparisons, where services produced and consumed in individual countries are compared.

Core services

Consumers prefer core services from their own country, from more economically developed countries and from countries with a similar culture to their own. For example, air travellers generally prefer to use their national airline, but will often switch to another nation's carrier if it offers cheaper flights or better service. In these respects, there is little difference between consumers of core services and consumers of tangible products.

Supplementary services

Most consumers have negative images of products from developing countries, and supplementary services may be needed to reassure buyers. Supplementary services appear to assume greater importance when products are more complex or technologically advanced. A satisfaction assurance or warranty is, for consumers in several countries, an important factor in determining value for cars, appliances and electrical products.

Services produced and consumed in individual countries

When services produced and consumed in individual countries are compared, consumers are revealed to be remarkably similar with regard to the factors they consider important when evaluating services. For example, patients' perception of health care services in the USA and Britain are essentially the same and consumers in the USA and New Zealand both rate higher education institutions weak in certain areas.

Countries tainted by negative country-of-origin effects

When consumers have concerns regarding a specific country of origin, which is often the case for developing countries, Javalgi et al. recommend service providers to offer additional assurances, such as guarantees, to overcome consumer concerns. In country-of-origin studies of both core and

supplementary services, the provision of additional services is found to influence consumer decision-making.

When the consumer does not recognize the brand name of a service, he or she attaches greater importance to the country of origin of the service provider. The more information the consumer has about the service, the less importance he or she will attach to the provider's country of origin.

Producers of services originating in countries tainted by negative country-of-origin effects will find professional people more willing to accept their offerings than non-professionals are. Managers are more likely than clerical employees to believe, for example, that a Mexican retailer can offer high service levels.

The need for local cultural sensitivity

Javalgi et al. highlight the need for local cultural sensitivity when supplying services in the international arena. Korean businesses, for example, appear to rate Japanese exporters higher than US exporters for cultural sensitivity, although US firms are rated higher on negotiation style. Different promotional materials may be needed for each culture.

(A précis of the article "At your service! Does country of origin research apply to services?". Supplied by Marketing Consultants for MCB University Press.)