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# The region-of-origin effect on the preferences of financial institution's customers: Analysis of the influence of ethnocentrism



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**Summary** The financial crisis that started in the USA in 2007 has obliged many small financial entities in southern Europe to undertake mergers in order to comply with the stability and solvency policies established by the European Central Bank. In Spain, this situation has led to a profound restructuring of the financial system, obliging many of these institutions to decide whether or not to maintain their regional brand identity after such a merger. The purpose of this study was twofold: on the one hand, to analyze the importance customers attach to the origin of their usual financial institution and the relative utility they give to the three levels of brand origin presented: regional, national and foreign, and, on the other, to assess whether consumers' level of ethnocentrism modifies their preference structure and, if so, to identify the profile of the individuals composing each segment. The technique of Conjoint Analysis was applied to a survey of 427 customers. The results showed the bank's to be the attribute with the greater importance in forming customers' preferences than other characteristics of the institution such as the treatment by employees, the location of offices, the electronic banking services, and the number of social activities the entity carries out in the region. In addition, the respondents prefer regional brand origin over national and foreign. Both the importance and the utility attached to the regional brand origin increase with higher levels of consumer ethnocentrism. The findings of this study will serve to these entities as a guide for their decision-making regarding brand management.

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## Introduction

Research on the use of products' place of origin as a differentiation strategy has gained prominence in the field of marketing with the growth of the globalization and internationalization of markets. The place-of-origin (PO) effect is defined as "a set of strengths and weaknesses related to

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the place-of-origin that incorporates or subtracts the value supplied by a brand or service to the manufacturer and/or its clients" (Papadopoulos and Heslop, 2003). Although it is now a research topic in a period of maturity (Ahmed and d'Astous, 2008), there have been a steadily increasing number of studies devoted to it. In recent years, authors like Samiee et al. (2005), Usunier (2011) and Usunier and Cestre (2008) have questioned its importance in international marketing research. However, other authors argue for its relevance, affirming that PO continues to generate interest among scholars (Pharr, 2005; Herz and Diamantopoulos, 2013), and that there still remain issues to be investigated in greater depth (Jaffe and Nebenzahl, 2001; Papadopoulos and Heslop, 2003).

Among the main suggestions about the topics that research on origin should address are the need to focus on Brand Origin (BO) rather than Country-of-Origin (CO) (Samiee, 2011; Usunier, 2011), and the need for a better understanding of various CO dimensions and their influence on consumer behaviour (Kim and Park, 2010). The literature review carried out for this study allowed us to identify another gap in research, specifically, the analysis of the PO effect in different levels simultaneously, not only at CO level. In today's globalized market, a great number of products of different origins are available to consumers. In this context, PO could be evaluated in three levels: regional, national and foreign, all of which coexisting at the same time in the same markets.

Most studies have up to now focused on analysing the CO effect and its explanatory variables. For example, one can cite as recent studies in this area those of Godey et al. (2012), Claret et al. (2012), Lee et al. (2013), and Lagerkvist et al. (2014). There are also many studies with a regional focus, with the main reference being that of Van Ittersum et al. (2003) on potatoes and beer in regions of the Netherlands. Indirectly involving this effect, one might also mention agribusiness marketing work that has analyzed the valuations and preferences of consumers for the "protected denominations of origin" specific to certain regions (e.g., Herstleth et al., 2012; Caldas and Rebelo, 2013; Chamorro et al., 2015).

Nevertheless, very few works have combined the analysis of CO and Region-of-Origin (RO) simultaneously. While RO is a part of CO, it has special connotations, since regions are much more homogeneous in terms of human and natural factors than countries. Regional branding thus allows then the possibility of differentiating a product from both foreign and domestic competition (Bruwer and Johnson, 2010), especially in countries in which regions are highly heterogeneous.

Our literature review also highlighted a fourth gap in research: the RO effect in the services sector. Studies on PO have focused on industrial products (e.g., Ahmed and d'Astous, 1995; Edwards et al., 2007; Chen et al., 2011), and even more so on consumer goods (Gázquez et al., 2012; Claret et al., 2012; Lagerkvist et al., 2014). There are also studies that have combined PO with services, but all with a CO level focus, setting aside the RO level. Examples are: Kraft and Chung (1992) on B2B export assistance; Shaffer and O'Hara (1995) on legal services; Lascu and Giese (1995), Pecotich et al. (1996), Chaney and Gamble (2008) on retail services; Harrison-Walker (1995) on ophthalmology

services; Bruning (1997) on airline preferences; Ahmed et al. (2002) on cruise lines; Bigné and Sánchez (2002) on banks; Lin and Chen (2006) on insurance and catering; Roggeveen et al. (2007) on call service centres; Ferguson et al. (2008) on higher education services; and Gazley et al. (2011) on motion pictures.

The present study addresses three of those gaps: the emphasis on brand origin, RO in the services sector, and the study of different levels of brand origin simultaneously. Also, the role played by consumers' level of ethnocentrism is analyzed via a descriptive analysis. Specifically, the overall aim of the present study was therefore to analyze the preference structure of customers in choosing their usual financial institution. This allowed us, on the one hand, to assess the importance they assign to its origin and what level of brand origin gives them greater utility, and, on the other, to determine whether customers with different levels of ethnocentrism also have different preferences and, if so, to identify what is the profile of individuals within each customer segment.

To the best of our knowledge, the only previous studies on the origin effect that have considered the banking sector are those of Bigné and Sánchez (2002) and Tumpal (2014). Bigné and Sánchez (2002) found that the consumers of four countries showed a preference for their own country's banks as against foreign banks. Tumpal (2014) analyzed the importance that consumers give to three different aspects of a bank's origin: brand origin, headquarters location and employees nationality. There are other studies that have analyzed the selection criteria for financial entities, but they did not include the brand origin.

In terms of managerial implications, the motivation for this work is the great potential value in the present context of the transfer of the results to the Spanish financial sector. The financial crisis that began in the USA in 2007 with so-called "subprime" mortgages spread to the entire international financial system. It hit particularly hard at southern Europe's financial sector, obliging many small financial entities to undertake mergers in order to comply with the stability and solvency policies established by the European Central Bank.

Indeed, in the case of Spain, the number of financial institutions has been steadily falling. By 2012, the financial system consisted of 277 companies, of which 28.5% were national banks, 31.4% were divisions of foreign banks, and the remaining 40% were entities of the so-called Social Economy, i.e., savings banks and credit unions, which are typically very small in size and have a geographical scope primarily focused on one region of the country.

The restructuring in the Spanish financial sector has mainly affected this third type of institution, savings banks and credit unions, both of which are closely linked to their region-of-origin, and have fewer possibilities for reorganizing their accounts because their legal status limits their capacity to raise capital. In this situation, some institutions have chosen to undertake mergers that have resulted in a new entity, which, in most cases, has lost its link to any particular region. Others, however, have chosen to create the so-called "Institutional Protection Systems" (SIP's in the Spanish acronym). In this case, all the entities that become part of the integration process maintain their legal form, and can therefore either also maintain their regional identity

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