

Analysis of Impact of Country of Origin (COO) on Consumers' Perception – with context of Electronic Goods

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Abstract

The effect of rise of globalization has been visible on the consumer's buying behaviour. The brand image of product is directly affected by the globalization of market. The reputation of country on globalization index affects the image of its home companies and their products. The Country of Origin has been emerging as selection criteria while purchasing a product. Consumers try to perceive the quality of the product on the basis of its Country of Origin. The current research provides empirical results about the influential limit of Country of Origin (COO) of products originating from different countries on the buying behaviour of consumers. The results of the research work suggest the importance of adoption of pragmatic approach to improve the effectiveness of global marketing strategies in Indian market. Companies must adopt latest technologies in various manufacturing products to enhance value for money context of product at lower prices. The results document that ethnocentrism is not the big influential factor as consumer prefers value for money rather than simple tag of country. Consumers prefer to spend on local brands local brands to foreign brands if they attain similar product attributes (features, quality, performance etc.) at similar or lower price in the domestic market.

Key words: Brand Image, Country of Origin, Consumers' Perception, Ethnocentrism

Introduction

Be everywhere, do everything, and never fail to astonish the customer.

Macy's Motto

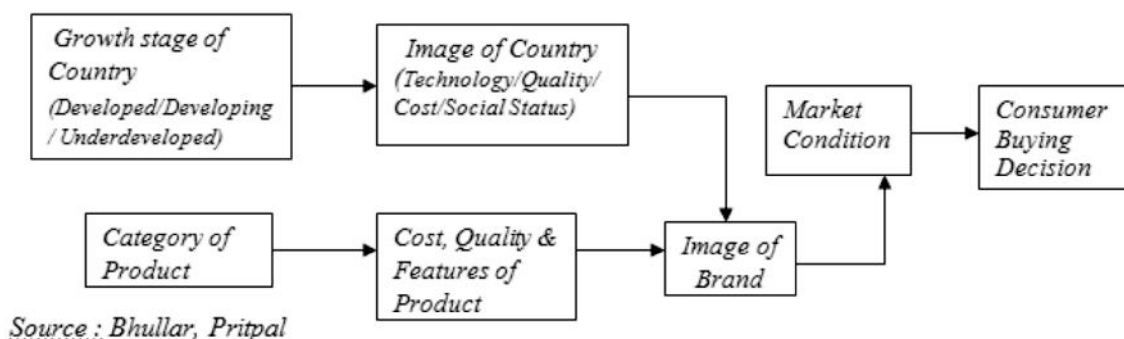
Business has been made tough proposition with globalization of Indian markets. Globalization has opened the doors of Indian market to formidable global players. Reduction in trade barriers also acts as key trigger to exhilarate the foreign players. In a vintage of corporate battle, formulating effective global marketing strategies has become crucial issue. Country of Origin (COO) affects the perception of consumers towards products and their purchasing behaviour through image of Country of Origin (COO). Brand image does not remain galvanized from the influence of Country of Origin. The information about product (place of design, place of manufacturing) on its label acts as evaluation basis for the consumers. Consumers try to perceive the quality of the product on the basis of its Country of Origin. Innovations and creativity has been emerged as the hallmarks of

company. It become easier for Japanese companies to sell their electronic products across the globe as Japan has positive image for its technology in electronic goods whereas positive influential image of Germany in Automobile technology helps the companies to drive the customer traffic towards their newly launched automobiles. It become tough for companies from less developed or less innovative countries to drive the customer traffic towards their newly launching products. There have been several instances where companies had worked at breakneck speed to launch their new product but the image of Country of Origin send the knee jerk reaction of consumers and have thrown cold waters on plans of foreign companies. The perception of consumers turns positively if any Indian company announce any technological partnership or joint venture with German automobile company. Many foreign players prefer to go for strategic alliance with domestic players rather than to launch their individual products. Sometimes consumers perceive the foreign brands as status symbol or product of rich people. They don't think foreign

products as value for money. Consumer ethnocentric tendency has been emerged as one of the main influential factor. Many researchers have made an attempt to dive a little deeper into the context of understanding the magnitude of influence of Country of Origin (COO) on buying behaviour of consumers.

When the consumer buys an American brand with American quality they are ready to pay for the product with an image of US in mind without caring where the manufacturing plant is located. The perception of country across the globe varies. The perception of citizens of different countries may be different for same country. There may be chance that consumers from India may prefer to buy American products but the consumers from Italy prefer to buy German products. The impact of country of Origin on buying decision of consumers does not remain same across all the categories of products. For some categories of products consumers may prefer to foreign brand whereas for some products they prefer domestic brands.

Figure – Framework of Impact of Country of Origin on Consumer Buying Decision



In the above model it is depicted clearly that image of country depends upon its development stage and level of development across various fields in product developments and image of product depends upon image of the company (brand) and different aspects of product like cost, quality and features. After all these influential factors, market condition acts as final major factor. Market condition (booming or bullish) determines the individual's income level.

Literature Review

Gaedeke (1973) found that products from more developed countries got higher preference to the products from less developed countries. Bilkey and Ness (1982) found that attitude of consumers towards a product vary by nature of products. Electronic goods from Italy might be perceived poorly over electronics goods from Japan but Italian shoes have positive perception in consumers mind. Bilkey and Ness (1993) observed that consumers have strong willingness to pay higher prices for the products originating from developed countries. Knight (1999) found that consumers inclined to buy local products where they get

acceptable quality, a fair price and comparable technology. Supphellen and Rittenburgh (2001) suggested that influence of COO effects depend not only country of origin but also on specific product attributes. Balabanis and Diamantopoulos (2004) examined the consumers' preference in eight product categories on the basis of Country Of Origin (COO) and found that influence of COO depends upon the nature of product category. Kinra Neelam (2006) studied the attitudes of Indian consumers towards local and foreign brands and influence of Country of Origin on buying behaviour. Responses of 112 consumers, from Lucknow city, were collected. She found that consumers have superior perception about foreign brands. Consumers rated foreign brands superior on technology, quality, status and esteem than Indian brands. Ranjbarian et al (2010) investigated the influence of country origin (COO) on quality judgement of domestic products. They collected responses from 1200 individuals from four big cities of Iran. They found that consumers attitude towards foreign clothes vary by country of origin. Image of Country Of Origin (COO) of products affects the buying attitude of consumers. If the Country Of

Origin (foreign country) has bad impression in terms of quality, performance in consumers' mind then they prefer local products but if the Country Of Origin (UK, USA) has good image in consumers mind then the preference of buying local products weaken. Rezvani et al (2012)

Shirin and Kambiz (2011) analyze the responses of 379 college students and find that Country of Origin have significantly positively effect on the purchasing decision of consumers. Javed (2013) investigates the extent of influence of country of origin on consumers' buying behavior in Pakistan. He finds that consumers prefer Pakistan only for fabric products and for electronics products they prefer foreign brands. Kalicharan (2014) observes that awareness of country specific characteristics make consumers inclined towards country of Origin factor during their purchasing intention. He also finds that ethnocentrism and patriotism also effect the purchasing behavior of consumers upto considerable extent. Borzooei and Asgari (2015) explores the effect of country of origin on purchasing intention in Halal Product brands from Muslim and Non Muslim countries. The results find that UK is the most reliable non muslim country whereas Saudi Arabia is Muslim country for Halal product brands. Tulipa and Muljani (2015) find that country of origin has an influence on brand image and attitude of customers. They analyze the response of 150 consumers at Surabaya regarding the effect of country of Origin and Brand Image on purchase intention of consumers. The results of study shows that image of brand have significantly impact upon the purchase intention of customers.

Purpose

The past literature explores some positive signals towards the relationship between Country of Origin (COO) and

brand image of product. The present research study makes an attempt to explore the magnitude of relationship between COO and brand perception of consumers as it remains still an issue to be decoded. The current study has been made to gauge the limits of influence of COO on brand image as well as buying behaviour of consumers.

Objectives of Study

The main objectives of present study are:

1. To analyze the perception of consumers about Indian products over foreign products
2. To examine the effect of country of origin on brand image of product

Research Methodology

A survey has been conducted on 200 consumers from Chandigarh (100) and Patiala (100). Cluster sampling techniques has been used to collect the data. The responses of the consumers have been recorded in structured questionnaire. Likert scale has been formulated to record the perception of consumers. Factor analysis has been used, as statistical techniques, to identify the major factors affecting the perception of consumers towards Country of Origin (COO) of brand. SPSS has been used to execute the Factor analysis.

Data Analysis and Findings

Factor analysis technique has been devised to explain the correlation among observed variables. Principal component analysis (PCA) as the factor extraction method has been used to identify distinct clusters of observed variables (Dillon and Goldstein, 1984; Tryfos 1998)

Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.785	.788	12

Table 1
KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.	.734
Bartlett's Test of Approx. Chi-Square	194.304
Sphericity df	66
Sig.	.000

The KMO measure of sampling adequacy indicates whether the variables can be reduced into broad factors or not. KMO value of less than 0.50 signifies that factor analysis would not produce distinct and reliable factors whereas KMO value higher than 0.60 indicates the generation of distinct and reliable factors. The above statistics produce KMO value of 0.734 that indicates a compact pattern of correlation

amongst the variables and suggest that factor analysis yield distinct and reliable broad factors (Meyers, Gamst and Guarino, 2006). The Bartlett's test of Sphericity examines whether the original correlation matrix is an identity matrix or not. P value of less than 0.05 signifies the existence of identity matrix. The above statistic results produce p value = 0.00 that confirms the appropriateness of factor analysis.

Communalities

	Initial	Extraction
Superior Quality of Indian Products	1.000	.793
Pay higher for Indian products of same quality as of foreign products	1.000	.644
Foreign products are costlier to Indian products	1.000	.599
After sale services / maintenance cost of foreign products is higher than Indian products	1.000	.590
Indian manufactured products are more reliable than foreign products	1.000	.521
Buying foreign products is just a status symbol and wastage of money	1.000	.486
Indian products are more value for money products than foreign products	1.000	.448
If you have enough money, you will prefer to buy foreign products than Indian manufactured products	1.000	.494
Having foreign products gives social recognition	1.000	.492
Indians should promote "Make in India" campaign and buy only Indian manufactured products	1.000	.629
Buying Indian manufactured products encourage more jobs for Indian people	1.000	.606
Buying foreign brands hurts profitability of Indian businesses	1.000	.607

Extraction Method: Principal Component Analysis.

The above table indicates proportion of each variable's variance explained by the principal components. The statements with high extraction value indicates high factor space in the matrix.

Component	Initial Eigenvalues			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	2.817	23.473	23.473	2.068	17.237	17.237
2	1.607	13.396	36.868	1.787	14.888	32.125
3	1.342	11.184	48.052	1.604	13.365	45.490
4	1.141	9.509	57.561	1.448	12.071	57.561
5	.995	8.288	65.849			
6	.870	7.250	73.099			
7	.789	6.578	79.677			
8	.628	5.236	84.914			
9	.538	4.487	89.401			
10	.481	4.009	93.409			
11	.444	3.703	97.113			
12	.346	2.887	100.000			

The above table indicates the Eigen value matrix. It has been depicted in the above table that four factors execute with Eigen value more than 1. It means these four factors has significant impact upon the country of origin.

Rotated Component Matrix^a

	Component			
	Nationalism/ Ethnocentrism	Status & Recog nition	Quality & Reliability	Value for Money
Superior Quality of Indian Products			.857	
Pay higher for Indian products of same quality as of foreign products				
Foreign products are costlier to Indian products		.732		
After sale services / maintenance cost of indian products is cheaper than Indian products			.527	

Indian manufactured products are more reliable than foreign products			.639	
Buying foreign products is just a status symbol and wastage of money				.637
Indian products are more value for money products than foreign products				.629
If you have enough money, you will prefer to buy foreign products than Indian manufactured products		.680		
Having foreign products gives social recognition		.572		
Indians should promote "Make in India" campaign and buy only Indian manufactured products	.721			
Buying Indian manufactured products encourage more jobs for Indian people	.770			
Buying foreign brands hurts profitability of Indian businesses	.646			

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 7 iterations.

The above table gives Rotated Factor Matrix using Varimax Orthogonal Transformation. The factor loading of less than 0.30 has been suppressed and not displayed. Buying Indian manufactured products encourage more jobs for Indian people (0.770), Indians should promote "Make in India" campaign and buy only Indian manufactured products (0.721) and Buying foreign brands hurts profitability of Indian businesses (0.646) are positively correlated to first factor. The factor has been named as Nationalism. The results of present study strongly support the finding in the literature. The factor 2 has positive loadings for Foreign products are costlier to Indian products (0.732), correlated. The second factor incorporates high positive loadings for foreign products are costlier to Indian products (0.732), correlated

Superior Quality of Indian Products (0.857), Indian manufactured products are more reliable than foreign products (0.639) and After sale services / maintenance cost of Indian products is cheaper than Indian products (0.527) has positively loadings on factor 3. The factor 3 has been termed as Dominated factors of Indian products. This factor indicates that cheaper after sale service, higher reliability and superior and comparable quality of Indian products provide the cutting edge over foreign products and influence the consumers in their buying decisions.

The fourth factor is expressed as . It includes Buying foreign products is just a status symbol and wastage of money (0.637), Having foreign products gives social recognition (0.52)

Component Transformation Matrix

Component	1	2	3	4
1	.672	.531	.407	.318
2	-.546	.504	.546	-.387
3	-.402	.525	-.475	.581
4	-.299	-.435	.557	.642

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

Cronbach Alpha

S. No.	Factor / Component Name	Statements Involved	Cronbach Alpha
1	Nationalism/ Ethnocentrism	Indians should promote "Make in India" campaign and buy only Indian manufactured products	0.784
		Buying Indian manufactured products encourage more jobs for Indian people	
		Buying foreign brands hurts profitability of Indian businesses	
2	Status & Recognition	Foreign products are costlier to Indian products	0.696
		If you have enough money, you will prefer to buy foreign products than Indian manufactured products	
		Having foreign products gives social recognition	
3	Quality & Reliability	Superior Quality of Indian Products	0.750
		After sale services / maintenance cost of foreign products is higher than Indian products	
		Indian manufactured products are more reliable than foreign products	
4	Value for Money	Buying foreign products is just a status symbol and wastage of money	0.809
		Indian products are more value for money products than foreign products	

The above table indicates the Cronbach's Alpha test which was performed to analyze the internal consistency. All the values greater than 0.7 indicate the high internal consistency of variables.

Findings & Implications

It has been evident from the findings of the research that Indian brand of consumer goods have cutting edge over foreign brands. The Indian products attain their superiority in terms of Quality and reliability and Value for money of products. Nationalism was also a influencing factor influencing perception and attitude of Indian consumers. Status and Recognition was the only significant factor that benefits to the foreign brands. It has been observed that Country of Origin is not the most influential factor of product that affects the consumers' perception and their buying behaviour. Just the name of Country of Origin on the label of product does not drive the consumers to buy the product but the attributes like quality, price, after sale services, performance also have been emerged as the influential factors. Consumers prefer local brands to foreign brands if they get same product attributes (features, quality, performance etc.) at lower price in the local market. Consumers' ethnocentrism is also the influential factor as consumer prefers value for money rather than simple tag of country. Make in India campaign also boost the consumers' ethnocentrism.

Conclusions

In the current research, Indian brands were perceived to be as par with foreign brands but gain their cutting edge in terms of value of money. It was evidenced that possessing an Indian brand provide less social recognition and not prove as status symbol. The present study suggests pragmatic approach to improve the effectiveness of global marketing strategies in Indian market. Companies must adopt latest technologies in various manufacturing products to enhance value for money context of product at lower prices.

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