The Effect of Country of Origin Image on Purchase Intention: A Case Study on Bahir Dar University Instructors

Aschalew Degoma and Elias Shetemam

Abstract

Purpose: The purpose of this study is to examine the effects of country-of-origin image on the purchase intention of domestic and foreign products in Ethiopia in order to pin point the key determinant factors based on which managerial recommendations are forwarded.

Design/methodology/approach: To accomplish the objectives, a set of questionnaire were developed and dispatched to the respondents as self administered survey. 200 questionnaires were distributed to the randomly selected Bahir Dar University instructors of which 189 filled questionnaires qualified for analysis using structural equation modeling with AMOS 18 version software.

Findings: It was determined that country of origin image plays a significant role in predicting purchase intentions towards domestically produced goods and products from European country.

The results indicated that the effect of country of origin image is significant in the case of domestic and foreign products in Ethiopia.

Keywords: Country-of-origin image; Purchase intention; Effect of country of origin

Introduction

The globalization of markets presents considerable opportunities and challenges for both domestic and international markets [1]. The relaxation of trade policies has provided consumers with more foreign product choices than ever before. Consequently, their attitudes toward products originating from foreign countries have been of interest to international business and consumer behavior researchers for decades [2]. Previous studies on the Country-of-Origin Effect (COE), most of which have been conducted in developed countries, have found that consumers have a general preference for domestic over foreign merchandise, particularly when they lack information about the product [3-7].

Like brands, countries should also have equity associated with them. Consumers tend to embrace certain ideas and stereotypes of foreign countries as producers of goods and services and then use these ideas to evaluate the qualities of these products [8]. Accordingly, marketers have shown a growing interest in understanding how country associated with the products influence the consumers’ quality judgments and purchasing decisions [9].

Country of origin effect can be defined as any influence that the country of manufacture has on a consumer’s positive or negative perception of a product [10]. With increasing availability of foreign goods in most national markets, the country of origin cue has become more important as consumers often evaluate imported goods differently than they do competing domestic products [3]. Nowadays, more companies are competing on the global market, and these companies manufacture their products worldwide and the location where they manufacture the products might affect the perception of the consumer on the quality of the product based on the country where the product is produced.

Past country of origin studies have demonstrated the existence of negative biases towards products made in foreign countries [11-13]. This is particularly evident in developed countries where domestic products tend to be evaluated more favorably than foreign made products [14]. Conversely, in the case of developing countries, national products tend to be evaluated less favorably than imported goods from developed countries [15,16].

As such, willingness to buy domestic/foreign products is influenced by country of origin and quality judgment [1]. Thus, increased globalization has attracted interest in Country-of-Origin (COO) research and how they affect decision-making [17]. Both domestic and foreign firms need to understand consumers’ perceptions and evaluations of foreign products against domestic ones.

Although, a lot of research were undertaken on the influence of COO in industrialized countries yet studies on its effect in developing countries have remained relatively low [18]. According to them the transitional economies are very promising for its growth potential and are distinctive from developed nations. Even the results found in previous studies conducted on developed nations may not be applicable for developing nations. Moreover, no study has been carried out on the influence of country of origin image on purchase intention in the context of Ethiopia, (to the best of the researchers’ knowledge), one of the developing countries in the world with varied ethnic and cultural diversities.

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Objective of study
The major objective of this study is to examine the relationships among the set of exogenous, Country of Origin Image (COI), and endogenous variables, Perceived Quality (PQ) and Purchase Intention (PI), for both of the domestic and foreign products using structural equation modeling in order to come with new marketing insights for Ethiopian marketers.

Specifically the study tried:
✓ To test whether COI matters on PQ and PI of domestic and foreign products.
✓ To test the impact of COI on PI of domestic and foreign products.
✓ To examine the direct and indirect impact of COI on PI of domestic and foreign products.
✓ To assess the mediating role of PQ between COI and PI.

Literature Review
The country of origin

According to Kabadyi [19], the impact of COO on buyers’ intention, assessment and perception has been the most studied topic in marketing, business and consumer behavior field for past few decades. A lot of researchers have attempted to find effects of COO on product evaluations, attitudes toward the product, purchase intention and purchase choice. Lants and Loeb [20] demonstrated that impact of COO is similar to brand, price and quality but it can be stronger.

COO assists as a cue using which customers evaluate a product’s quality, performance and other attributes [21]. COO effect is an important determinant of consumer biasness [22]. As suggested by Peterson and Jolibert [23] consumers’ perception toward a product varies with its specific origin. Consumers take COO as an extrinsic cue which is a predictor of quality for goods and services. Consumers create brand images for products and similarly they also form country images for specific countries. Through the country image they develop a brand image of a country which constitutes stereotypical beliefs of consumers [24].

Many consumers utilize country-of-origin stereotypes to appraise products 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 [25].

Several studies have extensively documented that country of origin influences product evaluations. In general, evaluations of a country associated with a product leads to a corresponding favorable and unfavorable evaluation of a product [26].

COO is very important in evaluating foreign products principally from two main perspectives: quality [27] and purchase value [28].

One of the first concepts of the country-of-origin phenomenon was that of Nagashima [29] country image perception. He defined the image that consumers associate with a given country-of-origin as “the picture, the reputation, the stereotype that consumers attach to products of a specific country. This image is created by such variables as representative products, national characteristics, economic and political background, history, and traditions”. Others view this country image as reflecting consumers’ general perceptions about the quality of products made in a particular country and the nature of people from that country [30]. COO effect is concerned with how consumers perceive products sourced from a particular country [31]. Extant literature indicated that COO influence can be traced to product assessment and decision making processes as it affect consumers’ prediction of likelihood of specific features of products manufactured in a certain country [32]. A number of studies have indicated consumers’ bias favor of products from developed nations such as USA, European countries and Japan. This usually associated with high levels of economic and technological development [31] which translate to high quality and better performance of products.

Conceptual model and hypotheses development of the study

The path diagram of the study depicted in Figure 1 portrays the relation between Country of Origin, Perceived Quality and Purchase intention variables in which Perceived quality and Purchase intention included in the study as a mediating and ultimate dependent variables respectively.

Pappu, Quester and Cooksey [33] suggest the positive or negative image a country has in consumers mind will affect the purchasing decision. Hui and Zhou [34] agree that COO directly influences purchase intentions. While, Cervino et al. [35] suggests that COO indirectly influence purchase intentions via other variables (product evaluation, brand image, brand equity and perceived value). Among various dependent variables product quality evaluations and purchase intentions appear to be more popular [36]. COO image has also a direct effect on the perception about product quality [37].

Cordell [38] explains COO as an important cue in the theory of decision making process. Elliot and Cameron [39] also believe COO to have negative or positive influence on consumer’s decision making process. Verlegh and Steenkamp [22] stress that the impact of COO is noteworthy. They also reported that the effect of COO is substantial in product evaluation, but the author does not completely agree that it affects the final purchasing behavior and it can be affected by additional factors, like price.

All of the concepts have been widely recognized in the literature. The study was intended to examine the effects of country of origin image on Ethiopian consumers purchase behavior for both of the domestic and foreign products.

For both domestic and foreign countries, the following four alternative hypotheses have been formulated:

H1a: Domestic country-of-origin image has positive influence on perceived quality of domestic products.

H1b: Domestic country-of-origin image has positive and direct influence on purchase intention of domestic products.

H2a: Foreign country-of-origin image has positive influence on perceived quality of foreign products.

H2b: Foreign country-of-origin image has positive and direct influence on purchase intention of foreign products.
The sample size was determined using the following formula.

Where: \( n \) = sample size,

\[ n = \frac{Z^2 \times \sigma^2}{E^2} \]

Where: \( n \) = sample size,

\[ P = \text{proportion, when it is not known a conservative value of } P = 0.5 \text{ is assumed} \]

\[ a = \text{significance level (0.05)} \]

\[ E = \text{margin of error and will have value (0.04 - 0.06) usually or take 0.5} \]

Data collection

Self-administered questionnaires were used to collect the data from the instructors of Bahir Dar University. To maximize sample representativeness of instructors, the sampling frame was obtained from human resource management data base of Bahir Dar University, and was organized and coded with numeric number ranging from 1-1200. Finally using EXCEL the determined sample size (189) of this study was then selected randomly. Approximately 200 surveys were distributed to these instructors and 190 usable completed surveys were collected. And thus only 189 questionnaires were used in the analysis, providing a usable response rate of 94%. And a 100% targeted sample size.

Data analysis: Structural Equation Modeling (SEM) with Amos 18 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. SEM is formally defined by two sets of linear equations called the inner model and the outer model. The inner model specifies the relationships between unobserved or latent variables, and the outer model specifies the relationships between latent variables and their associated observed or manifest variables. SEM methodology can account for independent variable errors and model multiple relationships simultaneously, which results in more powerful tests of mean differences.

Results and Findings

The model goodness fitting test

The SEM model used to verify the hypotheses for domestic products and foreign products separately. The overall fit of the proposed model was perfect for both domestic and foreign countries (e.g. RMR = 0.0, CFI = 1.00, GFI =1.00, and IFI = 1.00). Table 1 shows the common fit indices, recommended values and analytical results for total measurement model.

Given the satisfactory fit of the model, the estimated path coefficients of the structural model were then examined for both countries (domestic and foreign) to evaluate the proposed hypotheses. The following Figures 2 and 3 represents the standardized path coefficients of domestic and foreign countries respectively. All hypotheses were strongly supported. The fit statistics value of path weight between the constructs of perceived quality and purchase intention are positive 0.15 (p<0.05) for domestic products and 0.05 (p<0.05) for foreign products. However, the positive coefficient of perceived quality on purchase intention for both countries is not significant.

The path coefficients of the country-of-origin image on perceived quality are 0.90 (p<0.001) for domestic products and 0.35 (p<0.001) for foreign products indicating the country-of-origin image positively affect the perceived quality no matter from which country. H1a and H2a are supported. The path coefficients of the country-of-origin image on purchase intention is 0.29 (p<0.001) for foreign products, and 0.62 (p<0.001)) for domestic products. H2b and H1b are also supported.

The total Path Coefficients (direct + Indirect) of both countries for the proposed model

Using the standardized path coefficients between constructs, the direct effect and the indirect effect of each construct on the purchase of foreign and local products can be calculated. The total summery of the
The effect of country of origin image on perceived quality of both domestic and foreign products has been positive and significant, implying that the country-of-origin image affects positively the purchasing decisions and the judgments of perceived quality of domestic and foreign products. The results are consistent with prior study [42] which suppose that country-of-origin image has positive influence on purchase decision and judgments of perceived quality of both domestic and foreign products.

With regard to the construct of perceived quality, there was positive but insignificant impact of perceived quality on purchase intention for both countries. This result is consistent with prior studies of [43]. However, it is inconsistent with the study of Dae and Joon [44], Tsiotsou [45], Richardson et al. [46] and Hoch and Banerji [47] which indicates that perceived quality has positive and significant impact on purchase decision.

This is because of that purchase intentions do not only represent a tradeoff between consumer needs and product features, but also incorporate several external influences, of which budget constraints are the most important. Specially, consumers may perceive a product to be of high quality, and like it very much, but they may simply not be able to afford it. Judgments regarding perceived quality and purchase intentions sometimes can be formed independent of each other. However, there is conceptual support for the notion that perceived quality is a key component of purchase intention. They found that the overall purchase intention or attitude toward a product was affected by perceived quality, but also by convenience, fun and beauty. Thus, the intention concept is broader than the quality construct, encompassing more and different factors.

Managerial Implications

The contribution of this study is to integrate the concepts of consumer's attitude towards the country, and examine the impact of country-of-origin on purchasing decisions for both domestic and foreign products. From a managerial perspective, this study provides insights regarding country-related factors that drive behavioral intentions and which, therefore, need to be considered when developing international marketing strategies. Marketers who seek to promote a “buy domestic” theme should reinforce positive associations of the home country and, in particular, target people via their feelings of national attachment.

The second managerial implication is to help the domestic and foreign enterprises in Ethiopia to adapt the consumer's attitude toward the country and make appropriate marketing campaigns. For example, marketing managers should pay attention to link country-of-origin image with product quality to increase consumer purchase behavior.

In general, it is important for marketers to emphasize on country of origin and product quality factors in marketing their products even in the local Ethiopian market.

Limitation of the study and directions for future researcher

Limitation of this study includes the lack of category specific investigation. While some researchers have demonstrated that COO affects consumer attitudes regardless of the product category [48] others have asserted that COO effects tend to vary by product category [9,49]. Hence, future examinations of consumer choice alternatives should investigate the relative effects of these mechanisms based on product category and include information about the specific COO of foreign alternatives.

Besides, Analysis of the hypotheses was based on a data set of 189 samples. Therefore, more researches could be conducted with larger set of samples.
Other variables such as brand name, price, income, and consumer involvement should also be controlled in the study, as they may affect the consumers' perceptions of product quality and willingness to buy. Direction of further research is to conduct research in other countries for comparison and to increase the generalizability of the study.

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