

# Country-of-Origin Effect on Consumer Purchase Decision of Durable Goods in Pakistan

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## Abstract

*The globalization of markets since the later part of the twentieth century has enhanced the need and importance of research on the impact of country-of-origin image in cross-national consumer behavior. This study investigated the influence of country-of-origin (COO) in a multi-dimensional construct, considering the role of different factors like price and brand name in consumer purchase decision of durable goods in Pakistan. The results of the study show that the country of origin of a product has a considerable influence on the quality perceptions of a product. It can be seen that consumer's perceptions of various countries are related to product quality, and tend to be product specific as well as country specific.*

## Introduction

In the early days of global business, experts like Raymond Vernon of the Harvard Business School proposed, in effect, a United Nations Model of globalization companies with aspirations to diversify and expand; throughout the triad were to do so by cloning the parent company in each new country of operation. If successful, they would create a mini-united nation of clone like subsidiaries repatriating profits to the parent company, which remain the dominant force at the center. It is clearly known that successful companies enter fewer countries but penetrate each of them more deeply. And now today, the pressure for globalization is driven by means of paying central attention to delivering value to

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customers and to develop an equidistant view of who they are and what they want.

To achieve each goal multinational companies standardize their product to the maximum degree and they offer identical products, under same brandings, (Iorand Names). The policy of same brand name, similar characteristics, packaging, and style passed on more strongly through 1980s and in 1990s global trends with the idea of country-of-origin were developed with five responsible key factors global competition, global customer, global integration, regional trading block and strategic alliances. COO is mostly practiced in the third stage of the consumer's decision making process i.e. consideration of options. It has been widely noticed that there were much differences in purchasing power and consumer behavior and habits between the urban and rural population of most of the countries but each class of customer pay attention to the COO. e.g. brand names alongwith origin were highly appreciated by Chinese consumer who would pay up to four times more for foreign or joint venture brands, such as Ritz Crackers and Sony Televisions, than for the equivalent local products. While studying factors influencing international purchases, in many situations, a buyer will have the choice of purchasing a domestic product/service or a foreign product/service. The buyer's perceptions of product quality may be influenced by the product's country of origin, feelings of nationalism, and the firm's competence with international transactions. Although it is assumed that industrial buyers will be completely rational and purchase products based on country of origin, feelings of nationalism, and the firm's competence with international transactions. Although it assumed that industrial buyers will be completely rational and purchase products based on concrete decision criteria such as price, quality, and

performance, research has shown that professional purchases are also influenced by the country of origin even when all other variables are held constant (2) Consumer is the focal point of every business and a focus of marketing in local as well as international market. Marketers mold their policies according to the needs of the customers. “Consumers analyze a product along two kinds of variables: 1). Intrinsic variables (e.g. price, brand, warranty, country of origin) which are potential sources of information to consumers<sup>1</sup>. Their knowledge of the country in which products are produced (country-of-origin) is widely regarded as an important influence on decision choice behavior and it is generally agreed that it affects consumer product evaluation. Consumers form images of countries around the world through direct knowledge, information from friends, products, and other experiences. These images of country-of-origin together with factors such as brand, warranty and price influence the way they think and act during product evaluation. An understanding of consumer attitudes towards products made in different countries play an important role in determining successful marketing strategies.

Country-of-origin and brand name will continue to be widely used as a means of evaluating products due to three factors. First, the rapid rate of globalization suggests that consumers are likely to turn to product origin and brand name as a means of simplifying information processing. Second, the growing complexity of products and the difficulties encountered by businesses in establishing unique selling propositions (USP's) are also likely to lead to the greater use of these cues by marketers. Third, the growth of multinational production will continue to offer significant opportunities for their use in marketing strategy formulation. And finally, heightened consumer familiarity with

foreign products and the differences among them as a result of media exposure promotes their application as evaluation tools<sup>2</sup>.

As a reflection of the emerging importance of country-of-origin phenomena, a stream of theoretical and empirical research has provided a treasury of knowledge on the direct use of country of origin effect. However there is lack of work on the topic in Pakistan. This study is therefore, confined to understanding of the influence of country-of-origin and its relative importance in the consumer purchase decision of durable goods in Pakistan. The specific categories of product selected were (1) watches (2) electronic items (3) mobile phones and (4) fabrics. Moreover, it was carried out to understand the influence of country-of-origin concept in a multi-dimensional construct, considering other factors i.e. price and brand name.

The questions addressed in this research study are:

1. Is country-of-origin, the major influencing factor in consumer purchase decision of durable goods in Pakistan?
2. What is the importance of other factors in the purchase of durable goods?
3. Is the same country preferred for all categories of products?
4. Are consumers willing to pay more for products from a certain country than for the same products from other countries?
5. What is the effect on purchase decision if the preferred brand is produced in a developing country or some other country other than the country of origin of the brand?
6. Is there any relationship between gender, income, education or profession and the country of origin effect?

## Literature Review

Country-of-origin effect is an important element for a company to build up a good brand image. COO means the country that the products come from.

The literature on country-of-origin effects is quite rich and covers the topic from different perspectives in different countries. Majority of the studies have supported a strong direct relationship between the “made-in” label, the perceived quality of, purchase intent for and attitude towards products<sup>3</sup>. Research shows that the producing country affects perceptions of a product’s attributes and consumer’s judgments of product quality.<sup>4</sup> “A country’s image regarding workmanship, innovation, and technological advancement, logically will be projected onto the features of products produced by that country”.<sup>5</sup> Further more, findings indicate that consumers hold stereotyped images of certain countries and that these images affect their perception about the country.<sup>6</sup> These stereotypes vary from country to country. However, country stereotypes are often well established and tend to be enduring over time. The preference for domestic goods has been observed to be stronger: (1) where countries are developed, (2) where the domestic economy is threatened by foreign goods or (3) where consumers have a strong sense of patriotism or nationalism. Generally the phenomenon of consumer ethnocentrism is a reflection of more highly developed countries.<sup>7</sup>

Products sourced in developed and highly industrialized countries are evaluated more positively than products sources in developing countries.<sup>8</sup> COO information has stronger effects in less developed counties compared to developed countries<sup>9</sup> and in the case of developing countries, national products are evaluated less favorably than

imported goods from developed countries<sup>10</sup> or when it has a market that is relatively open to development from other countries.

COO effects change over time.<sup>11</sup> Country images change when consumers become more familiar with the country or when the product's actual quality improves over time. Many developing countries such as Hong Kong, Singapore, South Korea, Taiwan, and China are competing successfully in the international markets. Old perceptions about less developed countries are changing. The political map of the world has changed and the relations among the world's governments are improving. The nations of this world are coming realized that the only way to survive in this era is to ease their restrictions against the free flow of products and services across their borders.

COO effects depend on product category.<sup>12</sup> Consumers do not perceive all foreign products, or all products from a given country as being the same or similar. Opinions about imported food, electronic, and textile products reveal that a particular country may rank high for one product class and low for another.<sup>13</sup> Hong Kong, for instance, ranks very high in textiles but very low in food products. Many people may be willing to buy French perfumes, Swiss watches, or Japanese compact cars but may be reluctant to buy French watches, Swiss automobile phones, or Japanese perfumes. COO effects also depend on product dimensions.<sup>14</sup> German products were found to be high on prestige value, but low in terms of cost effectiveness.<sup>15</sup> Also the same product category could receive different evaluations in different countries. What is popular in the U.S. may not be used in India. If a product has been rated high in the U.S., it does not imply that the same product will be sold easily in another country.

The effects of country-of-origin vary depending on the presence or absence of experts and non-experts.<sup>16</sup> Country-of-origin image is effective when consumers do not have enough information or experience with the product.<sup>17</sup> COO effects are also influenced by demographics.<sup>18</sup> The effects are strong among the elderly, less educated and politically conservative.

Most of the research studies have used a single cue approach to country of origin. It is the use of the country-of-origin by itself and does not give respondents many choices and it exaggerates the country-of-origin effect. Further more, single cue ignores other marketing factors and brand name, which also influence the purchase decision of buyers. Single cue model in the study of the effect of the country of origin, has been criticized by researches. The single-cue approach tends to bias results in favor of finding a significant country-of-origin effect.<sup>19</sup> The effect of country of origin on the evolution of products is only one among many pieces of information taken into account by consumers. In order to be closer to the real market situation, many studies have used a multi-attribute approach. "Information about relevant product attributes other than the country-of-origin should be available to respondents for making their evaluations. In addition, factors likely to affect these judgments such as respondent characteristics, nationality, and familiarity with the product class should be examined."<sup>20</sup> Some studies have shown that country of origin cannot be explained entirely by the quality signaling process. Country of origin also has symbolic and emotional meaning to consumers, and it plays an important role alongwith other attributes such as quality and reliability in shaping consumers attitudes toward products.<sup>21</sup>

## Methodology

The data was collected from 341 respondents in Peshawar belonging to middle to high-income group with varying educational status through questionnaires using convenience sampling. Although a convenience sampling method was used but the population and sample size were large enough and the respondents were approached in most of the cases in a random manner. The questionnaire was well structured and was preceded for pre-testing before actual survey. The data was analyzed through SPSS using Chi-Square.

## Results

The result of the data collected through questionnaires is given below:

Table 1: Country Preference for Watches

	Country	Frequency	%
Valid	Switzerland	106	31.0
	Japan	143	41.8
	USA	11	3.2
	UK	4	1.2
	Korea	1	.3
	China	15	4.4
	Total	280	81.9
Missing	System	62	18.1
Total		342	100

Chi-Square ( $\chi^2$ ) = 406.743 DF=5 p=.0001

The table of country preferences for watches shows that Japan is highly preferred for watches, followed by Switzerland and China. The value (difference in preferences) is significant.

Table2: Country Preference for Electronic Items

	Country	Frequency	%
Valid	Japan	270	78.9
	Germany	7	2.0
	Malaysia	11	3.2
	USA	2	.6

	Korea	13	3.8
	China	11	3.2
	Pakistan	7	2.0
	France	1	.3
	Total	322	94.2
Missing	System	20	5.8
Total		342	100

Chi-Square ( $\chi^2$ ) = 1501.950  $df=7$   $p=.0001$

The table shows that Japan is highly preferred for electronic items, followed by Korea, Malaysia and China. The value is significant.

Table 3: Country Preference for Mobile Phones

	Country	Frequency	%
Valid	Finland	181	52.9
	Germany	4	1.2
	USA	3	.9
	Japan	25	7.3
	Korea	57	16.7
	Total	270	78.9
Missing	System	72	21.1
Total		342	100

Chi-Square ( $\chi^2$ ) = 107.085  $df=6$   $p=.0001$

The table shows that Finland is highly preferred for mobile phones, followed by Korea and Japan. The value is significant.

Table 4: Country Preference for Fabrics

	Country	Frequency	%
Valid	Pakistan	245	71.6
	Japan	19	5.6
	Korea	2	.6
	China	17	5.0
	Indonesia	3	.9
	USA	6	1.8
	India	16	4.7
	UK	5	1.5
	Total	313	91.5

Missing	System	29	8.5
Total		342	100

Chi-Square ( $\chi^2$ ) = 1246.233 DF = 7 p = .0001

The above table shows that Pakistan is highly preferred for fabrics followed by Japan and China. The value is significant.

Other data from the respondents shows that preferences of the countries for the different products vary among consumers having different professions, ages, qualifications, income levels and genders. Country of Make is given more importance in electronic items and majority of the respondents are not willing to switch to another country even if the prices are reduced by them. Majority of the respondents decide in advance about the country of make when making a purchase. The response to whether they would buy or not buy the brand if it is made in an underdeveloped country has got almost equal result.

### Limitations of the Study

In the study conducted all respondents are apparently from urban market and of specialty products. Therefore the results can be generalized on the basis of upper middle class belonging to urban occupancy only. If the convenience products, like bath soap, detergents, Colton buds, match boxes, cigarettes, etc. are taken into accounts the chances of variation in results cannot be ignored. At the same time the class of customer i.e. lower class and lower middle class may affect the results. The chances of variation can also be taken into account if the sample is enlarged/extended to other main markets like Abbotabad, Kohat, D.I.Khan and cities of the province.

## **Conclusion**

The study shows that in different categories, different countries have highest demand for its products, Japan is preferred for watches and electronic items, Pakistan for fabrics and Finland for Mobile Phones. Newly developed or developing countries like China, Korea and Malaysia are also making inroads. The values in all cases are significant.

It can be seen that consumers' perceptions of various countries are related to inferences of product quality, and tend to be product specific as well as country specific. This supports the findings of several studies carried out in 1990s and 1980s.

Majority of the people give equal importance to brand name and country-of-origin. It can be concluded that these people are highly conscious about quality and they have specific brand names from specific countries in their minds. Conclusion, based on the above facts, is that consumers inquire and search about the origin when making a purchase decision. In addition they do search for brand and other factors as well.

## **Recommendations**

It is important to recognize that country of origin can and does affect a product/brand's image. The multinational companies need to take this factor into consideration in marketing its products in countries the world over. Companies having positive country of origin image should emphasize this as a marketing tool. Beside marketing tool, they should use their country name as a symbol of quality and prestige. For instance, Chinese silk producer must use "Made in China" and French perfume producers "Made in France".

Negative country stereotyping can be overcome with good experience in market of the products with the passage of time and good

marketing. The image of Korean electronic items improved substantially in the United States once the market gained positive experience with Korean brands. Brands effectively advertised and products properly positioned can help improve a negative country stereotype. Same is the case with Chinese products as they were not liked by developed and even developing countries like Pakistan, Taiwan, and Malaysia. With the passage of time and as companies gain experience of international market, the negative image about a country's products changes.

Manufacturers can improve their image by advertising their product on satellite television. However, extreme care of the cultural values, norms and beliefs of the target country, is to be taken when advertising or engaging in promotional campaigns.

Another way of improving the country/company image is to enter into joint venture contracts with foreign companies in the host countries. For instance South Korea makes fine leather jackets which it sends to Italy for finishing. The finished jackets are then exported with a "Made in Italy" label which commands much higher price.

## End Notes:

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