

The Influence of Country of Origin on Iranian Consumers Purchase Decision

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Abstract: The purpose of this study focuses on the role the influence of country of origin on Iranian consumers purchase decision. More specifically, we examine the effect of country of origin on some of the variables related to consumer mental processes e.g. information search intention, purchase intention and product evaluation to demonstrate that how the former influences the latter. The subjects were 311 consumers of laptop in Iran. Structural Equation Modeling (SEM) with Lisrel software was used for the data analysis. The results show that country of origin has a positive and significant effect on information search intention, purchase intention and product evaluation by consumers. On this basis, country of origin is a factor influences the purchase intention process. Results show that among the considered variables, country of origin has the most effect on consumer search intention and help the consumer in using existing information and \or information search.

Key words: Product evaluation, purchase intention, information search Intention, intention, consumer

INTRODUCTION

Decision making is painful. It requires effortful processing of available information to reach a suitable judgment. Thus, consumers may rely on inferences to make a choice. Huber and McCann (1982) have shown that inferences can affect how people evaluate products. Inferences come from previous experiences and stored information about the product's cues like brand and country of origin (COO) (Koubaa, 2008). Brand name and price are factors that generally influence consumers' evaluation of and purchase intentions towards a product. However, the globalization of production and markets has added another factor to the list as more and more companies shift production to overseas locations where factors of production are superior or less costly and then market their products to consumers around the world. Consequently, for many international consumers a product's country of origin can be an important cue in evaluating both domestic and foreign products (Ahmed *et al.*, 2004). Consumers often uses the source country of a product or brand as an extrinsic information cue when making product evaluations. This is generally described as the country of origin effect (Kwok *et al.*, 2006). For example, "Japanese electronics are reliable", "German cars are excellent", "Italian pizza are superb". Many consumers

believe that a "Made in" label means a product is "superior" or "inferior" depending on their perception of the country (Yasin *et al.*, 2007).

The country of origin of a product is an important marketing element known to influence consumer perceptions as well as behavior (Pappu *et al.*, 2006). Samli (1995) summarized country-of-origin as a concept that is a critical information cue, which plays a major role in having the product accepted in a different world market. Country of origin effects can also act as an intangible barrier to enter new markets in the form of negative consumer bias toward imported products (Phau and Suntopmonnd, 2006).

In the west, a vast body of literature has examined country of origin including studies in marketing and cross-cultural psychology (Verlegh and Steenkamp, 1999). Based on these researches, The purpose of this study focuses on the role of country of origin in building Iranian consumers purchase decision. More specifically, we examine the effect of country of origin on consumer information search intention, consumer purchase intention and product evaluation.

Previous research into country of origin has emphasized the relationship between COO and other construct such as brand equity, product evaluation, purchase decision and etc. For example, Lin and Chen

(2006) indicated the country of origin image a significantly positive effect on consumer purchase decision and also the country of origin image has a significantly positive effect on consumer purchase decisions under different product involvement. In other research Wang and Yang (2008) showed COO image has a significant positive on purchase intention. Furthermore, COO image is found to be a positive moderator in the relationship between brand personality and purchase intention. Specifically, a positive COO image could enhance brand personality's positive impact on purchase intention, whereas a negative COO image could significantly decrease the positive brand personality effect on purchase intention. Chao and Rajendran (1993) point out that, when customers are making decisions, they search for more information before making their purchase. In relation to products with the exception of considering national image of the COO, consumer product knowledge is an important element when purchasing. In other hand, Wong, Polonsky and Garma found that the three COO sub-components (i.e., design, assembly and parts) did not influence young Chinese consumers' evaluation of product quality or purchase intentions. In addition, consumers' level of ethnocentrism also did not have a direct effect on perceived product quality or purchase intentions. As such, COO dimensions and young Chinese consumers' ethnocentrism appears to have limited influence on their assessments of product quality or purchase intentions.

Literature review

The concept of COO: The country of origin of a product is an extrinsic cue, which, similar to brand name is known to influence consumers' perceptions and to lead consumers to cognitive elaboration (Pappu *et al.* 2006; Ghalandari and Norouzi, 2012). Country of origin is known to lead to associations in the minds of consumers (Keller, 1993). The COO of a product has been defined as "the country of manufacture or assembly", identified by "made in" or "manufactured in" labels (Ahmed *et al.*, 2004). Chattalas *et al.* (2008) define COO simply as "information pertaining to where a product is made" which is usually operationalized and conveyed with the phrases "Made in" and the country name. Samiee (1994) points out that COO means the country that a manufacturer's product or brand is associated with; traditionally this country is called the home country. For some brands, country-of-origin belongs to a given and definite country, such as IBM belongs to the USA and SONY is a Japanese brand. The COO is considered an extrinsic factor in the decision-making process of the consumer and is a remedy for risk reduction (Cordell, 1992). Maheswaran (1994) showed that consumers are more likely to use COO cues to evaluate new products

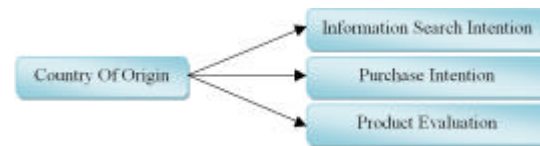


Fig.1: Research conceptual model

rather than using intrinsic product attributes. As a reason for this, Thorelli *et al.* (1989) found that consumers use extrinsic cues when intrinsic cues are not given or are hard to evaluate. Particularly with foreign products, the COO effect is often used as a substitute when knowledge about quality and performance is missing, because consumers are often less familiar with foreign products (Michaelis *et al.*, 2008).

COO and Information Search Intention: Conceptual model showed in Fig.1. In this study information search intention, purchase intention and product evaluation considered as dependent variables for COO as independent variable.

Nearly every introductory marketing and consumer behavior textbook depicts the consumer purchase decision process as a series of steps progressing from problem recognition, to information search, to evaluation of alternatives, to purchase decision and finally to post purchase behavior. In the information search stage, consumers actively collect information to make potentially better purchase decisions. It should be noted that consumers also acquire product-related information even when they are not planning to buy the product in the near term but rather sometime in the future (Schmidt and Spreng, 1996). Hong and Wyer (1989) discover that when a consumer evaluates a foreign country product, he/she will mostly likely adopt a country-of-origin image as the most easy to obtain information. Lin and Chen (2006) showed country-of-origin has a positive influence on consumer purchase decision and information search. Thus:

- H_1 : Country of origin has a positive effect on the consumer information search intention

COO and consumer purchase intention: Purchase intention is the probability that customers in a certain purchasing situation choose a certain brand of a product category (Crosno *et al.*, 2009; Ghalandari and Norouzi, 2012; Hanzae *et al.*, 2011). The interest of marketing scholars on purchase intentions drives from its relation to purchase behavior. The Theory of Reasoned Action (TRA) has been widely used to explain consumer intention towards products/brands (Wang and Yang, 2008). According to Fishbein and Ajzen, purchase

intentions are decisions to act or psychological states which represent the individual's perception to engage in a particular behavior. TRA suggests that an individual's purchase intention towards a product/brand is determined by his/her attitudes as well as by beliefs of the perceived usefulness and perceived ease of use. Hence, if a country has a positive image on specific product category dimensions which are very important to product classification, then consumers would perceive these products more favorably and, based upon TRA, positive attitudes would result in higher purchase intention toward products of this category from that country (Wang and Yang, 2008). Manrai and Manrai (1993) find that when a country brings a rather positive country image to the consumer, then he/she would have a rather high quality perception and overall evaluation to a product manufactured in that country and further more would increase his/her purchase intention. Thus:

- H_2 : Country of origin has a positive effect on the consumer purchase intention

COO and product evaluation: Consumers often use the source country of a product or brand as an extrinsic information cue when making product evaluations. Consumers make decisions about the quality of products based on a systematic process of acquisition, evaluation and integration of product information cues. A cue is defined as all informational stimuli available to the consumer before consumption and can be intrinsic or extrinsic (Ahmed *et al.*, 2004). Maheswaran (1994) argued that COO is used in product evaluation as a stereotyping process that allows consumers to predict the likelihood of a product manufactured in a certain country having certain features; generally, consumers will evaluate a product more favorably if it has a favorable COO. This stereotyping process affects product evaluation in three ways. First, COO acts as a signal; consumers have prior perceptions of the general quality of products from a particular country and they use these perceptions to infer the ratings of other product cues (e.g., quality, reliability) and thus the overall product evaluation. Second, COO can be an independent cue, used along with other cues for product evaluation. Third, COO can be used as a heuristic to simplify the product evaluation process, even though other available product cues may be more useful (Ahmed *et al.*, 2004). Thus:

- H_3 : Country of origin has a positive effect on the product evaluation

MATERIALS AND METHODS

Product and country selection: In relation to stimulus, lap top was chosen because of their wide use among Iranian students and unsaturated and profitable market of this commodity in Iran and huge import lead to select this product. In other hand, for country selection 78 respondents were selected and inquired about their lap tops' brand. 32% of respondents had Dell and 23% had Viao (Sony) and 18% had HP. Consequently, the country-of-origin of these three brands (i.e., USA and Japan) were chosen for setting questionnaire.

Data collection: The field of the study covers the lap top consumers in Iran. First step is to collect the data related to the variables defining the theoretical model of the consumer behavior proposed. In this sense, as has been done traditionally in Marketing Science in particular and in Social Sciences in general, data is obtained by means of a questionnaire. This questionnaire gathers the measures for the set of constituent elements of the model. The subjects were 311 consumers of lap top in Tehran area and they were students. The pretest which measured reliability, asked 47 students that they use lap top to answer questionnaires. SPSS data analysis indicated that the Cronbach's α of the questionnaires was 0.912. The findings for the Cronbach's alpha show (Table 1) that the reliability coefficients were acceptable (above 0.6) for all dimensions. The composite reliability is good for all constructs, while average variance extracted (AVE) is above the cut-off value of 0.5 for all variables (Table 1).

Measurements: Based on previous researches such Lin and chen (2006) and Lee and Lee (2009) country of origin was measured using Maheswaran (1994). Information search intention was measured via McQuarrie and Munson (1987) and Chin studies concerning information search intention and items selection. In addition, this study mainly takes reference from Dodds *et al.* (1991) and Klein *et al.* (1998) concerning measuring purchase intention and item selection. Product evaluation can be defined as consumers' judgment and choices among alternatives based on marketer provided cues and on other sources of information about product characteristics (Lee and Lee, 2009). It was measured on a five-point semantic differential scale using five items such as

Table1: Reliability of variables

| Criteria | Alpha score | Composite reliability | AVE |
|--------------------|-------------|-----------------------|------|
| COO | 0.88 | 0.87 | 0.62 |
| Information search | 0.87 | 0.85 | 0.58 |
| Purchase intention | 0.91 | 0.87 | 0.60 |
| Product evaluation | 0.90 | 0.92 | 0.61 |

Bad/Good, Unfavorable/Favorable, High quality/Low quality, Dislikable/Likable and Not at all useful/Very useful (Lee and Lee, 2004; Maheswaran, 1994). Hence, the questionnaire items to measure the three dimensions on a Likert scale and ranged from “strongly disagree” to “strongly agree” and one construct with semantic differential scale.

RESULTS

Structural Equation Modeling (SEM) with Lisrel software was used for the data analysis. SEM is a comprehensive statistical approach for testing hypotheses about relations between observed and latent variables. It combines features of factor analysis and multiple regressions for studying both the measurement and the structural properties of theoretical models. Data analysis using structural equation modeling shows that hypotheses are supported (Table 1). In relation to the relationships proposed in hypotheses, country of origin had the most effect on information search intention. According to reported t-value (0.47) and standardized loading (0.61), hypothesis 1 is supported. Hypothesis 2, with respect to the relationship between country of origin and purchase intention, was supported by a t-value of 3.93 and standardized loading of 0.59. On the other hand, in relation to hypothesis 3, findings show that COO with standardized loading of 0.52 and t-value of 3.25 influences product evaluation. Thus, hypothesis 3 is also supported.

DISCUSSION

The present study examines the effect of country of origin on some of the variables related to consumer mental processes e.g. information search intention, purchase intention and product evaluation to demonstrate that how the former influences the latter. Results suggest that all research hypotheses are supported and these results are consistent with those of studies of other researchers (Lin and Chen, 2006). The results show that country of origin has a positive and significant effect on information search intention, purchase intention and product evaluation by consumers. On this basis, country of origin is a factor influences the purchase intention process. Results show that among the considered variables, country of origin has the most effect on consumer search intention and help the consumer in using existing information and \or information search.

On this basis, firms operating in international and global markets and choose other countries as their target market should pay attention to this important issue. If a firm is manufacturing its products in a country having a

positive image in target market and consumers consider it as a strong country with respect to manufacturing that product, then this firm should exploit relationship strategies emphasizing the name of that country and displaying it in order to achieve competitive advantage. But if country of origin is not of a positive image and consumers do not consider it a powerful one with respect to producing that product, then firms should rely on the characteristics and capabilities of product in their communication messages and avoid referring to manufacturing country. Also, these firms can conduct marketing activities and win the competition by employing strategies e.g. merger and strategic affiliation with credible firms having positive image with respect to their country of origin. Thus, communication policy of firms should be based on considering the image of country of origin in targeted consumer view. So, these firms should recognize the consumers view in relation to country of origin before conducting marketing in target market and then implement advertising strategies based on obtained information. Of course present study had some limitations influencing its results. Among the limitations of this study is the fact that students were considered as subjects which though they were familiar with the intended product and country of origin but may have influenced the results. On the other hand, researchers are recommended to consider several products and study various countries in relation to intended products.

CONCLUSION

Also validity of results can be examined by comparing countries having positive image related to some products with others which not have positive image with respect to them.

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