

# Demographic and Geographic Influence of the Country-of-Origin Image on Consumer Purchase Decision

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## Abstract

**Purpose**–The main purpose of this study is to explore the influence of the country-of-origin image of the product on consumer purchase decision.

**Methodology**–This research is done in five major cities of Pakistan (i.e. Lahore, Karachi, Islamabad, Faisalabad and Multan) for automobiles, TV sets, mobile phones and cosmetics products. Structured questionnaires and cluster sampling are used. Responses are collected from 459 consumers from five major cities of Pakistan using convenience sampling method whereas SPSS 14.0 version is used for data analysis.

**Research limitations/implications**–Personal interviews were conducted from the customers where it is very difficult to approach all the consumer classes of Pakistan. People of Pakistan are bit hesitant to give proper information. Limited access to data is available in archives.

**Conclusion**–The country-of-origin image has a significant and positive effect on consumer purchase decision in Pakistan.

**Keywords:** Country-of-Origin, Consumer Purchase Decision, Pakistan.

## 1. Introduction

Country of origin effects on consumers' evaluations of products has been of significance to researchers since the 1960s. While it seems to be widely accepted today that country of origin has an impact on product evaluations, there is an ongoing debate concerning the extent of the effect, particularly in the presence of other extrinsic and intrinsic product information cues, and about the environmental and individual factors that may facilitate or inhibit reliance on country of origin.

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. Favorable or unfavorable perceptions of a country associated with a product lead to a corresponding favorable or unfavorable evaluations of the product originating from that country.

A large number of researchers have provided strong empirical evidence of country-of-origin (COO) effects on product evaluations (Pharr, 2006). COO is one of the most widely the current issue researched concepts in marketing and consumer behavior, yielding over 700 published studies to date (Papadopoulos & Heslop, 2003). From a

marketing point of view, global companies that are operating in highly competitive domestic and foreign markets need to understand consumers' perceptions and evaluations of foreign-made products. Understanding global consumer behavior is the first step of corporate learning about how to compete in the world market (Craig & Douglas, 1996).

The globalization of business enterprises has reached a point where it is sometimes difficult for consumers to determine with certainty the country of origin of a product. Using the framework developed by (Han & Terpstra, 1988), the assortment of products available to consumers include products that are foreign made and foreign branded (e.g., Honda Accord made in Japan), domestically made and foreign branded (e.g., Honda Accord made in the US), or domestically made and domestically branded (e.g., Ford Mustang made in the US). Despite this reality, most previous research into country-of-origin effects primarily addressed consumers' reactions to products that are foreign made and foreign branded versus those which are domestically made and domestically branded. There has been little recognition in the research design that a brand can have multiple countries of origin and that a manufacturer can have multiple branding strategies. For instance, would American consumers react differently to a Honda Accord made in the US than a Honda Accord made in Japan? Furthermore, most previous research has assessed the effect of country of origin by providing respondents with only a single cue, the country in which the product was made, despite the knowledge that consumers evaluate products using multiple cues. First explored the national image in research 1965, it has been verified that the national image has had an impact on consumer recognition, attitude, and buying intention. This shows that consumers seem to have a different product appraisal of products made by different countries. However, this type of research tends to focus more on the manufacturing industry or consumer products, and research concerning national image tends to focus more on certain types of service industries. (Bilkey & Nes, 1982) Reviewed papers concerning country-of-origin from 1965 to 1979, and describe that the country-of-origin does have effects on product evaluation, the manufacturing industry and the consumers' product purchase decision. (Chao, 1993) Point out that, when customers are making decisions, they search for more information before making their purchase.

#### ***Problem Statement***

To test how the country of origin's image influence the consumer purchase decisions.

#### ***Research Objectives***

The core objective of this study is to explore the influence of the country-of-origin image of the product on the consumer purchase decision in consumer electronic products, automobiles, mobile phones and the cosmetics products.

#### ***Research Questions***

How country-of-origin image of the product influence on consumer purchase decisions?

#### ***Significance of the Study***

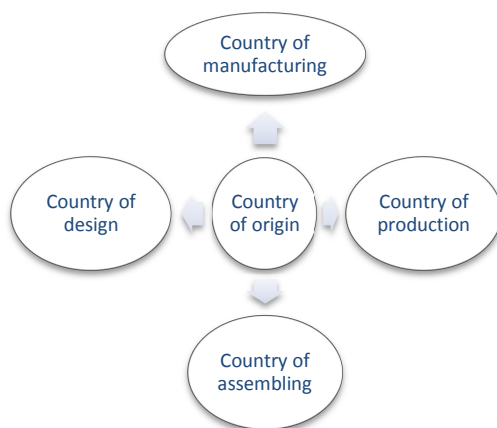
Country of origin effect is useful to determine the buying intension and buying behavior of the consumers. It will help to enhance the perceived value of the products with relation to the brands that does not having this edge. It will also help to build the association of the consumers with their local/ national brands. Moreover, it will also help to know about the consumers preferences about the local and international brands.

#### ***Limitations of the Study***

For personal interviews from the customers; time was short to conduct. It is very difficult to approach all the consumer classes of Pakistan and limited access to data available in archives are the constraints faced by the researchers.

## 2. Literature Review

Different researchers have defined the term country of origin in different ways and also give different definitions of the country of origin. 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 (Cateora & Graham, 1999). Like different brands belongs to the different countries and those owning countries are called the country of origin like Dell is an American brand and that's why America is the country of origin of Dell computers. Same like this, Ferrari belongs to the Italy and we can say that the Italy is the country of origin of the Ferrari car. Toyota and Suzuki are the Japanese brands and due to this reason the Japan is the country of origin of the Toyota and Suzuki. It is obvious that the current age is the age of the technology and with globalization, the marketers have got access to the markets of all over the world and consumers also have the access anywhere in the world for the products and services because they are in access of broad range of the products from the all over the worlds' market. Therefore when the consumers purchase any product then the country of origin, country of design and country of manufacturing are the key variables in the consumers' purchase decisions. Consumers are more trusted with the products due to the country of origin of those products (Nijssen & Herk, 2009). When the consumer are going to do the highly risky transaction then the country of



origin helps a lot in making the purchase decision (Michaelis, Woisetschlager, Backhaus, & Ahlert, 2008). Another research concludes that the country of origin is an image that has the features and relations about the uniqueness of the country to whom the product is connected or associated like the innovations, technology, reliability, price and overall quality.

### Figure 1: Theoretical framework of Country-of-Origin.

There are also different other terms which are used for the country of origin, like the

country of manufacturing, the country of assembling and the country of design of the products. Country of manufacturing is that country where the product is manufactured and the parts of the products are manufactured in real sense and the country of assembling is that country where the products are being assembled. This is also sometimes called the final location of the product. Like the Dell is the brand of the USA but its currently manufactured in China so we can say that China is the manufacturing country of the Dell computers, same like this the Toyota is the brand of the Japan but in Pakistan it is being assembled for the local market of Pakistan, so we can say that Pakistan is the country of assembling of the Toyota for Pakistani demand of the Toyota, because Toyota has number of assembling units in the world where it delivers its automobiles. This is also proved from the past research

that the country of assembling is the final place of the production of the products and that's why country of assembling is called the country of origin of any product. But some researchers say that the country of the manufacturing is the final location of the production of the products (Saeed, 1994). But this term is not true in real scenario because if the Toyota is assembled in Pakistan for Pakistani markets then it doesn't mean that Pakistan is the country of the origin of Toyota automobiles. These three terms have separate meanings in real senses because this is the age of the globalization and due to this, these three terms have been totally changed and there are the clear differences among these terms. But now consumers are well aware about these terms and this thing doesn't affect as much on the product evaluation but it's just because of the globalization and the access of all over the world's markets. But there is another problem that there is done great advancement in technological field, and this technological advancement changed the preferences of the customers of different countries, because due to this, people from some specific countries do not prefer the products of some countries. Because this is believed that the people of the Germany do not like the products of other countries, they just believe in those products which are made in their home country (Germany). There is great work done on this topic in the previous researches and this is concluded from the previous researches that some people have great believe in the country of origin and they purchase the products due the country of origin or country of manufacturing (Saeed, 1994). Some researchers have also proved this thing that the country of manufacturing/country of origin has great worth in the minds of the customers in some countries. Like Pakistani consumers have the great image of the Japanese products, especially consumer's electronics products (Nagashima, 1970). He gave this term that consumers has particular image and reputation in their minds.

### **3. Research Methodology**

Survey method is adopted as a data collection technique, in which questionnaires are used to obtain data. The nature of this research is descriptive and type of the research is survey based because of it is consumer based study.

#### ***Instrument***

For this research a self-administered questionnaire survey is used that consisted of factors that influence consumer attitude towards purchasing of the products. These questions used five point likert scale (1= strongly agree to 5 = strongly disagree). Some other questions that followed are related to demographics to know the age of the consumer along with the respondent's education level, gender and income level. Another question is used to find out whether the respondent's memory/cognitive ability that either they know the product's country of origin or not when they purchase any consumer electronics products.

#### ***Profile of Respondents***

The profile of the respondents is shown in Table 1; the total respondents for this study are 459. The study sample comprises respondents who vary on such characteristics as gender, age, marital status, education level, household income and living area. Such a difference is a natural reflection of the true consumer population of Pakistan. Moreover, the samples were selected through cluster sampling method, a kind of probability sampling, where the whole elements in representative organizations were randomly selected.

In terms of location, 98 respondents are from Lahore, 78 respondents are from Multan, 98 respondents are from Faisalabad, 105 respondents are from Islamabad, and 85 respondents are from the Karachi. The respondents

comprise of male and female. In terms of gender, the sample indicates male respondents 235 (51%) and female respondents are 224 (49%). In terms of age groups, 127 respondents are from 16-22 age group, 204 people responds from 23-30 age group, 91 people responds from 31-45 age group and only 37 people respond from 46 & Above age group. In terms of marital status, majority of the respondents are never married (257). In terms of education level, majority of the respondents were graduate (226) and post graduate and above (145). In terms of location household income, majority of the respondents were in the range of 5,001-15,000 (132) and 15,001-25,000 (131).

**Table 1: Description of Respondents**

Item	Description	Frequency	Percentage
<b>City</b>	Lahore	98	21.4
	Multan	73	15.9
	Faisalabad	98	21.4
	Islamabad	105	22.9
	Karachi	85	18.5
<b>Gender</b>	Male	234	51.0
	Female	225	49.0
<b>Age</b>	16-22	127	27.7
	23-30	204	44.4
	31-45	91	19.8
	46 & Above	37	8.1
<b>Marital Status</b>	Never Married	257	56.0
	Married	202	44.0
<b>Education</b>	Under Matric	8	1.7
	Matric	16	3.5
	Intermediate	64	13.9
	Graduate	226	49.2
	Post Graduate & Above	145	31.6
<b>Household Income (Rupee)</b>	5,000 & Below	91	19.8
	5,001-15,000	132	28.8
	15,001-25,000	131	28.5
	25,001-50,000	73	15.9
	50,001 & Above	32	7.0

#### 4. Analysis and Discussions

**When purchasing a product, my preference would be:**

Option	Frequency	Percentage
Price	141	30.7
Quality	270	58.8
Status	48	10.5

The result of the above table indicates that majority (58.8%) of the respondents are quality conscious.

**Do you know product's country of origin?**

Option	Frequency	Percentage
Yes	257	56.0
No	202	44.0

The result of the above table indicates that majority (56%) of the respondents are aware about country-of-origin.

**When a lot of equivalent products (e.g. Sony, Panasonic, Samsung, and Nobel) are available, I would prioritize to purchase that product as on the basis of Country-of-origin:**

Option	Frequency	Percentage
Strongly agree	131	28.5
Agree	166	36.2
Somewhat	110	24.0
Disagree	34	7.4
Strongly Disagree	18	3.9

The results of above table indicate that 28.5 % respondents strongly agreed with this statement. 36.2% people agree with this statement that when a lot of equivalent products are available, they would prioritize to purchase that product on the basis of Country of origin, 24 % people are indifferent with statement and only 11.5% peoples disagree with this statement. From this question, this is concluded that most of the people give priority to the COO of the product when a lot of equivalent products are available, they would prioritize to purchase that product on the basis of COO and very minor percentage disagree with COO in the priority issues.

**I refuse to purchase a product without knowing its Country-of-origin:**

Option	Frequency	Percentage
Strongly agree	115	25.1
Agree	128	27.9
Somewhat	121	26.4
Disagree	61	13.3
Strongly Disagree	34	7.4

According to our research the results of above table indicate that 25% people strongly agree and 28% agree with statement that they refuse to purchase a product without knowing its Country of origin. They prefer to purchase those

products with knowing its country of origin. 20% are those people who said that country of origin does not matter in their purchase decision and 26% are indifferent. From our research, this is proved that mostly people in the Pakistan refuse to purchase the product without knowing its COO and very low percentage are willing to purchase the product without knowing COO of the product.

**When purchasing a product, I believe the technological aspects of the product are determined by Country-of-origin:**

Option	Frequency	Percentage
Strongly agree	158	34.4
Agree	175	38.1
Somewhat	95	20.7
Disagree	21	4.6
Strongly Disagree	10	2.2

As results in above given table shows that 73% people are strongly agree and agree with this statement that when purchasing a product, they believe the technological aspects of the product is determined by Country of origin. Only 7% people are disagree with this statement that technological aspects determined by the COO and 20% people are indifferent. From above mentioned question it is proved that most of people believed that when purchasing a product, the technological aspects of the product are determined by COO of the product.

**I firmly believe the quality of a product is determined by Country-of-Origin:**

Option	Frequency	Percentage
Strongly agree	165	35.9
Agree	159	34.6
Somewhat	101	22.0
Disagree	23	5.0
Strongly Disagree	11	2.4

As we can see from the above table information 71% people are strongly agree and agree with this statement that they firmly believe that the quality of the product is determined by the COO, Only 7% people are disagree with this statement and 22% people are indifferent. From this question we can conclude that Pakistan people firmly believe that the quality of the product is determined by the COO of the product.

**Country-of-origin reduces the search about the product:**

Option	Frequency	Percentage
Strongly agree	152	33.1
Agree	141	30.7
Somewhat	113	24.6
Disagree	36	7.8
Strongly Disagree	17	3.7

As we can see from above table results according to our research 63% people are strongly agree and agree with this statement that COO reduces the search about the product. Only 11% people are disagree with this statement and 24% people are indifferent. From above question it is proved that most of the people believe that COO reduce search about the product.

**Whenever I am going to purchase a new product and do not have sufficient information about the product, I purchase that product on the basis of Country-of-Origin:**

Option	Frequency	Percentage
Strongly agree	148	32.2
Agree	144	31.4
Somewhat	119	25.9
Disagree	36	7.8
Strongly Disagree	12	2.6

The results of above statement indicates that 63.6% people are strongly agree and agree with this statement that whenever they are going to purchase a new product and do not have sufficient information about the product, they purchase that product on the basis of country of origin. Only 10% people are disagree with this statement and 26% people are indifferent. From given question, we can conclude that most of the people believe that the COO is helpful in purchasing any product when there is low information or no information about the product.

**When buying an automobile, I always seek to find out its Country-of-Origin:**

Option	Frequency	Percentage
Strongly agree	185	40.3
Agree	151	32.9
Somewhat	92	20.0
Disagree	23	5.0
Strongly Disagree	8	1.7

Results of above table according to our study reveal that 73.2% people are strongly agree and agree with this statement that when buying an automobile, they always seek to find out its COO. Only 6.7% people are disagree with this statement and 20% people are indifferent. From above question, it is concluded that most of the people when buying an automobile, they always seek to find out its COO.

**When buying a TV, I always seek to find out its Country-of-Origin:**

Option	Frequency	Percentage
Strongly agree	160	34.9
Agree	171	37.3
Somewhat	91	19.8
Disagree	25	5.4
Strongly Disagree	12	2.6

Results of our research indicate that 72.1 % people are strongly agreed and agree with this statement that when buying a TV, they always seek to find out its COO. Only 8.00 % people are disagree with this statement and 19.8 %



people are indifferent. From above results, it is concluded that most of the people when buying a TV, they always seek to find out its COO.

**When buying a mobile, I always seek to find out its Country-of-Origin:**

Option	Frequency	Percentage
Strongly agree	196	42.7
Agree	140	30.5
Somewhat	94	20.5
Disagree	20	4.4
Strongly Disagree	9	2.0

According to our study results, 73.2 % people are strongly agreed and agree with this statement that when buying a Mobile phone, they always seek to find out its COO. Only 6.40 % people are disagree with this statement and 20.5 % people are indifferent. From above results, it is concluded that most of the people always seek to find out its COO when buying a mobile phone.

**When buying cosmetics, I always seek to find out its Country-of-Origin:**

Option	Frequency	Percentage
Strongly agree	155	33.8
Agree	136	29.6
Somewhat	111	24.2
Disagree	41	8.9
Strongly Disagree	16	3.5

Results of above table reveals that 63.40% people are strongly agree and agree with this statement that when buying cosmetics, they always seek to find out its COO. Only 12.40 % people are disagree with this statement and 24.20 % people are indifferent. From above results, we can concluded that most of the people when buying cosmetics products, they always seek to find out its Country-of-Origin.

**5. Findings of the Study**

Most consumers of Pakistan know the country of origin when they purchase any electronic products, but they are mostly educated consumers. Lower class consumers are the price conscious. Middle class consumers are mostly quality conscious. Upper class consumers are status conscious. When the consumers have alternatives about the products then most of the consumers purchase the products on the basis of the country of origin. Most of the consumers in Pakistan refused to purchase the product without knowing product's country of origin. Most consumers of educated class believe that the country of origin of the product also determines the quality of the products. Majority of consumers of Pakistan said that, whenever they go for shopping and have not sufficient information, then they purchase products on the basis of country of origin of the product. Majority consumers of Pakistan are strongly agree and agree that when buying an automobile, TV set and Mobile phone, they always purchase these products with the proper search and gathering information about their country of origin.

## 6. Conclusion

Pakistan is an under developed country but due to the globalization the taste and the preferences of the people have changed. The lower class of Pakistan is price conscious and they have limited resources in which they live hand to mouth and also nowadays the inflation is at its peak in Pakistan, most of them are not concerned with the country of origin but their main concern is with price. Middle class of Pakistan is mostly quality and price conscious. Upper class of Pakistan is mostly quality conscious and status conscious. Our research shows that more than 50% people of Pakistan, when purchase any electronic product, know its country of origin and in this 50% most of the people belongs to educated class. The rest people don't know the country of origin and most of them are from lower class. The previous researches have also proved that the country of origin influence greatly on the consumer purchase behavior, and also in our research it is proved that most of the Pakistani people purchase the products after knowing the country of origin of the product. We have selected four products for this research i.e. automobile, TV set, Mobile phone and cosmetics products. In the purchase decisions of automobile and mobile phone, it is proved that the country of origin strongly influences the consumers of Pakistan. But in the purchase decisions of cosmetic products, country of origin doesn't matter a lot.

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