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The effects of COO on the Service Sector:

A Multidimensional Approach

by

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To my parents

My endless admiration

My profound respect

My deepest love

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Abstract

Within this new global configuration of businesses it can be observed that the international offer of services is a phenomenon in wide expansion. Currently, the service sector is the largest element in virtually all advanced countries and in most less developed nations. Despite the growing importance of the service sector in both emerging and mature markets and the unique challenges facing multinational service providers, research in international services marketing did not increase in proportion to its relative importance.

Additionally, even if the research on the Country of Origin effects is extensive on the manufacturing sector a very limited number of studies addressing the COO effects on the perceived quality of services were developed so far and all of them use this construct as a one-dimensional concept. This research comes to fill this gap and contribute to the COO literature in the service sector.

The primary purpose of this dissertation is twofold: 1. to present a completely new framework to investigate in a fine grained way how the Country of Origin construct acts on the service sector, breaking this construct in three sub-dimensions: Country of origin of service's know-how (COK), which refers to the country where the service is firstly conceived and where all the training processes and procedures to be applied in other countries are developed; Country of origin of personnel (COP), which refers to the origin of people offering the service; and, Country of origin of service-specific tangibles (COT), which refers to the origin of the tangibles used to offer a certain service; and, 2. to investigate how these sub-dimensions would influence, individually and together, the perception of quality of a service.

In order to achieve this purpose, based on a rigorous and extensive review of literature a set of hypotheses was developed to verify our multi-dimensional approach. Our original framework with the COO sub-dimensions was then empirically tested with four experiments and a survey specially designed for this research. Data were gathered from 718 Brazilian students in three different Universities located in two different States in Brazil.

All our results combined indicate that COO can significantly affect consumers' evaluation of perceived service quality and that this construct can and should be segmented in different sub-dimensions, since we have indeed verified clear effects of all sub-dimensions. COK, COP and COT each individually influenced the perceptions of quality which calls for the use of these sub-dimensions in further studies of the COO phenomenon. This new framework would allow both a more detailed approach to the COO construct and also a more manageable way to deal with this cue in different studies. This dissertation makes, then, several contributions to at least three important marketing research streams namely international marketing, consumer behavior and services marketing.

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Chapter 1 – Introduction/Overview of the study

1. Exploring the environment to ground the justification of the research

Several economic, political and societal phenomena are pressuring firms to develop their businesses in a global scale. Neither firms nor marketers can ignore the trends towards the constitution of regional unification blocks (e.g. European Union, Mercosur, North American Free Trade Agreement – NAFTA and Association of Southeast Asian Nations); the standardization of manufacturing techniques and service procedures; the increase of foreign investments; the expansion of world traveling; the increasing homogeneity of the demand, which makes markets at the same time more attractive and more accessible for foreign companies (Valdani, Guerini and Bertolli, 2000); the free flow of information (through the Internet, Intranets and global media) and the flow of labor and technology across borders (Alden, Steenkamp and Batra, 1999; Hofstede and Steenkamp and Wedel, 1999; Hassan and Katsanis, 1994; Mahajan and Muller, 1994).

Within this new global configuration of businesses it can be observed that the international offer of services is a phenomenon in wide expansion (Atuahene-Gima, 1995; Patterson and Cicic, 1995; Ekeledo and Sivakumar, 1998; Javalgi and White, 2002; Javalgi, Griffith and White, 2003). Currently, the service sector is the largest element in virtually all advanced countries' and in most less develop nations¹ (Aharoni, 1993; Patterson and Cicic, 1995; Clark, Rajaratnam and Smith, 1996). Even in countries best known for trade in goods, such

¹ Firoz and Maghrabe (1994) emphasize that the services play an important role in the economic development of Third World nations. According to data of the World Bank (1999) developing nations have attained a growing share of world trade in services, expanding from 17 per cent in 1980 to 20 percent in 1997.

as South Korea, services exports have grown faster than goods exports since the beginning of the 1990's (Moore, 1999).

After the Uruguay Round of the General Agreement on Tariffs and Trade (GATT) in 1986 several barriers to international trade of service have been reduced² (Fieleke, 1995; Almi, 1994) and new opportunities were opened to service providers. And in 1994 the first multilateral accord broadly covering global trade in services, the General Agreement on Trade in Services (GATS), was signed by 110 nations. Even though Clark and Rajaratnam (1999) stated that this agreement is not a completely free trade one being still much more limited than the agreement on the trade of goods (GATT), because it allows individual countries to specify which services they want to exempt.

Additionally, the establishment of the World Trade Organization (WTO) and its focus on internationalizing services has created several opportunities to deploy a broad range of services around the world (Javalgi and White, 2002).

Part of the growth of the international trade of services is due to local governmental deregulations in several different service sectors around the world that have resulted in policies and subsidies favoring service businesses (Kotabe and Helsen 1998), which not only boosted the creation of new jobs but also opened the doors of both developed and developing economies to foreign direct investment.

² It is important to point out that while the tariff barriers to the trade of services internationally have decreased in the last decade, the number of non-tariff barriers against them has increased (Javalgi and White, 2002). Just in the insurance industry, for instance, there are 26 barriers to trade globally that penalize foreign service providers (Zimmerman, 1999). Researchers suggested several actions to overcome these barriers and access foreign markets (Dahringer, 1991; Zimmerman, 1999), such as the borrow of country images to enhance the image of brands, e.g. the use of the British flag on Reebok's logo, even though the company is American (Baker and Ballington, 2002); or the development of superior service quality and superior management capabilities.

From the consumer perspective, changing demographics (e.g. increasing in the leisure time, in the education levels and in the participation of women in the workforce) created more demand for services ranging from the most complex, technology-intensive ones to the most basic ones (Javalgi and White, 2002).

And from the marketing professionals perspective, several protective measures in areas such as intellectual property rights, copyrights, patents, trademarks etc, increased marketers' confidence in taking their service offerings internationally.

All these things combined made the service sector account for approximately two-thirds of total global trade by the end of the 1990's (Kotabe, Murray and Javalgi, 1998). According to Ball et al. (2002) the total world trade in services exceeded \$1.3 trillion in 1999 and data from the World Bank (2000) show that services are responsible for almost two-thirds of the world's total output, and for over 75% of the employment in many developed nations (U.S. Census Bureau, 2006). Of particular note is that the services sector represents 80% of the \$2.1 trillion annual worldwide information technology spending (IBM Research, 2006; Massey, Khatri and Montoya-Weiss, 2007).

In this context, it is impossible to deny that services have, nowadays, a critical role for any economy in the world and, therefore, can no longer be viewed as peripheral activities supporting the manufacturing sector (Wirtz, 2000).

Despite the growing importance of the service sector in both emerging and mature markets and the unique challenges facing multinational service providers, research in international services marketing is not increasing in proportion to its relative importance (Samiee, 1999; Javalgi, Cutler and Winans, 2001; White et al., 1999; Katrishen and Scordis, 1998; Nicoulaud, 1989; Patterson and Cicic, 1995; Grönroos, 1999; Lovelock, 1999; Clark and

Rajaratnam, 1998; Li, 1994). In a review of the literature, Knight (1999) found out that only 124 articles on the subject were published between 1980 and 1998.

According to Berthon et al. (1999) the lack of research on international services has a direct relation with the difficulty and complexity related to their offering abroad due to their own particular characteristics such as intangibility, simultaneity, heterogeneity and perishability.

However, within the context of a clearly service-oriented economy, the need for the development of a research that could assess the aspects that can lead to the success of service firms in foreign markets cannot be ignored. For these reasons the service sector was chosen to be the target of this study. More specifically this research will try to verify the effect of the COO cue in the service sector testing if this cue can be broken down in different dimensions, and if the dimensions that will be defined specifically for the service sector have different impacts on the evaluation of the perceived quality of services by the consumers and/or behave differently in the service sector compared to the manufacturing sector.

This particular extrinsic cue was chosen because although all of the trends presented above lead to the idea of convergence, national economies and cultural structures still possess distinctive aspects that cannot be ignored. First, the economic activity of each country is a direct result of specific historical pathways that lead to distinctive institutional arrangements, where the intertwined effect of the role of the state, the nature of a product and/or service, the labor and capital markets, the corporate governance systems, the labor skills and the mechanisms governing employment relations create distinctive business infrastructures that make a country differentiated from the others in terms of its competitiveness level. This level, by its turn, influences critically the ability of the

companies to provide a certain product and/or service (Berger and Dore, 1996; Lane, 1995; Whitley, 1992; Ferner, Quintanilla and Varul, 2001).

Second, consumers from different locations and cultures have different needs and tend to assess information regarding products and services they intend to acquire also in distinctive ways (Hofstede and Steenkamp, 1999; Hassan and Kaynak, 1994).

And that is exactly where the Country of Origin cue begins to play its important role in the minds of the consumers, both in their assessment of the quality of products and services before their consumption (perceived quality) and in their actual decisions during the buying process.

According to some authors, COO can even be considered as the most important factor (single cue) when consumers are selecting some categories of products, such as wine, cigars or caviar (Keown and Casey, 1995) and this might also be true for some categories of services. A vast amount of research also suggest that more developed nations (from Europe and North America) tend to enjoy a favorable (positive) product/service/brand evaluation with respect to COO. Functioning this cue as a kind of insurance of quality and performance and being consumers more willing to pay extra premium price for products and/or services provenient from these countries (Kaynak, Kucukemiroglu and Hyder, 2000). Less developed nations, by their turn, tend to have negative product evaluation (Krishnakumar, 1986; Kaynak and Cavusgil, 1983; Hong and Li, 1992). Whatever the case is, a careful manipulation of the COO cue by marketers can certainly help them to obtain competitive advantage in international markets.

Therefore, under the COO reasoning, a global firm should either try to concentrate the production of goods or the design of services in developed countries or to adopt

countervailing strategies (Han and Terpstra, 1988), such as the use of a neutral brand (Tse and Gorn, 1992) or the offer of a discount on the price (Johansson and Nebenzahl, 1986; Nebenzahl and Jaffe, 1996) when producing in a low image country.

The problem is that COO effects are just somewhat generalizable across nations and cultures (Peterson and Jolibert, 1995), that is, although the COO effect based on stereotypes is universal, the degree in which it is applied on the evaluation of a certain service and/or product and the sensitivity to this information vary from place to place (Chao, 1989), and also vary according to the consumer level of expertise regarding the product/service. Amine and Shin (2002), for instance, showed in their study that people in the United States may perceive Korean products as being generally lower priced and of average quality, whereas consumers from Southeast Asian countries may regard Korean products as offering an attractive price-quality balance.

An important assumption of this study is that COO can be an even more relevant cue for services, than it is for goods, since due to the specific characteristics of services, such as intangibility and heterogeneity, it is impossible for consumers to access intrinsic cues in their evaluations leading them to rely only on the extrinsic ones to evaluate a service's perceived quality.

Additionally, Johansson (1988) stated that when technology is standardized and markets homogeneous there is little (or no) need for customers to use the COO cue. Reversibly, when markets are heterogeneous and products are sharply differentiated, the COO cue carries more significant and influential information for a consumer's decision process. In other words, consumers will be particularly likely to use the COO information when there are wide variations in a product and within a product category across countries.

Extending his logic, it can be stated that the impact of the COO cue can be even sharper in services, because the concept of variability is taken to a whole different level since it is known that it is almost unfeasible to establish a perfectly homogeneous pattern in the service delivery and since the quality and essence of services vary each time a service is provided.

When this variability is visible across countries the COO can become an extremely important cue to be assessed by consumers. However, if there is an extremely high variation in the level of quality of service even within a certain country, the COO labeling can become worthless, because people will simply disregard it (Johansson, 1988).

In this scenario, a deeper understanding of how country of origin images can influence consumer behavior towards a service is of extreme relevance for the formulation of better marketing plans, strategies and policies by multinational companies (Kaynak, Kucukemiroglu and Hyder, 2000).

2. Justification of the choice of International Sports Centers as the services to be used as a background for the empirical research

Among the international services that are being offered nowadays the choice of sport-related ones to serve as the background for the experiments sounded especially attractive for several reasons.

First, it is undeniable that sport plays one of the most significant roles in the everyday life of people around the world nowadays. In the current scenario it represents not only an entertainment, an occupation, a way of connecting cultures and a lifestyle per se, but also a

solid business. Additionally, sport businesses are increasingly taking their operations outside national borders, building global brands and developing modes of international operation. The trade around the globe of sporting goods, sports equipment as well as the construction of sports complexes and centers has become a multi-billion dollar business in recent years. Although there is some controversy concerning the actual size of the sports industry since estimates of spending in this industry are varied and diverse due to an unclear definition of what can be included in the sports industry³, official data from the United Nations (2004) estimate that sport-related turnover amounts to 3% of total world economic activity. In total, the global sports industry is valued by the United Nations at around US\$1.5 trillion (US\$600 billion just in the retailing of sporting goods), which would be equivalent of US\$240 for every single person on the planet. These numbers show clearly that not only the sports industry is significantly large, but also has the potential to influence consumption patterns of diverse products and services.

Nevertheless, the importance of sport is not restricted to the private and individual level, and each time more we see it spilling over to the public policy level. The main United Nations development agencies (UNICEF, UNDP and UNEP) have become in the last years increasingly involved in sport-related work incorporating sport in their programs to foster principles such as equity, inclusiveness and sustainability, reflecting the ideals of sport itself, where rules and conventions of games are designed to prevent unfair behavior. At the end, in essence, sport rewards hard work, teamwork and respect, and due to these underlying principles it has always been used to foster understanding among nations and more recently, it has become an important component in poverty reduction strategies.

³ Some include just the marketing of sporting events, sporting goods and sports facilities in their definition of the sports industry. Others include marketing of non-sport products at sporting events. And still others include marketing which uses sports figures as product endorsers in their definition.

Somehow, due this unifying profile and with the support of a worldwide network of communications and transportation (Chalip, Green, and VanderVelden, 2000; Delpy and Bosetti, 1998; Schaaf, 1997) the sport's influence spans across many spheres of activities becoming a component of culture, economic, and social powers in many countries (Anne and Chéron, 1990; Pitts and Stotlar, 2002; Pons et al., 2006). It is undeniable that North American sport organizations have led this development but companies in other parts of the world, such as Europe, are beginning to catch up on this trend.

From the media standpoint, sport attracts largest audiences than any other activity on the planet and is the subject of the world's highest value TV and communications deals, and the highest priced advertising slots. The TV rights to the last soccer World Cup and Olympic Games combined, for instance, were reported as being over US\$3.3 billion (Douvis, 2004).

Additionally, sport is among the mechanisms used to cultivate consumer self-images and identities. According to Haggard and Williams (1992) leisure activities - sport practice included - serve as self-affirmation functions and symbolize discrete sets of identity images that may motivate participation. Mullin, Hardy, & Sutton (2000), for instance, reported in their study that 40% of youths aged 10 to 18 years participate in sport for the image, while 35% of them participate to improve self.

Likewise, we cannot forget that although great part of consumer behavior is goal-directed, it also relates to experiences and processes (Bagozzi and Dholakia,1999), especially in the case of services and certainly in the case of sports.

So, instead of having just one single goal, a consumer might have a sequence of different goals that can be arranged in different levels (Bagozzi and Edwards,1998). Bagozzi and

Dholakia (1999) mention the example of a consumer that goes to a fitness center having the main goal of losing or maintaining her weight, but parallel to that uses the center to develop new friendships or simply to have a good time being all these goals interconnected among them. In such a more experiential multi-goal situation, practicing a sport would then help the consumer to get fit, make her look better and feel good, ultimately, increasing her self-esteem, social acceptance and so on.

Having this “experience enhancing” idea in mind, marketers are starting to look at fitness centers with different eyes. The number and diversity of fitness centers is augmenting. Although most people go to a fitness center for more or less the same reasons, that is, to get fit and stay healthy, the experiences of each person are likely to be very different, and depending on the nature of the interaction, these experiences are likely to influence their consumption behavior and loyalty towards a certain club.

Some decades ago, when the focus of going to a gym laid exclusively on bodybuilding, a fitness center was just some kind of a box with equipment in it. Currently, with the focus of fitness lying on overall wellness and experiences, a fitness center is not just a collection of equipment any more, it became a complex system that deals with health, wellness and social interaction.

This new profile was especially accentuated during the 1990s when a new perspective to exercise, fitness, and physical activity was sedimented by shifting the focus from intensive vigorous exercise to a broader range of health-enhancing physical activities. This came from an increasing awareness on the benefits of sport practice to health and the promotion of healthier lifestyles among consumers, especially in the higher income strata.

The perks of sport are evident. Research has demonstrated that virtually all individuals will benefit from regular physical activity (Surgeon General's report, 1996). On average, physically active people outlive those who are inactive, have less chance of developing chronic diseases such as diabetes, high blood pressure, or colon cancer, have more control of their weight, and experience a clear reduction of feelings of depression and anxiety at the same time that they feel an increase in their self-esteem (Kujala, Kaprio, and Sarna, 1998 ; Paffenbarger, Hyde and Wing, 1993). Regular physical activity also helps to maintain the functional independence of older adults and enhances the quality of life for people of all ages. (LaCroix et al., 1993). According to the report of the Office of Disease Prevention and Health Promotion at the US Department of Health and Human Services - Healthy People 2010 (2000) - the adoption and maintenance of regular physical activity represent an important component of any health regime and provide multiple opportunities to improve and maintain health. In the end, all adults could benefit from physical activities designed to ensure functional independence throughout life. (Brown, Sinacore and Host, 1995).

In a wider level, participation in physical activity and sports can promote social well-being, as well as, physical and mental health. Research has shown that students who participate in interscholastic sports are less likely to be regular and heavy smokers or use drugs and are more likely to stay in school and have good conduct and high academic achievement. Sports and physical activity programs can introduce young people to skills such as teamwork, self-discipline, sportsmanship, leadership, and socialization. Lack of recreational activity, on the other hand, may contribute to making young people more vulnerable to gangs, drugs, or violence (Kelder, Perry and Klepp, 1993).

A common term that is being more and more used to define sport practice is fitness. According to the American Public Health Foundation, physical fitness can be defined as a set of attributes that persons have or achieve that relates to the ability to perform physical activity. Performance-related components of fitness would include agility, balance, coordination, power, and speed and health-related components of physical fitness would include body composition, cardio-respiratory function, flexibility, and muscular strength/endurance. In holistic terms, fitness can also be considered a state of well-being that allows people to perform daily activities with vigor, participate in a variety of physical activities, and reduce their risks for health problems.

The breadth and depth of people's practicing sports has increased tremendously in different age and gender categories (Natarajan and Chawla, 1997). The age profile of the members on a fitness club has changed as well. Just to cite an example, only in the United States the senior market, composed by people with more than 55 years accounts for approximately 19.3% of the total market of club members (9.9 % in the 55-64 years group and 9.4% composed by people above 65) according to the Health Club Trend Report (HCTR, 2007). It is not a market as impressive as that composed by people between 35-44, which responds for 20.8% of the total members, or that composed by people between 25-34, which responds for 21.4% of the total market, but it is definitely a market with a different profile from that observed decades ago. Concomitantly women are becoming an attractive niche market for many health clubs as well, responding already for 47.8% of the total market (HCTR, 2007).

This change in the demographics of the fitness centers is reflected on the appearance of the clubs in general, that nowadays tend to have softer aesthetics, more open spaces and areas

for members to congregate and socialize, creating more of a community based and inclusive atmosphere. Additionally, fitness centers are gradually abandoning approaches such as “no pain, no gain” to concentrate on privacy, convenience, and increased awareness of the importance of the mind-body-spirit (MBS) mentality. This mentality is especially adequate to members from 35 and above that join a club not to get a perfect body, but instead, to be healthy or to start a new lifestyle.

It is important to point out, though, that although a gradative shift in the demographics is being observed there are still disparities in levels of physical activity among population groups still exist. The practice of sports is still less frequent among women than men, higher among younger adults than older adults, and higher among the more affluent than the less affluent. In general, also women and men perceive different benefits from physical activity, with men viewing such activity as competition and women as weight management (CDC, 2000).

The growth on the importance of sports’ practice is also largely being backed up by the increasing interest in developing a healthy style of life that is changing habits and uses in the society in general (Divine and Lepisto, 2005). Bloch (1984) defined a healthy lifestyle as an orientation toward the prevention of health problems and the maximization of personal wellbeing. While this could legitimately encompass a wide variety of behaviors most healthy lifestyle research has focused on diet and exercise (Kraft and Goodell, 1993).

In US alone the market for healthy products accounts for more than \$440 billion dollars in sales (Research Alert, 2004), which represents 4.2% of the American GNP. Regardless of which type of consumer is most responsible for driving demand for healthier products, it is clear that this demand has had a large impact on a number of industries. Nutritional

supplements have grown from a health store niche product to a \$19.82 billion category (Research Alert, 2004). And in the food industry, in general, health oriented products account for five of the seven food categories that experienced double digit revenue growth between 2003 and 2004 (O'Leary, 2005).

A review of the literature and different databases uncovered no prior research on what percentage of the population is currently maintaining a healthy lifestyle. However, the Center for Disease Control in the United States does publish research on both exercise and nutrition separately called the behavioral risk factor surveillance system (BRFSS). According to the BRPSS (2001-2005 – U.S. Physical Activity Statistics), 85,8 % of the population report that they engage in a regular exercise program; however, only 48.1% exercise at the levels recommended by most health organizations (i.e. five times a week for 30 minutes).

The participation in regular physical activity depends, though, in part, on the availability and proximity of fitness facilities and on environments conducive to physical activity. Studies of adult participation in physical activity have found that use generally decreases as facility distance from a person's residence increases (Sallis, Hovell and Hofstetter, 1990). People are unlikely to use community resources located more than a few kilometers away by car or more than a few minutes away by biking or walking.

The level of physical activity can be also dependent on a conducive familiar context that encourages a healthy lifestyle, on the educational environment at educational institutions with recreational programs that make the practice of sports more accessible and attractive to young people. On the infrastructure of a neighborhood that makes it easy and safe for

people to walk, ride bicycles, or arrive at close-to-home physical activity facilities. And on media campaigns that help motivate the practice of sports.

From all these reasons it can be seen that sports centers are inherently international by nature, are becoming each time more important for the society, are part of a bigger picture that is influencing major changes in consumer behavior and as essentially pure services, which point them as a perfect setting for the development of the experiments that intend to answer the research question of this dissertation.

3. Statement of the problem and purpose of the study

This study attempts to address the multidimensional nature of service/country concept. More specifically, the central focus of this research is to examine:

“How consumers would evaluate the perceived quality of a service with a multiple-country designation in terms of the core knowledge of the service (COK), the personnel who delivers this service (COP) and the tangibles used to support the offer of the service (COT)?”

Additionally, this research will try to verify how the multidimensional concept of the COO cue can act in a completely different way in services than it does in the manufacturing sector due to the intrinsic peculiarities of services.

The inspiration to break down the COO cue in different dimensions came from the literature in the manufacturing sector (Chao, 1993, 1995). Although some researchers contend that services are unique and, therefore, require completely new theories to explain

their operation (e.g. Johansson and Vahlne, 1990; Knight, 1999; O'Farrell et al., 1996, 1998), others contend that many of the underlying principles observed in the manufacturing sector are directly applicable to the service context (e.g. Boddewyn et al. 1986; Katrishen and Scordis, 1998) and, therefore, much research on services can and should be developed drawing from those previously developed on the manufacturing sector.

To date, several scholars have relied on relevant studies conducted within the manufacturing industry to explain the internationalization process of firms (e.g. Cavusgil and Naor, 1987; Bilkey and Tesar, 1977; Cavusgil et al., 1979; Boddewyn et al., 1986; Katrishen and Scordis, 1998). These authors contend that many of the underlying theories observed at the manufacturing sector are directly applicable to the service context. In their recent work, Javalgi et al. (2002), White et al. (1999) and Katrishen and Scordis (1998), for example, support the notion that the insights gained through research within the manufacturing sector may provide for a greater understanding of the internationalization of service firms. Even O'Farrell et al. (1998)⁴, concede that, while the process of internationalization may not be directly comparable across manufacturing and service contexts, some of the insights gained through research within the manufacturing sector may, indeed, help in the understanding of the internationalization of service firms.

This study supports the position that much of the manufacturing literature can successfully be applied in the service context, laying a strong foundation for the further extension and/or modification of the existing research to a multinational service context and this is also true for the COO effects.

⁴ Some of the authors that defend the development of completely new theories to the service sector.

Although the idea of breaking down the COO cue is drawn from the manufacturing sector literature, the dimensions that will be presented in this research are completely new and the original contribution of this study lies exactly in the development of these dimensions and in the verification on if they really have different impacts or not in the service that will be the target of the experiments of this research.

This study will focus on selected kinds of services, so it is important to emphasize that its future findings may not necessarily be generalizable to the service industry as a whole. So even if this research intends to be a departing point for the approach of COO in a multidimensional format, further research encompassing broader service firms will certainly be needed.

The contribution of this research is of extreme relevance for international service firms because, although the Country-of-Origin (COO) effect has been widely discussed hardly any has expressly dealt with "made in" effects on the consumers' evaluation of services. To date, there is very limited research about the relationship between COO effects and expected quality of services (Javalgi, Cutler & Winans, 2001), and to my knowledge, none of them applies a multidimensional approach of COO to assess this quality. This suggests that research on the implications of COO effects in services is still largely in an exploratory phase and that there is a gap calling for studies in the COO literature to analyze hybrid services.

The main purpose of this study is, therefore, to explore this gap presenting a suggestion of a framework of the impact of different dimensions of COO image on services' pre-consumption quality evaluations and also to verify to what extent the COO can be a barrier or an advantage to the inducement of internationalization of services. Therefore, this study

contributes to at least three important marketing research streams namely international marketing, consumer behavior and services marketing.

Chapter 2 - An Overview of the Service Sector and of Perceived Quality Issues

Introduction

Before we start dealing with the Country of Origin effects in the service sector we should study the characteristics of the sector. These distinctive characteristics, in fact, justify the possibility that the COO cue acts in a different fashion for services than it does for products.

1. Services: Characteristics, Peculiarities and Current situation

Along the years, services have been defined in a variety of ways, from broad to narrow and from discrete to continuous perspectives. Such spectrum, other than causing discrepancies between different studies on the service sector also contributed to blur data about the growth of the service sector and its impact on the economy (Zeithaml and Bitner, 1996). Although the understanding of the service sector is still evolving, its importance to a nation's economy is undeniable. According to Palmer (2001) national economies, especially in developed countries, have shifted from being production oriented to being service dominated. The service industry became of fundamental relevance within the economic system, being responsible for producing the highest growth in the gross domestic product of industrialized countries (Froehle et al., 2000). Other than steadily growing, the service sector is largely diversifying, including a wide range of activities that vary from global services to small regional companies and non-profit organizations.

Helped by innovative processes and propelled by new technologies that radically altered the way organizations can offer services to their clients, the sector has undergone considerable transformation. New services were developed, and the level of customization and involvement of clients in the development process allow providers a greater ability to match consumers' needs.

Before going any deeper on the state of academic research on the service sector it is important to go through the definitions and peculiarities of the services that make their investigation distinct from physical goods.

Through a review of the literature it can be seen that the lack of consensus on how to deal with services starts already on their definition.

While Murdick, Render, and Russell (1990: 4), for instance, define services in a very broad way considering them as *“economic activities that produce time, place, form, or psychological utilities,”* Quinn, Baruch, and Paquette (1987:50) provide a very detailed but narrow definition for them. Considering services as *“all economic activities whose output is not a physical product or construction, is generally consumed at the time it is produced, and provides added value in forms (such as convenience, amusement, timeliness, comfort, or health) that are essentially intangible concerns of its first purchaser.”* Levitt (1972: 41) assumes instead a radical position to approaching services stating that *“There is no such thing as a service industry. There are only industries whose service components are greater or less than those of other industries. Everybody is in service.”*

Two of the most recurrently used and cited definitions of services, though, are that provided by Lovelock and Wright (2001:5) and Grönroos (1990:27). The former considers a service

as an *“act or performance offered by one part to the other. Even if the process can be connected to a physical product, the performance is essentially intangible and, normally, does not result in the ownership of none of the production factors.”* The latter states that a service *“is an activity or series of activities that can be more or less intangible and that, normally, but not necessarily, are a result of the interaction between client and service employee and/or physical resources or products and systems of the service provider, that are developed as a solution for the client’s problems”*.

In simple terms, services can be seen as deeds, processes, and performances (Zeithaml and Bitner, 1996), which implies that they are not tangibles that can be seen, smelled, or touched. They include a vast range of activities that cover telecommunications, leisure, health care and education, among others. The distinction between goods and services is not clear-cut, therefore an easy dichotomy between manufacturing and service firms does not exist (Berry and Parasuraman, 1991).

As a matter of fact, finding an example of a pure good or of a pure service is extremely difficult, since the majority of goods contains significant service components and vice versa (Hoffman and Bateson, 1997). Most authors, nevertheless, state that products are mainly tangible while services are mainly intangible (Lovelock and Wright, 2001; Hoffman and Bateson, 1997; Grönroos, 1990). According to Etzel, Walter and Stanton (2001), it can be useful to think about every product as a mix of goods and services, located in a continuum that goes from mainly products to mainly services.

The organizations that offer services have a series of peculiarities that distinguish them from those that produce tangibles, consequently, it is expected that the role and activities that Marketing develops in such organizations have peculiar characteristics as well.

The differences between service marketing and tangible marketing deserve a closer look as well. According to Lovelock (1991) these differences can be put into two main basic dimensions. The first has to do with generic differences between products and services and the second one has to do with the context in which the marketing activities must be developed. These differences as summarized in the table bellow:

Table 1 - Differences between goods and services and their consequences to marketing

<i>Characteristics</i>	<i>Products</i>	<i>Services</i>	<i>Consequences to Marketing</i>
<i>Nature</i>	<p>Tangibles – Stimulation of the senses</p>	<p>Intangibles – need to be experimented. It is not possible to offer samples.</p> <p>Due to their intangibility services can be more easily modified than physical products, but this kind of modifications can be made in at the expense of customer service quality.</p> <p>Additionally they may be easily copied by competitors, and, since service developments are not patentable, copying is rarely preventable.</p>	<p>Promoting services tends to be more difficult than promoting products. It is necessary to offer some evidences to diminish the abstract nature of the service. Having pleasant facilities is a way to do that.</p> <p>Services cannot also be protected through patents and prices are often difficult to set</p> <p>Additionally, it is known that intangibility results in greater perceived risk in the purchase decision. Thus, it is expected that global managers also perceive more risk in exporting pure services than exporting services embedded in goods.</p>
<i>Pricing</i>	<p>It is easy to allocate the production costs and indirect costs, either administrative or structural to a product.</p>	<p>The price is highly correlated with the ability of the professional offering the service.</p>	<p>When there is a preference for a service company, the price tends to be high due to the limitation of time that the professional has to answer to the demand.</p>
<i>Heterogeneity</i>	<p>Can be divided in convenience goods, comparison goods and specialty goods.</p>	<p>The service sector has different modalities of services, but the heterogeneity occurs also within a certain modality.</p> <p>Since they are created and consumed at the staff-customer inter-face, the service experience is likely to vary each and every time. The degree of variation is likely to depend on the degree of standardization of the service and the amount of technology applied at the customer interface. Operationally, this requires, for example, constant emphasis on training and practice by supplier staff.</p>	<p>The services are not easily categorized due to their variability.</p>

<p><i>Involvement of the clients in the productive process</i></p>	<p>Until not long ago, it did not exist. Currently, especially on the B2B market, clients have the possibility to define several attributes of the products.</p>	<p>Consumers either take part actively on the development of the service or cooperate for its execution. They can interact not only with the professional that is delivering the service, but also with other clients.</p>	<p>The interaction provider x client is much more important with services than with products, because the clients in the majority of the cases take part in the process influencing directly the outcome of the service.</p>
<p><i>Quality levels and variability</i></p>	<p>Can pass through quality controls before arriving to the client. It is normally easy to establish a pattern of quality.</p>	<p>As services are consumed while they are being produced, there is great variability at the performance of a service, depending heavily on the people offering it and also on the consumer.</p>	<p>Investment in selection and training of people, development of thresholds of acceptable service and close monitoring of client satisfaction.</p>
<p><i>Inventories - Relationship between inseparability, simultaneity, perishability and demand</i></p>	<p>Goods are produced, stored, distributed and then consumed, being less dependent of demand fluctuations.</p>	<p>Services cannot be stored because they are produced and consumed concomitantly. If there is no demand, the services are lost. On the other hand, when the demand for the service exceeds the offer, services are also lost because it is not possible to answer to the demand of every client.</p>	<p>Strategies to reach the equilibrium: <i>From the demand side:</i> Differentiated prices, stimulation of the demand during the low-demand periods, complementary services and reservation systems. <i>From the delivery side:</i> Part-time employees, efficiency routines during high demand peaks, expansion of facilities.</p>
<p><i>Distribution Channels Structure</i></p>	<p>In most of the cases there is the need of different distribution channels for the products to reach the consumers.</p>	<p>Normally, the company establishes a direct contact with the client, with no need for intermediaries. The distribution channels are, actually, responsible for the spread of the processes (e.g. bank agencies)</p>	<p>Insurance companies and ticket sales companies are examples of special intermediaries that represent different service organizations. Sometimes customers find it easier to deal with intermediaries than to deal with the main service company.</p>

Source: Javalgi and White (2002); Johne and Storey (1998); Lovelock (1991:5-9; 2004); Dahringer (1991); Zeithaml, Parasuraman and Berry (1985) and observations of the author.

To sum up the table above, it can be stated that, in contrast to physical goods, which consumers can see, touch and hold, services are, by nature, intangible and due to their intangibility they cannot be readily displayed or communicated (Dahringer, 1991; Berthon et al., 1999). These issues make the observation of extrinsic cues - such as COO - particularly important for the assessment of the quality of a service before its actual consumption (Zeithaml, 1981).

Additionally, since services are basically performances or experiences and inherently involve some level of interaction, they cannot be standardized in the way that goods can. A service is therefore subject to some variation in performance, no matter how meticulously it is performed. According to Berry (1980) and Zeithaml et al. (1985) service quality variations can occur because of differences in the provider, consumer and quality control, which makes it impossible to fully standardize a service.

According to Lovelock (1991) great part of the heterogeneity of services is due to the wide range of options that the sector involves that range from services with a high degree of contact and customization (people based), such as legal services, to low degree of contact and customization, such as public transportation, passing through services of high degree of contact and low degree of customization, such as education, and those with low degree of contact and high degree of customization (equipment based), such as telecommunication services. The higher the degree of interaction between client and the service organization, the higher will be the chance that facilities and personnel become an important part of the service. Kellogg and Chase (1995) developed a measure to define the level of customer contact. Their work results in a model for customer contact consisting of communication

time, intimacy (or the degree to which the service episode exhibits mutual confiding and trust between service provider and recipient), and information richness (communication between staff and customer, speed of feedback, kind of language used in communication etc).

Nicoulaud (1989) suggests that services are more prone to variation when they are more people-based than machine-based, when the perception of performance (or production process) varies from customer to customer, and when the service performance varies for the same individual from day to day.

According to Hoffman and Bateson (1997) clients tend to wait for variations on the service delivery from one place to another or even from the same place in different occasions due to the heterogeneity of the services. Clients that accept this variation develop a tolerance zone (Figure 1) that either expands or contracts for different clients or for the same client in different situations, depending on the conditions in which the service is delivered. Other factors can also influence the amplitude of the tolerance zone, such as the price of the service, for instance, since as the price rises, the tolerance zone tends to decrease.

Zeithaml, Berry and Parasuraman (1993) point out some of the factors that influence clients' expectations towards the services, as can be seen in the figure below:

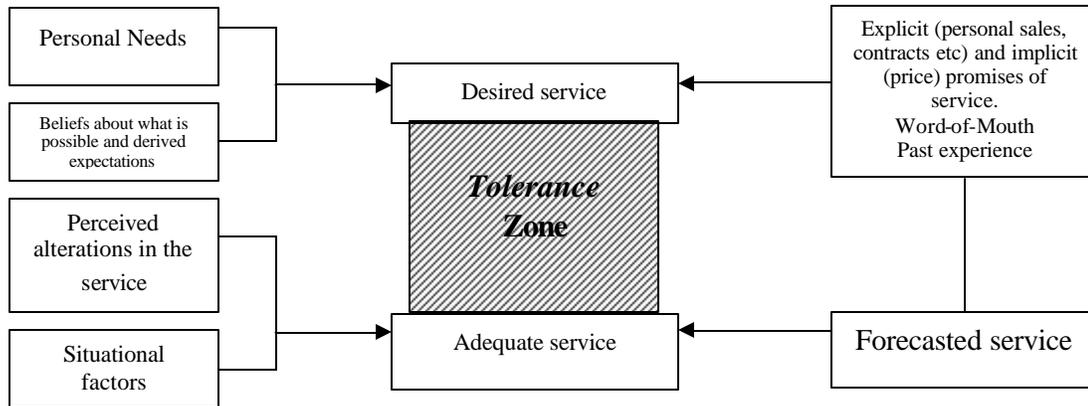


Figure 1 – Clients’ perceptions of a service

Source: Zeithaml et al. (1993)

In this figure, desired service is the wished quality level of a service that the client believes can be delivered; adequate service is the minimum quality level that a client is willing to accept without getting unsatisfied; forecasted service is the degree of service quality that a client believes that the organization will actually deliver; and, tolerance zone is the degree in which the clients are willing to accept variations in the delivery of a service. A service below this quality level will cause frustration and discontentment (Zeithaml et al.,1993).

If assessing the quality of services is not easy, performing this task with international services becomes even more complex. To figure out how this can be done it is important to assess the peculiarities of international services that distinguish them from domestic ones and to verify how these peculiarities affect the marketing activities of a company.

2. Going International: What does that mean from the Marketing standpoint?

Faced with saturation in domestic markets and lured by growth opportunities overseas, many service firms are expanding their businesses internationally (Bouquet *et al.*, 2004).

The service sector is experiencing an incredible growth world-wide, leading to an increased contribution in the economic setting in most nations. Many world-class providers of services, such as telecommunication providers, hotels, credit card companies and fitness centers, among others, are exporting information, knowledge and technology across the world (Ahmed et al., 2002). Services are no longer viewed as peripheral activities supporting the manufacturing sector; they have become instead a dominant economic force across the globe (Wirtz, 2000).

This clearly points to a change of paradigm in how firms are approaching the market and viewing their customers. According to Vargo and Lusch (2004) the mindset of marketers was for a long time guided by a model based on the Neoclassical economics which they called a Goods-Dominant logic. This logic considers as the primary focus of a firm the production of output that is sold to customers in a very fragmented process relegating services to a somewhat less important position of simply supporting the manufacturing sector. Nevertheless, with the increasing gain of importance of services the authors sensed that there was a need for a new mindset to take place, thus they developed a new logic, which they called the Service-Dominant logic. According to this logic it is not the transfer of ownership of output that is the most important thing, but the interaction itself between firms and customers within a continuous process. This view seems to be grounded in and largely consistent with the resource advantage theory (Conner and Prahalad, 1996; Hunt, 2000; Srivastava, Fahey, and Christensen, 2001) the core competency theory (Day, 1994; Prahalad and Hamel, 1990) and the relationship marketing principles (Gummenson, 1998), since it basically focus on the transferring the competences of the firms from their physical

assets to their knowledge (Hamel and Prahalad, 1994:202) having the customers and the interactions with them as the center of their efforts to deliver value to the market.

The main transitions between one mindset and the other are summarized in Table 2.

Table 2 – From a Goods-Dominant Logic to a Service-Dominant Logic

<i>Goods-Dominant Logic</i>	<i>Service-Dominant Logic</i>
Making something (goods or services)	Assisting customers in their own value-creation processes
Physical assets as source of competitive advantage	Knowledge as the source of competitive advantage
Separation of production and consumption	Customers as co-producers
Customers as targets	Customers as resources
Efficiency	Effectiveness
Profit Maximization	Value creation
Standardization	Customization
Services as support for goods	Goods as distribution mechanisms for services

Source: Vargo and Lusch (2004) Lusch and Vargo (2006) and Vargo and Lusch (2008)

Other than causing a shift on how firms and marketers view the market and its customers, the rise in the importance of services was accompanied by an intensification on the competition in this sector (Wymbs, 2000; Samiee, 1999; Clark and Rajaratnam, 1999; Lovelock, 1999; Knight, 1999; McRae, 1994). Every service company must be prepared to face foreign competition even without having operations abroad, because it will for sure be exposed to outside competition. Porter (1990) states that as international competition in services increases, so does the issue of national competitive advantage. Overall, it appears that more developed countries are ahead of the game in the direction to obtain competitive

advantage in the offering of services due to their abundance of human capital and technological innovations (Javalgi and White,2002), and some of them, such as the United States, have at their side also a longer and more solid tradition in the service sector. Nevertheless, new competitors are emerging from less advanced economies, which are also showing signs of growth in the service sector (Wirtz, 2000) and the challenges posed by them should not be underestimated. Emerging economies in Asia and Latin America offer unprecedented opportunities for service firms, since they are building their social/cultural, telecommunications, commercial and government infrastructures to capitalize on technological advancements (Javalgi and Ramsey, 2001), thereby providing service firms with the infrastructure necessary in which to compete. Once this infrastructure is sedimented the old formula of providing high quality and culturally acceptable services with a reasonable price will definitely play a significant role on consumers' choices (Javalgi and White,2002).

Before getting into marketing strategies and issues related to international services, it is important to understand what they are and in what they differ from the domestic ones.

According to Clark (1996:15) international services can be defined as “deeds, performances, efforts, conducted across national boundaries in critical contact with foreign cultures.” They can be subdivided in four different types (Clark, 1999):

1. International contact-based services defined as acts, deeds or performances by service actors (producers or consumers), who cross national boundaries to conduct transactions in direct contact with counterpart service actors.

2. International vehicle-based services defined as acts, deeds or performances with location joining properties transacted across national boundaries via an instrumental framework.

3. International asset-based services defined as acts, deeds or performances transacted across national boundaries in the context of physical assets substantially owned or controlled from the home country.

4. International object-based services defined as contact-based services fixed or embedded in physical objects which cross national boundaries.

Although there are clearly overlaps among these categories, the services in this research (fitness centers) fall mainly in the fourth type, that is, on the international asset-based services because even if they exhibit all of the classic service characteristics (intangibility, heterogeneity, perishability and inseparability or simultaneity) that are more relevant in the contact-based services (Clark, 1999) they demand the establishment of a presence in local markets (Nicolaidis, 1991). In other words, the flow of people across borders is not enough to offer services in a fitness center, but they also require a flow of physical objects. In essence, asset-based services solve a portion of the demand/supply synchronization problem associated with distance and crossing boundaries by setting up shop in the foreign environment; and because of this, service personnel can be recruited in the foreign market, diminishing the impact of mobility barriers or geographical distance (Clark, 1999).

There are however other issues related to the international trade of services. According to Samiee (1999) there are several factors that constitute barriers for this trade such as the lack of complete and reliable data for many service sectors; the protectionist policies favoring domestic services (such as ownership restrictions and licensing controls); the lack of an

international focus of government departments; the lack of bilateral tax agreements; and the lack of agreed accounting standards for the treatment of intangible assets. Added to these we could mention also cultural and language barriers and differences in economic development levels that can pose a challenge especially to find skilled personnel capable of offering quality services in some countries.

As can be seen dealing with services is not exactly an easy task for a marketer, and trading them in different countries adds on complexity and calls for capacitation of personnel and development of guidelines for the service providers. As services go global, it is important to match organizational capabilities to the rigors of competing in foreign lands. Global service organizations must understand local customs, laws, and culture to successfully operate internationally. The marketing professional must be sensible enough to verify which aspects of the services must be adjusted locally and which of them can remain stable across countries. Riddle (1992) states that one of the biggest challenges when dealing with international services is to balance the need for continuous customization with the need for standardized service production.

In the manufacturing sector a company can choose between adopting a standardization strategy offering the same product in different countries or an adaptation strategy where it chooses to adjust its products to local needs in the different countries where it chooses to operate (Valdani, Guerini and Bertoli, 2000). In the service sector this decision is not as straightforward, because even if a provider chooses to offer a service with a higher level of standardization, the service will always suffer some kind of adaptation while it is being offered. According to Lindsay, Chadee and Mattsson (2003) local markets demand specific

adaptation of services, customization to individual customer needs and close relationships between personnel and consumers.

Additionally, since any relationship between the service-provider and the customer typically involves a degree of social interaction, a growing challenge for international service firms is the development of trusting relationships with customers, especially for those firms that directly involve customer contact (Javalgi and White, 2002).

Also, while products' companies can enter foreign markets using a variety of modes such as exporting, franchising, joint ventures, and build x buy, the internationalization of services is both peculiar and difficult because of their inherent characteristics (e.g. heterogeneity, intangibility, perishability) (Javalgi, Griffith and White, 2003; Vandermerwe and Chadwick, 1989; Boddewyn et al., 1986; Zimmerman, 1999).

Before technological advancements, the only way firms could internationalize was by opening additional offices abroad (Gaedeke, 1973). Now, service providers are confronted with different entry mode choices that include exporting, licensing, franchising, management contracts, joint ventures, and wholly owned subsidiaries through direct investment (Gronroos, 1999; Clark and Rajaratnam, 1999; Erramilli, 1990). The decision about which entry mode to use relies heavily on the degree of consumer/producer interaction (Clark and Rajaratnam, 1999; Erramilli and Rao, 1990; Ekeledo and Sivakumar, 1998, Vandermerwe and Chadwick, 1989).

After a study on international entry mode of service firms performed on 175 US firms in seven categories (advertising, banking, computer software and data processing, engineering and architecture, management consulting, consumer services, and several miscellaneous

service providers) Erramilli (1990) concluded that the inseparability aspect of services is a key factor that distinguishes firms' entry modes from those of traditional manufacturers. In other words, separable services or hard services can be exported, while the others (soft services such as health care, sports centers, lodging etc) can only be internationalized using alternative entry modes such as joint ventures, licensing/franchising, and foreign direct investment because of their simultaneity (Erramilli, 1990). Erramilli (1992) further found that a firm's propensity to offer foreign services through an owned subsidiary tends to increase when the size of the foreign market is big, when there is a relative absence of possible partners and when there are less host country restrictions on foreign ownership (Erramilli, 1992).

Unfortunately, though, the understanding of the internationalization of services is not restricted to the choice of the adequate entry mode. The research on the internationalization of services is as varied as it is complex. Clark et al. (1996) note that the nature of international services is so diverse that it defies generalization and thus no single, all-encompassing theory will likely emerge.

So far, researchers tried to study strategic choice of entry mode in international markets (Erramilli, 1990,1992; Erramilli and Rao, 1990,1993); to verify similarities and differences between services and the manufacturing sector (Boddewyn et al., 1986; Cowell, 1986; Vandermerwe and Chadwick, 1989); to verify the barriers to internationalization of services (Dahringer, 1991); to analyze international trade policies (Tronsden and Edfelt, 1987); to understand the internationalization process in certain industries such as legal services, advertising, retailing (Terpstra and Yu, 1987); to study cross-cultural differences in service customer satisfaction (Winsted, 1999), global sourcing of services (Kotabe et al, 1998),

processes of services innovation (Windrum and Tomlinson, 1999), and communication (Lievens et al., 1999).

The diversity on the research on international services can be partly attributed to the wide range of services that are suitable for internationalization, ranging from professional services, such as legal, consulting and medical, to services embedded in goods (e.g., software, lodging) including those that can also be delivered through the use of technology (e.g. medical diagnosis, information technology services) (Patterson and Cicic, 1995).

The other part of this diversification comes from the fact that the internationalization of services is also subjected to legal and economic differences that cause incompatibilities in terms of fiscal infrastructures, protocols, instruments, and policies making the offer of a certain service abroad a complex task to be assessed. Government regulations in numerous service sub sectors, for instance, make standardization difficult and causes the need for adaptation to the host country environment evident (Samiee, 1999). This adaptation is of extreme relevance for the growth of the international service trade (Javalgi and White, 2002, Wymbs, 2000; Samiee, 1999; Clark and Rajaratnam, 1999; Lovelock, 1999; Knight, 1999; McRae, 1994), since, with the increasing competition, the provision of culturally acceptable services with high quality and a reasonable price is crucial to gain and maintain a competitive advantage. Thus, to internationalize its services a firm has not only to produce a high quality service, but also has to be flexible enough to adapt it at the several different countries that it intends to operate (Javalgi and Ramsey, 2001).

Additionally, as service organizations continue to expand internationally, the need to be able to understand consumer behavior and how consumers assess the quality of services is critical (Javalgi, Martin and Young, 2006).

3. Assessing the Perceived Quality of Services

Perceived quality can be defined as the “*the belief in the overall goodness of what is received, i.e. product or service*” (Dodds, 1995:51). Marketers across all product and service categories increasingly recognize the importance of perceived quality in marketing practices. Since perceived quality is a subjective and quite abstract judgment, consumers often rely on extrinsic cues such as brand image, country-of-origin, price and accredited certificates to assess perceptions of quality (Dodds, Monroe & Grewal, 1991; Teas and Agarwal, 2000; Lin and Kao, 2004; Agarwal & Teas, 2004; Sohail, 2005). Due to the peculiar characteristics of the services (Zeithaml, Berry & Parasuraman, 1993) – intangibility (Bateson, 1977; Berry, 1980), heterogeneity (Berry, 1980; Booms and Bitner, 1981) and high involvement of consumers in the production of the services (Booms and Nyquist, 1981) – this task becomes even more complex, because consumers do not have at their disposal intrinsic cues, having to rely on just the extrinsic cues to access the quality of services.

Trying to understand how consumers perceive the quality of a service is of extreme importance because superior quality can lead to important benefits including greater customer loyalty, greater productivity and responsiveness to demand, higher market share and stronger competitive advantage (Ross and Georgoff, 1991).

Assessing quality on services, however, is not an easy task, mainly because services have no fixed or stable characteristics such as shape, color or design, and are relatively high on experience, which means that consumers can only really assess the actual service quality during and after the consumption. Therefore, the assessments of quality before the

consumption are based solely on beliefs that, in turn, may be based on factors or external cues that are not necessarily associated with the core service exchanged, such as country of origin or brands (Paswan, Kulkarni and Ganesh, 2003).

Petterson and Jolibert (1995), developed a comprehensive review of 52 COO studies in an effort to find a quantitative measure of the COO effect on consumers' evaluations and found that COO accounted for 26% of the variance in quality perception and purchase intent, which they consider a strong result. It is important to emphasize though that the influence of this cue is considerably stronger for quality perception than for purchase intent (0.30 as opposite to 0.19). Therefore, it is expected that COO can be an important predictor of quality perceptions. And that is why Perceived Quality will be used as the Dependent Variable in this study.

Additionally, the nature and dimensionality of service quality remain topics of debate among researchers. While the American perspective assess service quality recurrently using dimensions such as reliability, responsiveness, assurance, empathy and tangibles, the European or Nordic perspective states that consumers judge the quality of services on two broad aspects (Peterson, Gregory and Munch, 2005): the service delivery process and the service outcome (Leisen and Vance, 2001). Both perspectives are been used in different researches and so far no consensus was reached in the assessment of quality of a service.

Though service quality dimensions may vary across sectors, efforts have been made in identifying general dimensions of service quality. One of the widely cited and most fruitful lines of research regarding service quality is that developed by Parasuraman et al. (1988,

1991) in which they presented the 22-item SERVQUAL scale. Their framework embraces the following dimensions (Parasuraman et al.,1988, 1991; Malhorta, 1994):

1. Service reliability that refers to consistently performing the service dependably and accurately. Continuous improvement is the key to providing reliable service. The pressure to ensure reliability is higher in more developed countries due to intense competition, higher expectations and lower tolerance of consumers. In developing countries consumers have lower quality expectations and therefore a wider zone of tolerance for ineffective services.
2. Access that refers to the consumer's easiness of contact with the service provider. Among the contact alternatives personnel, telephone, facsimile, electronic mail etc can be listed.
3. Responsiveness that refers to the offer of a timely and adequate response. Employees should be willing and able to deliver timely and substantive response to enquiries and complaints of customers.
4. Competence refers to the possession of the required knowledge and skills to provide the service. Reflecting competence of the service firm could be centralized on the organization as a whole or on the contact personnel. In services, competence of employees is of extreme importance.
5. Courtesy is important because customer satisfaction with the service is largely dependent on his/her interaction with the service provider, so the employees' behavior can directly affect the perceived quality of a service. That happens because customers typically do not distinguish between the service and the service provider.

Therefore, service personnel should respect and reflect the customers' cherished values and norms.

6. Communication is relevant because providers highly encourage favorable word-of-mouth communication. Customers indeed usually seek for different opinions before selecting an attorney, a mechanical, a fitness center or a hairdresser. As far as communication is concerned Hofstede (1980) recommends that the marketing manager should tackle the predominantly "I" consciousness associated with the individualistic nature of developed societies by stressing the individual benefits and the predominantly "We" consciousness associated with the collectivistic nature of developing economies stressing the public benefits of the service to increase the level of perceived quality of a specific service.
7. Credibility: given the intangible nature of services and the inseparability of production and consumption of the bulk of services, it is difficult for customers to perform prior evaluation of a firm's service. Thus the trustworthiness, believability and credibility of the service supplier are a crucial determinant of perceived quality.
8. Security refers to the level of physical, emotional and financial risks of a certain service.
9. Understanding the customer is based on what is called today relationship marketing (Berry and Parasuraman, 1991).

Using these dimensions, Malhotra et al. (1994) dealt with international services and performed a comparative evaluation of the determinants of service quality between developed and developing countries. In his study, he noted that the service quality

dimensions of reliability, access and understanding the customer are directly associated with economic development features such as technology, affluence, competition, education, and infrastructure.

Other recent studies (Donthu and Yoo, 1998; Mattila ,1999; Furrer, Liu, and Sudharshan, 2000) have found that customers from different cultures formed different perceptions of service quality from the same stimuli either because of differences in expectations or because they attached different weights to different service quality criteria. Mattila (1999), for instance, found that customers from Western cultures are more likely to rely on tangible cues from a physical environment to evaluate service quality than are their Eastern cultures counterparts.

SERVQUAL scale has been used by both academics and practitioners in several services industries such as entertainment (Crompton and Mackay, 1989; Fick and Ritchie, 1991), health care (Brown and Swartz, 1989; Babakus and Mangold, 1992), education (Rigotti and Pitt, 1992; Hampton, 1993), and services in general (Bolton and Drew, 1991; Heskett et al., 1990; Zeithaml et al., 1990) but since we are dealing mostly with pre-consumption of services a new scale was developed for this research.

Chapter 3 - The Country of Origin effect

Introduction

The Country of origin effect is the main focus of this research and before breaking it down in several dimensions for the service sector it is important to take a look at the state of the art of the research on this subject up to this point both in the manufacturing and in the service sector.

1. Taking an in-depth look at the Country of Origin Effect

The impact of Country of Origin has been widely studied (e.g. Schooler, 1965; Bilkey and Nes, 1982; Samiee, 1994; Peterson and Jolibert, 1995; Verlegh and Steenkamp, 1999). While preliminary studies in COO can be traced back to 1960s, two of the most recurrent conceptualizations of the COO phenomenon are the one given by Nagashima (1970) and Samiee (1994). According to Nagashima (p. 68), COO is *"the picture, the reputation, and the stereotype that businessmen and consumers attach to products of a specific country (...) formed by such variables as representative products, national characteristics, economic and political background, history, and traditions*. On the other hand, Samiee (p. 583) regards the COO effect as any influence or bias that consumers may hold, resulting from the country of origin of the associated product or service. The sources of this effect *"may be varied, some based on experience with a product(s) from the country in question, others from personal experience (e.g. study and travel), knowledge regarding the country, political beliefs, ethnocentric tendencies, (or) fear of the unknown"*.

These definitions are, indeed, supported by prior research that showed that consumers tend to hold either positive or negative perceptions of countries based on stereotypic beliefs and that these perceptions tend to be transferred to products and services that originate in these nations also affecting the buyer's attitudes, perceptions and behavior (Bilkey and Nes, 1982; Yaprak, 1987; Hooley, Shipley and Freiger, 1988, Mahe swaran, 1994; Aboulnasr, 2006).

Overall, COO can be defined as the total of all descriptive, inferential and informational beliefs one has about a particular country (Martin and Eroglu, 1993) and has consistently been defined as a multidimensional construct including several facets such as general or specific product-country images (Parameswaran and Pishandori, 1994), or different dimensions explaining the political, economic, technological or social domains of a country (Martin and Eroglu, 1993; Olsen and Olsson, 2002).

According to Kaynak et al. (2000) the research conducted on the COO effects on product evaluations can be grouped into four comprehensive groups: a. Single-cue studies where COO is analyzed alone, without the verification of other cues in the perceptions of consumers. These studies showed in general that COO can be considered the most important cue for some product categories, such as wine or cigars (Keown and Casey, 1995), having a tremendous influence on the acceptance or rejection of a product over and above marketing techniques such as promotion and incentives used (Kaynak and Cavusgil, 1983); b. Multi-cue studies where COO is just one of the factors amongst a variety of influences a consumer considers when making a selection and ultimate purchasing decisions. Even in this kind of researches was found that COO was important, although its weight in the final evaluation tends to decrease (e.g. Wall et al., 1991; Ahmed et al., 1994);

c. Conjoint analysis studies that tried to infer the reasoning behind consumers' decision making when considering domestic versus foreign made products for consumers and how they engage in trade-offs among several intrinsic and extrinsic attributes (e.g. Ettenson et al., 1988; Klenosky et al., 1996) to select and ultimately purchase a product. The emphasis of these studies is in the actual intention to buy, while the first two deal more with perceptions; and d. Environmental analysis where it is verified how the environment where the firms operate may facilitate or inhibit the reliance on the country of origin cue (Cordell, 1992; Papadopoulos et al., 1990), being the impact of the environment often studied in terms of socio-economic and technological conditions of the supplier country (Kaynak, 1985), such as economic and political maturity, industrialization and the degree of technological virtuosity (Cordell, 1993).

Past studies have identified at least two different cognitive processes through which country-of-origin information may affect product evaluations (Erickson, Johansson and Chao, 1984; Johansson, Douglas and Nonaka, 1985; Han, 1989; Hong and Wyer, 1989). First, COO may work through a halo effect on all aspects of products/services affecting their overall quality judgment (Leclerc, Schmitt and Dube, 1994); second, it may be simply one of the many attributes considered by consumers in the evaluation of a product/service. Johansson (1989) showed that consumers could make use of the country of origin as a summary cue to make assumptions about a product in order to simplify information processing. The summary construct departs from the assumption that since short-term memory has limited capacity, consumers tend to summarize the information in a way that makes it easier to store and retrieve in long-term memory (Miller, 1956; Knight and Calantone, 2000).

The implied rationale behind the scrutiny of the COO issue is its utility as a predictor of customer attitudes and subsequent choice behavior (Cervio, Sanchez and Cubillo, 2005), therefore, the COO proxy can be used when a consumer tries to infer the quality of a certain service.

Schooler and Sunoo (1969) were the first to postulate that COO was composed by a cognitive dimension, which emphasizes perceived characteristics of the country, and an affective one, which reflects attitudes and feelings towards a country and its people (Knight, 1999) or even the patriotic feelings about one's own country (Han, 1989; Knight and Calantone, 2000).

Since then a number of researchers (White 1979; Cattin, Jolibert and Lohnes, 1982; Jaffe and Nebenzahl, 1984; Papadopoulos, Heslop and Beracs, 1989; Samiee, 1994) have identified various effects of the COO construct (Nebenzahl, Jaffe and Usunier, 2003). It has been shown that COO influences consumers' perceptions of product quality (Gurhan-Canli and Maheswaran, 2000; Kaynak, Kucukemiroglu, and Hyder, 2000; Bilkey and Nes, 1982; Peterson and Jolibert, 1995; Maheswaran, 1994; Okechuku and Onyemah, 1999; Leonidou, Hadjimarcou, Kaleka and Stamenova, 1999; Teas and Agarwal, 2000), the evaluation of product attributes (Leonidou et al., 1999; Kim and Pysarchik, 2000), product attitudes (Lee and Ganesh, 1999), the perceptions of purchase risk (Tan and Leong, 1999), perceived product value (Ahmed, Johnson, Ling, Fang and Hui, 2002), product preferences (Bhuian, 1997; Knight, 1999; Knight and Calantone, 2000), and purchase intentions (Kim and Pysarchik, 2000). COO effects have been observed with products in general (Leonidou et al., 1999; Kaynak et al., 2000) as well as with specific product categories (Kim and Pysarchik, 2000; Teas and Agarwal, 2000). They have been observed among consumers as

well as among organizational buyers (Liefeld, 1993; Ahmed and d'Astous, 1995). A large number of studies reported COO effects both on consumer attitudes and on product evaluations (e.g. Bilkey and Nes, 1982; Peterson and Jolibert, 1995).

It has also been observed that consumer demographics may influence the nature of COO effects. For example, older consumers and females were found to provide lower ratings for foreign products (Schooler, 1971; Johansson et al, 1985; Leonidou et al., 1999, Good and Huddleston, 1995; Heslop and Wall, 1985; Lawrence, 1992; Sharma, et al., 1995, Bailey and Pineres, 1997).

The most influential demographic variable in the COO studies is level of education. Throughout the years education enjoyed fairly consistent results as correlated with perceptions of products. Most studies revealed that people with a high level of education are more favorable to foreign products than those with limited education (Al-hammad, 1988; Anderson and Cunningham, 1972; Dornoff et al., 1974; Festervand et al., 1985; Good and Huddleston, 1995; Greer 1971; Schooler, 1971; Sharma et al., 1995; Wall, et al., 1991). And as the level of education increases the level of consumer ethnocentrism decreases (McLain and Sternquist, 1991; Bailey and Pineres, 1997).

Additionally, Wall et al. (1990) found a strong relationship between income level and positive attitudes towards imported products. Good and Huddleston (1995), Sharma et al. (1995) and Bailey and Pineres (1997) found that the higher the income, the less likely it was that the consumer would buy domestic products.

The proximity - physical, economic or political - of the sourcing country in relation to the importing country has been considered an influential factor in the consumer's perceptions

as well. Closer proximity tends to stimulate more favorable perceptions towards a country's products and/or services (Bilkey and Nes, 1982; Wall and Heslop, 1986; Wang and Lamb, 1980; Samiee, 1994). Additionally, it was found that there is a tendency to evaluate better products/services coming from advanced countries (Kaynak et al, 2000; Valdani, Guerini and Bertolli, 2000) because a developed country of origin is seen as an insurance on the product's quality and performance. The existence of this insurance can directly influence multinational corporations' pricing strategies, in the sense that they can charge price premiums for products and services coming from developed countries (Hulland, Todino and Lecraw, 1996).

Additionally, Kaynak and Cavusgil (1983) found that country image is not absolute for all categories of products and other authors state that for a given country (Balabanis and Diamantopoulos, 2004; Gürhan-Canli and Maheswaran, 2000, Valdani, Guerini and Bertolli, 2000). Therefore, a country might rank high in the consumer's mind for one product category and low for another, which is the case of Italy, for example, that is seen as ranking high in fashion merchandise but low on high technology products. This is what Roth and Romeo (1992) called fit (match or mismatch) between country images and product category images. In their study they showed that a positive product-country match would exist when a country is perceived as being very strong in an area (e.g., design) that is also an important feature for a product category (e.g., fashion).

Previous research also pointed out that the lower the level of involvement on the acquisition of a certain service or good the more heavily the consumer will rely on heuristic cues such as country of origin (Eagly and Chaiken, 1993; Petty and Cacioppo, 1986) to access the perceived quality. As the level of involvement increases, consumers will be less influenced

by country of origin, and elaborate more on additional product/ service information (Maheswaran, 1994).

According to D'Astous et al. (2005) country perceptions can be rooted in good part into reality but may also be subject to stereotypical perceptions. Several studies in marketing have shown that consumers use the overall image of countries in order to make specific inferences about various product characteristics, including quality (Papadopoulos and Heslop, 1993). It is likely that such stereotypical perceptions also apply to services. D'Astous et al. (2005) further state that stereotypical judgments can be quite efficient when consumers' knowledge is limited or/and when an objective assessment is difficult. For example, the evaluation of an electronic product can be hard for a consumer with no familiarity with electronics, so the simple fact that an electronic gadget was produced in Japan can help the consumer in his/her decision since Japan is a country with a good image in this product category.

According to Balbanis and Diamantopoulos (2004) there are two country-specific characteristics that may potentially affect preferences for foreign products and/or services from a given country, that is, economic competitiveness and cultural similarity.

The level of a country's economic competitiveness can be seen as a proxy of its overall economic attractiveness, reflecting its ability to manufacture products or develop services that require a specific level of technology (Verlegh and Steenkamp, 1999). More specifically, competitiveness covers two categories of factors that are related with such a capability, namely, 1. the sophistication with which a country's firms compete (i.e. technology, marketing activities, product/service uniqueness, capital, managerial skills etc) and 2. the quality of the country's business environment (i.e. Physical infrastructure, human

resources, sophistication of local demand regulatory requirements, competition regulations etc) (Balbanis and Diamantopoulos, 2004).

The level of competitiveness is what governs a country's ability to provide globally competitive goods and services directly affecting a country's image abroad (Lin and Sternquist, 1994). In this context consumers tend to be less critical in their judgments toward products and/or services from highly competitive countries (Hadjimarkou et al. 1996; Lantz and Loeb, 1996; Watson and Wright, 2000).

A country's competitiveness level can be assessed on the basis of the country rankings on the Current Competitiveness Index (CCI) produced by the World Economic Forum (2001). This index presents a country's ability to produce globally competitive products and/or services and is correlated to a country's level of economic development (Porter, Sachs and McArthur, 2002).

One interesting aspect of the Country of Origin is that the stereotyping in consumers' minds might not be based just on intuition but on concrete historical patterns. Porter (1990), for instance, emphasized that many of the resources of a firm are indeed rooted in the firm's country of origin as it is the case for American consumer goods or German engineering companies. Kogut (1991) moved further in this direction stating that long cycles of country leadership in international competition can be explained by differences in country capabilities embodied in their respective firms that do not move so easily across borders due to four factors: a. technological opportunities, which refers to the firms' relationships with their country's research centers, trade associations, educational institutions, and skilled individuals that are built up over a long time and are not easy to replicate in other countries; b. selection forces, which refers to the intensity of domestic rivalry that molds the level of

competitiveness of firms in the international arena; c. identifiability, which refers to the ability of firms to get a better understanding of the sources of success of domestic competitors than do international competitors; and d. institutional lock-in, which refers to previous investment, both in financial and in uses and practices learning, that makes it difficult for firms to get out of a certain industry. This could be harmful if they are locked in vicious cycles but advantageous if they are able to develop special products and services.

As far as cultural similarity is concerned, several studies observed that consumers tend to prefer products that originate from culturally similar countries (Heslop, Papadopoulos and Bourke, 1998; Johansson, Douglas and Nonaka, 1985; Wang and Lamb, 1983). Kogut and Singh (1988) developed a way to measure this similarity called Cultural Distance Index, which combines Hofstede's (1980) four cultural dimensions (power distance, uncertainty avoidance, masculinity/femininity and collectivism/individualism).

Something that also has to be taken into account when the subject deals with cultural dimensions is the ethnocentrism level of a country. According to Shimp and Sharma (1987:281) ethnocentrism can be defined as *"the belief among consumers that it is inappropriate, or even immoral, to purchase foreign products because to do so is damaging to the domestic economy, costs domestic jobs, and is unpatriotic"*. Balabanis et al. (2001) distinguish between ethnocentrism resulting from pure love and attachment to country (patriotism) and ethnocentrism caused by feelings of economic superiority and national dominance (nationalism). In general, research on consumer ethnocentrism has found that ethnocentric consumers have less favorable perceptions and evaluations of foreign products and that they are less likely to purchase them (Shimp and Sharma, 1987).

While much has been discussed about the impact of ethnocentrism on imported goods, few articles explored the effect of it on the evaluation of foreign services (e.g. Al-Sulaiti and Baker, 1998). Kaynak et al. (1994) examined consumers' perceptions of airlines in the USA while flying domestic and/or foreign airlines to foreign destinations and concluded that those respondents who used domestic airlines had more favorable attitudes toward domestic airlines than those who did not use a domestic airline service. However, those who used both domestic and foreign airlines showed little or no difference between them. Bruning (1997) examined Canadian national loyalty and the country of air carrier in the selection process. He found that Canadian consumers indicating high national loyalty prefer a national carrier for an international flight where other foreign carriers are in direct competition with the national carriers.

In sum, consumer ethnocentric tendencies tend to affect consumer evaluation of foreign products and/or services. People who are more open to foreign cultures seem to be less ethnocentric toward services. Also, for younger, better-educated and high-income consumers the degree of ethnocentrism can be expected to decrease (Gronroos, 1999).

Klein, Ettenson and Morris (1998) also showed that consumers' animosity toward a foreign nation negatively affects the purchase of products produced by that country, independently of judgments of product quality.

According to Roth and Romeo (1992) cited in Valdani, Guerini and Bertoli (2000) there are several ways to deal with the country of origin image, both if it is positive or if it is negative. If the country bring a positive association, the origin of the product should be reinforced for instance through the use of a brand that relates to the country or through communication strategies that make clear to the consumer that the product is coming from a

specific country. If, on the other hand, the country of origin has actually a bad image connected to it, the companies should try to emphasize other characteristics of the product, disconnect the brand completely from the country of origin or enter a certain market through a partnership or association with firms with better images.

After this overview about the country of origin effect let us see how this concept has evolved in a globalized business environment.

2. The COO and its influence in Hybrid Products

While country-of-origin effects have been studied for decades, most of the research is confined to products involving a single country-of-origin (Peterson and Jolibert, 1995). The globalization of businesses, nevertheless, has led to the proliferation of hybrid products, that is, products with components sourced from many countries or with foreign made components but a domestic brand name (Baughn and Yaprak, 1993; Baker and Michie, 1995; Ahmed and D'Astous, 2004). This trend was motivated by the search of advantage of diverse location-specific factors, such as lower labor and material costs (Chao, 2001).

As a result of the rapid changes in the global business environment an increasing number of products derive from multiple countries efforts. The complexity of this new business world makes the task of tying an international product to a single country almost impossible (Chao, 1993). According to Ettenson and Gaeth (1991) hybrid products blurred the image of a product putting on it a great amount of information such as country of manufacture, country of design and the brand name it bears, so a marketer that deals with this kind of

products should be concerned with how consumers can process this information and how can they use these attributes interactively. The success of hybrid marketing would, ultimately, depend on consumers' disposition to positively evaluate a product and on their willingness to purchase products co-produced in different locations.

In response to such complexities in global operations, a new set of rules of origin, governing the classification of import products with respect to a product's proper COO designation, has been issued in the United States in 1996 (Ingersoll 1997). These rules are used to ascertain a product's COO designation for quota and duty assessments and they were developed as a result of the last Uruguay Round of multilateral trade negotiations that discuss how to label these kinds of products (Chao, 2001).

As a consequence for the new business environment, products started to being categorized according to four sub-dimensions of COO that act as key cues in the process of quality evaluation and purchase decisions: Country-of-parts (COP) – also called country-of-components in some studies, country-of-assembly (COA), country-of-design (COD), and country-of-manufacture (COM) (Samiee, 1994; Chao, 1993, 1995, 1998; Inch and McBride, 1998). The distinction between these several sub-dimensions became increasingly more critical to define marketing strategies and to develop universal appeals for products in general.

But other than worrying about the rules of product labeling, companies must verify what the impact of multi-country production on consumer behavior is. As pointed above with hybrid products, the original country of origin x quality associations made by consumers may not be that obvious since more than one country is involved. Therefore, how consumers evaluate such products, as they become increasingly aware of the multiplicity of

countries involved in their production, end up having important marketing implications for global firms (Tan and Leong, 1999).

The issue of the proliferation of hybrid products on consumer behavior was first addressed by Johansson and Nebenzahl (1986), who found that shifting the manufacturing plants overseas had a positive impact on a product's image if this shift was done to a more reputable country than the one in which the brand was originally associated with and a negative impact otherwise. In a later study, Han and Terpstra (1988) found that while both source country and brand name affect consumer perceptions of product quality, sourcing country stimuli were found to have more powerful effects than brand name on consumer evaluations of bi-national products.

In another hybrid product study, Chao (1993) included price as an extrinsic cue in addition to the country of design and country of assembly cues, finding that for a product designed in a country with perceived superior design capability, no price differential is required to impart a higher quality image. However, the opposite was true for a product designed in a country that is not perceived as having superior design capability. Additionally, he verified that while a reputable country of design cannot be used to fully compensate for a poorly perceived country assembly location it can be used to boost the overall quality perception of a product.

Tan and Leong (1999) also confirmed that negative hybrid effects do exist and exert considerable influence on the consumers' perceived product quality and purchase risk showing that there are detrimental effects on the consumers' product evaluation when the

place of manufacture was moved from a reputable to a less reputable country (Johansson and Nebenzahl, 1986; Sauer et al., 1994).

In a further study Ahmed and d'Astous (1995) attempt to compare product evaluations of household and organizational buyers of hybrid products, and in order to do that they included brand name, warranty, and price as extrinsic cues in addition to country-of-origin (of design and assembly) cues. They found, among other things, that warranty is more important than country-of-origin and brand name only for household products. And that when buyers are presented with other cues such as brand, price and warranty, developed countries tend to be treated homogeneously and the prejudice towards developing countries tend to be attenuated.

Overall, it has been shown in several studies that while developed countries are better perceived than less developed ones with regards to their capacity to produce consumer goods/services (e.g. Roth and Romeo, 1992; Ahmed, D'Astous & Mathieu, 1995), the differences are significantly less important for assembly than for design capacities both in terms of defining product quality and purchase value (e.g. Ahmed et al., 1995). Papadopoulos (1993) states that while it is not clear that consumers always know where a product was assembled or designed, they appear to react differently to the two dimensions.

Nevertheless, generalization across product categories is still not possible. In a recent study Kien-Quoc (2006) investigated the dimensions of the COO cue in four different categories of products (TV sets, Casual Clothes, Personal Computers, Automobile Products) and verified that the importance of the dimensions varied among these categories. For instance,

he found that COD (Country of Design) was critical for clothes but did not have the same impact when applied to personal computers.

The deep understanding of this trade-off mechanism among different dimensions of the COO is of great importance for international companies, because with this information in their hands, they can try to strategically develop an optimal product dimensional mix, combining countries in terms of their perceived competencies for design, innovation, and prestige in a way to enhance a product's competitive position (Chao, 1993, 2001, 2005; Kien-Quoc, 2006). So, for instance, when country of assembly has a negative image, and country of design has a positive one, firms should emphasize the latter one on their promotional and labeling efforts (Tan and Leong, 1999).

The verification of this multidimensionality of the COO on the manufacturing sector will lay ground for a justification of the breaking down of this issue also in the service sector in the next chapter. Nevertheless, before decomposing this cue for services we are going to take a look at the state of art of the research in this sector.

3. COO on services

Although the literature is replete of studies on COO effects on consumers' perceptions of manufactured goods from different countries, the study of the effect of COO on services is very recent. Bilkey and Ness (1982) and Peterson and Jolibert (1995) in their very important reviews of literature did not find any study on services⁵. In latter reviews, Al-

⁵ It is important to point out, though, that some of the researches developed before this date dealt with services, but since there was no service culture established, most services studied were described as goods. One example of this is the study by Ofir and Lehman (1986) that defined the Ski Resorts as a tourism good

Sulaiti and Baker (1998) found seven studies that involved services out of a total of 99 COO studies and Javalgi, Cutler and Winans (2001) located 19 papers comparing services by COO, even though some of these studies considered a service merely as an additional cue moderating the COO x product relationship.

Therefore, even though the literature on COO effects on consumers' perceptions is rather extensive⁶, the comparative scarcity of research on services raises the question if the study of COO is really relevant. One important step to answer this question was taken by Javalgi et al. (2001) who reviewed the literature about COO on services and divided the studies into three types of services: core services (e.g. travel services), supplementary services (e.g. warranty), and cross-national service comparison (where services are sourced and consumed in individual countries). In all three cases, COO had indeed a very important effect on services. For example, in the examination of core services by COO, it was verified that consumers tend to prefer services from their own country, from countries with a similar culture to their own, and from economically developed countries (Javalgi et al., 2001), which points out to a similar pattern in the influence of COO both on products and services. However, supplementary services, which add value to a product, assume the role of reassuring consumers so that the potential negative effects of less developed countries images is diminished (Lovelock, 1999). Finally, when services are produced and consumed in individual countries, consumers tend to exhibit similar attitudes and preferences with regard to the criteria they deem important when evaluating products (Javalgi et al, 2001).

and not as a service. Nevertheless, the most recent studies are already putting emphasis on their focus either on physical goods or in services.

⁶ Mainly dealing with physical goods.

In many services, the name of a business may be readily associated with a particular nationality. Professional practices, for instance, are often named after the business owner, and the nationality can be inferred by the name. Other business categories are explicitly associated to a particular nationality, such as Chinese laundries. In other cases, a service provider's nationality may be revealed through information provided by the company, through promotions or advertisements (Moon and Chan, 2005). An international gym can, for instance, inform its potential consumers in a certain country that the personnel received his or her training in another country with a good reputation on Sports, such as the US.

Because customers lack not only a tangible object, but also the knowledge and expertise necessary to evaluate services, they are often forced to make assumptions about the quality of a service (Zeithaml, 1981). Arguably, since country of origin has a greater impact on consumer evaluations where subjective/performance characteristics influence consumer decision making (Johansson et al., 1985), the nationality of a service provider may similarly be expected to impact the assumptions consumers make regarding the expected performance of a service (Harrison-Walker, 1995).

In order to reinforce the importance of the COO cue in the service sector, let us go through some of the most relevant studies in the sector to verify their respective results. Harrison-Walker (1995), for instance, observed how American consumers evaluate foreign providers of ophthalmologist services (identifying them with Japanese, American, Spanish or Indian surnames) with the objective of measuring the relative effects of national stereotype on service provider selection. Results showed that when the nationality of the provider and consumer were the same, the evaluation of the provider was more favorable, and when the

nationalities did not match, the evaluation was less favorable. Other variables, such as service level and advertising, however, were able to partly overcome this disadvantage.

In another study, Ofir and Lehman (1986) asked consumers at a ski show in New York State to compare Ski Resorts in Switzerland, Austria, and France and found significant differences in the attitudes of American consumers toward resorts in Switzerland versus resorts in France. The first country was considered more friendly, challenging and romantic, while the second was considered more modern, entertaining, and expensive. Their final conclusion was that when the brand is not well known, COO may be more important than brand image for a resort.

Shaffer and O'Hara (1995) examined the impact of nationality on perceptions of ethicality and trust towards an American service professional. Data were collected from 122 individuals from 30 countries who had either attended a seminar or an initial consultation with an immigration lawyer. The results of the study indicated that there are significant ethnic differences in the evaluation of professional services. However, "perceptions of trust are found to differ significantly between people from nations characterized by high and low individualism" (p. 162).

All in all, the results obtained in the studies on services so far seem to be similar to those obtained in the studies of products, that is, in most of the studies consumers preferred services from their own country, from an economically developed country, or from a more culturally similar country.

The comparatively small number of studies using services as their focus, though, is clearly not aligned with the actual importance of the sector. So this research will try to contribute

to fill this gap leading to a better understanding of the mechanisms guiding the offer of services internationally.

One of the challenges for service providers is that they must anticipate consumers' concerns regarding a specific COO, especially services originating from less developed economies. To overcome these concerns and build a competitive advantage, service providers should emphasize additional assurances, such as satisfaction guarantees. Another challenge is to ascertain consumer ethnocentric tendencies on the evaluation of services (Javalgi et al, 2001).

Additionally, as they move internationally, services cannot be considered as one-dimensional. As occurred with products, the research on Country-of-origin effects on global services stimulates a new approach to this sector in order to help researchers to deal with the new challenges of the business arena.

An attempt in this direction will be presented in the next chapter, where a new framework decomposing the COO in different dimensions for services will be presented in detail.

Chapter 4 – Presenting the Multidimensionality of the COO construct on the service sector

Introduction

The review of the literature on services and Country of Origin Cue conducted in the previous chapters allows the claim that the COO can also be decomposed in different dimensions in the service sector. Specifically, the COO sub dimensions that are considered in this chapter are: Country of origin of service's know-how (COK), which refers to the country where the service is firstly conceived and where all the training processes and procedures to be applied in other countries are developed; Country of origin of personnel (COP), which refers to the origin of people offering the service; and, Country of origin of service-specific tangibles (COT), which refers to the origin of the tangibles used to offer a certain service. The understanding of these sub dimensions is especially important to verify how these cues can influence the perceived quality of a certain service.

Although the breakdown of these dimensions is inspired by the previous categorization in the manufacturing sector, it is important to point out that each one of the dimensions here presented was developed taking into account the peculiarities of services because service characteristics and service consumer behavior cannot necessarily be readily translated from the goods' sphere.

If we were to establish a parallel between what was developed in previous literature on products, discussed in Chapter 3, and what is being proposed in this dissertation it could be

said that COK would most directly correspond to the COD (country of design) dimension in the manufacturing sector (Chao, 1993) since both deal with the initial development of goods and respond for the processes involved in exploring new solutions and the procedures to back up the offering of these solutions to the market.

The other sub-dimensions presented in some studies on products such as COM (country of manufacturing) and COA (country of assembly) (Samiee, 1994; Chao, 1993, 1995, 1998; Insch and McBride, 1998) would be related directly to the COT dimension in services since all of them deal with the actual physical production of goods, that is, with the tangible aspect of the country of origin cue.

The COP dimension, however, has no direct correspondent in the manufacturing sector and is, therefore, expected to be the most original contribution in the breakdown proposed in this dissertation.

The contribution of this dissertation for marketing research is, actually, twofold. First, based of previous literature on products, I propose and develop three different subdimensions of the COO construct for the service sector giving both the literature on services marketing and on international marketing a completely new perspective on how to approach this construct in the services' sphere. Second, I investigate how these dimensions, individually and interactively, influence consumers' quality perceptions. In order to do this I develop some hypotheses to be tested empirically through the use of experiments.

1. Defining the dimensions of the COO construct

1.1. Exploring Country of Know-How (COK)

Each service provider is based in one country in which it first establishes its operations and develops its know-how and procedures. Once a provider begins to reach success, obtaining a good response from its initial market, it may decide to expand the business and, eventually, offer its services in other countries through subsidiaries, affiliates and/or franchises. Whatever form it may assume, a foreign arm of a provider will be at the same time an integrated part of its parent company in that its core procedures are transferred from the parent; and a local firm in that it utilizes local resources, competes with indigenous providers, and complies with local laws and regulations (Ghemavat, 2003).

In this context, the Country of Know-how (COK) can be defined as the country where all the core aspects of a certain service and all the training procedures to its delivery are developed. In this research it is assumed that the development of the main core service activities - such as idea generation and screening, and procedure development - are performed mainly in the country where the international service provider was first established.

This assumption is built on prior research findings, according to which the core knowledge of international firms is in the great majority of the cases originated in the parent companies (Prahalad and Hamel, 1990; Caves, 1996; Birkinshaw, 1997) mainly because companies try to centralize their efforts in the development stage because this development is a critical resource for competitive survival and growth in the industry (Cooper and Edgett, 1999).

According to Johnes and Storey (1998), Lovelock (1996) and Cowell (1984) there are two main parts in the development of a service. The first concerns the definition of the core service attributes (activity that will be considered here as being performed at the COK); and the other concerns the definition of the service delivery system, that is, training employees (which will be discussed at the COP dimension) and developing facilities and tangibles to offer the services (which is discussed at the COT dimension). Needless to say, close coordination between all the functions involved in service delivery is of major relevance for the success of a service provider.

Due to its peculiar characteristics, such as intangibility, heterogeneity and simultaneity the development of a service is different from that of a tangible product. For a start, the average time spent developing a service is considerably shorter than the time spent developing a product. According to Cooper (1993) in some sectors, new service development may take some weeks as opposed to years spent in the development of certain tangible products. In addition, whereas new product development involves more formal and sequential processes that follow from idea generation, prototypes development, and extensive product testing to commercialization, service development skips some of these steps. This means that often service development activities are not performed within a rigid sequence but in a rather concomitant or “back-and-forth” way. For instance, while a service concept is being developed, some level of personnel training can be already taking place (Alam, 2000; Harris et al., 1999; Martin et al., 1999). Additionally, services are highly dependent on the contextual conditions in which they are being offered and cannot be fully standardized.

It can be considered that at the start block of a service development in the COK a provider will generate ideas for the services that it intends to offer. Previous literature points out that

ideas for new services can come from diverse sources either internal or external to the firm, and that they can be a result of either a formal or an informal search. Since services are much easier to copy than products, competitors are usually a very important and recurrent source of ideas for the development of services (Scheuing and Johnson, 1989). Even though Easingwood (1986) states that service firms do not usually engage in formal idea generation, others have stressed that the successful ones tend, indeed, to establish systems and procedures for stimulating idea generation on a long-term basis (Schneider and Bowen, 1984; Robinson and Stern, 1997; Felberg and DeMarco, 1992; Kelly and Storey, 2000). Robinson and Stern (1997) showed that successful service companies had established innovation systems to facilitate connections between employees.

After a certain number of ideas have been generated, the screening process begins. According to Kelly and Storey (2000) the main goal of screening new service ideas is to allocate resources between those projects which are likely to help the firm meeting its objectives. This process can use both quantitative and qualitative screening criteria. Papastathopoulou et al. (2001) state that the screening criteria can be grouped in five main categories: consumer screens; operational screens; strategic screens; technological screens; and market screens. Nevertheless, since for most of the services the amount of information about attributes and further performance tends to be more restricted than that available to products, the screening stage is likely to be more based on subjective opinions than on actual objective measures, and therefore processes will entail a higher degree of uncertainty. Thus, while profit, sales, revenues and market share estimates are all used in analyzing the potential of service projects (Scheuing and Johnson, 1989; Martin and Horne, 1993), specific screening criteria used in service firms include also more subjective

measures such as the analysis of the potential impact of a new service on the overall image of the provider (Langeard and Eiglier, 1983; Kelly and Storey, 2000).

After the ideas are screened, firms perform an analysis of the business attractiveness of the services before they get commercialized, that is, they analyze market opportunities, potential sales and potential financial returns before implementing a certain service.

Once a provider decides that a service is actually feasible, it must start dealing with the formalization of procedures to its delivery, that is, it must define the characteristics of its personnel and the tasks and roles each employee is expected to perform in the delivery of the service.

Additionally, the service provider must define standardized routine procedures for the services that will be offered. These procedures have the goal of avoiding waste of energy, time and budget that are caused by interpreting, testing, and building new ways of doing things consequently improving the efficiency in the service delivery (Stevens and Dimitriadis, 2005). Once developed, these procedures should be formalized to make this information available to the personnel. Shostack (1981, 1987) stated that during the design of a service it is important to meticulously register a great number of details in what he called a “blueprint” that should contain the average time to deliver the service (in diagrammatic form); the main functions of a service; the possible failure points and respective processes to correct them; and the relationships between the frontline personnel and offices. He also suggested that management should take a "molecular modeling" approach to develop a service, according to which tangible and intangible service elements

are incorporated into the final offer, so, different models would attend different segments based on preferences for individual elements.

Some amount of testing should also be performed before a service is actually offered to the final consumer in order to ensure that it does exactly what it has been designed to do (Scott, 1994). For instance, before offering a new fitness modality in a gym it is important that the exercises can be developed and their benefits to the consumer analyzed. This preliminary assessment can save time and money to a company allowing it to either modify or drop a certain service if this is necessary.

The most successful service providers will have, then, a certain level of formality in the development of their services, well established idea-screening processes to determine which new ideas should be further developed, and a system in place to ensure that staff is well trained and committed to sell the new service. And all these activities belong to the Country of Know-How (COK) dimension of the COO construct.

1.2. Exploring Country of Personnel (COP)

The marketing literature has reported that characteristics of personnel and their relationship with customers play an important role on consumers' decisions and assessments regarding products and services. It has been shown, for instance, that consumers use personnel to learn more about goods, to get some recommendations and to be reassured that they are making the right purchasing decision (Kirmani and Campbell, 2004; Hoch & Deighton, 1989). Additionally, extant research suggests that frontline personnel can significantly impact consumers' perceptions on service quality (Naylor and Frank, 2000; Johne and Storey, 1998).

The role of personnel is so important in services that Gummesson (1991) suggested that they could actually be referred to as “part time marketers”, in that they change services, interact with customers and suggest innovations both to new services development and to the improvement of existent ones.

According to McLaughlin and Fitzsimmons (1996) the intensity of human involvement in services and the degree of customer contact are critical factors that can ultimately be responsible for a company’s success, especially in cases where the service is complex or a high level of customization is needed. In the end, services are really about relationships. If the service experience is consistently well executed, the service provider is able to create some kind of bond with the customer over time, which she values as much as the service itself (Kolesar and Galbraith, 2002).

If we look closely we see that the establishment of these long-term relationships has its origin on first impressions and/or stereotypes that consumers hold of the personnel. Research in social psychology has shown that the first impressions that a person holds of another person influences their disposition in developing relationships, suggesting that people often rely on socially constructed and shared beliefs - that is, stereotypes - to form relationships either with people they perceive as similar to themselves (Berschied and Walster, 1978; Silverman, 1974; Walster et al., 1966) or with those from whom they hold positive beliefs (Chattalas, 2005).

This happens because the encounter with anybody unknown produces anxiety combined with a need to develop expectations of their behavior in order to interact effectively with them (Smith and Bond, 1993), and these feelings are no different when we are dealing with

situations where a consumer has to make a decision on whether to acquire a service from one international professional or the other.

In this instance, before she takes her final decision she will access several aspects of the personnel with whom she will have to interact. However, other than just assessing objective measures the consumer can evaluate service personnel in a variety of ways, such as age, gender, ethnicity or nationality that may seem irrelevant but actually influence consumers' perceptions of service quality.

The Country of Personnel (COP) refers exactly to one of these aspects, that is, the nationality of the personnel offering the service and how this can influence service quality perception before the actual consumption.

The COP would reflect, then, how the consumer would categorize a certain professional that is about to offer him a service relatively to his nationality and the task this professional has to perform independently from his actual experience.

Ultimately, the COP deals with preconceived ideas about nations and their people and cultures that unconsciously can lead to positive or negative assessments of a person in her/his work environment.

In a sense, the categorization of people in group stereotypes (including, of course, national stereotypes) is based on the application of schematic knowledge structures that allow an easier and more efficient processing of information about others which helps to take decisions in an environment overloaded with information (Macrae and Bodenhausen, 2000).

When activated, this categorical thinking can influence interpersonal perception in at least two ways. First, individuals may use their knowledge structure to steer the processing of any target-related information that comes across - in the consumer perception setting of this research, such tasks include the evaluation of services quality provided by a particular national group. Second, perceivers may use the contents of their activated knowledge structure to develop evaluations of a particular target (i.e. person or group); a process that frequently gives rise to stereotype-based evaluation behaviors (Fiske et al. 2002; Macrae and Bodenhausen, 2000).

In the end stereotypes allow people to incorporate a person who fits within the generally established boundaries of the out-group, making people more comparable to their stereotype contents than they actually are (Leyens et al., 1994).

Since we consider COP a stereotype-driven attribute connecting the service to positive and/or negative emotional associations with people from different nations (Verlegh and Steenkamp, 1999) we can expect that this, in fact, will influence either positively or negatively the judgments of the service quality.

While it is true that stereotypes can often disrupt harmonious intercultural relations, some studies suggest that pre-established expectations about members of other groups can simplify also cross-cultural interactions and assist individuals in maintaining a positive sense of self-esteem deriving from their group memberships (Taifel, 1978).

Additionally, early studies on the formation of stereotypes across cultures have found that people can hold intense stereotypes about people from other cultural and ethnic groups,

even though they have never met such people (Katz and Braly, 1983) so, it is reasonable to assume that this intensity can also be manifested in the consumer behavior setting.

Especially when we are dealing with people such as the case of COP, reactions to stereotypes can be contextually sensitive (Colcombe, 2000). For example, in the context of basketball, those participants who associate athleticism with the black stereotype may, in fact, experience the African-American faces as positive stimuli. And those who associate the lack of athleticism with the Asian stereotype may experience the Asian faces as negative stimuli.

Although somewhat provocative, the idea that the reaction that one has to category members is contextually constrained has some intuitive merit. There is some indirect empirical support for this notion. Hummert, Shaner, Gartska and Henry (1998) have shown that older adults are spoken to in a more patronizing manner when encountered in a hospital context than in a community setting. This suggests that context can affect the way that the stereotype is interpreted and the same can occur in a particular sports club setting as this research is trying to verify.

A sports gym can constitute a perfect setting to test the hypothesis on COP that will be presented later in this chapter, because in a fitness center different sports modalities can be practiced and each of them has some level of stereotypical idea connected to them, which allows to verify neatly the country of origin of personnel and its connection to the task that is being performed by the professional.

Additionally, a number of studies have shown that the activation of stereotypes is used as a basis for judgments directly or independently of other available information (e.g.,

Anderson, 1983; Bodenhausen & Wyer, 1985; Sagar & Schofield, 1980; Ugwuegbu, 1979). For example, Bodenhausen and Wyer (1985) found that the activation of a stereotype eliminated the influence of some variety of non stereotypical information. This can also be tested in this research if we can show that the COP influences the decision of a consumer even if she has at her disposal information about the level of experience of the personnel offering the service.

In sum, stereotypes in general, and the national stereotype in particular, and the expectations they engender influence judgments and actions (Quillian and Pager, 2001). Laboratory studies already suggested that information consistent with a stereotype is more likely to be noticed and remembered than information that is not, which makes stereotypes resilient because information contradictory to the stereotypes is likely to be discounted (Quillian and Pager, 2001).

This means that stereotypes can play an important role and that the simple appearance of a person can, indeed, have an immediate impact on consumers' evaluations that might also linger on even after a consumer learns more about the service. If this is the case, it is expected that the country of origin stereotypical personnel will lead to more favorable evaluations towards the service than counter-stereotypical personnel.

For instance, most customers could prefer having a Japanese coach teaching them judo, and a Brazilian trainer teaching them Capoeira than the other way around.

If this is the case, the use of stereotypical personnel could be an interesting idea for firms seeking to increase the diversity within their workforce to mirror the changing demographics caused by phenomena such as the intense flow of immigration, increasing

foreign-born populations - either in numbers and/or in proportion - in several countries like China, India, Pakistan, Brazil and Australia (Simon, 1998; Parameswaran and Pisharodi, 2002) and higher mobility of professionals across countries.

It is important to emphasize, though, that if national stereotypical personnel really matters to the offer of a service, some problems would arise as well. According to Jones et al. (1998) and Thomas and Ely (1996) the quest for using occupational stereotypes can result in segregational recruiting policies to achieve potential market niches.

In any case, the assessment of stereotypical perspectives on personnel is clearly an understudied aspect of marketing strategies. To my knowledge no in depth study has empirically verified this in the service sector. Actually, up to this point it seems that the literature related to diversity and personnel has dealt much more with gender related issues than with race, ethnicity or nationality issues (Cook and Hartman, 1986; Dubinsky, 1980; Muehling and Weeks, 1988; O'Connor and Dubinsky, 1983, Palmer and Bejou, 1995).

Nevertheless, it could be already verified that the interaction with other people of the same race and/or gender can advance trust in a working relationship (Ibarra 1992) thus, maybe also national stereotypical personnel (COP) can be effective in eliciting a more positive quality evaluation in the consumers.

1.3. Exploring Country of Tangibles (COT)

It is well known that part of the success in the offering of a service depends on physical evidences provided to the consumer. Due to the intangibility of services, the provision of evidences such as facilities, stands, tools, equipment, stationery, business cards, decoration,

apparel, and more recently, websites, can help consumers to get more information about the service and to form their quality evaluations (Day, 1992). Since they are physical in nature, the evaluation criteria for tangibles is usually objective and clear, and measuring performance is relatively straightforward, moreover, since tangibles are enduring, that is, they are capable of being present prior to the service encounter and lasting beyond it (Stewart, 2003) they can be closely scrutinized by consumers.

In the end, tangibles allow the service offering to be more effective by making services more concrete (Stafford, 1996). While for manufacturing goods the tangibles serve directly to show the features that a product has, for services, the physical evidence has the role of helping to set the ground for delivering the experience (Lovelock, 1992). A careful development of physical facilities and the coherence of tangibles with the image that the provider expects to pass to its consumers, then, can reduce the uncertainty associated with the impossibility of touching or examining a service and increase the likelihood of a fairer evaluation of this service.

According to Kolesar and Galbraith (2002) tangibles save customers' time and effort in evaluating a service and reduce their risk of post-purchase dissatisfaction and Bitner (1992) adds that characteristics of the visible environment aid customers in evaluating what type of service they expect to receive. Of course, different levels of service tangibility (Carman, 1990; Wilson, 1972) also affect consumers' assessments of the relative weightings of tangibles and perceived value in service quality.

The COT dimension of the COO construct relates, then, exactly to this tangible aspect of the international service offer. The importance of adding such a dimension refers to the fact

that it would be unfeasible to offer any service without a minimum level of tangibility. Even Internet companies have their sites to present the company's image to the consumer market.

A few researchers have already provided evidence of the influence of tangible factors on service quality expectations and outcomes. Appealing physical surroundings and tangible cues have been shown to have a positive influence on consumers' expectations, emotional states and behavior (Booms and Bitner, 1982; Baker, 1987; Bitner, 1990). Specifically, Donovan and Rossiter (1982) provided evidence that the physical environment influences a consumer's emotional state, which in turn influences his likelihood of returning to the service provider and Harrell et al. (1980) found that physical surroundings can influence the customer's satisfaction with a service. More recently, Hightower et al. (2002) found that the servicescape influences favorable behavioral intentions and Yap and Sweeney (2007) showed that the tangible part was considered by consumers when evaluating service. In their results patients of different hospitals stated that they valued neat and clean facilities, computerized billing and registration and modern looking equipments etc.

Regarding the link between tangibles and unfavorable behavioral intentions, researchers have also demonstrated that poor service quality, which includes a tangible dimension, has detrimental consequences for the service provider (Zeithaml *et al.*, 1996). Further, Bitner (1990, 1992) found that if a customer perceives the tangible elements of a service to be unappealing or disorganized, he or she attributed more blame to the service provider in the event of a service failure and that tangibles can make task failures less likely. This happens because the use of tangibles can help to elicit desirable scripts from the customers, so that they are better able to perform their portion of the task correctly. For example, the presence

of a standing desk at the entrance of a restaurant signals the customers to wait to be seated. Another way is through standardization of equipment and layout to allow task consistency across multiple locations and employee groups which can be of relevance to international operations.

The importance of tangibles varies depending on the service being offered. Parasuraman et al. (1988) proposed, for instance, that consumers' perception of tangibles is more important in the case of a bank than in credit card services, securities brokerage, and product repair and maintenance. Regardless of their role supporting the offer of a service, tangibles have a relative low importance as a service quality dimension per se compared to the other aspects of the service offering (Zeithaml et al., 1990). A study by Sewell (1997) in the NHS hospitals, for instance, showed that tangibles were the least important dimension of service quality. An illustration of this difference in level of importance would be the Club Med resorts. Club Med is known for relatively meager accommodations which guests accept because of the fun and otherwise excellent treatment they receive from the staff which, in the end, have more weight on the quality perception of the resort services.

In our context, we could imagine a gym that has very good facilities and the most modern equipment, but indifferent personnel and boring exercises. It is very likely that such a gym would not receive a high quality evaluation despite its tangibles.

In reality the quality of a service has little to do with the quality of the building or the apparel, being the judgments of a customer ultimately based on several factors, which diminishes the weight of the tangibles in her overall evaluation of a service's quality. Additionally, in contrast with the other dimensions of the country of origin here presented

(COK and COP), a high level of adaptation of tangibles is not a requisite demanded by consumers. Actually, if a provider operates internationally, consumers expect exactly the opposite, that is, to find similar facilities in different countries (Clancy and Rabino, 2007; Crosby and Johnson, 2004). That said, it is expected that the most inflexible COO dimension in an international provider is its tangible part (COT). While all other cues (COK and COP) are expected to be more adaptable to respond to specific needs, the role of this cue is, instead, to provide an internationally coherent image of the service provider in every single country that it decides to operate in and to help the company in building a solid image (Miller and Foust, 2003). Due to this higher level of standardization and lower flexibility in the direction of the needs of consumers the COT dimension is expected to have a less influential impact on the consumer's evaluations of a service's quality than the other two (COK and COP).

2. Presenting the Research Hypotheses

When a service provider decides to go international it has to deal with several aspects of its original business. The first thing it has to understand is that its operations abroad will have to be somewhat different from the domestic ones. They will have to meet the needs of customers with diverse socio-cultural backgrounds, in different target markets and, very likely, in a larger scale. In this context, success will only be achieved if part of the procedures can be adjusted to local markets and to the needs of specific consumers groups. In this sense, the whole development process of an international service is more related to the definition of flexible guidelines than to the definition of a rigid set of procedures to be followed invariably worldwide.

Among several decisions to be taken by an international provider a very important one is how to tackle the Country of Origin cue, trying to figure out how it affects consumers' evaluation of services quality and their propensity in acquiring the service. Up to now the COO cue has been used in researches on the service sector as a unidimensional construct. But as showed in this chapter, its decomposition has the potential to help not only to unveil a more detailed insight on the construct from the academic perspective but also help the provider to be more efficient in focusing on the aspects that really matter for its operations abroad.

In order to define in which aspects the provider should focus its efforts most, and in which way he should do that, we should discover first which dimension(s) have more weight on consumers' perceptions and how they interact among themselves.

The interaction assessment can be justified because even if the three dimensions of the COO (COK, COP, COT) deal with distinct aspects of the main construct they cannot be seen as merely complementary parts of the international service experience, but rather, they are expected to serve as mutually supporting aspects of the whole experience, each capable of offsetting to some extent, weaknesses in the others. In this sense a proper use of high quality equipment, for instance, can improve personnel performance - or at least the perceptions of personnel performance, or a good perception of personnel can neutralize the negative perception of a certain tangible used to offer a service. So, if the quality of the tangible is barely adequate, but the personal service is excellent, the client will still hold a positive impression of a provider and will be more generous in ignoring some imperfections (Denburg,2002).

Nevertheless, the interaction among the three dimensions on the service sector is expected to be different from that observed in the manufacturing sector. Although in this research we will not perform a direct comparison between the two sectors (because we do not have a parallel for each dimension between them) we expect a migration in the level of influence from knowledge to personnel in the service sector.

Several researches already showed that knowledge is a major source of competitive advantage (Narasimhan et al, 2006; Kandemir and Hult, 2005; Karpati, 2005; Murray and Chao, 2005) and in the researches developed on the COO cue in the manufacturing sector the findings were no exception to this rule. Results showed that the COD (Country of design) was seen as the most influential dimension of the COO construct on consumers' minds (Samiee, 1994; Chao, 1993, 1995, 1998; Inch and McBride, 1998). The logical explanation for this to happen in the manufacturing sector is that when we deal with tangible goods, several standards and levels of quality can be establish already in the development phase, and these standards can be followed with almost no variation by any production or assembling facility around the world. In other words, once a product is set to go to the market, patterns, colors, specifications and quality controls can be defined in a very standardized way and little (or none) variation is expected.

When it comes to services the situation is different. Services are consumed while they are being produced, and therefore depend heavily both on the people offering them and on the people consuming them. Additionally, the interaction between provider and client influences directly the outcome of the service (Javalgi and White, 2002; John and Storey, 1998; Lovelock, 1991).

Therefore, no matter to which level of control a service is submitted, it will always be influenced by the concepts of simultaneity and continual redefinition of individual tasks (Scheid, 1990). Additionally, as showed above, personal interaction can be a deal breaker when we talk about services because the contact consumer x staff becomes more direct, intimate and, thus, relevant (Gummesson,1991; McLaughlin and Fitzsimmons, 1996; Kolesar and Galbraith, 2002).

This puts a lot of emphasis on the role of the personnel that delivers the service (COP). Although all the activities developed at the COK mold the structure and content of a service, great part of the knowledge used by a service provider is composed of tacit knowledge which is only transferred through on-job training and day-to-day experience. Therefore, high perceived quality personnel play a very important role to a provider (Scheuing and Johnson, 1989; De Brentani, 1989) because they are the means by which reliable services can be delivered (Johnston and Hewa, 1997; Gounaris et al., 2003).

Therefore, it can be stated that although technology, knowledge and development are important, the service sector is mainly about people (Clark, 1999), which justifies the prominent importance of the COP dimension in services. Contrary to the other two dimensions here presented (COK and COT) there is no equivalent dimension to the COP in the manufacturing domain. Hence, personnel represents not only the most important part of a service but also the most evident and relevant difference between the two sectors. This comes from the assumption that in the service sector is not the “what” but the “how” that matters, meaning that the quality of service interaction or the experience in getting a service can be more important to the customer than the service per se.

Given the peculiarities of the service sector — inseparability, simultaneity, and close interaction between personnel and clients — and the high need for adaptation of a service to consumers and context, I propose that consumers will rely more heavily on Country of Personnel (COP) than on the other dimensions (COK and COT) to develop their quality perception of a certain service, which leads us to the following hypothesis:

H₁: Consumers' overall evaluation of the quality of a service provider will depend more on their perception of the COP than on their perception of COK or COT.

To illustrate hypothesis 1, I would predict that the overall quality of a service provider will be higher in a situation where its COP is perceived better than the COK (or COT), as compared to a situation where its COK (or COT) is perceived better than the COP. This hypothesis then implies that, although developing a service in a country with high reputation undoubtedly helps in creating positive quality assessments, the positive influence of COK can be decreased by faults in the COP (e.g., non knowledgeable personnel, hostile atmosphere, or high incongruity between what a customer expects and what he actually faces when contacting the personnel). This hypothesis counters prior findings in the product literature, which assess the predominance of the COD dimension (which corresponds to the COK in this framework) over the other dimensions in determining consumers' quality perceptions.

Additionally, it is expected that the assessment of service quality will be more favorable if, controlling for its actual expertise, the personnel offering a certain service match the stereotype that consumers have about them. Stereotypes can be defined as shared assumptions about a category and are represented cognitively as extensive, well-organized schemata (Hamilton, 1981). It has been shown that stereotypes are rather well-articulated conceptions, consisting of many diverse attributes (Anderson, 1987) indicating that they are likely to permit extensive inferences that help categorization (Wyer and Martin, 1986). Stereotyping does not necessarily bring a negative effect in consumers' minds, serving, actually, to legitimize certain professional roles.

A growing body of evidence suggests also that activation of a stereotype (including national stereotypes) may elicit stereotype-related behaviors, even in persons to whom the stereotype should theoretically not apply (Bargh, Chen and Burrows, 1996; Chen and Bargh, 1997; Dijksterhuis and Van Knippenberg, 1998) and that stereotypes serve as important guidelines for individuals in their behaviors toward others (Bar-Tal, 1996).

Overall, the formation of stereotypes is explained with the cognitive process of categorization referring to the fact that people often see others not as individual persons, but rather as members of social or national groups about whom the perceiver, through past experiences and social learning, has developed knowledge and beliefs (Hamilton and Sherman, 1984).

Naturally, stereotypes might be characterized by either positive or negative traits, depending on the direct or indirect experiences of individuals with individuals of other nations.

One important point to bring up is that according to traditional views on stereotyping even if perceivers are aware of their biases, they cannot control their onset and offset (Fiske, 1998), which means that stereotypes can be activated and used outside conscious awareness (Greenwald and Banaji, 1995), which is an important aspect in our case. Because it raises the possibility that people might use national stereotyping unconsciously in their service evaluations even in an increasingly open and diverse society. The view of stereotypes as largely unconscious is consistent with social cognition research on the cognitive heuristics or shortcuts that perceivers employ to manage the vast amount of social information with which they must deal (Fiske and Taylor, 1991). By filtering information, filling in missing data, and automatically categorizing people according to national stereotypes, perceivers can manage information overload and make decisions more efficiently and easily. Thus, we can expect that even though people do not want to evaluate personnel according to their nationality, at some level, even if unconsciously, they do suffer the influence of stereotypes in their decisions despite the presence of other more objective information, such as the level of expertise of personnel.

According to social psychology literature unconscious processes have a number of characteristics. They are unintentional because they are not planned responses; involuntary, because they occur automatically in the presence of an environmental cue; and effortless, in that they do not deplete an individual's limited information processing resources (Bargh and Chartrand, 1999; Fiske and Taylor, 1991). So, even though COP may not be a conscious assessment it can affect the evaluation of a service's quality.

Additionally, previous researchers agree that stereotypes not only influence judgments directly and independently of other available information, but they also lead to biased

evidence processing (Bodenhausen, 1988; Darley & Gross, 1983). According to this view, stereotypes may lead to judgmental bias or discrimination by a. affecting the meaning attached to other available information and/or b. selective processing and elaboration of stereotype-consistent information (Miller & Turnbull, 1986) which can justify a low service quality perception if the staff offering it comes from a country with a bad reputation even when expertise is present.

Evidence from social and cognitive psychology also suggests that stereotyping may lead to selective attention towards information that is consistent with the stereotype (Bodenhausen & Lichtenstein, 1987; Miller & Turnbull, 1986). Therefore, it is expected that when individuals maintain a positive stereotype about people from a particular country, they will ignore other information that is negative, such as low expertise.

It is important to point out, though, that even if stereotypes are often triggered automatically they are not inevitable and unchangeable. Recent research has documented that the automatic operation of stereotypes can be attenuated by changes in perceiver's goals and intentions as well as changes in the social environment (Blair, 2002).

Whether stereotypes are seen as the result of cognitive processes influencing the way people perceive, process, store, and retrieve information (Dovidio, Brigham, Johnson, & Gaertner, 1996) or as overgeneralization with an ideological bias, they may directly influence behavior (Lowengart and Zaidman, 2003) and even if they are not accurate they tend to be stable over time (Goddard, 2005). For that reason, it is important to understand their effects on consumer decisions.

It is therefore expected that the national stereotype connected with the COP can have an important influence on consumers' decisions, which means that when people perceive a lack of fit between personnel characteristics and the stereotypes associated with a particular task, their intentions to acquire a certain service are lower than those who perceive a stronger fit. The lack of fit would, then, negatively influence their evaluation of a certain service/provider.

In our context, consumers' quest for a service-country of personnel stereotypical match would occur when the perceived country image dimensions (e.g. Indian technological skills) are related to desirable service characteristics (e.g. outsourcing of technological customer support). It was already shown that consumers' willingness to be favorable towards certain products tended to be high when countries were evaluated highly on dimensions that were also important to certain product categories (Roth and Romeo, 1992), and this is expected to be true also for service categories. In this case, perceptions would vary depending on how well the country's perceived service and strengths are related to a specific service category, in other words, on the favorability of the image of a stereotypical country of personnel to the service offered.

Previous researches have already shown that consumers expect counter-stereotypical service providers to supply poor service (e.g., Grayson and Shulman 2000; Matta and Folkes, 2005) or to be differently evaluated from a stereotypical provider (Iacobucci and Ostrom, 1993), nevertheless empirical evidence is still needed to address whether international services delivered by a person which is in some aspect different from the occupational stereotype influences services' evaluations negatively or not. This is an important issue, because stereotypes about the characteristics of those in various

occupations are widespread (in different aspects such as gender, age etc), with some of those stereotypes being relevant to service quality and some not (Matta and Folkes, 2005), so this research will try to verify if the nationality of the personnel can be one influential stereotype or not.

The motivation to verify this comes from the fact that providers are increasing exponentially their international presence (O'Shaughnessy and O'Shaughnessy, 2000), therefore they ought to know how to deal with consumers in different countries. Thus, it seems logical to study the link between consumers' attitudes towards national stereotypical personnel or counter-stereotypical personnel.

Therefore, it can be stated that:

H₂: Controlling for actual expertise, a stereotypical COP regarding professional roles in services, as compared to a counter-stereotypical COP, will result in more favorable perceptions of service quality.

The same logic could be applied to the COT dimension. Johnston (1995) argued that the tangible aspects of the staff-customer interface have significant effects, both negative and positive, on service quality, stating that the functionality of tangibles should be measured in terms of serviceability and fitness to purpose. We study the effect of congruency between tangibles and company's image worldwide.

Tangibles main role is to help the provider overcome some of the limitations stemming from services' highly customizable nature. In other words, due to a limited task consistency from customer to customer, and often also due to the complexity of the tasks that are performed, service firms can most likely benefit from a carefully constructed and standardized set of tangibles that supports the range of required tasks. Zeithaml et al. (1993) further suggested that tangibles associated with a service lead to customers' inferences about what the service should and will be like, thereby helping to form customer expectations. Literature on service marketing, then, encourages service providers to make the service more tangible, often by using tangible cues to develop a robust corporate image both domestic and internationally.

Hence, even if the other dimensions (COK and COP) can, and in the majority of the cases should, be adapted to local needs, the adaptation of COT would instead be detrimental to the company's image, because of COT's role to provide an image of the company that is congruent across all the countries where a firm decides to operate.

Marketing scholars have long recognized the importance of congruence within the context of the development of a company's marketing strategy. For example, researchers have studied topics such as offering low-budget products in convenience stores or having a coherent communication strategy to promote a brand (Swait and Erdem, 2002). Congruence was also recurrently studied in relation to celebrity endorsement, studies verified that consumers expect congruence between the celebrity's perceived images and the types of products endorsed (O'Mahony and Meenaghan, 1998; Lynch & Schuler, 1994; Misra & Beatty, 1990); similarly, in relation to event sponsorship, consistency between the event and the sponsor's product or service was found to increase the recall and positive attitude of

consumers towards the products or services in question (Cornwell et al., 2005). Additionally, results have shown that congruent information can create product differentiation (Amis, Slack and Berrett, 1999) and increase market share (Chandon, Wansink and Laurent, 2000), whereas incongruent information slows image transfer (Meenaghan, 2001). In this sense, the use of different tangibles in different countries could reduce attitude accessibility (Bassili, 1998) and have an adverse effect on the consumer's behavior (Fazio, 1995). If a company, then, instead of adapting its tangibles in different places maintained and reinforced its image overall, it could strengthen its image in consumers' minds (Ferrand and Pages, 1999). Since we are dealing in this dissertation with pure services, as previously specified during the literature review, the standardization of tangibles refers mainly to the standardization of facilities, general designs, equipments, apparel and uniforms used by a service provider in different countries to support its offers and reflect its origin to the consumers.

Research about COO in the manufacturing sector already has showed that incongruent information on country of origin is likely to produce a downward adjustment on all salient product beliefs producing a detrimental effect on global product beliefs and attitude. Additionally, Heath and Scott (1998) found that consumers who perceive a consistent image from a company are more likely to feel motivated to purchase and consume a good even though this effect is more likely for low equity brands than for high equity ones (Hui and Zhou, 2003).

Hence, as far as Country of Tangibles is concerned we can expect that consumers will most likely feel more comfortable when they use a service provider that maintains a consistent visual image overall, making use of the same equipment and supporting tangibles, which

will insure them about the possibility of getting the same level of service quality from the provider, independently of the location where the service is acquired. Thus, we expect that worldwide congruity in the tangibles may motivate a more positive attitude of consumers towards the service, leading them to a better perceived quality evaluation. Thus, it can be stated that:

H₃: Consumers' evaluation of a service will be lower when the COT is adapted across different counties, as compared to when it is standardized.

Even if a country has an international image that is predominantly good, this reputation may be stronger for certain products or services, but not for all of them. That is, the same country can have an excellent reputation in one field and a bad reputation in another. This means that consumers associate countries with certain fields of excellence (Niss, 1996). Some studies have already demonstrated that COO effects not only vary by country but also by product class or category (Roth and Romeo, 1992; Eroglu and Machleit, 1989). The results from Roth and Romeo's study (1992), for instance, indicated that consumers had high perceptions of quality for Japanese cars but mediocre quality ratings for Japanese leather shoes and crystal. Similarly, Kaynak and Cavusgil (1983), in their early study, found a similar disparity between quality ratings for Japanese electronic items and Japanese food products. Han and Terpstra (1988) and Bannister and Sanders (1978) have reported similar findings. More recently, Essoussi and Merunka (2007) found that the fit between COD (Country of Design) and a product influenced consumers positively, while a lack of

fit negatively influenced their perceptions. This study showed, for instance, that Germany had a best perceived capacity to design cars, and that Japan was considered to have the best perceived capacity to design TV sets, while France and Taiwan were not considered to have perceived capacity in neither of these products.

It is not unreasonable to think that consumers will tend to have a similar behavior in the service sector. That is, also for services there must be a logical connection or fit between a country and a certain service category, which means that consumers will consider a country as having a high reputation in one service category and low reputation in another. Italy, for instance, is known worldwide for its excellence on design, but it is not exactly considered a reference in software development, whereas India does not have an overall good image as far as services are concerned but has become a world leader in technology outsourcing. There is a logical connection, or fit, between Italy and Design and a lack of fit between Italy and Technology, while there is a fit between India and Technology outsourcing and lack of fit between India and Design.

We can then state that the presence of fit between service category and country of origin - or in the case of our research the fit between service category and country of know-how - expresses the perceived capacity of a country to develop a certain service. This perceived competence has a direct impact on consumers' perceptions of service quality. We therefore hypothesize that a fit between COK and a service category has a positive impact on the perceived quality of a service while a lack of fit between the COK and the service has a negative impact on perceptions of quality of a service. This hypothesis is summarized below:

H₄: Perceived service quality will be higher when consumers perceive a fit between COK and a service category and lower when consumers perceive a lack of fit between COK and a service category.

Up to this point, our hypotheses dealt with all the sub-dimensions of the COO construct for the service sector, Country of Know-How, Country of Personnel and Country of Tangibles, both together and individually. To enrich this study further, we decided to verify how the assessment of perceived quality of a service would be affected if other than the sub-dimensions of the country of origin construct, we also added another extrinsic cue into the picture. In other words, we wanted to see how the consumers would react to the interaction of one of our sub-dimensions and another extrinsic cue.

Several studies, indeed, suggest that price is often used by consumers as an extrinsic cue to infer quality, which means that price has a direct impact on perceived quality (Dodds and Monroe, 1985; Rao and Monroe, 1989; Lichtenstein, Ridgway & Netemeyer, 1993). This comes from the rationale that high quality products/services generally cost more to produce and to develop than low quality ones and that competitive pressures limit firms' opportunities to charge high prices for low-quality products/services (Erickson and Johansson, 1985; Monroe and Krishnan, 1985; Stokes, 1985; Monroe and Chapman, 1987; Lichtenstein, Ridgway & Netemeyer, 1993; Agarwal and Teas, 2001). We can even find practical examples of some companies that improved their images by increasing their

prices. Avon cosmetics, for instance, was able to improve its early market penetration in different social classes simply by increasing its prices (Kotler, 2003).

Overall, price is considered an important cue to quality when there are few other cues available, when the product cannot be evaluated before the purchase, and when there is some degree of risk of making a wrong choice (Dodds and Monroe, 1985; Zeithaml, 1988). Lockshin and Horowitz (2002) specifically investigated price as a cue for predicting the quality of Australian wine and found a positive relationship between the price of a wine and its perceived quality. Their study showed that consumers used price information strongly even when they were able to taste and evaluate the wines before making quality judgments.

Mitchell and Grottel (1991) have, however, showed that price is not only an ineffective cue for quality but it is also not important in reducing perceived risk. Chao (1993) supported this position by linking it more closely to COO information. He pointed out that perceptions of extrinsic quality based on cues such as price may be different according to both the product itself and the country of origin. Consequently, consumers might be less likely to use price as an indicator of quality if they had at their disposal the country of origin cue.

We expect the same thing to occur in the service sector. That is, we expect that the influence of price as a predictor of perception of service quality will be limited by the presence of the COK information. Specifically, we expect that the COK cue can have a halo effect on consumers' minds (Leclerc, Schmitt and Dube, 1994) overriding the effect of price on their overall perceived quality evaluation. This means that if a country is perceived to be incapable of developing high quality services, the quality perceptions will be poor,

and if a country is perceived of being excellent in developing a service the quality perceptions will be high, despite the level of price charged. Thus, we hypothesize that:

H_{5a}: Perceived service quality will be high when COK has a good reputation in the offering of a service and low when COK has a bad reputation in the offering of a service, despite the level of price charged.

In addition, we expect COK to moderate the influence of price on consumers' quality perceptions. We predict that when consumers have a positive COK image they will rely less on price for their quality assessments than when they have a negative COK image. Given that we expect COK to override the effect of price on quality perception, we also expect consumers to give lower weight to the price cue when the COK is positive than when it is negative. When the COK is negative, consumers will probably rely more on price to either reinforce a bad perceived quality if the price is low or to diminish the negative impact of a COK with a bad reputation if the price is high. In other words, we expect price to have a very low impact on consumers' evaluations in the situation where the country of origin of know-how has a positive image and a higher influence on consumers' quality evaluations when COK has a negative image. Thus, we hypothesize that:

H_{5b}: Price will be perceived more as diagnostic of quality when the COK has a low reputation in a service than when the COK has a high reputation in a service.

As showed during the literature review, the study of COO in the service sector is still in its initial stage. Several different aspects are to be investigated and the importance to tackle these issues is undeniable. It is believed, though, that the break-down of this construct, if proven valid, can be of great help to further research in the area.

Chapter 5 – Method and Empirical Analysis

Study 1

Introduction

The main purpose of this research project is to provide an original framework for the Country of Origin construct in the service sector by breaking it into three sub-dimensions (COK, COP and COT) and to examine their relative influence on consumers' quality perceptions.

Study 1 was designed to test hypothesis 1, which predicts that the COP sub-dimension - that is the dimension related to personnel and staff – has more influence than the other two sub-dimensions on consumer's quality assessment of a service. This chapter begins by reviewing the methodology employed to test the proposed hypothesis, moves to the presentation of the empirical results, and finally discusses these findings.

1. Participants

A convenience sample of 120 undergraduate students (69 men and 51 women) of the College of Business, Economics and Accounting at University of Sao Paulo was used to test the experimental conditions. The average age of the participants was 22 years. They were recruited to participate in small group sessions (with a total of 30 participants per condition). Participation was voluntary and the students did not receive any compensation for this 20 min study. The experiment was conducted during the months of August, September and October of 2008.

None of the dependent variables were significantly different across subject's demographics; therefore results were collapsed across age and gender.

2. Method

Data were collected via an experiment that involved the manipulation of one experimental factor: Country Reputation. Participants were randomly assigned to one of following four conditions: high COK, high COP, high COT and a baseline condition where all the sub-dimensions were high. In the high COK condition participants read a scenario where the COK was developed in a country with high reputation in sports, but COP and COT from a country with low reputation in sports; in the high COT condition the COT was develop in a country with high reputation but COK and COP in a country with low reputation; in the high COP condition the COP was developed in a country with high reputation whereas COK and COT in one with low reputation; in the baseline condition participants read a scenario where all the sub-dimensions (COK, COP and COT) were developed in a country with high reputation. In this study, reputation in sports refers more specifically to reputation in professional sports. The underlying assumption is that information about professional sports are more available than that about amateur sports and consumers can more easily rely on this information to assess how well a country is doing in sports.

We selected two countries, USA and Portugal, as having, respectively, high and low reputation in professional sports. USA was chosen as the country with high reputation in professional sports because it has won the greatest number of Olympic medals of all times, 2.405 in total (973 gold medals, 772 silver medals and 660 bronze medals). It holds the second place in Winter Olympic Games with 216 medals and it is among the top 3 countries in the Paralympic with 100 medals in total (IOC, 2008). It is also one of the countries that invests more in sports and fitness-related activities (Harvey, 1998). Portugal was chosen as the country with low reputation in professional sports because it has won a

low number of Olympic medals in any specific sport. So far it has earned just 20 medals in total (3 gold medals, 6 silver medals and 11 bronze medals) which puts the country on the 62nd position in the Olympic Games ranking. Furthermore, it has participated in only five Winter Olympic Games without having earned any medals either in these Games or in the Paralympic Games (IOC, 2008). Although Portugal has some international visibility in soccer and long-distance running it has never won an important worldwide competition in any of these disciplines. More importantly, Portugal has never made significant investment into sports (Camarez, 2003). With the exception of their sport reputation, however, USA and Portugal are comparable in economical (i.e. capitalist and developed countries) and political (i.e. democratic governments) terms.

In all four conditions participants were told that they would be participating in a study that assessed the practice of sports. They received a booklet containing an article about the performance of USA and Portugal in professional sports and a scenario followed by a questionnaire.

The article was the same across conditions and aimed at priming the difference in reputation across the two countries mentioned above (see Appendix A). Although this difference is directly observable, we did not want to rely only on participants' individual knowledge. The article therefore insured that all participants had the same knowledge about sport in USA and Portugal before being exposed to the experimental manipulation. The article included the same amount of information about the three sub-dimensions in order to avoid biased answers in favor of any of them. The article was allegedly taken from a magazine specialized in sports and was therefore prepared in accordance to standard news layout principles to make it as realistic as possible.

After reading the article participants were instructed to read a scenario, which included the experimental manipulation, and to imagine themselves in the situation described (see all the scenarios at Appendix A). The scenario described an international sports gym. This specific service was chosen for a number of reasons: first, it is widely used by the experimental group, that is, young people at their 20's (Mullin, Hardy and Sutton, 2000), who can therefore relate to it; second, it has been gaining increasing attention lately due to people's quest to achieve a healthier life style (Divine and Lepisto, 2005); third, it has already an international reach as several sports gyms chains have extended to different countries, including Brazil (Pitts and Stotlar, 2002; Pons et al., 2006).

The fictitious gym described in the scenario was presented as having extremely high quality in all the sub-dimensions: methods are exclusive and innovative; personnel is highly trained and available to gym members; and tangibles embody breakthrough technology. The only difference across the scenarios was in the alleged country of origin of the three sub-dimensions.

Specifically, all participants read the following introduction:

“Imagine that Bodyworks, an international chain of gyms, has just opened a branch in your neighborhood, very close to where you live. As you have decided to start exercising regularly, you visit the gym to collect more information. At the gym you are told that their strategy to be successful in the Brazilian market and to differentiate themselves from local competitors is based on the combination of three factors: 1. exclusively designed fitness methods that aim at shortening the time needed to build up muscular body mass; 2. highly trained professionals that follow the development of each member in his/her first months of exercising and recommend changes in fitness programs if necessary, and 3. break-through equipment especially engineered to support Bodyworks fitness programs.”

Next, participants in the high COK condition read:

“At the gym you are also told the methods offered by Bodyworks were developed in the United States, whereas the equipments come from Portugal and the instructors are also Portuguese.”

Participants in the high COP condition read instead:

“At the gym you are also told the methods offered by Bodyworks were developed in Portugal and that the equipments will also come from Portugal whereas the instructors are American.”

Participants in the COT condition read:

“At the gym you are also told the methods offered by Bodyworks were developed in Portugal, the equipments come from the United States whereas the instructors are Portuguese.”

Finally, participants in the Baseline condition read:

“At the gym you are also told the methods and equipments offered by Bodyworks were developed in the United States and that the instructors are also American.”

Dependent Variables. Once the scenarios were presented, participants were asked to answer a questionnaire using their initial or gut reaction. They were told that there were no right or wrong answers and that the researcher was only interested in their own personal opinions.

The questionnaire started by asking participants 9 questions assessing perceived quality of the gym. The questions asked participants to evaluate the quality of the gym from several perspectives. They were asked to rate on seven-point scales the likelihood of enrolling in the gym (1= extremely unlikely; 7 = extremely likely), the ability of the gym to offer good services (1=extremely low; 7= extremely high), their willingness to pay a premium price (1=extremely unlikely; 7=extremely likely), the level of appeal and reliability of the gym (1=unappealing/unreliable; 7=appealing/reliable), the likelihood of the Gym to succeed in the market (1=extremely unlikely; 7=extremely likely), their overall feeling towards the gym (1= extremely bad; 7 = extremely good), and finally the perceived quality of the gym (1= extremely low; 7 = extremely high). Next, participants were asked to describe briefly what went through their minds while reading the description of the gym. Finally, 4 questions were used as manipulation checks to test whether participants' belief about the sport reputation and quality of fitness services of USA and Portugal were indeed consistent with those primed through the initial article. Participants were asked straightforwardly to rate on seven-point scales the reputation on professional sports for both countries (1= Extremely Bad, 7= Extremely Good) and the ability of the countries to provide fitness services (1= Extremely Low, 7= Extremely High). Demographic questions were also included at the end (See the entire questionnaire in Appendix A).

3. Results

Manipulation Checks. We conducted a series of paired t-tests to check our assumption that US was indeed perceived as having significantly higher reputation than Portugal, both in professional sports ($M_{US} = 6.21, SD = 1.06; M_{Portugal} = 2.99, SD = 1.48$) ($t(119) = 19.81, p$

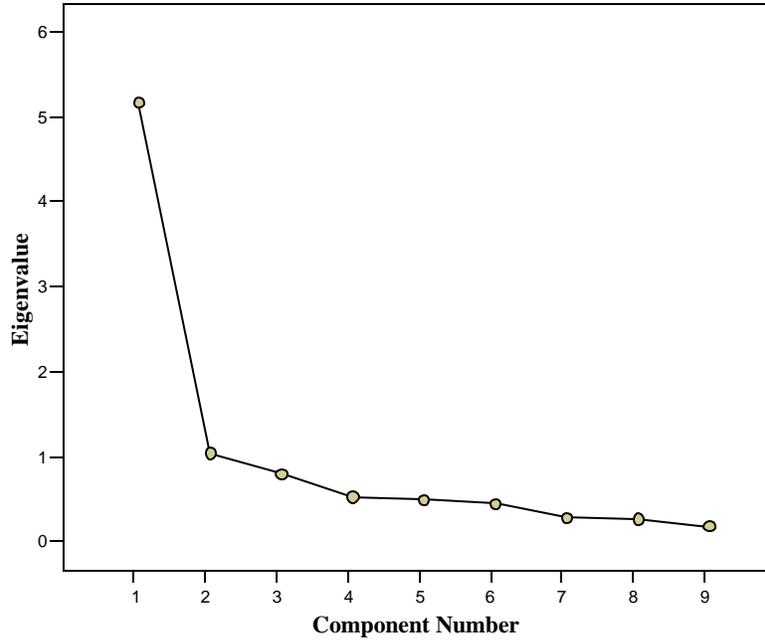
< 0.001) and in the offering of services in the fitness sector ($M_{US} = 5.75$, $SD = 1.26$; $M_{Portugal} = 3.50$, $SD = 1.32$) ($t(119) = 13.48$, $p < 0.001$).

Perceived quality. Nine items measured the construct of perceived quality. An exploratory factor analysis with Varimax rotation yielded a two-factor solution. The two measures were therefore combined in two indexes labeled Perception and Predisposition. The Perception measure directly assesses participants' evaluation of the quality of the service, whereas and the Predisposition measure refers to the motivation to take action as a result of the quality perceived. Table 5 shows the measures aggregated into these two factors and their respective scales.

Table 3 - Total Variance Explained

Component	Initial Eigenvalues			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	5.145	57.163	57.163	3.534	39.269	39.269
2	1.020	11.336	68.498	2.631	29.229	68.498
3	.776	8.624	77.122			
4	.505	5.613	82.735			
5	.471	5.237	87.972			
6	.421	4.674	92.646			
7	.259	2.880	95.525			
8	.242	2.686	98.211			
9	.161	1.789	100.000			

Graph 1 - Scree Plot



From table 3 and the Scree plot we can see that, consistent with the solution recommended by the exploratory factor analysis, there is a significant drop after the first factor and after the second one the graph began to stabilize. Additionally, these two factors together explain 68.50% of the variance, therefore confirming the suggested loadings on two factors.

Table 4 - Rotated Component Matrix

	<i>Component</i>	
	<i>Perception</i>	<i>Predisposition</i>
Q1	.107	.846
Q2	.713	.390
Q3	.223	.715
Q4	.456	.677
Q5	.774	.277
Q6	.484	.661
Q7	.736	.150
Q8	.892	.191
Q9	.766	.471

Extraction Method: Principal Component Analysis.
Rotation Method: Varimax with Kaiser Normalization.

From table 4 we can see that 5 items (Q2, Q5, Q7, Q8 and Q9) loaded on one factor and 4 items (Q1, Q3, Q4 and Q6) loaded on the second factor. Nunnally (1978) provides a widely accepted rule of thumb that Cronbach's alpha coefficient should be at least 0.70 for a scale to demonstrate its internal consistency. As illustrated in table 3, both items have an alpha above this criterion.

The items combined above were labeled Perception and Predisposition, respectively (see Table 5). This choice of labels occurred because it can be observed that the items loading on the first component relate more to consumers' feelings and attitudes regarding the quality of the gym, i.e. to their perception towards it, while the items loading on the second factor relate to their intention to act upon this perception, that is to their predisposition to use the gym. Note, though, that item Q4 seems to be more related to perception than to predisposition as far as the wording is concerned. Although this results is puzzling, we found some previous literature in branding (Vigneron and Johnson, 1999; Gelperowic and Beharrell, 1994; Murphy, 1988; Holmes and Crocker, 1987) that refers to appeal as an actual trigger of consumer's action, which supports the insertion of this item under the Predisposition label.

Table 5 – Scale Items

Scale Items	
Perception ($a = 0.888$)	<ul style="list-style-type: none"> - Q2: How would you rate this Bodyworks branch’s ability in providing good services to you? (1=Extremely Low-7=Extremely High). - Q5: This gym seems to you (1=Unreliable-7=Reliable) - Q7: How likely do you think it is that this branch of Bodyworks will be successful? (1=Extremely Unlikely - 7=Extremely Likely) - Q8: How would you rate this gym quality? (1=Extremely Bad – 7=Extremely Good) - Q9: Overall, your feeling about this gym is (1=Very negative – 7=Very Positive)
Predisposition ($a = 0.804$)	<ul style="list-style-type: none"> - Q1: How likely it is that you will subscribe to this Bodyworks branch? (1=Extremely Unlikely- 7 = Extremely Likely) - Q3: Would you be willing to pay a premium price to attend this gym? (1=Extremely Unlikely- 7=Extremely Likely) - Q4: This gym seems to you (1=Unappealing-7=Appealing) - Q6: How much do you think you will enjoy exercising in this gym? (1=Not Much-7=Very Much)

Next, we conducted a one-way ANOVA (reputation: high COK, high COT; high COP) to test our hypothesis of a differential impact of the three sub-dimensions on both the Perceptions and the Predisposition measures. Before conducting the ANOVA we ensured that the underlying assumptions were met.

Independence: This assumption was met as participants in each sample were randomly and independently distributed to the experimental conditions.

Normality: The Shapiro-Wilks W statistical test of difference from a normal distribution was performed on the dependent variable measures Perception ($p = 0.091$) and Predisposition ($p = 0.056$). This test indicated that the data are normally distributed in both.

Homogeneity of Variance: The Levene's tests were non-significant for both Perception ($p = 0.198$) and Predisposition ($p = 0.184$). We can therefore assume that the data are homoscedastic, that is, variances are homogeneous for all groups.

Table 6 - Descriptive Statistics

	<i>Condition</i>	<i>N</i>	<i>Mean</i>	<i>Std. Deviation</i>
<i>Perception</i>	High COK	30	5.18	.81
	High COP	30	5.86	.76
	High COT	30	4.39	1.20
	High COK High COP High COT	30	5.89	.92
	Total	120	5.33	1.11
<i>Predisposition</i>	High COK	30	4.93	.93
	High COP	30	5.52	.78
	High COT	30	4.04	1.08
	High COK High COP High COT	30	5.55	.95
	Total	120	5.01	1.11

Table 6 shows the descriptive Statistics for the conditions and Table 7 summarizes the results of the one-way ANOVA. This analysis revealed main effects for reputation on both the Perception ($F(3,116) = 17.04, p < 0.001$) and Predisposition ($F(3,116) = 16.93, p < 0.001$) items used to measure participants' perceived quality.

Table 7 – ANOVA

	Sum of Squares	Df	Mean Square	F	Sig.
<i>Perception</i>	44.942	3	14.981	17.041	.000
<i>Predisposition</i>	44.823	3	14.941	16.929	.000

Tukey's HSD test showed that each condition significantly differed from the others (see table 8), with the exception of the relation Condition 2 and Condition 4. Specifically, confirming our hypothesis, participants' Perception was higher in the COP ($M= 5.86$; $SD = .76$) than in the COK ($M= 5.18$; $SD= .81$) and in the COT ($M= 4.39$; $SD=1.20$) conditions. The mean obtained in the baseline condition, was directionally the highest ($M= 5.89$; $SD = .92$). The difference between the baseline and the High COP condition (0.03) is, though, not statistically significant ($p=0.999$) as shown in table 8, whereas the Baseline condition is statistically different from both the High COK and the High COT conditions. This result shows that the COP sub-dimension had such an important influence in participants' perceptions that its average evaluation was as high as the situation where all the sub-dimensions were from a country with high reputation. In addition, Perception was higher in the COK as compared to the COT condition. These results mirror those for Predisposition, where mean ratings were higher in the COP ($M= 5.52$; $SD= .78$) than in the COK ($M= 4.93$; $SD= .93$) and COT ($M= 4.04$; $SD= 1.09$) conditions and COK was higher than COT. Also here the mean obtained in the baseline condition, was directionally the highest ($M= 5.55$; $SD = .95$) and the difference between the COP condition (0.30) and the baseline condition was non-significant ($p=0.999$), which points out that participants gave a similar evaluation in both conditions also for Predisposition.

Table 8 - Multiple Comparisons

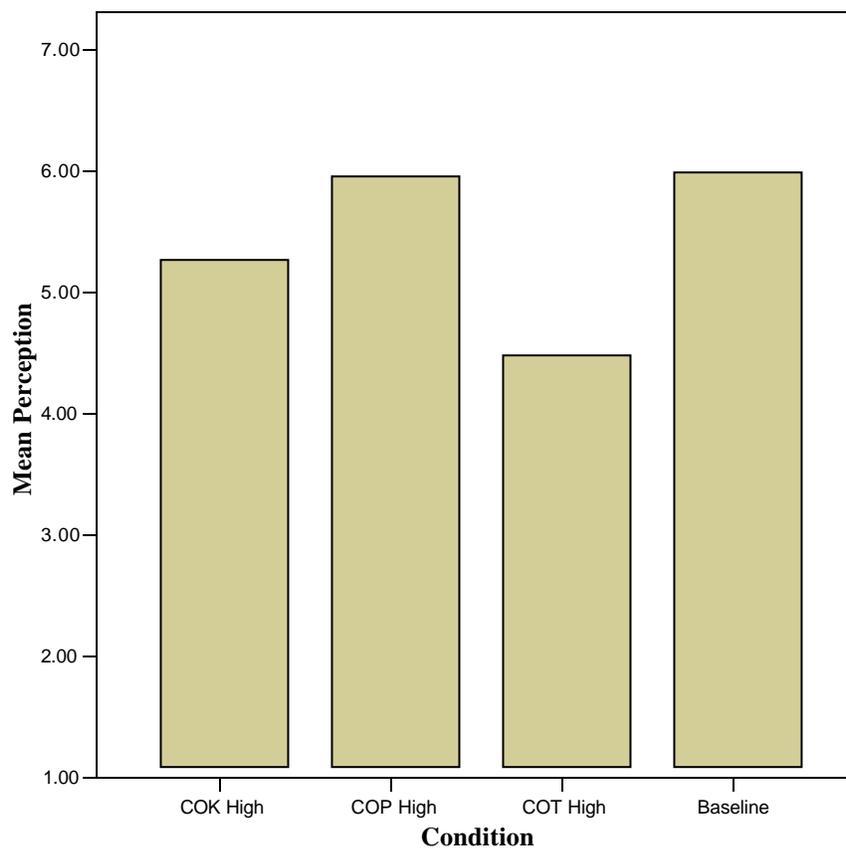
		(I) group	(J) group	Mean Difference (I-J)	Std. Error	Sig.	
<i>Perception</i>	Tukey HSD	High COK	High COP	-.68000*	.24209	.029	
			High COT	.78667*	.24209	.008	
			Baseline	-.71333*	.24209	.020	
		High COP	High COK	High COT	.68000*	.24209	.029
				High COT	1.46667*	.24209	.000
				Baseline	-.03333	.24209	.999
		High COT	High COK	High COP	-.78667*	.24209	.008
				High COP	-1.46667*	.24209	.000
				Baseline	-1.50000*	.24209	.000
		Baseline	High COK	High COP	.71333*	.24209	.020
				High COP	.03333	.24209	.999
				High COT	1.50000*	.24209	.000
<i>Predisposition</i>	Tukey HSD	High COK	High COP	-.58889*	.24209	.037	
			High COT	.88889*	.24209	.002	
			Baseline	-.61852*	.24209	.042	
		High COP	High COK	High COT	.58889*	.24209	.037
				High COT	1.47778*	.24209	.000
				Baseline	-.02963	.24209	.999
		High COT	High COK	High COP	-.88889*	.24209	.002
				High COP	-1.47778*	.24209	.000
				Baseline	1.50741*	.24209	.000
		Baseline	High COK	High COP	.61852*	.24209	.042
				High COP	.02963	.24209	.999
				High COT	1.50741*	.24209	.000

*The mean difference is significant at the .05 level

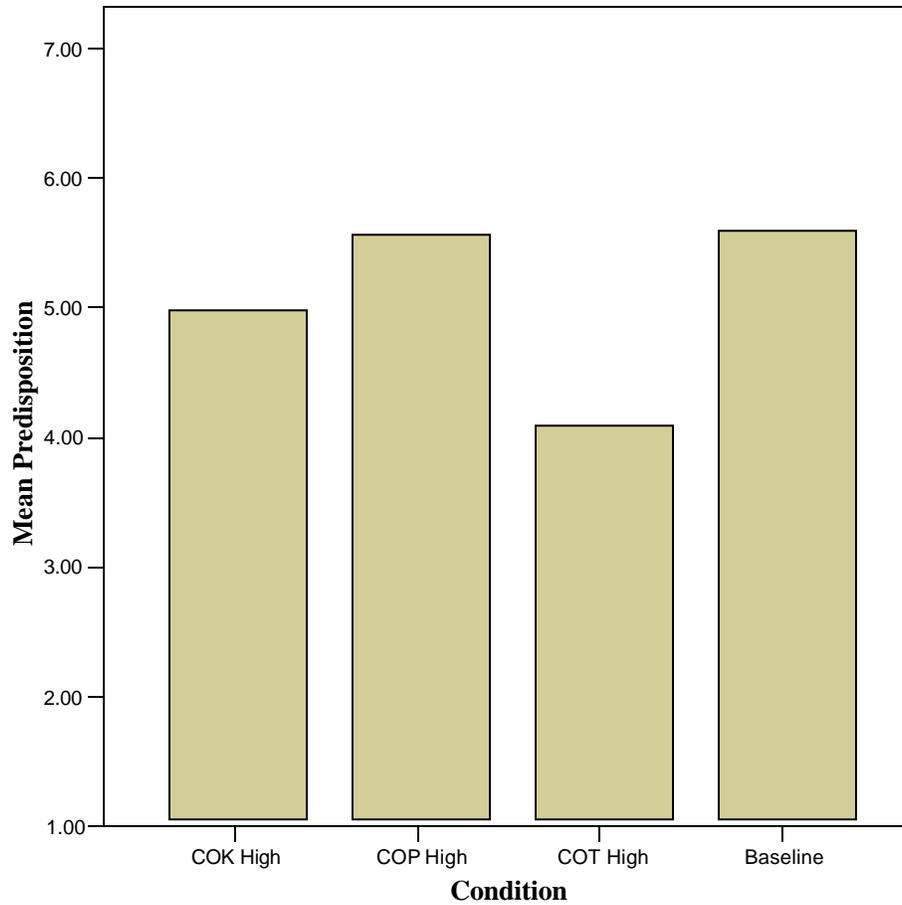
Table 8 illustrates the contrasts across the means in each condition for Perception and Predisposition. First, all of the differences are significant at a .05 level as pointed in the last column, with the exception of the relation between the baseline and the COP condition. For Perception, High COP condition presented a mean that is 0.68 higher than the mean of the High COK condition ($p=0.029$) and 1.47 higher than the mean of the High COT condition ($p<0.001$). The mean of the High COK condition is also 0.79 higher than the mean of the High COT ($p=0.08$) and the mean for the Baseline condition 0.71 higher than the COK

condition ($p= 0.02$) and 1.50 higher than the COT condition ($p<0.001$). For Predisposition, the High COP condition presented a mean that is 0.59 higher than the mean of the High COK condition ($p= 0.037$) and 1.47 higher than the mean of the High COT condition ($p<0.001$). The mean of the High COK condition is also 0.89 higher than the mean of the High COT ($p=0.002$) the mean for the Baseline condition 0.62 higher than the COK condition ($p= 0.042$) and 1.51 higher than the COT condition ($p<0.001$).

Graph 2 – Means for Perception



Graph 3 – Means for Predisposition



4. Discussion

Findings of Study 1 support hypothesis 1, which predicted that consumers' overall evaluation of the quality of a service will depend more on their perception of the COP than on their perception of COK or COT. Previous researchers had already acknowledged that the country image construct could be influenced not only by cognitive beliefs about

products, but also by the image consumers hold of the people who produce them (Papadopoulos et al.,1989; Papadopoulos, Heslop & Bamossy, 1990). However, the influence of personnel's nationality was never specifically studied before. We then decided to break down the COO construct into three sub-dimensions and examine the influence of each one on service quality perceptions. Our findings show that indeed a service receives more favorable evaluation when the country of origin of personnel, as compared to technology and know-how, is perceived as having high reputation. This indicates that Country of Personnel (COP) has a greater weight than COK or COT in consumers' assessment of a service quality.

Our results then suggest a difference between the manufacturing and the service sector in the way the country of origin cue can influence consumers' behavior. While in the manufacturing sector Country of Design (which would be equivalent to our COK sub-dimension) seems to have more influence on consumers' quality assessments, in the service sector this influence seems to migrate to the Country of Personnel, which supports Clark's (1999) statement that although technology, knowledge and development are important, the service sector is mainly about people.

Although hypothesis 1 predicted a difference between COP and the other two dimensions, it did not explicitly predict the observed difference between COK and COT. These results support, however, the discussed in Chapter 4, of COT being the dimension exerting the lowest influence on consumers' assessment of quality. We conclude that heavy investments in high-reputation tangibles may not be effective in influencing consumers' perception of quality if the country or origin reputation of know-how and personnel employed in providing the service is low.

Additionally, the comparison of the mean ratings across conditions confirmed the differential impact of the three sub-dimensions on service evaluation, offering additional evidence to support the notion that the COO construct in the service sector is not one-dimensional but, in fact, multi-dimensional.

Empirical results also indicate that the influence of the different sub-dimensions is not restricted only to perception of quality but also to predisposition to act. This means that not only the perception of quality varies according to the perceived reputation of each sub-dimension, but also the wish to take some action - like enrolling in the gym, or practicing exercises in the gym - changes significantly.

A more fine-grained approach regarding the effects of the different sub-dimensions found in this study, especially the one related to the country of origin of personnel, can provide new light on the understanding of the consumer's decision making process towards service providers.

To the best of the author's knowledge of the current literature, this dissertation presents the first experimental study that not only points out to this multidimensionality but also successfully manipulates this aspect, finding empirical proof of its existence.

Study 2

Introduction

The main purpose of Study 2 is to investigate how stereotypes about the country of origin of personnel (COP) can affect consumers' quality perceptions. Specifically, this study examines consumers' different reactions to situations where they perceive a fit between personnel characteristics and the national stereotype associated with a particular task, which we call stereotypical personnel as compared to situations where they perceive a lack of fit between personnel characteristics and the stereotype associated to a particular task, which we call counter-stereotypical personnel.

Study 2 was designed to test hypothesis 2, which predicts that controlling for actual expertise, a stereotypical COP regarding professional roles in services, as compared to a counter-stereotypical COP, will result in more favorable perceptions of service quality. This chapter begins by reviewing the methodology employed to test the proposed hypothesis, moves to the presentation of the empirical results and finally discusses these results.

1. Participants

A convenience sample of 50 undergraduate students (27 men and 23 women) of the College of Business, Economics and Accounting at Federal University of Parana was used to test the experimental conditions. The average age of the participants was 23 years. They were recruited to participate in small group sessions (with a total of 25 participants per condition). Participation was voluntary and the students did not receive any compensation

for this 15 min study. The experiment was conducted during the months of November and December of 2008.

None of the dependent variables were significantly different across subject's demographics; therefore results were collapsed across age and gender.

2. Method

Data were collected via an experiment that involved the manipulation of one experimental factor: Country of Personnel (COP). Participants were randomly assigned to one of following two conditions: Stereotypical COP and Counter-stereotypical COP. In the stereotypical COP condition participants read a scenario where there was a match between the service provider and the service he offered, whereas in the counter-stereotypical COP condition participants read a scenario where there was a mismatch between the service provider and the service being offered.

We selected a judo class as the service being offered and Japanese and French as the nationalities of the provider to represent, respectively a stereotypical personnel and a counter-stereotypical personnel.

Participants were told that they would be participating in a study that assessed the practice of sports. They received a booklet containing a scenario followed by a questionnaire. Differently from study 1, we did not prime the reputation of Japan and France in this experiment because we assumed that participants were fully aware of the reputation of Japan, and the lack of reputation of France, in martial arts. Additionally, as pointed during the review of literature, the effect of a stereotype is often unconscious; therefore we

assumed that the less information we gave the participants, the more they would rely on existing stereotypes.

Participants were instructed to read a scenario and imagine themselves being in the situation described (see all the scenarios at Appendix B). The scenario described an international sports gym offering a judo class offered by a foreign instructor, who was described as having average expertise. The scenarios differed in the nationality of the instructor. Specifically, all participants read the following introduction:

“Imagine that you are a member of a sports gym called Bodyworks, and that you have recently thought about taking up martial arts. Bodyworks offers a class of Judo for Beginners every Tuesdays and Thursdays at 8 PM, a time that perfectly fits your schedule.

Next, participants in the Stereotypical (Counter-Stereotypical) COP condition read:

“You know that this class will be taught by Hideki Satashi (Jean-Pierre Rousseau), a certified martial arts instructor from Japan (France). Hideki (Jean-Pierre) is an enthusiast of a method of Judo training called Randori. While the classic method is based on formal and sequential exercising procedures, the Randori method encourages freestyle fighting, which means that once students learn the basic movements, they will immediately start practicing how to make free use of the throws and grappling techniques to gradually polish and refine themselves. The Randori technique is, however, more popular among competitive Judokas than as a teaching method. Hideki (Jean-Pierre) is more familiar with it because he has been competing for some years but has started teaching only three years ago. For this reason he will be in charge of the Beginners class, but not of the more advanced classes. Some students that had classes with him said that although he is still not fluent in Portuguese his communication skills are good enough to teach.”

Dependent Variables. Once the scenarios were presented, participants were asked to answer a questionnaire using their initial or gut reaction. They were told that there were no right or wrong answers and that the researcher was only interested in their own personal opinions.

The questionnaire started by asking participants 7 questions assessing perceived quality of the class offered. The questions followed a scale similar to the one used in Study 1 for perception of quality, replacing the gym for the judo class or for the instructor depending of the case in order to adapt the scale to the situation under study. Two more questions were added to this scale, in these questions participants were asked to rate on seven-point scales the likelihood of attending the class (1= extremely unlikely; 7 = extremely likely) and the likelihood of the class being satisfactory (1=extremely unlikely; 7=extremely likely). Next, 2 questions were used as manipulation checks to test whether participants' belief about martial arts in Japan and France were indeed considered respectively as high and low as we intended. Participants were asked to rate on seven-point scales the reputation on martial arts for both countries (1= Extremely Bad, 7= Extremely Good). Finally, participants were asked to rate again the quality of the class, but this time they were told that the instructor had already ten years of experience in teaching advanced classes (1=extremely bad; 7=extremely good). This question was added in order to control for the effect of expertise in both situations.

Demographic questions were also included at the end (See the entire questionnaire in Appendix B).

3. Results

Manipulation Check. We conducted a paired t-test to check our assumption that Japan was indeed perceived as having higher reputation than France in Martial Arts. As expected, Japan was perceived as having significantly higher reputation than France ($M_{Japan} = 6.36$, $SD = 0.75$; $M_{France} = 2.98$, $SD = 1.17$) ($t(49) = 16.42$, $p < 0.001$).

Perceived quality. Seven items measured the construct of perceived quality. An exploratory factor analysis with Principal Component yielded a one-factor solution. The items were therefore combined in one index labeled Perception, which directly assesses participants' evaluation of the quality of the service. Table 11 shows the measures aggregated into the factor and their respective scale.

Table 9 - Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	4.219	60.265	60.265	4.219	60.265	60.265
2	1.527	21.821	82.087			
3	.446	6.371	88.458			
4	.271	3.871	92.329			
5	.234	3.339	95.668			
6	.173	2.473	98.140			
7	.130	1.860	100.000			

Extraction Method: Principal Component Analysis.

Table 10 - Component Matrix

	Component
	1
Q1	.689
Q2	.780
Q3	.801
Q4	.776
Q5	.761
Q6	.780
Q7	.839

From table 9 we can see that the 7 items are able to explain 60.27% of the variance of the data and in table 10 we can see that all the 7 items (Q1, Q2, Q3, Q4, Q5, Q6 and Q7) loaded on one factor, which we named Perception. Nunnally (1978) provides a widely accepted rule of thumb that Cronbach's alpha coefficient should be at least 0.70 for a scale to demonstrate its internal consistency. As illustrated in table 11, the item has an alpha above this criterion.

Table 11 – Scale Item

Perception ($\alpha = 0.880$)	<ul style="list-style-type: none"> - Q1: How interested would you be in attending this Judo class? (1=Not Interested at All-7=Extremely Interested) - Q2: How likely do you think this class will be satisfactory? (1=Extremely Unlikely - 7=Extremely Likely) - Q3: How would you rate the ability of this instructor to provide a good class for you? (1=Extremely Low – 7=Extremely High) - Q4: This class seems to you (1=Unreliable-7=Reliable) - Q5: This instructor seems to you (1=Unreliable-7=Reliable) - Q6: How would you rate the quality of this class? (1=Extremely Bad – 7=Extremely Good) - Q7: Overall, your feeling about this class is (1=Very negative – 7=Very Positive)
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Next, we conducted a One-Way ANOVA (COP: Stereotypical versus Counter-stereotypical) to test our hypothesis that a stereotypical COP would lead to a higher perception of quality service than a counter-stereotypical COP. Before conducting the ANOVA test we ensured that its assumptions were met.

Independence: This assumption was met as participants in each sample were randomly and independently distributed to the experimental conditions.

Normality: The Shapiro-Wilks W statistical test of difference from a normal distribution was performed on the dependent variable measure Perception ($p = 0.653$). This test indicated that the data are normally distributed.

Homogeneity of Variance: The Levene's tests were non-significant for Perception ($p = 0.40$). We can therefore assume that the data are homoscedastic, that is, variances are homogeneous for all groups.

Table 12 - Descriptive Statistics

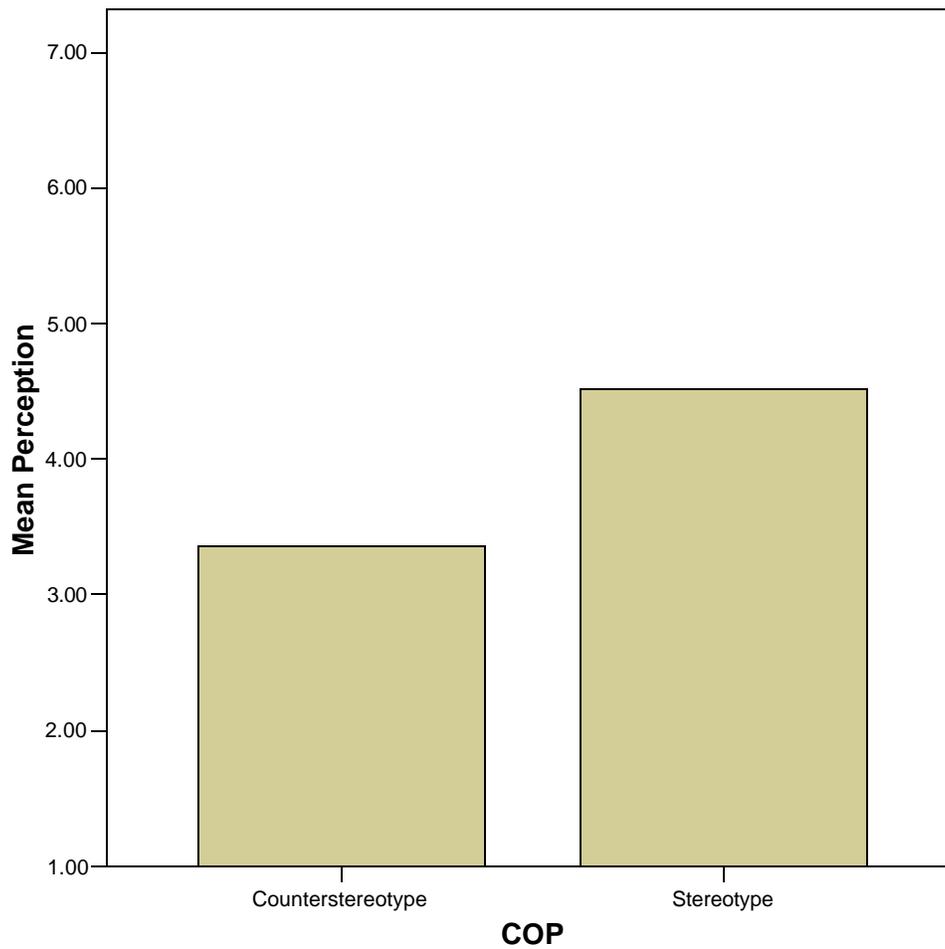
	Condition	N	Mean	Std. Deviation
Perception	Stereotypical COP	25	4.51	1.39
	Counter-stereotypical COP	25	3.35	1.01

Table 12 shows the descriptive Statistics for the conditions and Table 13 summarizes the results of the one-way ANOVA. This analysis revealed the hypothesized main effects for COP on Perception of Quality ($F(1,48) = 11.28, p=0.002$). This main effect showed that the perception of quality in the stereotypical COP condition was 1.15 higher ($M = 4.51$; $SD = 1.39$) than the perception of quality in the counter-stereotypical condition ($M = 3.35$; $SD = 1.01$).

Table 13 – ANOVA

	Sum of Squares	Df	Mean Square	F	Sig.
<i>Perception</i>	16.655	1	16.655	11.287	.002

Graph 4 – Means for Perception



Further we wanted to verify if the perceived quality would still be higher for the stereotypical COP as opposed to the counter-stereotypical COP after increasing the

supposed expertise of the instructor. Additionally we thought that it would be interesting to compare participants' rating of service quality. We expected that the evaluation of quality would increase in both conditions when participants were asked to imagine that the instructor had higher expertise (ten years of experience teaching advanced classes). Since we predicted a higher quality evaluation for the stereotypical COP condition than for the counter-stereotypical COP condition, we expected a higher difference (before and after a higher level of expertise was presented) for the counter-stereotypical instructor as compared to the stereotypical instructor.

To verify if the difference of ratings indeed behaved in the way we were expecting, we decided to run some paired t -tests comparing the raise in the ratings before and after a higher level of expertise was presented in both conditions.

Table 14 shows the results in both conditions

Table 14 – Paired T-Tests

<i>Condition</i>	<i>N</i>	<i>Mean</i>	<i>Std. Deviation</i>	<i>Mean Difference</i>	<i>t</i>	<i>df</i>	<i>Sig. (2-tailed)</i>
<i>Stereotypical COP</i>	25	4.5086	1.39000	1.41143	5.026	24	.000
		5.9200	1.18743				
<i>Counter-Stereotypical COP</i>	25	3.3543	1.00941	1.80571	7.741	24	.000
		5.1600	1.31276				

Table 14 shows a statistically significant difference on the quality ratings of the Judo class when we increase the level of expertise. However, the stereotypical COP got the highest ratings both before and after modifying the level of expertise ($M_{JapanBefore} = 4.50$; $M_{JapanAfter} = 5.92$), $t(24) = 5.03$, $p < 0.001$); ($M_{FranceBefore} = 3.35$; $M_{FranceAfter} = 5.16$), $t(24) =$

7.74, $p < 0.001$). These results show us that no matter the level of expertise of the personnel offering a service, the stereotypical COP appears as having higher quality.

4. Discussion

Findings of Study 2 support hypothesis 2, which predicted that consumers' overall evaluation of the quality of a service will be higher for a stereotypical COP regarding professional roles in services, as compared to a counter-stereotypical COP, after controlling for expertise. Empirical results support the notion that national stereotypes play an important role in quality perceptions.

Participants relied on national stereotypes, rather than information about the instructor's expertise, in their service evaluations. Thus, we can state that COP has a very strong influence on perceived quality even in the presence of other, more concrete, information, such as the level of expertise of the instructor.

This is an important finding, especially because Study 1 had already showed that COP was the sub-dimension of the COO construct that had more influence on consumers' minds when they were assessing the quality of a service. Thus, understanding how this sub-dimension can be manipulated by a service provider during the hiring and training of the professionals could influence the eventual success of the business.

It appears that using national stereotypical personnel to offer a service, such a Japanese judo instructor, a French hair-dresser, an Argentinean tango teacher or a Brazilian capoeira instructor can give an advantage to the international service provider compared to using counter-stereotypical personnel, such as a French Judo Instructor, a Brazilian Hairdresser, a Japanese Tango teacher or a Argentinean Capoeira instructor.

Therefore, it seems that if an international service provider could allocate its personnel to match certain roles, its likelihood of succeeding will increase. If this allocation is not feasible, since most of the personnel that offers a service tends to be local, attaching some kind of connection with a stereotypical match to the personnel could be beneficial. So, we might have a Brazilian Judo instructor offering courses in a Gym in a city like Sao Paulo, but the Gym could inform the customers that the instructor trained with a Japanese master.

In this study it became clearer the importance of breaking down the COO construct for the service sector, since in this more fine-grained format that considers the sub-dimensions separately, important aspects of the business, such as the definition and training of the workforce, as showed in Study 2, can becomes more manageable both to service providers and to researchers.

Study 3

Introduction

The main purpose of Study 3 is to investigate how the decision of adapting or standardizing the COT sub-dimension worldwide influences consumers' quality assessments of a service. Study 3 was designed to test hypothesis 3, which predicts that consumers' evaluation of a service will be lower when the COT is adapted across different countries, as compared to when it is standardized.

This chapter begins by reviewing the methodology employed to test the proposed hypothesis, moves to the presentation of the empirical results and finally discusses the results found.

1. Participants

A convenience sample of 48 graduate students (22 men and 26 women) of the College of Business, Economics and Accounting at University of Parana was used to test the experimental conditions. The average age of the participants was 27 years. They were recruited to participate in small group sessions (with a total of 24 participants per condition). Participation was voluntary and the students did not receive any compensation for this 30 min study. The experiment was conducted during the month of December of 2008.

None of the dependent variables were significantly different across subject's demographics; therefore results were collapsed across age and gender.

2. Method

Data were collected via an experiment that involved the manipulation of one experimental factor: Country of Tangibles (COT) presented in two levels: (Standardized x Adapted). Participants were randomly assigned to one of following two conditions: Standardized COT and Adapted COT. In the standardized COT condition participants read a scenario where the design patterns, colors, uniforms and equipments of a fictitious gym were standardized in the US headquarters and in Brazil, in the Adapted COT condition participants read a scenario where the design patterns, colors, uniforms and equipments were adapted in Brazil as compared to the US.

We selected two countries, USA and Brazil for this experiment. USA was chosen due to its high reputation in sports and Brazil was chosen because the experiment was applied in the Brazilian city of Curitiba and we decided to maintain the situation as real as possible to the participants.

In both conditions participants were told that they would be participating in a study that assessed the practice of sports. They received a booklet containing an article about the opening of a branch of an American Gym in Curitiba and a scenario followed by a questionnaire.

The article was the same across conditions and aimed to give the participants an idea of how the headquarters of the American Gym looked like in the United States, so that they could compare the fictitious Brazilian branch to the US one and realize that the COT was either standardized (standardized condition) or adapted (adapted condition) across these

two countries (standardized condition) (see Appendix C). The article was allegedly taken from a magazine specialized in sports and was therefore prepared in accordance to standard news layout principles to make it as realistic as possible.

After reading the article participants were instructed to read a scenario, which included the experimental manipulation, and to imagine themselves in the situation described (see all the scenarios at Appendix C). The scenario gave a physical description of the local branch of gym, detailing colors, equipments and uniforms of the employees. The fictitious gym described in the scenario was essentially the same. The only difference is that in the first condition all these elements were in conformity to those of the US headquarters as presented in the article and in the second condition all these elements were adapted to local patterns and colors.

Specifically, all participants read the following introduction:

“Now imagine that the Bodyworks branch discussed in this article has opened in your neighborhood, very near to where you live. As you have decided to start exercising regularly, you visit the gym’s branch to check the place out”

Next, participants in the Standardized COT (Adapted COT) condition read:

“After entering the gym you realize that everything looked just like the description in the magazine: The equipments and apparel were made in the US (Brazil), the decoration of the facilities followed an American (Brazilian) theme, the lightning was red-blue-white (yellow and green) , the colors of the uniforms of staff and instructors were the same and there was a reproduction of an American (Brazilian) Flag artwork hanged behind the reception desk”

Dependent Variables. Once the scenarios were presented, participants were asked to answer a questionnaire using their initial or gut reaction. They were told that there were no right or wrong answers and that the researcher was only interested in their own personal opinions.

The questionnaire started by asking participants 6 questions assessing perceived quality of the gym. The questions followed the same scale used in Study 1 for Perception of Quality adding just one more question that asked participants to rate on seven-point scales the likelihood of the gym branch being a good place to exercise (1= extremely unlikely; 7 = extremely likely). Next, the same 4 questions of Study 1 were used as manipulation checks to test whether participants' belief about the sport reputation and quality of fitness services of USA and Brazil. In the sequence, they were asked to rate on a seven-point scales the overall image of both countries (1= Very Negative, 7 = Very Positive) in order to verify if an extremely negative overall reputation of the country could influence the final results. Finally, they answered two open questions that asked them to put themselves in the position of the Marketing Manager of the American Gym Chain and decide what to do with the tangibles of the gym in different countries, that is they were asked to say if they would standardize or adapt the tangibles in different countries if they had the power to take this decision. Participants were also asked to state if they thought that their decision would change overtime, after some years of operation in a country. Finally, some Demographic questions were also included at the end (See the entire questionnaire in Appendix C).

3. Results

Manipulation Checks. We conducted a series of paired *t*-tests to check if US would be perceived as having significantly higher reputation than Brazil both in professional sports ($M_{US} = 5.81, SD = 1.30; M_{Brazil} = 4.38, SD = 1.30$) ($t(47) = 5.99, p < 0.001$) and in the offering of services in the fitness sector ($M_{US} = 5.63, SD = 1.08; M_{Brazil} = 4.54, SD = 1.27$) ($t(47) = 6.45, p < 0.001$). The manipulation checks show that even if we were using the national country, Brazil, in the experiments, US was still perceived as being superior in professional sports and in fitness.

Perceived quality. Six items measured the construct of perceived quality. An exploratory factor analysis with Principal Components yielded a one-factor solution. The measure was therefore combined in one index labeled Perception. Table 17 shows the measures aggregated into one factor and its scale.

Table 15 - Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	3.285	64.744	64.744	3.285	64.744	64.744
2	1.171	9.517	74.261			
3	.546	9.104	83.365			
4	.467	7.789	91.154			
5	.421	7.015	98.169			
6	.110	1.831	100.000			

Extraction Method: Principal Component Analysis.

Table 16 - Component Matrix

	Component
	1
Q1	.778
Q2	.630
Q3	.692
Q4	.890
Q5	.678
Q6	.917

Extraction Method: Principal Component Analysis.
1 component extracted.

From table 15 we can see that one factor already explains 64.74% of the variance, and from table 16 we can see that all 6 items (Q1,Q2, Q3, Q4, Q5 and Q6) loaded on one factor. According to Nunnally (1978) the Cronbach's alpha coefficient should be at least 0.70 for a scale to demonstrate its internal consistency. As illustrated in table 17, the scale has an alpha above this criterion.

Table 17 – Scale Items

Scale Items	
Perception ($\alpha = 0.831$)	<ul style="list-style-type: none"> - Q1: Do you think that this Bodyworks' branch would be a good place for you to exercise? (1=Extremely Unlikely - 7=Extremely Likely) - Q2: How would you rate this Bodyworks branch's ability to provide good services to you? (1=Extremely Low - 7=Extremely High) - Q3: This Bodyworks branch seems to you (1=Unreliable-7=Reliable) - Q4: How would you rate the quality of this Bodyworks' branch? (1=Extremely Bad - 7=Extremely Good) - Q5: How likely do you think it is that this branch of Bodyworks will be successful? (1=Extremely Unlikely - 7=Extremely Likely) - Q6: Overall, your feeling about this Branch is (1=Very negative - 7=Very Positive)

Next, we conducted a one-way ANOVA (Standardized COT, Adapted COT) to test our hypothesis of a differential impact of the COT on quality perception. Before conducting the ANOVA we ensured that the underlying assumptions were met.

Independence: This assumption was met as participants in each sample were randomly and independently distributed to the experimental conditions.

Normality: The Shapiro-Wilks W statistical test of difference from a normal distribution was performed on the dependent variable measures Perception ($p = 0.063$). This test indicated that the data are normally distributed in both.

Homogeneity of Variance: The Levene's test was non-significant for Perception ($p = 0.07$). We can therefore assume that the data are homoscedastic, that is, variances are homogeneous for both groups.

Table 18 - Descriptive Statistics

	<i>Condition</i>	<i>N</i>	<i>Mean</i>	<i>Std. Deviation</i>
<i>Perception</i>	Standardized COT	24	4.28	1.18
	Adapted COT	24	5.40	.63
	Total	48	4.84	1.10

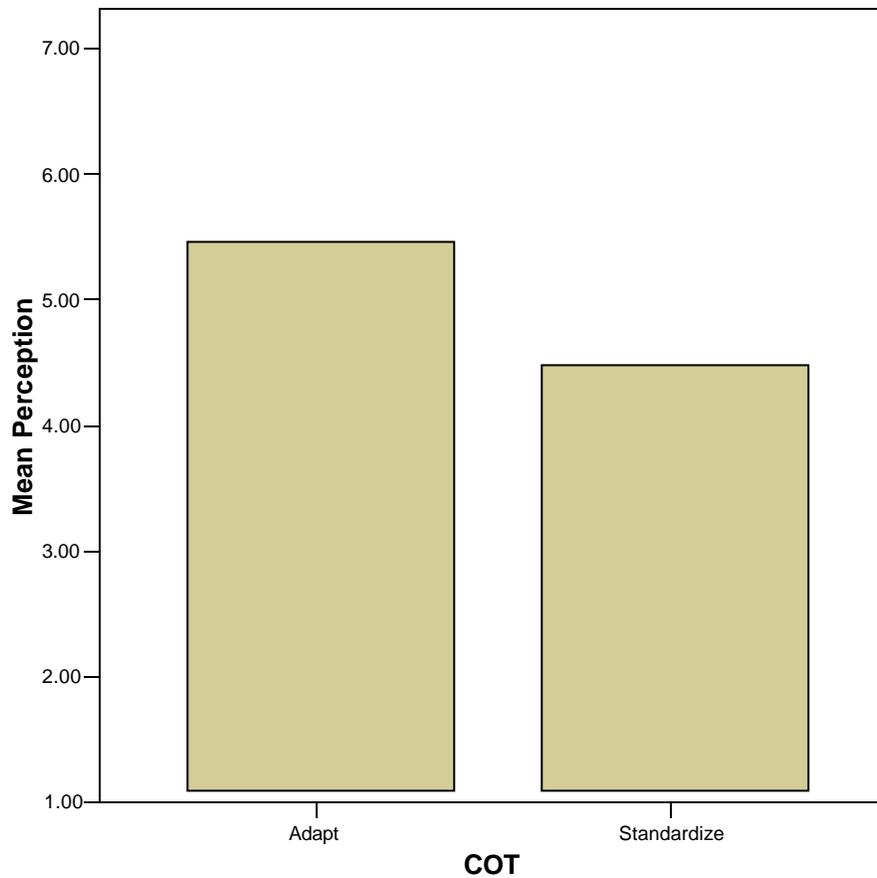
Table 18 shows the Descriptive Statistics for the conditions and Table 19 summarizes the results of the one-way ANOVA. This analysis revealed a significant main effects for COT ($F(1,47) = 16.91, p < 0.001$) but in the opposite direction that we expected.

Table 19 – ANOVA

	Sum of Squares	Df	Mean Square	F	Sig.
<i>Perception</i>	15.188	1	15.188	16.912	.000

We can see that the Standardized COT condition ($M= 4.28$; $SD= 1.18$) had a mean that was 1.12 lower than then mean of the Adapted COT condition ($M= 5. 40$; $SD = .63$), whereas we hypothesized that participants in the standardized condition would judge the quality of the gym to be significantly higher than those in the adapted condition.

Graph 5 – Means for Perception



Paired ttests revealed that there was a statistically significant .71 higher rating to the overall image of Brazil than to the overall image of the United States. ($t(47) = 2.21, p = 0.032$) as showed in table 20.

Table 20 – Paired T-Test

<i>Condition</i>	<i>N</i>	<i>Mean</i>	<i>Std. Deviation</i>	<i>Mean Difference</i>	<i>t</i>	<i>df</i>	<i>Sig. (2-tailed)</i>
<i>US Overall Image</i>	48	4.1250	1.73359	-.70833	2.209	47	.032
<i>Brazil Overall Image</i>	48	4.8333	1.27719	.70833	2.209	47	.032

We are going to discuss this finding in depth in the next section.

4. Discussion

Findings of Study 3 do not support hypothesis 3, which predicted that consumers' evaluation of a service would be lower when the COT is adapted across different countries, as compared to when it is standardized. Actually, the findings were in the opposite direction.

Originally we had hypothesized that the standardization would help international service providers to strengthen its image in consumers' minds (Ferrand and Pages, 1999). Research about COO in the manufacturing sector had already showed that incongruent information on country of origin could have detrimental effect on global product beliefs and attitude (Heath and Scott, 1998; Hui and Zhou, 2003) and we expected the same to be true to the service sector. Nevertheless, we have not found the same pattern in services.

One possible explanation for this is that services demand a closer and more intimate interaction between the consumers and the company which can lead consumers to expect all the aspects, including the tangibles, to be adapted to their needs, however it is important

to point out that the practical adaptation of the tangibles could raise the costs of expansion of a provider abroad prohibitively which could make their operations unfeasible.

Another possible reason for this preference to adaptation to have happened is that participants had an overall better image/reputation of Brazil as compared to the United States. This difference of image could be either explained by some resistance to the American style of life or by a wish of the participants to defend in some fashion the image of their own country. In any of the cases, this better image of Brazil (compared to US) could have led to a bias towards the adaptation of the COT.

In any case, in order to understand better the results we tried to analyze in an exploratory fashion, using a qualitative protocol, the answers given to the open questions inserted in the end of our questionnaire. It is important to point out that these questions were inserted in the questionnaire only to provide further insights on the matter and provide us some further information that could support the discussion of the results obtained with the experiment, thus the percentages presented hereafter are not statistically significant, they are just an illustration of the answers obtained.

Supporting the findings of our experiment 62.5% of the participants stated that if they were the marketing managers of the International Chain of Gyms they would indeed adapt the COT to the different countries in which the company would operate. One recurrent reason given for that was that the overall image of the United States is not always favorable, which means that the use of their national colors could induce some resistance in the consumers. The use of the colors of the American flag seemed to be too ostensive and too nationalist to the participants in our sample. An interesting point raised 20.8% of the respondents was

that they would not mind having standardized colors in the gym, as long as these colors did not have such a direct reference to the American culture.

“I would adapt the colors because the United States does not have a very good overall image abroad anymore” (Male, 22)

“I think the use of American colors give the impression of a forced (American) invasion, which would not be a good strategy” (Female, 24)

“I would adapt to(Brazilian)national patterns because I would not like to feel a foreigner in my own country” (Female, 33)

“I wouldn’t mind going to a gym with standardized colors. There are several places like this (ex. McDonald’s) but I would not use (American) national colors.” (Male, 22)

An interesting point, though, was that some of the participants that stated that they would adapt the colors and design of the Gym, also affirmed that they would probably maintain the American equipments, which according to their evaluations could have better quality than the Brazilian ones.

“I would standardize equipments but not uniforms or colors” (Male, 26)

“I would use local colors and decoration. The equipments could still be American, because they have good quality” (Female, 33)

“I think that local adaptation could give the company competitive advantage, nevertheless the equipments could be from the headquarters country.” (Female, 25)

Defending the other side, 37.5% of the participants stated that if they were the marketing managers of the gym they would standardize the COT across the countries they had chosen

to operate in. The main reasons given for that is to build a stronger image worldwide or to make the international expansion easier for the company.

“ I would keep the same patterns, because the United States have a strong reputation in the Fitness sector” (Female, 34)

“ I would keep everything standardized to give a sense of security to the consumers” (Female, 37)

“ I think that having the facilities, colors and equipments standardized would provide a stronger identity to the company” (Male, 31).

While half of the participants that chose to standardize the COT would consider some sort of adaptation after some years of operation in a country depending of the performance of the company, just 25% of the participants that initially said they would adapt the COT said they might consider change their minds after some time. This is not surprising, since those that decided to adapt the patterns by the time the gym starts to operate in a foreign country already took into account the culture and uses of a country from the beginning of their operation.

Overall, it seems that the participants do prefer adaptation to standardization of COT but at the same time this preference seems to be more connected to some resistance to the United States or to national pride than to the standardization per se. Further studies would be necessary to verify if these results would hold across or different countries. Another interesting experiment could use two countries that are not related to the nationality of the participants to see if they would still prefer the adaptation in this case.

Study 4

Introduction

The main purpose of Study 4 is to investigate how the quality perceptions regarding a country of origin of know-how (COK) vary across different service categories. Specifically, this study wants to verify if the level of quality perception of a certain service increases or diminishes when the country has a strong tradition in the development of this service. Additionally, it wants to show that the reputation of a country is not absolute, that is, the same country can obtain high quality ratings for one service and low quality ratings for another.

Study 4 was designed to test hypothesis 4, which predicts that perceived service quality will be higher when consumers perceive a fit between COK and a service category and lower when consumers perceive a lack of fit between COK and a service category. This chapter begins by reviewing the methodology employed to test the proposed hypothesis, moves to the presentation of the empirical results and finally discusses these results.

1. Respondents

A convenience sample of 400 undergraduate students of the Uninove University located at the city of Sao Paulo was used to test the hypothesis. Initially, a total of 420 survey questionnaires were handed out to the students, but 18 returned with missing values, thus they had to be cancelled out of the analysis, and other 2 were randomly excluded so that we could have four groups with the same size (100 students per group) each of them answering the questions about just one of the countries. The effective return rate was, the n , of 95.24% which corresponds to the 400 usable surveys.

The sample was composed by 217 female students (67.7% of the respondents) and 129 male students (32.3 % of the respondents). The average age of the respondents was of 25 years old and the median was 23 years old. The Age distribution is shown in table 21 and the undergraduate majors of the respondents are shown in table 22.

Table 21 - Respondents by Age

<i>Age</i>	<i>Frequency</i>	<i>Percent</i>
18	13	3.3
19	42	10.5
20	44	11.0
21	40	10.0
22	44	11.0
23	32	8.0
24	26	6.5
25	21	5.3
26	20	5.0
27	24	6.0
28	12	3.0
29	17	4.3
30	8	2.0
31	7	1.8
32	6	1.5
33	14	3.5
34	6	1.5
35	2	.5
36	4	1.0
37	2	.5
38	1	.3
39	4	1.0
40	3	.8
41	1	.3
43	3	.8
44	1	.3
45	1	.3
47	2	.5
Total	400	100.0

Graph 6 – Respondents by Age(%)

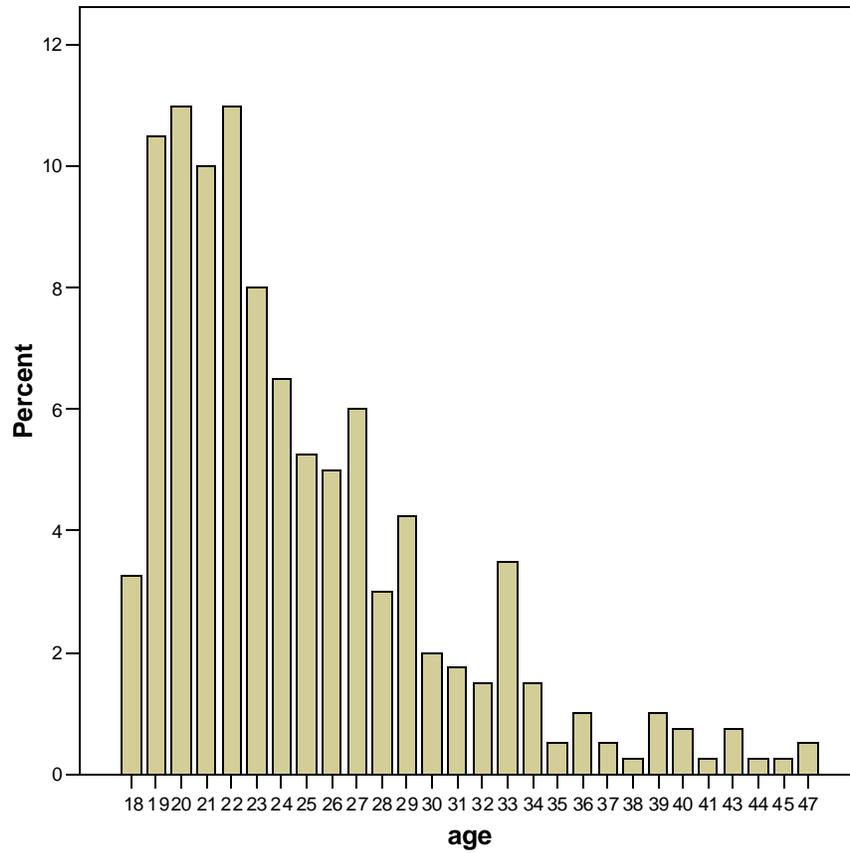
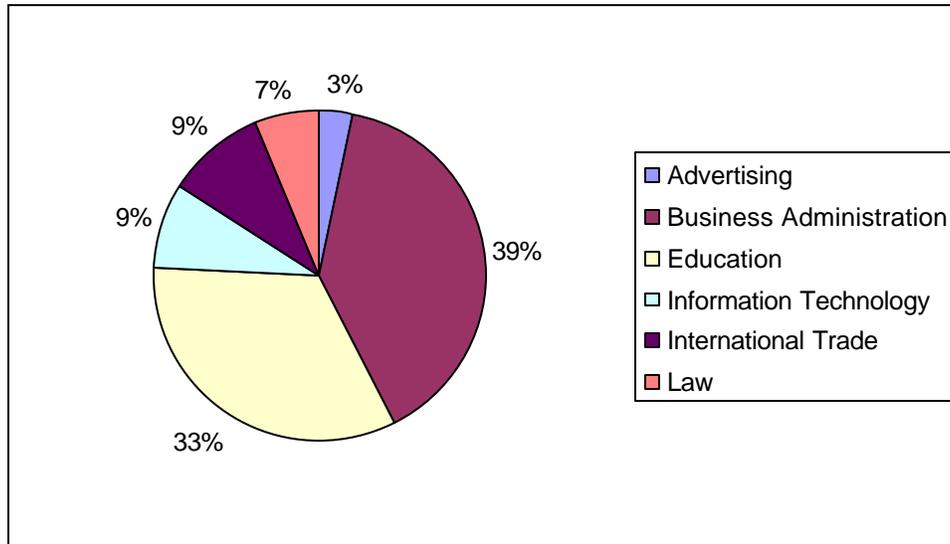


Table 22 - Respondents by Undergraduate Major

<i>Major</i>	<i>Frequency</i>	<i>Percent</i>
Advertising	13	3.2
Business Administration	157	39.2
Education	133	33.3
Information Technology	34	8.5
International Trade	37	9.3
Law	26	6.5
Total	400	100.0

Graph 7 – Respondents by Undergraduate Major (%)



Participation was voluntary and the students did not receive any compensation for answering the survey. The survey was conducted during the months of November and December of 2008.

2. Method

Data were collected via a survey. The questionnaires were applied by the researcher in two different ways. In the first one, questionnaires were handed out in the classrooms to the students during classes with the consent of the professors. In the second one, students were randomly approached in the halls or in the Cafeteria of the University and asked if they

could answer the survey. In both situations the questionnaire completion lasted 5 minutes on average.

The research design included four versions of a questionnaire and each respondent was randomly given one of the four versions. Each version presented one country of know-how (COK) and asked the respondents to evaluate the average quality of four different services on a rating scale. Four service categories (Fitness Center, School of Martial Arts, School of Tango and High Cookery School) and four different countries (United States, Japan, Argentina and France) were selected. The service categories were chosen to reflect strictly pure services to which the respondents could relate to and the countries were chosen due to their reputation and high level of fit with these specific service categories (see all the versions of the questionnaires at Appendix D).

Dependent Variable. Respondents were asked to answer a questionnaire using their initial or gut reaction. They were told that there were no right or wrong answers and that the researcher was only interested in their own personal opinions.

The questions asked them to rate directly the perceived quality of the services (our dependent variable) on a seven-point scale (1= extremely bad; 7 = extremely good). Demographic questions were also included at the end.

The questionnaire template is below:

How would you rate the average quality of the following services if you knew their methods were developed in the [Name of the country]

<i>Fitness Center</i>	<i>Extremely Bad</i>	1	2	3	4	5	6	<i>Extremely Good</i>
<i>School of Martial Arts</i>	<i>Extremely Bad</i>	1	2	3	4	5	6	<i>Extremely Good</i>
<i>School of Tango</i>	<i>Extremely Bad</i>	1	2	3	4	5	6	<i>Extremely Good</i>
<i>High Cookery School</i>	<i>Extremely Bad</i>	1	2	3	4	5	6	<i>Extremely Good</i>

3. Results

Our survey results show that respondents did indeed give more favorable evaluation to services when they perceived a fit between the country of know-how and the service category they had to evaluate for all the services in our study. In our samples the Fitness Center from the United States, the School of Martial Arts from Japan, the School of Tango from Argentina and the High Cookery School from France obtained highest rankings than its peers from the other three countries.

In order to statistically analyze these comparisons we conducted a One-Way ANOVA for each of the services to test our hypothesis that a higher fit between the country of know-how and the service category would indeed lead to more favorable service quality evaluations. Before conducting the ANOVA test we ensured that its assumptions were met.

Independence: This assumption was met as participants in each sample were randomly and independently distributed to the experimental conditions.

Normality: The Shapiro-Wilks W test of difference from a normal distribution was performed on the dependent variable measure and the test indicated that the data are normally distributed ($p = 0.12$).

Homogeneity of Variance: The Levene's tests were also non-significant for perceived quality ($p = 0.813$). We can therefore assume the variances are homogeneous for all groups.

Table 22 - Descriptive Statistics

<i>Service</i>	<i>Country</i>	<i>N</i>	<i>Mean</i>	<i>Std. Deviation</i>
<i>Fitness Center</i>	US	100	5.63	1.20
	Japan	100	5.11	1.51
	Argentina	100	4.16	1.42
	France	100	4.71	1.44
	Total	400	4.90	1.49
<i>Martial Arts</i>	US	100	4.73	1.52
	Japan	100	6.42	1.15
	Argentina	100	3.87	1.37
	France	100	4.02	1.49
	Total	400	4.76	1.72
<i>Tango</i>	US	100	3.97	1.49
	Japan	100	2.53	1.42
	Argentina	100	6.18	1.34
	France	100	4.22	1.60
	Total	400	4.23	1.96
<i>High Cookery</i>	US	100	4.24	1.64
	Japan	100	4.43	1.74
	Argentina	100	4.65	1.49
	France	100	5.90	1.32
	Total	400	4.81	1.68

Table 22 shows the descriptive Statistics for the conditions and Table 23 summarizes the results of the one-way ANOVA. For all the service categories - Fitness Center ($F(3,396) = 19.82, p < 0.001$); School of Martial Arts ($F(3,396) = 70.65, p < 0.001$); School of Tango ($F(3, 396) = 103.55, p < 0.001$) and High Cookery School ($F(3, 396) = 23.26, p < 0.001$) - we can see that there is a statistically significant difference in the quality average ratings.

Table 23 – ANOVA

	Sum of Squares	Df	Mean Square	F	Sig.
<i>Fitness Center</i>	116.067	3	38.689	19.817	.000
<i>Martial Arts</i>	409.620	3	136.540	70.648	.000
<i>Tango</i>	676.010	3	225.337	103.550	.000
<i>High Cookery</i>	168.290	3	56.097	23.225	.000

In order to verify the differences among each group we ran the Tukey's HSD tests, and the results can be observed in Table 24. In this table we can see the difference on the average ratings of each service category in each one of the four countries of the study. The mean differences that are statistically significant at the 0.05 level are marked with the (*) symbol.

Table 24 - Multiple Comparisons

Quality		(I) Group	(J) Group	Mean Difference (I-J)	Std. Error	Sig.
<i>FitnessCenter</i>	Tukey HSD	US	Japan	.52000(*)	.19760	.044
			Argentina	1.47000(*)	.19760	.000
			France	.92000(*)	.19760	.000
		Japan	US	-.52000(*)	.19760	.044
			Argentina	.95000(*)	.19760	.000
			France	.40000	.19760	.181
		Argentina	US	-1.47000(*)	.19760	.000
			Japan	-.95000(*)	.19760	.000
			France	-.55000(*)	.19760	.029
		France	US	-.92000(*)	.19760	.000
			Japan	-.40000	.19760	.181
			Argentina	.55000(*)	.19760	.029

<i>MartialArts</i>	Tukey HSD	US	Japan	-1.69000(*)	.19661	.000
			Argentina	.86000(*)	.19661	.000
			France	.71000(*)	.19661	.002
		Japan	US	1.69000(*)	.19661	.000
			Argentina	2.55000(*)	.19661	.000
			France	2.40000(*)	.19661	.000
		Argentina	US	-.86000(*)	.19661	.000
			Japan	-2.55000(*)	.19661	.000
			France	-.15000	.19661	.871
		France	US	-.71000(*)	.19661	.002
			Japan	-2.40000(*)	.19661	.000
			Argentina	.15000	.19661	.871
<i>Tango</i>	Tukey HSD	US	Japan	1.44000(*)	.20862	.000
			Argentina	-2.21000(*)	.20862	.000
			France	-.25000	.20862	.628
		Japan	US	-1.44000(*)	.20862	.000
			Argentina	-3.65000(*)	.20862	.000
			France	-1.69000(*)	.20862	.000
		Argentina	US	2.21000(*)	.20862	.000
			Japan	3.65000(*)	.20862	.000
			France	1.96000(*)	.20862	.000
		France	US	.25000	.20862	.628
			Japan	1.69000(*)	.20862	.000
			Argentina	-1.96000(*)	.20862	.000
<i>HighCookery</i>	Tukey HSD	US	Japan	-.19000	.21979	.823
			Argentina	-.41000	.21979	.245
			France	-1.66000(*)	.21979	.000
		Japan	US	.19000	.21979	.823
			Argentina	-.22000	.21979	.749
			France	-1.47000(*)	.21979	.000
		Argentina	US	.41000	.21979	.245
			Japan	.22000	.21979	.749
			France	-1.25000(*)	.21979	.000
		France	US	1.66000(*)	.21979	.000
			Japan	1.47000(*)	.21979	.000
			Argentina	1.25000(*)	.21979	.000

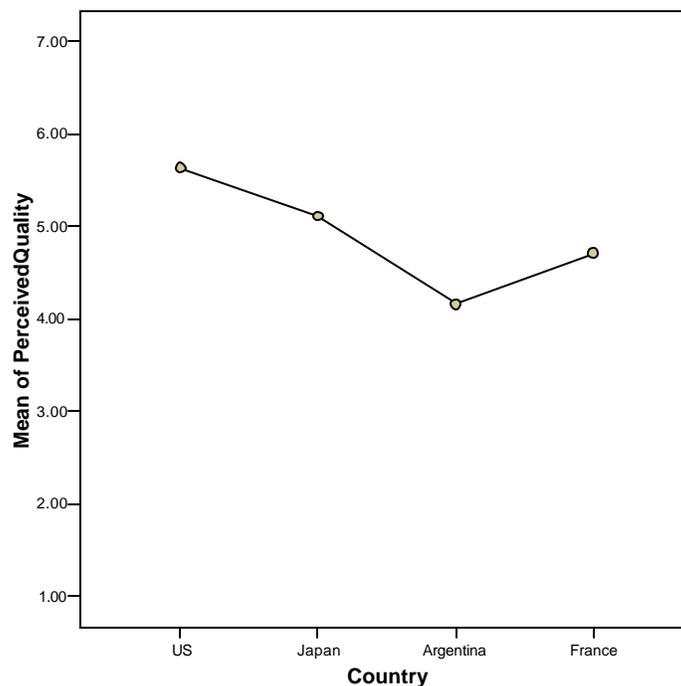
* The mean difference is significant at the .05 level.

Tukey's HSD tests showed that almost all conditions significantly differed from the others. Specifically, confirming our hypothesis, average quality was perceived as higher when there was a fit between the COK and the service category, FitnessCenter_{US} ($M= 5.63$; $SD = 1.20$) was 0.52 higher than FitnessCenter_{Japan} ($M= 5.11$; $SD = 1.51$; $p=0.044$); 1.47 higher than FitnessCenter_{Argentina} ($M= 4.16$; $SD = 1.42$; $p<0.001$) and 0.92 higher than

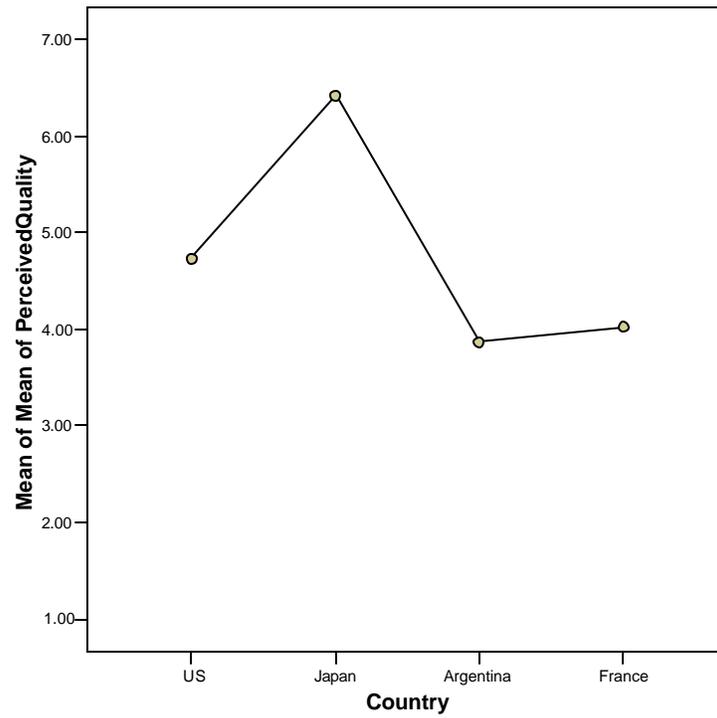
FitnessCenter_{France} ($M= 4.71$; $SD = 1.44$; $p<0.001$). Similarly, MartialArtsSchool_{Japan} ($M= 6.42$; $SD = 1.15$; $p<0.001$) was 1.69 higher than MartialArtsSchool_{US} ($M= 4.73$; $SD = 1.52$; $p<0.001$); 2.55 higher than MartialArtsSchool_{Argentina} ($M= 3.87$; $SD = 1.37$; $p<0.001$) and 2.40 higher than MartialArtsSchool_{France} ($M= 4.02$; $SD = 1.49$; $p<0.001$). Also, TangoSchool_{Argentina} ($M= 6.18$; $SD = 1.34$; $p<0.001$) was 2.21 higher than TangoSchool_{US} ($M= 3.97$; $SD = 1.49$; $p<0.001$); 3.65 higher than TangoSchool_{Japan} ($M= 2.53$; $SD = 1.42$; $p<0.001$) and 1.96 higher than TangoSchool_{France} ($M= 4.22$; $SD = 1.60$; $p<0.001$). And finally, HighCookery_{France} ($M= 5.90$; $SD = 1.32$; $p<0.001$) was 1.66 higher than HighCookery_{US} ($M= 4.24$; $SD = 1.64$; $p<0.001$); 1.47 higher than HighCookery_{Japan} ($M= 4.43$; $SD = 1.74$; $p<0.001$) and 1.25 higher than HighCookery_{Argentina} ($M= 4.65$; $SD = 1.49$; $p<0.001$).

We can also verify the different means obtained at each service category by country in the Graphs below.

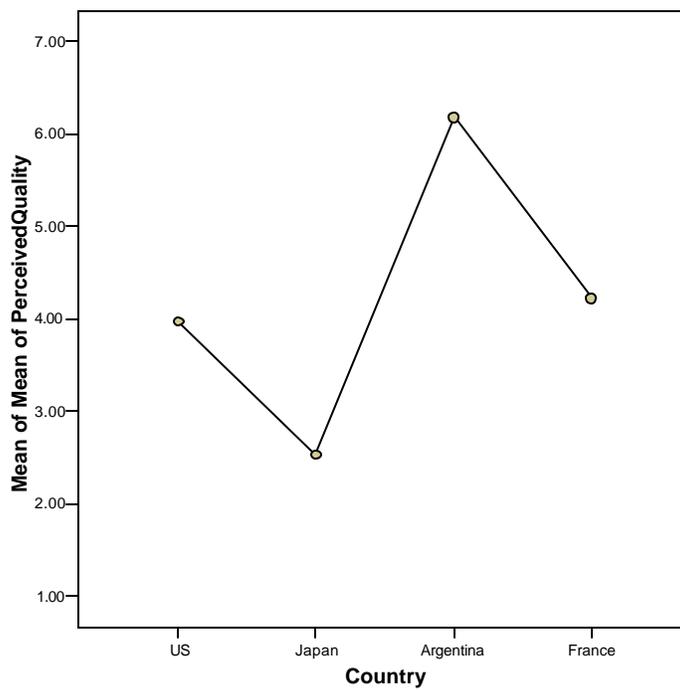
Graph 8 – Means for Quality – Fitness Center



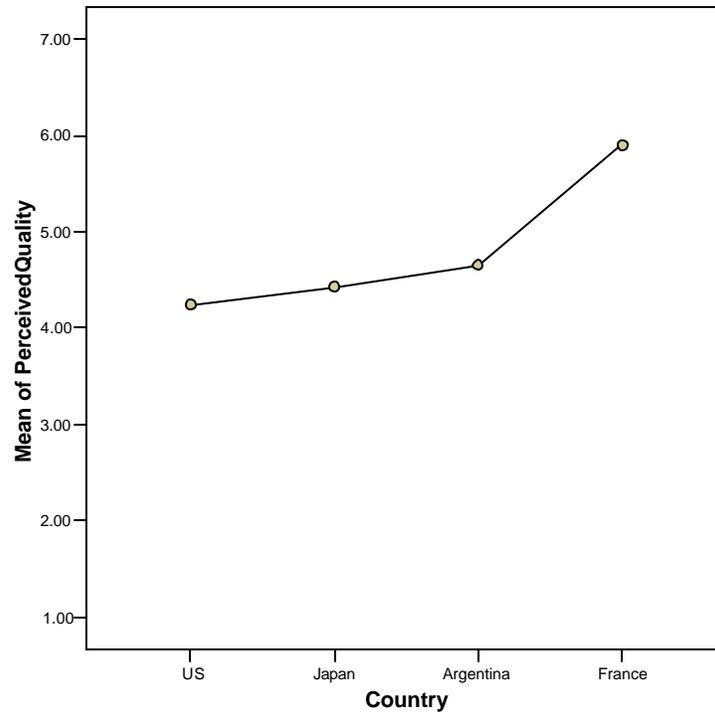
Graph 9 – Means for Quality – School of Martial Arts



Graph 10 – Means for Quality – School of Tango



Graph 11 – Means for Quality – High Cookery School



4. Discussion

Findings of Study 4 support hypothesis 4, which predicted that perceived service quality would be higher when consumers perceive a fit between COK and a service category and lower when consumers perceive a lack of fit between COK and a service category. Respondents gave higher average quality ratings to the services that had their methods developed in the countries that are traditionally known for that specific service and lower average quality ratings to the services developed in other countries.

In certain cases the differences were higher than in others, which possibility points to a stronger identification or connection between the country and the service. This was the case of the Martial Arts School and the Tango School. In these cases, the connection is very

straightforward. Japan is widely known for its tradition in Martial Arts sharing some of this reputation with China and Argentina is the country with the highest reputation when it comes to Tango.

In the case of Fitness Center and High Cookery School the connection can be not so evident at the first sight. The relation is actually somehow indirect in these two cases. The United States created a reputation in the Fitness business because it places a lot of importance on sports in general, and as we had shown previously, this reputation seems to affect the reputation on the fitness sector. Similarly, France is widely known for its care for food in general and for the importance place to meals and high quality ingredients. It is also known for whole culinary movements like the Nouvelle Cuisine. All this reputation indirectly also make consumers think that a High Cookery School that has its methods develop according to French precepts.

In any case, we could see that there is a clear connection between COK-service fit and perceived quality.

One interesting thing to be noticed is that none of the countries maintained a steady behavior in any of the services studied in our sample. Even if almost all of them, with the exception of Argentina, are considered economically developed countries with reasonably good overall reputation in the development of good quality products and services, none of them obtained the highest average quality rating or even the second highest average quality in more than one service. Thus, we could observe in our sample that even though one country can be seen favorably world-wide it will probably not experience an absolute good reputation in different areas. This finding reinforces the competitive advantage of the nations concept raised by Porter (1998) that advises countries to apply their efforts in the

areas in which they have excellence, in this way they will have a differential in comparison to other countries that will be more difficult to be surpassed and will allow them to be competitive for longer periods of time.

Findings of Study 4 show that if an international service provider comes from a country that has a traditionally good reputation in a certain service, this information must be clearly communicated to its prospective consumers. Such an action could either help to improve the business image or at least raise curiosity on the consumers for a first trial of the service.

The opposite is also true. If a service provider is originally from a country with no tradition what so ever in the development of a certain service, this information should not be especially emphasized by the provider who should, instead, try to convince the consumers of the quality of its service, for example by building a stronger brand.

Study 5

Introduction

Study 5 was designed to test hypotheses 5a and 5b, which predicted that the COK (Country of Know-how) sub-dimension would have more influence than price on consumer's quality assessment of a service and that COK would moderate the effect of price on consumers' perception of quality. This chapter begins by reviewing the methodology employed to test the proposed hypotheses, moves to the presentation of the empirical results, and finally discusses these findings.

1. Participants

A convenience sample of 100 undergraduate students (61 men and 39 women) of the College of Business, Economics and Accounting at University of Sao Paulo was used to test the experimental conditions. The average age of the participants was 21 years. They were recruited to participate in small group sessions (with a total of 25 participants per condition). Participation was voluntary and the students did not receive any compensation for this 15 min study. The experiment was conducted during the months of November and December of 2008.

None of the dependent variables were significantly different across subject's demographics; therefore results were collapsed across age and gender.

2. Method

Data were collected via a 2 x 2 between subjects full-factorial experiment. The experimental manipulations involved two Country of Know-How Levels (High Reputation

and Low Reputation) and two levels of Price (High: R\$200⁷ and Low: R\$50). Participants were randomly assigned to one of following four conditions: (High COK x High Price); (High COK x Low Price); (Low COK x High Price); (Low COK x Low Price).

We selected two countries, USA and Portugal, as having, respectively, high and low reputation in professional sports for the same reasons already stated in Study 1.

In all four conditions participants were told that they would be participating in a study that assessed the practice of sports. They received a booklet containing an article about the performance of USA and Portugal in professional sports and a scenario followed by a questionnaire.

We used the same article as in Study 1 with the objective to prime difference in reputation across the two countries mentioned above. The article, therefore, ensured that all participants had the same knowledge about sport in USA and Portugal before being exposed to the experimental manipulation.

After reading the article participants were instructed to read a scenario and to imagine themselves in the situation described (see all the scenarios at Appendix E). The scenario described an international sports gym. This specific service was chosen for the same reasons stated in Study 1. The fictitious gym described in the scenario was presented as having exclusive, flexible, and innovative methods to meet different consumers' needs. The description of the Gym was the same across conditions, with the only differences being the alleged country of origin of know-how and the price levels.

Specifically, all participants read the following introduction:

⁷ Since the experiment was applied in Brazil the prices are expressed in Reais (R\$), which is the Brazilian Currency.

“Imagine that Bodyworks, an international chain of gyms, has just opened a branch in your neighborhood, very close to where you live. As you have decided to start exercising regularly, you visit the gym to collect more information”.

Next, participants in the high (low) COK, and high (low) price condition read:

“At the gym you discover that all the fitness methods offered by Bodyworks were exclusively designed by a specialized team in the United States (Portugal) to best achieve different goals. Therefore, Bodyworks offers classes and individuals training sessions based on exercises that will help its customers increase muscular mass, lose weight, or simply feel healthier. The American fitness methods were designed in flexible modules that can be combined to satisfy the individual needs of the gym members. At the gym you were also informed that the monthly fee to become a member is R\$ 200,00 (50,00).”

Dependent Variables. Once the scenarios were presented, participants were asked to answer a questionnaire using their initial or gut reaction. They were told that there were no right or wrong answers and that the researcher was only interested in their own personal opinions.

The questionnaire started by asking participants six questions assessing perceived quality of the gym. The questions asked participants to evaluate the quality of the gym from several perspectives. The format of the questions uses the same scale developed in Study 1 for perception of quality. Also the manipulation checks to test whether participants' belief about the sport reputation and quality of fitness services of USA and Portugal were indeed consistent with those primed through the initial article are the same used in Study 1. At the end of the questionnaire one question was added to be used as manipulation check to test whether the price levels in the conditions were indeed perceived as low or high.

Participants were asked to indicate on a seven-point scale if the monthly gym fee presented in the conditions was high or low (1= Extremely Cheap, 7 = Extremely Expensive).

Demographic questions were also included at the end (See the entire questionnaire in Appendix E).

3. Results

Manipulation Checks. A series of paired t-tests confirm our assumption that US was perceived as having significantly higher reputation than Portugal, both in professional sports ($M_{US} = 6.31, SD = 1.14; M_{Portugal} = 3.11, SD = 0.93$) ($t(99) = 20.22, p < 0.001$) and in the offering of services in the fitness sector ($M_{US} = 5.74, SD = 1.24; M_{Portugal} = 3.84, SD = 1.29$) ($t(99) = 10.65, p < 0.001$). We also conducted one Independent Samples t-test to check our assumption that R\$50 was indeed perceived as being a low price and R\$ 200 was indeed perceived as being a high price for a gym's fee. The t-test was significant ($M_{HighPrice} = 4.86, SD = 1.03; M_{LowPrice} = 2.36, SD = 1.22$) ($t(98) = 11.04, p < 0.001$).

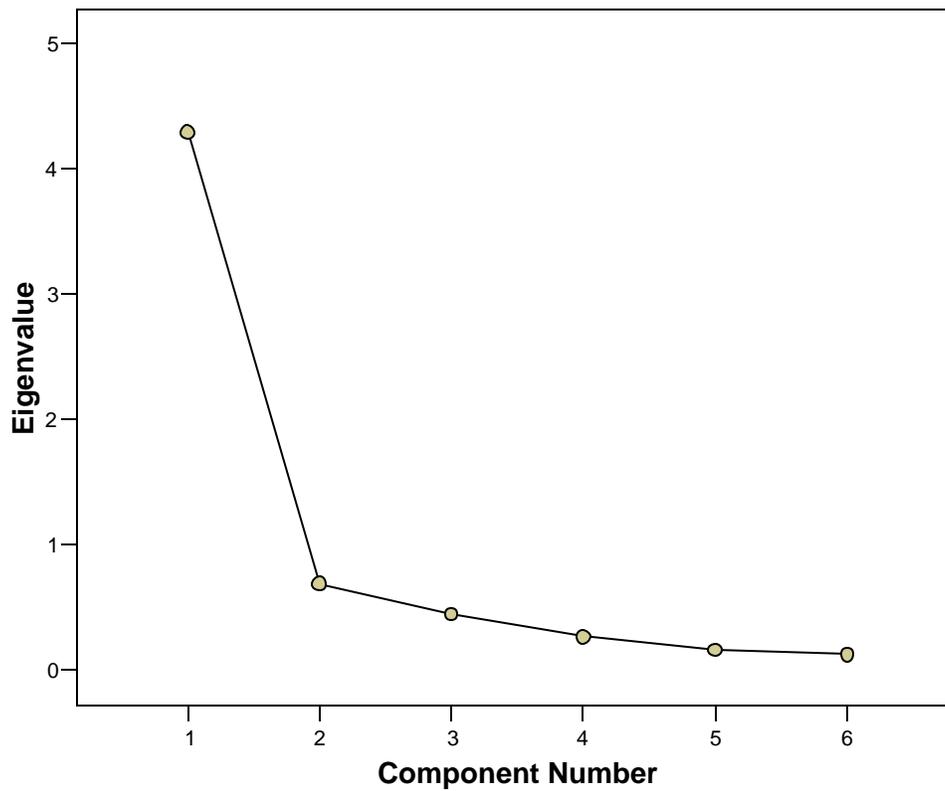
Perceived quality. Six items measured the construct of perceived quality. An exploratory factor analysis yielded a one-factor solution. The items were therefore combined in one index labeled Perception, which directly assesses participants' evaluation of the quality of the service. Table 27 shows the measures aggregated into the factor and their respective scale.

Table 25 - Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	4.292	71.541	71.541	4.292	71.541	71.541
2	.692	11.534	83.076			
3	.451	7.514	90.589			
4	.270	4.496	95.085			
5	.166	2.759	97.844			
6	.129	2.156	100.000			

Extraction Method: Principal Component Analysis.

Graph 12 - Scree Plot



From table 25 and the Scree plot we can see that, consistent with the solution recommended by the exploratory factor analysis, there is a significant drop after the first factor, after which the graph begins to stabilize. Additionally, the first factor already explains 71.54% of the variance, therefore confirming the suggested loading on only one factor.

Table 26 - Component Matrix

	Component
	1
Q1	.813
Q2	.875
Q3	.887
Q4	.875
Q5	.661
Q6	.936

Extraction Method: Principal Component Analysis.

From table 26 we can see that all 6 items (Q1, Q2, Q3, Q4, Q5 and Q6) loaded on one factor, here named Perception. Nunnally (1978) provides a widely accepted rule of thumb that Cronbach's alpha coefficient should be at least 0.70 for a scale to demonstrate its internal consistency. In this case, alpha = .917, which is above this criterion.

Table 27 – Scale Items

Scale Items	
Perception ($\alpha = 0.917$)	<ul style="list-style-type: none"> - Q1: Do you think that this Bodyworks' branch would be a good place for you to exercise? (1=Extremely Unlikely - 7=Extremely Likely) - Q2: How would you rate this Bodyworks branch's ability in providing good services to you? (1=Extremely Low- 7=Extremely High). - Q3: This Bodyworks' branch seems to you (1=Unreliable - 7=Reliable) - Q4: How would you rate this gym quality? (1=Extremely Bad - 7=Extremely Good) - Q5: How likely do you think it is that this

	branch of Bodyworks will be successful? (1=Extremely Unlikely - 7=Extremely Likely) - Q6: Overall, your feeling about this gym is (1=Very negative – 7=Very Positive)
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Next, we conducted a two-Way ANOVA to test our hypotheses of a main effect of COK on perceived quality and an interaction between COK and price such that COK moderates the effect of price on perceived quality. Before conducting the ANOVA we ensured that the underlying assumptions were met.

Independence: This assumption was met as participants in each sample were randomly and independently distributed to the experimental conditions.

Normality: The Shapiro-Wilks W statistical test of difference from a normal distribution was performed on the dependent variable measure Perception ($p = 0.073$). This test indicated that the data are normally distributed in both.

Homogeneity of Variance: The Levene’s test was non-significant for Perception ($p= 0.071$). We can therefore assume that the data are homoscedastic, that is, variances are homogeneous for all groups.

Table 28 - Descriptive Statistics

Dependent Variable: Perception

COK	Price	Mean	Std. Deviation	N
LOW	LOW	4.7400	1.22482	25
	HIGH	4.8867	.99620	25
	Total	4.8133	1.10741	50
HIGH	LOW	5.6600	1.03691	25
	HIGH	5.6733	.64456	25
	Total	5.6667	.85449	50

Table 28 shows the descriptive Statistics for the conditions and Table 29 summarizes the results of the two-way ANOVA. This analysis revealed a significant main effect for COK reputation on Perception ($F(1,99) = 18.281, p < 0.001$). Specifically, confirming our hypothesis 5a, participants' Perception of quality was significantly higher in the conditions when COK was high ($M_{COKHighPriceLow} = 5.67, SD = 1.04; M_{COKHighPriceHigh} = 5.66, SD = .64$) than in the conditions where COK was low ($M_{COKLowPriceLow} = 4.74, SD = 1.22; M_{COKLowPriceHigh} = 4.88, SD = 1.00$) despite the price level. However, neither the main effect for Price ($F(1,99) = 0.161, p = 0.689$), nor the COK x Price interaction ($F(1,99) = 0.112, p = 0.739$) were significant. These results suggest that the COK has such a weight on consumers' perception of quality that the Price effect gets neutralized.

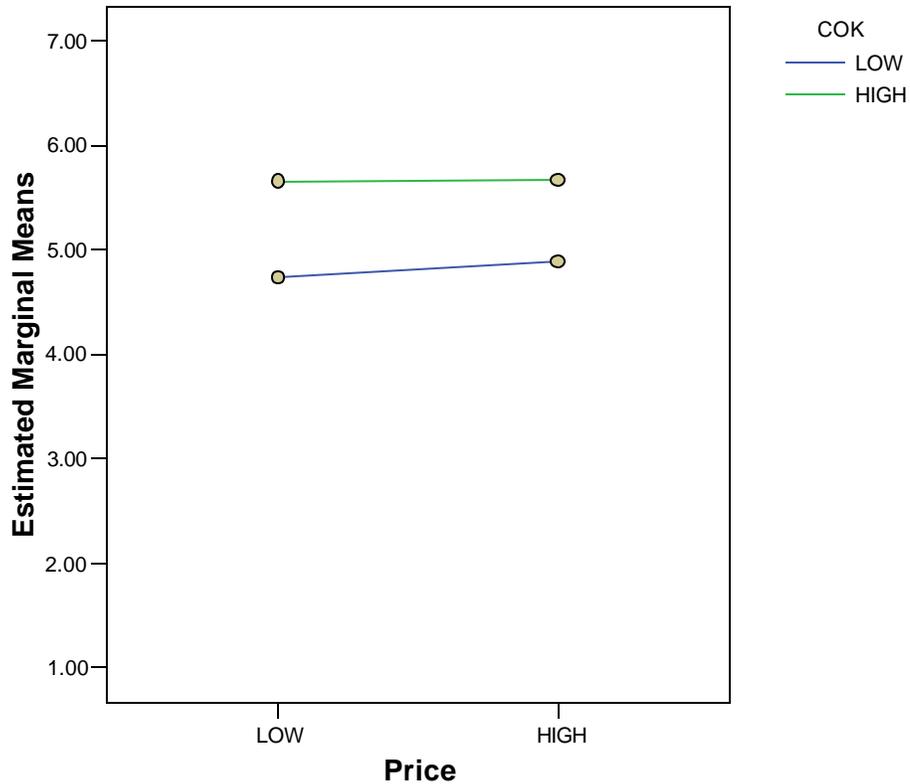
Table 29 – ANOVA

Dependent Variable: Perception

Source	Type III Sum of Squares	df	Mean Square	F	Sig.
Corrected Model	18.476(a)	3	6.159	6.184	.001
Intercept	2745.760	1	2745.760	2757.313	.000
COK	18.204	1	18.204	18.281	.000
Price	.160	1	.160	.161	.689
COK * Price	.111	1	.111	.112	.739
Error	95.598	96	.996		
Total	2859.833	100			
Corrected Total	114.073	99			

a R Squared = .162 (Adjusted R Squared = .136)

Graph 13 - Estimated Marginal Means of Perception



4. Discussion

Findings of Study 5 support hypothesis 5a, which predicted that consumers' overall quality perception will depend on COK, despite the price levels. Ratings for perceived quality when COK was high were consistently greater than when COK was low. This result corroborates to the studies of Mitchell and Greatorex (1991) that have shown that price was an ineffective cue for quality and Chao (1993) that found that perceptions of quality based on cues such as price may be different according to the country of origin. Our findings point to a significant main effect for COK, which means that a service receives indeed more favorable evaluation when the country of origin of know-how is perceived as having high,

versus low, reputation and that Country of Know-How (COK) has a greater weight than Price in consumers' assessment of a service quality.

These results reinforce the need of companies and researches to pay a careful attention in this extrinsic cue. The origin of Know-how of a service seems to have a considerable importance to consumers even in the presence of other cues. Therefore, companies should not focus their efforts only in strong pricing and location strategies, but should consider make clear to the consumers the origin of their services when the country has a favorable reputation, which could leverage their operations overseas.

Nevertheless, findings of Study 5 do not support hypothesis 5b, which predicted that COK moderated the effect of price on perceived service quality. This may be due to the fact that we have surprisingly found no main effect for Price. Maybe, the two price levels used to manipulate price might were not different enough, even though the difference on price levels was noted by consumers, as our manipulation check on price showed, which means that consumers were completely aware of the price status of the service offer.

One possible explanation, though, why price did not become a stronger indicator of quality in the conditions where COK reflected a country with low reputation on Sports as we were expecting is that participants were not inclined to pay a higher price for a low-quality service, instead of considering that price as a cue for higher quality. In this case, then, it appears that the market laws might have applied to the consumers' rationale. In this sense they seemed to not mind paying more for a high quality service, or even pay a low price for a high quality service, but seemed to resist paying a high price for a service that is originated from a country with bad reputation in its offering.

Chapter 6 – General Discussion

Introduction

This last chapter presents a summary of the findings of this dissertation, offers a general discussion of the studies' results and of their theoretical implications to next present the important managerial contributions of this research. The chapter concludes with sections on the limitations of the study and on directions for future research.

1. Summary of Findings and Theoretical implications

The primary purpose of this dissertation was twofold: 1. to present a completely new framework to investigate in a fine grained way how the Country of Origin construct acts on the service sector, breaking this construct in three sub-dimensions: Country of origin of service's know-how (COK), which refers to the country where the service is firstly conceived and where all the training processes and procedures to be applied in other countries are developed; Country of origin of personnel (COP), which refers to the origin of people offering the service; and, Country of origin of service-specific tangibles (COT), which refers to the origin of the tangibles used to offer a certain service; and, 2. to investigate how these sub-dimensions would influence, individually and together, the perception of quality of a service.

In order to achieve this purpose, we developed a set of hypotheses after a rigorous and extensive review of literature to verify our multi-dimensional approach. Our original framework with the COO sub-dimensions was then empirically tested with four

experiments and a survey specially designed for this research. Data were gathered from 718 Brazilian students in three different Universities located in two different States in Brazil.

The summary table of the hypothesis and findings is presented in Table 30. A discussion of each study then follows.

Table 30 – Summary of Hypotheses and Findings

<i>Hypothesis</i>	<i>Findings</i>
<i>H₁</i> : Consumers' overall evaluation of the quality of a service provider will depend more on their perception of the COP than on their perception of COK or COT.	Supported
<i>H₂</i> : Controlling for actual expertise, a stereotypical COP regarding professional roles in services, as compared to a counter-stereotypical COP, will result in more favorable perceptions of service quality.	Supported
<i>H₃</i> : Consumers' evaluation of a service will be lower when the COT is adapted across different counties, as compared to when it is standardized.	Not supported (Data supported the opposite relationship)
<i>H₄</i> : Perceived service quality will be higher when consumers perceive a fit between COK and a service category and lower when consumers perceive a lack of fit between COK and a service category.	Supported
<i>H_{5a}</i> : Perceived service quality will be high when COK has a good reputation in the offering of a service and low when COK has a bad reputation in the offering of a service, despite the level of price charged.	Supported
<i>H_{5b}</i> : Price will be perceived more as diagnostic of quality when the COK has a low reputation in a service than when the COK has a high reputation in a service.	Not supported

Overall, we can see that our proposed multi-dimensional framework was successfully supported. We verified in our studies that the COO construct can indeed be broken-down in different sub-dimensions and that each sub-dimension has a different level of influence on consumers' perceptions of quality of a service.

In study 1 we were interested in learning about the differences in the level of influence of each of our sub-dimensions on perceived quality. We expected that due to the peculiar characteristics of the service sector the COP sub-dimension would be the most relevant one for consumers and our results indeed supported our predictions, additionally, study 1 showed us that the least important sub-dimension for consumers was the COT sub-dimension. Moreover, empirical results in this study also indicated that the influence of the different sub-dimensions is not restricted only to perception of quality but also to predisposition to act, which means that not only the perception of quality varies according to the perceived reputation of each sub-dimension, but also the wish to take some action changes significantly.

In study 2 we wanted to understand how the national stereotypes regarding personnel would influence consumers' quality perception. Our empirical results supported the notion that national stereotypes play an important role in quality perceptions. In our experiment participants relied on national stereotypes in their service evaluations, which leads us to think that COP has a very strong influence on perceived quality even in the presence of other, more concrete, information, such as the level of expertise of the instructor.

Study 3 was designed to give us some insight on how to deal with the COT sub-dimension. We wanted to investigate if consumers would prefer standardized or adapted tangibles on a

service provider. Originally, we had hypothesized that the standardization would help international service providers to strengthen its image in consumers' minds (Ferrand and Pages, 1999) which by consequence would increase the quality perception of consumers, nevertheless our empirical findings pointed in the opposite direction. The great majority of the participants gave more favorable quality evaluations when the COT was adapted than when the COT was standardized. One possible explanation for these results was a more favorable image of Brazil if compared with the image of US, another possible explanation is that the use of other country's national colors and designs can overwhelm the consumers making them feel some kind of cultural shock with the patterns that they are already used in their countries.

In Study 4 we wanted to verify the behavior of the COK sub-dimension. Based of previous literature we saw that certain countries have a very strong image and/or reputation in the offer of certain product/service categories. In our survey we wanted first, to prove that when the consumer perceives a strong fit or match between a country and a service category he will evaluate this service better and second, that no country would have an absolute high evaluation across all categories. Findings of our survey helped us to support our expectations. Respondents indeed gave higher average quality ratings to the services that had their methods developed in the countries that are traditionally known for that specific service and lower average quality ratings to the services developed in other countries, thus we could see that there is a clear connection between COK-service fit and perceived quality. Moreover, we could observe in our sample that even though one country can be seen favorably world-wide it will probably not experience an absolute good reputation in different areas.

Finally, with study 5 we wanted to investigate how the COK sub-dimension would influence the perception of quality in the presence of another extrinsic cue. We have chosen Price to be this additional cue because it was already been proven to be an important element in consumers' assessments of quality in previous studies (Dodds and Monroe, 1985; Rao and Monroe, 1989; Lichtenstein, Ridgway & Netemeyer, 1993). We expected the Country of Know-How (COK) to have a greater weight than Price in consumers' assessment of a service quality and our empirical results supported this, nevertheless we also expected to find some kind of interaction between these two cues, which was not found.

All our results combined indicate that COO can significantly affect consumers' evaluation of perceived service quality and that this construct can and should be segmented in different sub-dimensions, since we have indeed verified clear effects of all sub-dimensions. COK, COP and COT each individually influenced the perceptions of quality which calls for the use of these sub-dimensions in further studies of the COO phenomenon. This new framework would allow both a more detailed approach to the COO construct and also a more manageable way to deal with this cue in different studies.

This dissertation makes, then, several theoretical contributions to the country of origin literature, especially because despite the major interest in investigating country of origin-related consumer phenomena, little research has previously examined the COO construct on the service sector and none of them used a multi-dimensional approach to treat this cue.

This dissertation also expanded in a way the understanding of the occurrence of stereotypical processing in a consumer behavior context through the finding that national

stereotypical processing definitely occurs when consumers are exposed to COO information in different sub-dimensions. The COO effect is highly dependent on preconceived ideas or stereotypes that people hold about certain countries that influence their perceptions of products, services and professionals coming from these countries. A more detailed look on these stereotypes by parts - know-how, personnel and tangibles - can help researchers to find out how these parts can be manipulated in order to leverage more favorable behaviors from consumers or to neutralize negative perceptions. Research in the field of social psychology suggests that changing the nature of a negative stereotype is very difficult to accomplish (Hewstone, 1994) therefore deciding to reinforce a positive country of origin sub-dimension or to hide a negative one from the eyes of the consumer could be the difference between the failure or success of a enterprise.

Another very important contribution of this research is the verification that in the service sector more importance is given to personnel than to the know-how per se. While in the manufacturing sector the value seems to lie heavily on the place where the knowledge and technology was developed, in the service sector this greater value seems to migrate to personnel. This is a very important finding since researches have been constantly reinforcing the importance of knowledge and relegating other aspects to a second level of importance. In the service sector this mentality should be slightly transformed. While the origin of know-how still plays an important role in consumers' decisions, more attention is clearly needed to the personal aspect in order to understand in more in-depth the consumer behavior towards service.

Also this is one of the rare researches that provides insights from outside the United States. It was already showed that COO researches are just somewhat generalizable across nations

and cultures (Peterson and Jolibert, 1995), that is, although the COO effect based on stereotypes is universal, the degree in which it is applied on the evaluation of a certain service and/or product and the sensitivity to this information vary from place to place (Chao, 1989), and also vary according to the consumer level of expertise regarding the product/service.

Additionally, newly industrialized countries have shown that they have a great potential of consume. Thus, presenting the perspective of the consumers in Brazil can add great value to the international marketing area since researchers in the field can have more insights from consumers with different profiles and expectations which could guide them to the development of marketing strategies and theories that are more applicable worldwide.

To the best of the author's knowledge of the current literature, this dissertation is the first study to successfully manipulate the multi-dimensionality of the COO construct in the service sector.

2. Managerial Implications

In an increasingly global environment, nations and companies compete with each other to successfully export their goods and services and attract foreign investment (Kotler et al. 1997). As a result, companies must position and differentiate themselves in the perceptions of consumers and investors. The consequent strategy of using the national branding through the COO construct could help cultivating a unique and positive brand image of a nation and its associated symbols (Olins, 1999).

The proposed theoretical break-down of the COO construct for the service sector and the empirical findings that were here presented have many practical implications for multi-national service providers and international marketers.

Practitioners in each stream of international marketing, consumer behavior and services marketing benefit from the findings. First, exporters of services will find the results of interest when preparing strategies to enter other markets. A country's reputation definitely influences foreign consumers' beliefs of that country's services, and also their receptivity to them.

In the business world, practitioners should, then, understand how consumers evaluate and buy their services in different places. Since the resources of companies are limited, especially with the current global economical status, international service providers should be able to verify where to invest more resources and efforts in order to improve their chances of success.

We showed in our research how the COO construct can be segmented in smaller and more manageable parts making it feasible for international providers to deal with this concept in a more concrete way.

First, Country of personnel (COP) seems to have a stronger influence on quality perceptions. Clearly, providers should pay greater attention to this sub-dimension in their strategic decisions. Given that COP appears to be such an important factor in service quality perceptions, international service providers may want to carefully select and train its personnel and to make clear to consumers their strengths in this sub-dimension. If they

have limited resources, a heavier investment in their staff could be a good start to gain competitive advantage in the markets where they decide to operate.

Using stereotypical personnel seems to help considerably the predisposition of consumers to give more favorable evaluations to a service, which, by consequence, could increase their consumption of this service or at least lure them to try the service once.

The Country of Know how seems to have also an important weight in consumers evaluation, so this should be the next concern of service providers. There are several ways in which an international provider could make use of a favorable COK image. Papadopoulos (1993) had already pointed out how marketing managers can promote a good country image in their products and these can also applied to services. Companies, for instance, could embed a reference to a favorable country directly into the brand name (e.g. American Airlines); they could also suggest them indirectly through brand name association or they could indicate them in the company name (e.g. Lamborghini); finally they could promote them expressly as part of the brand unique selling proposition (i.e. Bodyworks: the reputation of American Sports at the reach of your hands).

As far as the country of tangibles sub-dimension is concerned it appears that consumers tend to be resistant when the colors of a foreign country are used too ostensively but somehow they accept the idea of equipments coming from a country with good reputation. Thus, if an international service provider decides to keep its facilities and colors standardized it would be advisable for it to avoid using directly its national colors, because even if the country enjoys good reputation in the offer of a specific service, the excessive

use of national colors could pass to consumers the idea that the company is not respecting the local culture or it is trying to impose its own.

Also, since no interaction between price and country of origin was found, the practitioners should understand that high price might not become an effective tool in boosting the image of a certain service provider. In other words, high priced services with the unfavorable made could still be perceived as low quality services.

In sum, the sub-dimensions here presented could be manipulated by service providers to attract consumers and to develop better services that could be more suitable to their needs. A criterious use of our framework could then improve the chances of the providers in obtaining competitive advantages in the markets where they decide to operate.

3. Limitations and directions for further research

Since this is the first study to present and empirically test the multidimensionality of the COO construct, further research and replications are needed to reinforce the importance of this framework. Preferably this research should be replicated with participants from different nations to see if they put the same importance on the same sub-dimensions or if their assessment varies according to cultural differences (Hofstede, 1980). Brazil, for instance, is considered a collectivist culture country, that is, the population in this country tends to put a lot of emphasis in personal contact and interactions which can explain the emphasis on the COP. Further replications would, therefore, be needed to reinforce the overall importance of the COP for services in different cultures. Future studies could not only explore each of the sub-dimensions and their effects separately but also verify their

interactions to see how they could be strategically combined to boost more positive quality evaluations from the consumers towards international providers.

Also it would be interesting to examine how the sub-dimensions can work across a wider range of countries (i.e. less developed versus more developed, and so on) and service categories. Several authors (Nebenzahl et al., 1997; Thakor and Katsanis, 1997) believe that COO needs to be examined on a product-by-product or service-by-service basis as an overall theory for all products and or services and all countries may not be feasible, that is why our research worked with a limited number of countries and service categories. Future studies in using different countries and services in the manipulations would help to aggregate more knowledge to the field and add further clues on how the sub-dimensions can work in several different situations.

We did not include any measures of country familiarity or familiarity with a country's culture. This is a rarely measured construct in COO research, but it could have important implications for national stereotype effects. Therefore, future research could try to insert this aspect to see how this could affect the influence of the sub-dimensions on consumer behavior towards a certain service.

The samples of this study were convenience samples using undergraduate students, therefore, the participants had a specific profile and level of education and as a result are not representative of the general public. Although the use of student samples is widely diffused in academic research and some researchers even state that there are not very significant differences between student samples and other kinds of samples a future

replication of this research to non-student samples could probably offer more robustness to our findings.

Ample evidence has also shown that COO effects are stronger for quality judgment than for purchase intention (Peterson & Jolibert, 1995; Verlegh & Steenkamp, 1999). Our research relates to the quality assessment of a service prior to purchase and do not indicate the effects of service after using a certain service. Since quality expectations might also affect purchase, future research could verify how the COO sub-dimensions could affect the actual consumption of a service.

The results may also not be applied to cases where consumers are psychologically attached to any brand and/or countries of origin due to various cultural and social reasons (Watson & Wright, 2000). For example, the stronger a person's psychological attachment to a brand name, the less likely his/her service choice will be affected by foreign production. The actual brand names might weaken the preference for various products or services, in that some consumers may be more influenced by brand names than the country of origin of the service (Knigh, 1999), therefore, a study comparing brands with the sub-dimensions could be interesting.

Since political, cultural, social and economic conditions change over time, the relative influence of country of origin is also likely to change. Therefore, future research could address if the influence of the sub-dimensions changes over time or if it can be moderated by the level of expertise of the consumers. It is reasonable to think that the more familiar the consumer is with a particular service, the less dependent he/she will be on COO as a cue

to judge quality. It would be interesting, though, to study if level of expertise moderates the sub-dimensions distinctively or if it affects them equally.

Also, another aspect that could moderate the influence of the sub-dimensions is cultural similarity. Several studies have observed that consumers tend to prefer manufactured products that originate from culturally similar countries than from countries that are culturally dissimilar to the home country (e.g., Wang and Lamb, 1983; Johansson et al., 1985; Heslop, Papadopoulpos & Bourk, 1998). This preference seems to have more to do with the values and feelings attached to a product/service than to the tangible part of both. This similarity might become even more important for services, since the delivery and experience with them is more subjective. Javalgi et al.(2001) has already found that consumers preferred services from their own country or the country with closer cultural distance (Hofstede, 1980), but how would cultural similarity work on the different sub-dimensions of the COO construct? This can be another interesting question for a future research.

In times where the sustainability is being increasingly valued by consumers it is expected that another interesting study could focus on how countries can improve their images trough a stronger environmental concern, fair treatment of labor or fair trade practices. Maybe a country with a negative COO could reverse its bad image if it took some politically correct measures that could have a big effect on consumers' perceptions. Marketing managers could use this information, then, to promote the positive aspects of all the country of origin sub-dimensions.

Finally, our study just verified the influence of the COO construct with only one additional cue, Price. It is expected that the more cues consumers have at their disposal to assess quality less they will rely on the COO cue. Further studies could then add more cues, such as Brand, to verify how the influence of the sub-dimensions would be affected (increased or diminished) by the presence of other cues.

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Appendix A – Empirical Instruments – Study 1

Athens

14th August 2008



Were you born in the right country?

A reflection on national abilities in developing champions

The Olympic Games are finally here. After four years we again find ourselves frantically looking for news about competitions' schedule, medals awarded and records broken even if we are not really sport fans... If you are following the Olympics it is hard to ignore that some countries have been accumulating (once more) a great number of medals, while others struggle.

In this scenario one question inevitably comes to our minds. Does nationality matter if you want to become a champion?

We like to think that it doesn't but history tells us the opposite.

The United States is still the biggest winner at the Olympic Games of all times. Its athletes have won 2.405 medals in the Olympics, 216 medals in the Winter Games and 100 medals in the Paralympics Games so

far.

In contrast, a country like Portugal has just won 20 medals since the beginning of the Games in Athens. The only sports in which Portugal has some international reputation are soccer and long-distance running. Still, Portugal has never won a really important worldwide competition in any of them.

Why is that so?

Regardless of differences in population, there are certainly talented and skilled athletes in every country. However, other structural factors seem to have more weight on the chances of getting a medal in a professional sport competition than the athlete's own ability.

Large investments in sports - both from the government and the private sector - are fundamental to give athletes the chance to dedicate themselves to training, and no other country puts more money into sports than the United States. Investments in sport do not include only sponsorship, but also the salary paid to the best trainers and the budget allocated to R&D, that leverage the development of new training methods and techniques and the design of new sports' gear and equipments.

Additionally, in US there are hundreds of different organizations exclusively dedicated to sports whereas in Portugal only one organization is directly responsible for providing support to Olympic athletes.

The results of this gap between US and Portugal are currently being seen in Beijing.



This research investigates people's attitude towards exercising. Please read the scenario below carefully, put yourself into the situation described, and then answer the questions that follow according to your judgment. There are no right or wrong answers to this questionnaire. We are only interested in what you think. Answers will not be analyzed individually as data from different questionnaires will be combined.

Thank you for your participation!

(Turn page)

F1

"Imagine that Bodyworks, an international chain of gyms, has just opened a branch in your neighborhood, very close to where you live. As you have decided to start exercising regularly, you visit the gym to collect more information. At the gym you are told that their strategy to be successful in the Brazilian market and to differentiate themselves from local competitors is based on the combination of three factors: 1. exclusively designed fitness methods that aim at shortening the time needed to build up muscular body mass; 2. highly trained professionals that follow the development of each member in his/her first months of exercising and recommend changes in fitness programs if necessary, and 3. break-through equipment specially engineered to support Bodyworks fitness programs. At the gym you are also told the methods offered by Bodyworks were developed in the United States, whereas the equipments come from Portugal and the instructors are also Portuguese."

(Turn page)

F1

Please answer each of the following questions by circling the appropriate number on the scale

	Extremely Unlikely						Extremely likely
How likely it is that you will subscribe to this Bodyworks branch?	1	2	3	4	5	6	7

	Extremely Low						Extremely High
How would you rate this Bodyworks branch's ability in providing good services to you?	1	2	3	4	5	6	7

	Extremely Unlikely						Extremely Likely
Would you be willing to pay a premium price to attend this gym?	1	2	3	4	5	6	7

	Unappealing						Appealing
This gym seems to you	1	2	3	4	5	6	7

	Unreliable						Reliable
This gym seems to you	1	2	3	4	5	6	7

	Not Much						Very Much
How much do you think you will enjoy exercising in this gym?	1	2	3	4	5	6	7

	Extremely Unlikely						Extremely likely
How likely do you think it is that this branch of Bodyworks will be successful?	1	2	3	4	5	6	7

	Extremely Bad						Extremely Good
How would you rate this gym quality?	1	2	3	4	5	6	7

	Very Negative						Very Positive
Overall, your feeling about this gym is	1	2	3	4	5	6	7

Please, tell us about yourself:

Age: _____

Sex: Male

Female

Course: _____

Please describe briefly what went through your mind while reading the description of the gym

How would you rate United States' reputation in Professional Sports?	Extremely Bad							Extremely Good
	1	2	3	4	5	6	7	
How would you rate Portugal's reputation in Professional Sports?	Extremely Bad							Extremely Good
	1	2	3	4	5	6	7	
How would you rate United States' ability in providing fitness services?	Extremely Low							Extremely High
	1	2	3	4	5	6	7	
How would you rate Portugal's ability in providing fitness services?	Extremely Low							Extremely High
	1	2	3	4	5	6	7	

THANK YOU!!!

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Thank you for your participation!

(Turn page)

F2

“Imagine that Bodyworks, an international chain of gyms, has just opened a branch in your neighborhood, very close to where you live. As you have decided to start exercising regularly, you visit the gym to collect more information. At the gym you are told that their strategy to be successful in the Brazilian market and to differentiate themselves from local competitors is based on the combination of three factors: 1. exclusively designed fitness methods that aim at shortening the time needed to build up muscular body mass; 2. highly trained professionals that follow the development of each member in his/her first months of exercising and recommend changes in fitness programs if necessary, and 3. break-through equipment specially engineered to support Bodyworks fitness programs. At the gym you are also told the methods offered by Bodyworks were developed in Portugal and that the equipments will also come from Portugal whereas the instructors are American.”

(Turn page)

F2

Please answer each of the following questions by circling the appropriate number on the scale

	Extremely Unlikely						Extremely likely
How likely it is that you will subscribe to this Bodyworks branch?	1	2	3	4	5	6	7

	Extremely Low						Extremely High
How would you rate this Bodyworks branch's ability in providing good services to you?	1	2	3	4	5	6	7

	Extremely Unlikely						Extremely Likely
Would you be willing to pay a premium price to attend this gym?	1	2	3	4	5	6	7

	Unappealing						Appealing
This gym seems to you	1	2	3	4	5	6	7

	Unreliable						Reliable
This gym seems to you	1	2	3	4	5	6	7

	Not Much						Very Much
How much do you think you will enjoy exercising in this gym?	1	2	3	4	5	6	7

	Extremely Unlikely						Extremely likely
How likely do you think it is that this branch of Bodyworks will be successful?	1	2	3	4	5	6	7

	Extremely Bad						Extremely Good
How would you rate this gym quality?	1	2	3	4	5	6	7

	Very Negative						Very Positive
Overall, your feeling about this gym is	1	2	3	4	5	6	7

Please, tell us about yourself:

Age: _____

Sex: Male

Female

Course: _____

Please describe briefly what went through your mind while reading the description of the gym

How would you rate United States' reputation in Professional Sports?	Extremely Bad							Extremely Good
	1	2	3	4	5	6	7	
How would you rate Portugal's reputation in Professional Sports?	Extremely Bad							Extremely Good
	1	2	3	4	5	6	7	
How would you rate United States' ability in providing fitness services?	Extremely Low							Extremely High
	1	2	3	4	5	6	7	
How would you rate Portugal's ability in providing fitness services?	Extremely Low							Extremely High
	1	2	3	4	5	6	7	

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(Turn page)

F3

“Imagine that Bodyworks, an international chain of gyms, has just opened a branch in your neighborhood, very close to where you live. As you have decided to start exercising regularly, you visit the gym to collect more information. At the gym you are told that their strategy to be successful in the Brazilian market and to differentiate themselves from local competitors is based on the combination of three factors: 1. exclusively designed fitness methods that aim at shortening the time needed to build up muscular body mass; 2. highly trained professionals that follow the development of each member in his/her first months of exercising and recommend changes in fitness programs if necessary, and 3. break-through equipment specially engineered to support Bodyworks fitness programs. At the gym you are also told the methods offered by Bodyworks were developed in Portugal, the equipments come from the United States whereas the instructors are Portuguese.”

(Turn page)

F3

Please answer each of the following questions by circling the appropriate number on the scale

	Extremely Unlikely						Extremely likely
How likely it is that you will subscribe to this Bodyworks branch?	1	2	3	4	5	6	7

	Extremely Low						Extremely High
How would you rate this Bodyworks branch's ability in providing good services to you?	1	2	3	4	5	6	7

	Extremely Unlikely						Extremely Likely
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How likely do you think it is that this branch of Bodyworks will be successful?	1	2	3	4	5	6	7

	Extremely Bad						Extremely Good
How would you rate this gym quality?	1	2	3	4	5	6	7

	Very Negative						Very Positive
Overall, your feeling about this gym is	1	2	3	4	5	6	7

Please, tell us about yourself:

Age: _____

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Female

Course: _____

Please describe briefly what went through your mind while reading the description of the gym

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How would you rate United States' ability in providing fitness services?	Extremely Low							Extremely High
	1	2	3	4	5	6	7	
How would you rate Portugal's ability in providing fitness services?	Extremely Low							Extremely High
	1	2	3	4	5	6	7	

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Thank you for your participation!

(Turn page)

“Imagine that Bodyworks, an international chain of gyms, has just opened a branch in your neighborhood, very close to where you live. As you have decided to start exercising regularly, you visit the gym to collect more information. At the gym you are told that their strategy to be successful in the Brazilian market and to differentiate themselves from local competitors is based on the combination of three factors: 1. exclusively designed fitness methods that aim at shortening the time needed to build up muscular body mass; 2. highly trained professionals that follow the development of each member in his/her first months of exercising and recommend changes in fitness programs if necessary, and 3. break-through equipment specially engineered to support Bodyworks fitness programs. At the gym you are also told the methods and equipments offered by Bodyworks were developed in the United States and that the instructors are also American.”

(Turn page)

F4

Please answer each of the following questions by circling the appropriate number on the scale

	Extremely Unlikely						Extremely likely
How likely it is that you will subscribe to this Bodyworks branch?	1	2	3	4	5	6	7

	Extremely Low						Extremely High
How would you rate this Bodyworks branch's ability in providing good services to you?	1	2	3	4	5	6	7

	Extremely Unlikely						Extremely Likely
Would you be willing to pay a premium price to attend this gym?	1	2	3	4	5	6	7

	Unappealing						Appealing
This gym seems to you	1	2	3	4	5	6	7

	Unreliable						Reliable
This gym seems to you	1	2	3	4	5	6	7

	Not Much						Very Much
How much do you think you will enjoy exercising in this gym?	1	2	3	4	5	6	7

	Extremely Unlikely						Extremely likely
How likely do you think it is that this branch of Bodyworks will be successful?	1	2	3	4	5	6	7

	Extremely Bad						Extremely Good
How would you rate this gym quality?	1	2	3	4	5	6	7

	Very Negative						Very Positive
Overall, your feeling about this gym is	1	2	3	4	5	6	7

Please, tell us about yourself:

Age: _____

Sex: Male

Female

Course: _____

Please describe briefly what went through your mind while reading the description of the gym

How would you rate United States' reputation in Professional Sports?	Extremely Bad							Extremely Good
	1	2	3	4	5	6	7	
How would you rate Portugal's reputation in Professional Sports?	Extremely Bad							Extremely Good
	1	2	3	4	5	6	7	
How would you rate United States' ability in providing fitness services?	Extremely Low							Extremely High
	1	2	3	4	5	6	7	
How would you rate Portugal's ability in providing fitness services?	Extremely Low							Extremely High
	1	2	3	4	5	6	7	

THANK YOU!!!

F4

Appendix B – Empirical Instruments – Study 2

This research investigates people's attitude towards exercising. Read the scenario below carefully, put yourself into the situation described, and then answer the questions that follow according to your judgment. **Please read and answer the questions in the order they are provided, and turn the pages only when indicated to do so.** There are no right or wrong answers to this questionnaire. We are only interested in what you think. Answers will not be analyzed individually as data from different questionnaires will be combined.

Thank you for your participation!

(Turn page)

“Imagine that you are a member of a sports gym called Bodyworks, and that you have recently thought about taking up martial arts. Bodyworks offers a class of Judo for Beginners every Tuesdays and Thursdays at 8 PM, a time that perfectly fits your schedule. You know that this class will be taught by Hideki Satashi, a certified martial arts instructor from Japan. Hideki is an enthusiast of a method of Judo training called Randori. While the classic method is based on formal and sequential exercising procedures, the Randori method encourages freestyle fighting, which means that once students learn the basic movements, they will immediately start practicing how to make free use of the throws and grappling techniques to gradually polish and refine themselves. The Randori technique is, however, more popular among competitive Judokas than as a teaching method. Hideki is more familiar with it because he has been competing for some years but has started teaching only three years ago. For this reason he will be in charge of the Beginners class, but not of the more advanced classes. Some students that had classes with him said that although he is still not fluent in Portuguese his communication skills are good enough to teach.”

(Turn page)

Please answer each of the following questions by circling the appropriate number on the scale

How interested would you be in attending this Judo class?	Not Interested at All	1	2	3	4	5	6	Very Interested	7
How likely do you think this class will be satisfactory?	Extremely Unlikely	1	2	3	4	5	6	Extremely Likely	7
How would you rate the ability of this instructor to provide a good class for you?	Extremely Low	1	2	3	4	5	6	Extremely High	7
This class seems to you	Unreliable	1	2	3	4	5	6	Reliable	7
This instructor seems to you	Unreliable	1	2	3	4	5	6	Reliable	7
How would you rate the quality of this class?	Extremely Bad	1	2	3	4	5	6	Extremely Good	7
Overall, your feeling about this class is	Very Negative	1	2	3	4	5	6	Very Positive	7

P1

(Turn page)

Please, tell us about yourself:

Age: _____

Sex: Male

Female

Course: _____

P1

(Turn page)

How would you rate Japan's reputation in Martial Arts?	Extremely Bad							Extremely Good
	1	2	3	4	5	6	7	

How would you rate France's reputation in Martial Arts?	Extremely Bad							Extremely Good
	1	2	3	4	5	6	7	

If this instructor had in fact ten years of experience in teaching Advanced classes, how would you rate the quality of this Judo class?	Extremely Bad							Extremely Good
	1	2	3	4	5	6	7	

THANK YOU!!!

This research investigates people's attitude towards exercising. Read the scenario below carefully, put yourself into the situation described, and then answer the questions that follow according to your judgment. **Please read and answer the questions in the order they are provided, and turn the pages only when indicated to do so.** There are no right or wrong answers to this questionnaire. We are only interested in what you think.

Answers will not be analyzed individually as data from different questionnaires will be combined.

Thank you for your participation!

(Turn page)

“Imagine that you are a member of a sports gym called Bodyworks, and that you have recently thought about taking up martial arts. Bodyworks offers a class of Judo for Beginners every Tuesdays and Thursdays at 8 PM, a time that perfectly fits your schedule. You know that this class will be taught by Jean-Pierre Rousseau, a certified martial arts instructor from France. Jean-Pierre is an enthusiast of a method of Judo training called Randori, that is, instead of following formal and sequential exercising procedures, he encourages freestyle fighting, which means that once students learn the basic movements, they will immediately start practicing together with others making free use of the throws and grappling techniques to gradually polish and refine themselves. The Randori technique is, however, more popular among competitive Judokas than as a teaching method. Jean-Pierre is more familiar with it because he has been competing for some years but has started teaching only three years ago. For this reason he will be in charge of the Beginners class, but not of the more advanced classes. Some students that had classes with him said that although he is still not fluent in Portuguese his communication skills are good enough to teach.”

(Turn page)

Please answer each of the following questions by circling the appropriate number on the scale

How interested would you be in attending this Judo class?	Not Interested at All	1	2	3	4	5	6	Very Interested	7
How likely do you think this class will be satisfactory?	Extremely Unlikely	1	2	3	4	5	6	Extremely Likely	7
How would you rate the ability of this instructor to provide a good class for you?	Extremely Low	1	2	3	4	5	6	Extremely High	7
This class seems to you	Unreliable	1	2	3	4	5	6	Reliable	7
This instructor seems to you	Unreliable	1	2	3	4	5	6	Reliable	7
How would you rate the quality of this class?	Extremely Bad	1	2	3	4	5	6	Extremely Good	7
Overall, your feeling about this class is	Very Negative	1	2	3	4	5	6	Very Positive	7

P2

(Turn page)

Please, tell us about yourself:

Age: _____

Sex: Male

Female

Course: _____

P2

(Turn page)

How would you rate Japan's reputation in Martial Arts?	Extremely Bad							Extremely Good
	1	2	3	4	5	6	7	

How would you rate France's reputation in Martial Arts?	Extremely Bad							Extremely Good
	1	2	3	4	5	6	7	

If this instructor had in fact ten years of experience in teaching Advanced classes, how would you rate the quality of this Judo class?	Extremely Bad							Extremely Good
	1	2	3	4	5	6	7	

THANK YOU!!!

Appendix C – Empirical Instruments – Study 3

This research investigates people's attitude towards exercising. Read the scenario below carefully, put yourself into the situation described, and then answer the questions that follow according to your judgment. **Please read and answer the questions in the order they are provided, and turn the pages only when indicated to do so.** There are no right or wrong answers to this questionnaire. We are only interested in what you think. Answers will not be analyzed individually as data from different questionnaires will be combined.

Thank you for your participation!

(Turn page)

Please read the following article about a branch of an American sports gym that has just opened a branch in town.

(Turn page)

Curitiba

16th November 2008



Bodyworks is coming to town!!

The end of year is approaching stepping in an “all and it seems that Curitiba is American” gym. about to get an anticipated gift The two smiley from Santa Claus. Bodyworks, receptionists were wearing the American chain of Fitness blue polo shirts with the centers has just opened its first Gym’s logo and red shorts branch in Brazil. and behind them, hanging Bodyworks is going to offer a on the wall, there was a wide range of classes, from picture of an American martial arts, to aerobics, from flag painted by a young swimming to pilates, all Californian artist. specially developed to attend “Our goal is to offer in the needs of its consumers. Brazil the same range of Before the inauguration of the services we have here” Brazilian Branch, I went to said Paul while leading New York for an interview with me through the different Paul Gruber, the Chief rooms of the gym. Marketing Officer of “All our equipments and Bodyworks that discussed with apparels were developed me his plans for Brazil and took in technology research me for a tour in one of the labs here in US to assure American Branches of the Gym that our instructors and in the Big Apple. personal trainers have all Paul welcomed me at the front the support they need to door of the gym and I have satisfied clients. immediately realized that I was Gaining muscular mass,

losing weight or simply feeling healthier and better - whatever the goals of our clients are - we have the team and the equipments to help them achieving these goals.”

While Paul’s speech was quite impressive, I have to confess that I stopped paying attention to what he was saying for a while to focus on the details of the facilities and on the instructors and trainers that were at the gym. Actually, I had the feeling of having been invited to a Celebration of the 4th of July! Since everything that surrounded me was following the same pattern. Uniforms? Blue, red and white...Lightning? Blue, red and white...Pictures and posters at the walls? All with American themes using, what a surprise?!...Blue, red and white...Well, I think you got the point...

Bodyworks has very ambitious plans to take the world with its methods, professionals and equipments. Let’s see how well it will do in our country.



Now imagine that the Bodyworks branch discussed in this article has opened in your neighborhood, very near to where you live. As you have decided to start exercising regularly, you visit the gym's branch to check the place out. After entering the gym you realize that everything looked just like the description in the magazine: The equipments and apparel were made in the US, the decoration of the facilities followed an American theme, the lightning was red-blue-white, the colors of the uniforms of staff and instructors were the same and there was a reproduction of an American Flag artwork hanged behind the reception desk.

(Turn page)

Please answer each of the following questions below by circling the appropriate number on the scale

Do you think that this Bodyworks' branch would be a good place for you to exercise?	Extremely Unlikely						Extremely Likely
	1	2	3	4	5	6	7

How would you rate this Bodyworks branch's ability to provide good services to you?	Extremely Low						Extremely High
	1	2	3	4	5	6	7

This Bodyworks branch seems to you	Unreliable						Reliable
	1	2	3	4	5	6	7

How would you rate the quality of this Bodyworks' branch?	Extremely Bad						Extremely Good
	1	2	3	4	5	6	7

How likely do you think it is that this branch of Bodyworks will be successful?	Extremely Unlikely						Extremely Likely
	1	2	3	4	5	6	7

Overall my feeling about this branch is	Very Negative						Very Positive
	1	2	3	4	5	6	7

(Turn page)

Please, tell us about yourself:

Age: _____

Sex: Male

Female

Course: _____

How would you rate United States' reputation in Professional Sports?	Extremely Bad							Extremely Good
	1	2	3	4	5	6	7	
How would you rate Brazil's reputation in Professional Sports?	Extremely Bad							Extremely Good
	1	2	3	4	5	6	7	
How would you rate United States' ability in providing fitness services?	Extremely Low							Extremely High
	1	2	3	4	5	6	7	
How would you rate Brazil's ability in providing fitness services?	Extremely Low							Extremely High
	1	2	3	4	5	6	7	
What is your overall image of the United States?	Very Negative							Very Positive
	1	2	3	4	5	6	7	
What is your overall image of Brazil?	Very Negative							Very Positive
	1	2	3	4	5	6	7	

(Turn page)

T

T

This research investigates people's attitude towards exercising. Read the scenario below carefully, put yourself into the situation described, and then answer the questions that follow according to your judgment. **Please read and answer the questions in the order they are provided, and turn the pages only when indicated to do so.** There are no right or wrong answers to this questionnaire. We are only interested in what you think. Answers will not be analyzed individually as data from different questionnaires will be combined.

Thank you for your participation!

(Turn page)

Please read the following article about a branch of an American sports gym that has just opened a branch in town.

(Turn page)

****SAME ARTICLE HERE****

Now imagine that the Bodyworks branch discussed in this article has opened in your neighborhood, very near to where you live. As you have decided to start exercising regularly, you visit the gym's branch to check the place out. After entering the gym you realize that everything looked different from the description in the magazine: The equipments and apparel were made in Brazil, the decoration of the facilities followed a Brazilian theme, the lightning was yellow and green, the colors of the uniforms of staff and instructors were the same and there was a reproduction of a Brazilian Flag artwork hanged behind the reception desk.

(Turn page)

Please answer each of the following questions below by circling the appropriate number on the scale

Do you think that this Bodyworks' branch would be a good place for you to exercise?	Extremely Unlikely						Extremely Likely
	1	2	3	4	5	6	7

How would you rate this Bodyworks branch's ability to provide good services to you?	Extremely Low						Extremely High
	1	2	3	4	5	6	7

This Bodyworks branch seems to you	Unreliable						Reliable
	1	2	3	4	5	6	7

How would you rate the quality of this Bodyworks' branch?	Extremely Bad						Extremely Good
	1	2	3	4	5	6	7

How likely do you think it is that this branch of Bodyworks will be successful?	Extremely Unlikely						Extremely Likely
	1	2	3	4	5	6	7

Overall my feeling about this branch is	Very Negative						Very Positive
	1	2	3	4	5	6	7

(Turn page)

Please, tell us about yourself:

Age: _____

Sex: Male

Female

Course: _____

How would you rate United States' reputation in Professional Sports?	Extremely Bad							Extremely Good
	1	2	3	4	5	6	7	
How would you rate Brazil's reputation in Professional Sports?	Extremely Bad							Extremely Good
	1	2	3	4	5	6	7	
How would you rate United States' ability in providing fitness services?	Extremely Low							Extremely High
	1	2	3	4	5	6	7	
How would you rate Brazil's ability in providing fitness services?	Extremely Low							Extremely High
	1	2	3	4	5	6	7	
What is your overall image of the United States?	Very Negative							Very Positive
	1	2	3	4	5	6	7	
What is your overall image of Brazil?	Very Negative							Very Positive
	1	2	3	4	5	6	7	

(Turn page)

Appendix D – Empirical Instruments – Study 4

Please answer each of the following questions below by circling the appropriate number on the scale

How would you rate the average quality of the following services if you knew their methods were developed in the United States:

Fitness Center	Extremely Bad 1	2	3	4	5	6	Extremely Good 7
School of Martial Arts	Extremely Bad 1	2	3	4	5	6	Extremely Good 7
School of Tango	Extremely Bad 1	2	3	4	5	6	Extremely Good 7
High Cookery School	Extremely Bad 1	2	3	4	5	6	Extremely Good 7

Please, tell us about yourself:

Age: _____

Sex: Male

Female

Course: _____

Please answer each of the following questions below by circling the appropriate number on the scale

How would you rate the average quality of the following services if you knew their methods were developed in Argentina:

Fitness Centers	Extremely Bad 1	2	3	4	5	6	Extremely Good 7
School of Martial Arts	Extremely Bad 1	2	3	4	5	6	Extremely Good 7
School of Tango	Extremely Bad 1	2	3	4	5	6	Extremely Good 7
High Cookery School	Extremely Bad 1	2	3	4	5	6	Extremely Good 7

Please, tell us about yourself:

Age: _____

Sex: Male

Female

Course: _____

Please answer each of the following questions below by circling the appropriate number on the scale

How would you rate the average quality of the following services if you knew their methods were developed in France:

Fitness Centers	Extremely Bad 1	2	3	4	5	6	Extremely Good 7
School of Martial Arts	Extremely Bad 1	2	3	4	5	6	Extremely Good 7
School of Tango	Extremely Bad 1	2	3	4	5	6	Extremely Good 7
High Cookery School	Extremely Bad 1	2	3	4	5	6	Extremely Good 7

Please, tell us about yourself:

Age: _____

Sex: Male

Female

Course: _____

Please answer each of the following questions below by circling the appropriate number on the scale

How would you rate the average quality of the following services if you knew their methods were developed in Japan

Fitness Centers	Extremely Bad 1	2	3	4	5	6	Extremely Good 7
School of Martial Arts	Extremely Bad 1	2	3	4	5	6	Extremely Good 7
School of Tango	Extremely Bad 1	2	3	4	5	6	Extremely Good 7
High Cookery School	Extremely Bad 1	2	3	4	5	6	Extremely Good 7

Please, tell us about yourself:

Age: _____

Sex: Male

Female

Course: _____

Appendix E – Empirical Instruments – Study 5

This research investigates people's attitude towards exercising. Read the scenario below carefully, put yourself into the situation described, and then answer the questions that follow according to your judgment. **Please read and answer the questions in the order they are provided, and turn the pages only when indicated to do so.** There are no right or wrong answers to this questionnaire. We are only interested in what you think.

Answers will not be analyzed individually as data from different questionnaires will be combined.

Thank you for your participation!

(Turn page)

“Imagine that Bodyworks, an international chain of gyms, has just opened a branch in your neighborhood, very close to where you live. As you have decided to start exercising regularly, you visit the gym to collect more information. At the gym you discover that all the fitness methods offered by Bodyworks were exclusively designed by a specialized team in the United States to best achieve different goals. Therefore, Bodyworks offers classes and individuals training sessions based on exercises that will help its customers increase muscular mass, lose weight, or simply feel healthier. The American fitness methods were designed in flexible modules that can be combined to satisfy the individual needs of the gym members. At the gym you were also informed that the monthly fee to become a member is R\$ 50,00.”

(Turn page)

Please answer each of the following questions below by circling the appropriate number on the scale

Do you think that this Bodyworks' branch would be a good place for you to exercise?	Extremely Unlikely						Extremely Likely
	1	2	3	4	5	6	7

How would you rate this Bodyworks branch's ability to provide good services to you?	Extremely Low						Extremely High
	1	2	3	4	5	6	7

This Bodyworks branch seems to you	Unreliable						Reliable
	1	2	3	4	5	6	7

How would you rate the quality of this Bodyworks' branch?	Extremely Bad						Extremely Good
	1	2	3	4	5	6	7

How likely do you think it is that this branch of Bodyworks will be successful?	Extremely Unlikely						Extremely Likely
	1	2	3	4	5	6	7

Overall my feeling about this branch is	Very Negative						Very Positive
	1	2	3	4	5	6	7

(Turn page)

Please, tell us about yourself:

Age: _____

Sex: Male

Female

Course: _____

How would you rate United States' reputation in Professional Sports?	Extremely Bad	1	2	3	4	5	6	7	Extremely Good
How would you rate Portugal's reputation in Professional Sports?	Extremely Bad	1	2	3	4	5	6	7	Extremely Good
How would you rate United States' ability in providing fitness services?	Extremely Low	1	2	3	4	5	6	7	Extremely High
How would you rate Portugal's ability in providing fitness services?	Extremely Low	1	2	3	4	5	6	7	Extremely High
The monthly fee Bodyworks is asking for is	Extremely Cheap	1	2	3	4	5	6	7	Extremely Expensive

THANK YOU!!!

This research investigates people's attitude towards exercising. Read the scenario below carefully, put yourself into the situation described, and then answer the questions that follow according to your judgment. **Please read and answer the questions in the order they are provided, and turn the pages only when indicated to do so.** There are no right or wrong answers to this questionnaire. We are only interested in what you think. Answers will not be analyzed individually as data from different questionnaires will be combined.

Thank you for your participation!

(Turn page)

“Imagine that Bodyworks, an international chain of gyms, has just opened a branch in your neighborhood, very close to where you live. As you have decided to start exercising regularly, you visit the gym to collect more information. At the gym you discover that all the fitness methods offered by Bodyworks were exclusively designed by a specialized team in the United States to best achieve different goals. Therefore, Bodyworks offers classes and individuals training sessions based on exercises that will help its customers increase muscular mass, lose weight, or simply feel healthier. The American fitness methods were designed in flexible modules that can be combined to satisfy the individual needs of the gym members. At the gym you were also informed that the monthly fee to become a member is R\$ 200,00.”

(Turn page)

Please answer each of the following questions below by circling the appropriate number on the scale

Do you think that this Bodyworks' branch would be a good place for you to exercise?	Extremely Unlikely						Extremely Likely
	1	2	3	4	5	6	7

How would you rate this Bodyworks branch's ability to provide good services to you?	Extremely Low						Extremely High
	1	2	3	4	5	6	7

This Bodyworks branch seems to you	Unreliable						Reliable
	1	2	3	4	5	6	7

How would you rate the quality of this Bodyworks' branch?	Extremely Bad						Extremely Good
	1	2	3	4	5	6	7

How likely do you think it is that this branch of Bodyworks will be successful?	Extremely Unlikely						Extremely Likely
	1	2	3	4	5	6	7

Overall my feeling about this branch is	Very Negative						Very Positive
	1	2	3	4	5	6	7

(Turn page)

Please, tell us about yourself:

Age: _____

Sex: Male

Female

Course: _____

How would you rate United States' reputation in Professional Sports?	Extremely Bad							Extremely Good
	1	2	3	4	5	6	7	
How would you rate Portugal's reputation in Professional Sports?	Extremely Bad							Extremely Good
	1	2	3	4	5	6	7	
How would you rate United States' ability in providing fitness services?	Extremely Low							Extremely High
	1	2	3	4	5	6	7	
How would you rate Portugal's ability in providing fitness services?	Extremely Low							Extremely High
	1	2	3	4	5	6	7	
The monthly fee Bodyworks is asking for is	Extremely Cheap							Extremely Expensive
	1	2	3	4	5	6	7	

THANK YOU!!!

This research investigates people's attitude towards exercising. Read the scenario below carefully, put yourself into the situation described, and then answer the questions that follow according to your judgment. **Please read and answer the questions in the order they are provided, and turn the pages only when indicated to do so.** There are no right or wrong answers to this questionnaire. We are only interested in what you think. Answers will not be analyzed individually as data from different questionnaires will be combined.

Thank you for your participation!

(Turn page)

"Imagine that Bodyworks, an international chain of gyms, has just opened a branch in your neighborhood, very close to where you live. As you have decided to start exercising regularly, you visit the gym to collect more information. At the gym you discover that all the fitness methods offered by Bodyworks were exclusively designed by a specialized team in Portugal to best achieve different goals. Therefore, Bodyworks offers classes and individuals training sessions based on exercises that will help its customers increase muscular mass, lose weight, or simply feel healthier. The Portuguese fitness methods were designed in flexible modules that can be combined to satisfy the individual needs of the gym members. At the gym you were also informed that the monthly fee to become a member is R\$ 50,00."

(Turn page)

Please answer each of the following questions below by circling the appropriate number on the scale

Do you think that this Bodyworks' branch would be a good place for you to exercise?	Extremely Unlikely						Extremely Likely
	1	2	3	4	5	6	7

How would you rate this Bodyworks branch's ability to provide good services to you?	Extremely Low						Extremely High
	1	2	3	4	5	6	7

This Bodyworks branch seems to you	Unreliable						Reliable
	1	2	3	4	5	6	7

How would you rate the quality of this Bodyworks' branch?	Extremely Bad						Extremely Good
	1	2	3	4	5	6	7

How likely do you think it is that this branch of Bodyworks will be successful?	Extremely Unlikely						Extremely Likely
	1	2	3	4	5	6	7

Overall my feeling about this branch is	Very Negative						Very Positive
	1	2	3	4	5	6	7

(Turn page)

Please, tell us about yourself:

Age: _____

Sex: Male

Female

Course: _____

How would you rate United States' reputation in Professional Sports?	Extremely Bad							Extremely Good
	1	2	3	4	5	6	7	
How would you rate Portugal's reputation in Professional Sports?	Extremely Bad							Extremely Good
	1	2	3	4	5	6	7	
How would you rate United States' ability in providing fitness services?	Extremely Low							Extremely High
	1	2	3	4	5	6	7	
How would you rate Portugal's ability in providing fitness services?	Extremely Low							Extremely High
	1	2	3	4	5	6	7	
The monthly fee Bodyworks is asking for is	Extremely Cheap							Extremely Expensive
	1	2	3	4	5	6	7	

THANK YOU!!!

This research investigates people's attitude towards exercising. Read the scenario below carefully, put yourself into the situation described, and then answer the questions that follow according to your judgment. **Please read and answer the questions in the order they are provided, and turn the pages only when indicated to do so.** There are no right or wrong answers to this questionnaire. We are only interested in what you think. Answers will not be analyzed individually as data from different questionnaires will be combined.

Thank you for your participation!

(Turn page)

"Imagine that Bodyworks, an international chain of gyms, has just opened a branch in your neighborhood, very close to where you live. As you have decided to start exercising regularly, you visit the gym to collect more information. At the gym you discover that all the fitness methods offered by Bodyworks were exclusively designed by a specialized team in the United States to best achieve different goals. Therefore, Bodyworks offers classes and individuals training sessions based on exercises that will help its customers increase muscular mass, lose weight, or simply feel healthier. The American fitness methods were designed in flexible modules that can be combined to satisfy the individual needs of the gym members. At the gym you were also informed that the monthly fee to become a member is R\$ 200,00."

(Turn page)

Please answer each of the following questions below by circling the appropriate number on the scale

Do you think that this Bodyworks' branch would be a good place for you to exercise?	Extremely Unlikely						Extremely Likely
	1	2	3	4	5	6	7

How would you rate this Bodyworks branch's ability to provide good services to you?	Extremely Low						Extremely High
	1	2	3	4	5	6	7

This Bodyworks branch seems to you	Unreliable						Reliable
	1	2	3	4	5	6	7

How would you rate the quality of this Bodyworks' branch?	Extremely Bad						Extremely Good
	1	2	3	4	5	6	7

How likely do you think it is that this branch of Bodyworks will be successful?	Extremely Unlikely						Extremely Likely
	1	2	3	4	5	6	7

Overall my feeling about this branch is	Very Negative						Very Positive
	1	2	3	4	5	6	7

(Turn page)

Please, tell us about yourself:

Age: _____

Sex: Male

Female

Course: _____

How would you rate United States' reputation in Professional Sports?	Extremely Bad							Extremely Good
	1	2	3	4	5	6	7	
How would you rate Portugal's reputation in Professional Sports?	Extremely Bad							Extremely Good
	1	2	3	4	5	6	7	
How would you rate United States' ability in providing fitness services?	Extremely Low							Extremely High
	1	2	3	4	5	6	7	
How would you rate Portugal's ability in providing fitness services?	Extremely Low							Extremely High
	1	2	3	4	5	6	7	
The monthly fee Bodyworks is asking for is	Extremely Cheap							Extremely Expensive
	1	2	3	4	5	6	7	

THANK YOU!!!