

Impact of Country-of-Origin on Product Purchase Decision.

Asad Javed

Department of Management Sciences, Hazara university, Mansehra, Pakistan

E-mail Address: asadjaved@hu.net.pk, asad_javed20@hotmail.com

Prof. Dr. Syed Amjad Farid Hasnu

Project Director, School of business studies, COMSATS institute of Information Technology (CIIT), Abbottabad Campus, Pakistan

Abstract

The purpose of this study is to explain, explore and to analyse the possible impact of the different Country-of-Origin on consumers purchase decision on three different categories of products. This study is conducted from a consumer-based view to investigate what to what extend Country-of-Origin effect the customers purchasing decision for three different categories of products? The study also investigated the possible behaviour of different customers regarding different Country-of-Origin depending upon the different demographic variables different choices and preferences of different customers segments were explored. Different age, gender, education and different income subgroups will be examined and the relevant importance of "Made in Pakistan" cue was analysed with other countries products. Study also analyses the impact of Product Involvement on product purchase decision an relationship of Product Knowledge and product purchase decision is also study. Primary data was collected using standardized questioners from four different cities of Pakistan. Results demonstrated that the people who looks for Country-of-origin information, they have certain images of different countries in different product categories. Research also concluded that Pakistan is only preferred country in Fabric products and not in electronics and cosmetics products. Product Involvement and Product knowledge does affect the customer choices in term of selecting the countries across different product categories. Demographic variables also influenced the Country-of-Origin effect. "Made in Pakistan" was evaluated better for Fabrics but not for Electronics or Cosmetics.

Keywords: Country-of-origin, Product Involvement and Product knowledge, Demographic Variables, Pakistan.

Introduction

With the Globalization, international trade has also been increased across the nations. With Globalization, made in different countries products are available in the market and now customers have the wide variety of choices to select the products from domestic and foreign products. This phenomenon makes the study of consumer attitude more important to be studied (Netemeyer et al., 1991). For any product, its characteristics, design and attributes are all important. When customers differentiate the products from products of one country from other, this phenomena is called as Country-of-Origin (COO) effect. For making successful marketing strategy, it is essential for the marketer to know what importance customer weight customer places on COO? Even it is considered as the fifth element of marketing (Baker and Ballington, 2002). Successful firms make good use of COO to get success in the market (Kinra, 2006) e.g. Swiss watches and Japanese Electronic products are its examples.

COO is mostly used in combination with other extrinsic cues as well as with intrinsic product cues. COO effect is not static and it keeps on changing with time. Darling and Wood (1990) studies proves the COO's dynamic nature. There are certain factors which determine the important of COO. These factors includes brand name (Jo et al, 2003), Consumer home country (Okechuku and Onyemah, 1999), country of ownership of company (Thekor & Lavack, 2003). COO effect is product specific and depends on the technology, familiarity, degree of availability and ethnocentrism (Han, 1990). COO image is related to only product image but not overall image of the country (Roth and Diamantopoulos, 2009). Chung et al. (2009) argues that people while purchasing food and other items are very sensitive to extrinsic information which makes COO phenomena an important concept to be studies.

COO effect is still as effective as it was in the time of Schooler (Zeugner-Roth and Diamantopoulos, 2009). Still COO is an important factor on determining the consumer attitudes, consumer purchase intentions and behavior shown by the customers (Papadopoulos & Heslop, 1993; Gurhan-Canli, & Maheswaran, 2000) and researchers have put stress on the topic of country-of-origin variable and how it effect the decision making of customers (Assaf and Josiassen, 2010). Country-of-Origin (COO) is the "overall perception consumers form of products from a particular country, based on their prior perceptions of the country's production and marketing strengths and weaknesses" (Roth & Romeo, 1992). COO phenomena is also named as the "Made in..." labelling which is an extrinsic cue and can be seen on different products (Orth & Firbasova, 2003). Fan (2006) argued that any logo off a country or name of country can be used for Country-of-Origin. In air-travel industry, a logo is placed with name which determines the COO effect, (Ahmed et al, 2008). Some countries also use it like Kiwi-bird to present New Zealand (Insch and Florek, 2009). Generally, it's been observed by the researchers that customers evaluated higher to the products made in developed countries as in contrast to developing countries (Schooler 1965). COO is also used as the quality signal by the customers. Anholt (2007), argues that the consumers don't

want to search for too long when he or she comes to buy a product, but they also want to make an informed buying decision. Therefore a shortcut can be to choose the product because of its COO. COO is used in marketing as it is important determinant of firm's image (Josiassen and Harzing, 2008). Also the people of developing countries perceive the products of developed countries as "Superior" (Dakin and Carter 2010).

LITERATURE REVIEW

Ulgado & Lee, (1998) argues that consumers perceive products on the basis of external and internal features of the product. Extrinsic cue includes the Brand name of the product, design or color and products' country-of-origin (Verlegh & Steenkamp, 1999). These extrinsic cues are helpful in decision making of customers (Marchant and Ward, 2003).

Country-of-Origin

COO effect is concern with the customers perceptions that how they perceives products from certain country (Chinen *et al.*, 2000) and COO is the "overall perception consumers form of products from a particular country, based on their prior perceptions of the country's production and marketing strengths and weaknesses" (Roth & Romeo, 1992). Nagashima (1970), a researchers who investigated the COO phenomena defines COO as "the picture, the reputation, the stereotype that businessmen and consumers attach to products of a specific country". Bilkey and Nes (1982) define COO as "bias toward non-domestic products". Yaprak (1987) perceive 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". Wang and Lamb (1983), demonstrated that COO effects are actually the intangible barriers in entering to new markets and this barrier is of negative attitude of consumer toward the products. Papadopoulos (1993) gives the definition as COO "the country of manufacture or assembly". Due to Hybrid products in, the COO is now difficult to define because now the products designing country and manufacturing countries are different. (Baker and Michie, 1995). COO effect is also known as the "made in....." concept and it can be in the favour of the manufacturing country or against it and it affects the decision making (Elliott and Cameron, 1994). Gurhan-Canli & Maheswaran (2000) argues that COO is the extent to which the manufacturing place effects the consumer evaluations of the product and also affect the related decisions to purchase the product or to not. Among the other factors, an important factor which influences the customer decision making process is COO (O'Cass and Lim, 2002). Fan (2006) argued that any logo or name of any country can be used to highlight the Country-of-Origin.

Researchers have proven that COO influence the decision making and also product assessment (Solomon, 2004) as the customer believes that product Made in certain country have certain distinguishing features (Yu & Albaum, 1999). Product type effects the COO effect(Ahmed & d'Astous, 2001) and many studies on COO has been on luxury items (Ahmed & d'Astous, 2001; Piron, 2000). COO is also related with product quality (Lusk *et al.*, 2006). COO also has significant implications for business (Laroche *et al.*, 2005). The country of origin can be seen as a competitive advantage and it seems to be one factor in the buying decision process (Baker and Ballington 2002). Studies demonstrated that that consumers in whole of the world use COO as a factor in product evaluation (Supanvanij and Amine, 2000)

COO effect has been found on all type of products for a specific product (Cordell, 1992; Gaedeke, 1973), general products (Darling & Wood, 1990), industrialized goods (White, 1979), certain brand (Ahmed & d'Ashous, 1995). Some studies also show that COO is being used for perceiving the quality of products (Han 1989). "The effect of country of origin image on brand image is very strong" (Koubaa, 2008). Yasin *et al.*, (2007) reported that COO has strong effect on Brand. Studies have concluded that COO affects the attitudes of the consumers towards certain brands (Tse & Gorn, 1993). Scott & Keith, (2005) argues that Consumers relates the brand to the some country and thus the brand image effects the product evaluation. Steenkamp *et al.*, (2003) and Kotler & Gertner, (2002) argues that country image have a significant effect on brand image. Koubaa (2008) also supports the results that country image effects. Cengiz *et al.*, (2007) studied the relationship of consumers' loyalty and Country image and concluded that customer loyalty is being affected by the country image.

Systematic research on the COO effect began since 1965 with the article by Robert Schooler however Williams (1896 cited in O'Shaughnessy, 2000) considered the "Made in Germany" label to be a competitive advantage. But still it has been Schooler (1965) amongst the very first researchers to observe what later on came to be termed as the COO effect. Schooler (1965) named the COO as "foreignness" of a product that makes the product less preferable for the consumers in different countries and stated that the name of the county written on the product effects the evaluation of the product. This holds true for products (Anderson & Cunningham, 1972), for different categories of products (Nagashima, 1977), for any specific products (Krishnakumar, 1974), and for any brands (Gaedeke, 1973).this different evaluation of the product also hold true the product's source countries. The customer evaluates the product according to more developed countries or less developed countries. Papadopoulos (1993) made a significant contribution to the COO literature by criticizing the concept of COO as being narrow and misleading as the product can have different country of design and manufacturing.

Finding have concluded that COO does influence the purchasing behaviour of the customers and developed countries customers favors the products of developed countries. This positive attitude can be due to familiarity

with products and can be due to the fact that people wants to help to grow their own economies (Pecotich *et al.* 2007).

Product involvement

Involvement concept comes from social psychology. Krugman (1965) was the first researcher who applied this concept into marketing. He found the effect of involvement on TV commercials. The concept of involvement influences the advertisement of the organization and low and high involvements are related to consumer behaviour. Product involvement is defined as consumer recognition of a specific product or the understanding of the product (Traylor, 1981). When consumer can easy recognize the products, its higher level of Product involvement and vice versa. Product involvement can also be defined as “personal demands and interest of the product” (Zaichkowsky, 1985).

Involvement can have different objectives on the basis of those objectives it can be divided in the categories of Depending on different objects, involvement can be divided into categories of product involvement, advertising involvement, and purchasing involvement. Product involvement can be defined as “consumer’s own concern over purchase decision making” (Slama & Tashchian, 1985). Product involvement also can be defined as “consumer’s concern” (Cohen, 1983). Chaffee & Mclead (1973) explaining product involvement as it is the benefit that the customers have from the product. Robertson *et al.* (1984) argues that it is the agreement point between the particular personal consciousness and its principle agree with.

According to Lastovicka and Gardner (1979) and Tyebjee (1979), Product involvement is the personal involvement in the product which is directly related to personal commitment. Park (1996), argues that involvement is highly correlated to loyalty. However, Iwasaki and Havits (1998) found no relationship between foresaid two variables. Iwasaki and Havitz (1998) also found that level of loyalty is directly proportional levels of involvement.

Product Knowledge

Among the Various moderators that influence COO, one is consumer knowledge (Chiou, 2003). It is an important research topic of consumer behavior and essential research subject. Various factors can influence the COO extent. One of these factors is consumer knowledge (Chiou, 2003). Brucks (1985) argues that Product knowledge is based on memories from consumers or known knowledge of the customer. Product knowledge is associated with customer awareness and with understanding of the products by the customer or the consumer’s confidence in the product (Lin & Zhen, 2005). Brucks (1985) divides product knowledge into following major categories of perceived knowledge, experience based knowledge and objective knowledge. Phau *et al* (2006) suggests consumer knowledge certainly plays a role in the acquisition and evaluation of extrinsic cues.

Alba & Hutchinson (1987) argues that consumer knowledge is a multidimensional phenomenon and different types of experiences related to product gives different knowledge of the product or teaches different dimensions of the knowledge and customer uses those different dimensions in evaluating products differently. They also proposed two parts of product knowledge which are familiarity of products expertise.

According to Mattilda and Wirtz (2002), subjective product knowledge increases consumer’s reliance. Product knowledge does influence the information communicated to the consumer (Larkin *et al.*, 1980). Some authors are in the favour of the fact that consumers’ understanding and knowledge are positive correlation to product information (Moore & Lehmann, 1980, Selnes & Troye, 1989, Alba & Hutchinson, 1987. However, other authors found negative correlation between those variables like Newman & Staelin, (1972). So instead of simple linear correlation, u-Shape correlation is found between the product knowledge and information search (Bettman and Park, 1980 and Johnson and Russo, 1984).

COO and Demographic Effects

According to Sheth, Mittal and Newman (1999), “individual traits consist of unique biogenic and psychogenic aspects of an individual customer. The biogenic individual trait is called “genetics”, such as gender, race, and age which all humans inherit from birth”. Studies proves that COO effect is effected by the demographic variables (Sharma *et al.*, 1995). Demographic variables plays important role for determining the effect of COO. E.g. Male and female evaluates the products differently (Wall & Heslop, 1989). Evanschitzky *et al.* (2008) argues that when COO and demographic variables are combined together, they explain the buying behavior towards foreign against the domestic products. Male and female shows different attitudes towards different countries products and females like foreign products where as males are biased towards them (Lawrence *et al.*, 1992; Sharma, *et al.*, 1995). However, some researchers found gender as unimportant factor like by Dornoff *et al.*, (1974).

Another Demographic variable which is widely used in COO’s studies is age. Researches shows that older people are biased towards the foreign products as compare to less aged people (Bailey and Pineres, 1997; Smith, 1993). Festervand *et al.*, (1985) proposed that the variable that has most influential is education factor. Different results have been shown by different researches for Education factor. However the majority of researches argue that level of education is correlated to favoring the foreign products as compare to the people with lesser education (Festervand *et al.*, 1985; Good & Huddleston, 1995; Sharma *et al.*, 1995). Imported products are favoured by the higher income group people (Wall *et al.*, 1990). Some other researchers investigated the

relationship of domestic products with income level. They found that higher the income is positively related to buying foreign products and vice versa (Good and Huddleston 1995, and Bailey & Pineres 1997). However some other researchers like McLain and Sternquist, (1991) and Han (1990) found no relationship between income and COO.

Consumer Purchase Decision

Consumer purchase Decision refers to the “possibility of consumer’s willingness of purchasing some specific product” (Dodds et al., 1991). Fishbein & Ajzen (1975) argues that to predict consumer behavior it is an important index. Many consumer behaviour models are used to define the consumer purchase intentions. Kotler et al., (1999) argue that “stimulation-response” model are used by the customers in making purchase decision.

Research methods

The majority of studies in the field of COO have been conducted in Western cultures, mainly in the USA. Moreover, most of consumer behavior models have been developed in the USA and few have been tested empirically outside America (Albaum and Peterson, 1984; Lee & Green, 1991). For this study population is all the customers in Pakistan cities of Abbottabad, Islamabad, Peshawar and Lahore. The unit of analysis of this dissertation is the individual unit. Three product categories were selected i.e. fabric products, electronics products and cosmetic products on basis that those selected products were used in previous studies. Secondly, those products imported as well as domestically manufactured and those products should be common used product categories.

Questionnaire was adopted from previous studies. For measuring Country of Origin, questioner was adopted from Ghazali, et al., (2008), The questionnaire on product knowledge was adopted from the study of Lin and Zhen (2005) and the Product involvement questioner was adopted from the study of Chin’s (2002). Two step sampling technique was used. In first step, proportionate geographical sampling technique was employed as all the four cities are at the minimum distance of 100km or above from each other which demonstrates that all the four cities have different culture. 25% quota was allocated to all the cities (60 samples per city) and in the second step random sampling was done. The study is based on primary data and questionnaire were used to collect the data. Total of 240 Questionnaire were distributed in four cities in Pakistan and 178 were return fully completed which makes 74% response rate.

Factor Analysis

This analysis is done to reduce the large number of variables into a smaller numbers of factors. Factor analyses were performed in the study as its all criteria required were full filled by the study. There were 25 variables and 178 respondents which makes subject-to variable ratio of 1.9. All the variables were recorded on 5-point Likert scale with 1 being strongly disagreed and 5 being strongly agreed. Extraction Method used is “Principal Component Analysis”.

Table 4.6, Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	4.831	19.323	19.323	4.831	19.323	19.323
2	3.939	15.758	35.081	3.939	15.758	35.081
3	2.152	8.608	43.689	2.152	8.608	43.689
4	1.827	7.309	50.998	1.827	7.309	50.998
5	1.629	6.516	57.515	1.629	6.516	57.515
6	1.219	4.877	62.392	1.219	4.877	62.392
7	1.105	4.418	66.810	1.105	4.418	66.810
8	1.044	4.175	70.985	1.044	4.175	70.985
9	.932	3.728	74.713			
10	.910	3.640	78.353			
11	.789	3.156	81.509			
12	.710	2.840	84.350			
13	.624	2.495	86.844			
14	.479	1.914	88.759			
15	.471	1.884	90.643			
16	.422	1.689	92.332			
17	.414	1.656	93.988			
18	.380	1.519	95.507			
19	.298	1.193	96.699			
20	.265	1.059	97.759			
21	.203	.813	98.572			
22	.174	.695	99.267			
23	.147	.587	99.854			
24	.036	.145	99.999			
25	.000	.001	100.000			

Extraction Method: Principal Component Analysis.

Source: Survey Data (2011).

If we look at the Eigenvalues, we found 8 of them more than “1”. So 8 factors would be extracted. Factor 1 describes 19.23% of variation in the data, factor 2 represents 15.78% variation in the data, factor 3 represents 8.6% variation in the data, and factor 4 represents 7.3% variation in the data. Factor 5 represents 6.5% communality of data whereas factor 6 represents 4.8% variation of data. 7th factor represents 4.4% variation of data and the last factor represents 4.1% variation in the data. The total variation explained by these 8 factors is 70.98%.

To get more interdependent results in rotation of factors, Varimax rational technique was used. Table 4.6 shows the Rotational Component Matrix. According to that matrix, Knowledge_USA, Knowledge_Pak, Knowledge_Japan, Knowledge_China, are loaded highly on factor 1.

Fabrics_India, Fabrics_Korea, Fabrics_USA, Cosmetics_India, Cosmetics_Malaysia and Cosmetics_China are highly loaded on Factor 2. Fabrics_Pak, Electronics_Japan, Fabrics_China, Cosmetic_USA and Cosmetic_Pak are loaded on Factor 3 where as Knowledge_germany and Knowledge_malaysia are highly loaded on Factor 4. Knowledge_India and Knowledge_Malaysia are loaded on factor 5, Electronics_Pak is loaded on factor 6 and electronic_Germany and electronic_Malaysia is loaded on factor 7 and remaining one variables i.e. Knowledge_korea is highly loaded on Factor 5.

Table Component Matrix

	Component							
	1	2	3	4	5	6	7	8
Knowledge_USA	.941	-.054	-.010	.207	-.017	-.020	-.040	.058
Knowledge_Pak	.925	-.034	.004	.171	-.044	-.041	-.045	.080
Knowledge_Japan	.867	-.127	.004	.148	.079	.018	-.038	-.017
Knowledge_China	.794	.002	-.065	.013	-.035	-.015	.082	-.080
Fabrics_India	-.084	.854	-.067	-.011	.034	-.046	.020	.091
Fabrics_Korea	-.052	.852	-.130	-.041	.104	.023	-.084	.091
Fabrics_USA	-.040	.725	.194	-.100	.142	.089	.034	.128
Cosmetics_India	-.051	.586	.224	.110	-.357	-.079	-.115	-.181
Cosmetics_Malaysia	.024	.561	.472	.016	-.137	.375	.067	-.108
Cosmetics_China	-.026	.518	.380	.073	-.035	.222	-.035	-.065
Fabrics_Pak	-.212	-.159	.741	.076	.089	.099	.080	.045
Electronics_Japan	.010	.118	.740	-.123	.071	.030	-.154	.067
Fabrics_China	-.048	.444	.638	-.063	.008	-.229	-.042	-.003
Cosmetics_USA	.113	.039	.569	.051	.292	-.092	-.211	.034
Cosmetics_Pak	.160	.279	.468	-.140	-.279	.130	.373	-.127
Knowledge_Germany	.311	-.044	.025	.858	.031	.071	.084	.168
Knowledge_Malaysia	.656	-.060	.010	.702	.013	.040	.040	.143
Knowledge_India	.309	.037	-.174	.596	.071	-.010	-.016	-.421
COO	.087	.069	.216	-.074	.847	-.045	.109	-.041
Product_Involvement	-.096	.030	.048	.128	.811	-.075	-.009	-.066
Electronics_Pak	-.038	.145	.147	.119	-.104	.810	.041	.000
Electronics_China	-.006	-.025	-.118	-.048	-.009	.807	.024	.054
Electronics_Germany	-.130	.127	-.103	.188	.057	-.037	.748	.108
Electronics_Malaysia	-.112	.329	.106	.097	-.074	-.111	.721	-.013
Knowledge_Korea	.089	.136	.041	.089	-.074	.043	.087	.878

Source: Survey Data (2011).

Extraction Method: Principal Component Analysis.

a. 8 components extracted.

Naming the factors

The five factors represents different variables. First factor is the Knowledge factor as it has all the variables of knowledge. Second factor is Fabrics and cosmetics which represents customer choices about countries in just fabrics and cosmetics product categories so named as "Fabrics and Cosmetics". Third factor is mixed factor as it has variables of different kind. Fourth factor is Knowledge2 factor as it contains Knowledge related variables. Then we have Mixed factor 2, then Electronics1, electronics 2 and last is knowledge_korea factor.

Hypotheses

The research is based on following hypotheses:

Country-Of-Origin influence Product Purchase Decision

The information of the country that where product is made has been an important factor in product purchasing decision of customers. Studies have shown that COO effects the customers in number of ways and can influence their purchasing intentions (Kaynak et al., 2000; Li et al., 2000; Huddleston et al., 2001). Bilkey & Nes (1982) study of COO effects on product evaluations and reported that COO is a important factor in purchasing decision. In this study, the effect of COO on three different products will be checked. The overall hypothesis is:

H1: Country-Of-Origin has significant and positive influence on product purchase decision.

Country-Of-Origin and product purchase decision are related to consumers' Demographic information.

Previous studies on COO indicate that it is being affected by the demographic variables (Balabanis & Diamantopoulos, 2004). Studies also prove that COO is also related to purchase attitudes (Bilkey & Nes, 1992; Robinson & Smith, 2002). Thus, it is argued that Purchase intentions and COO are affected by the demographic variables and the following hypothesis is proposed:

H2: Country-Of-Origin is related to consumers' age, gender, education and income.

Evaluation of "Made in Pakistan" Queue

Products from different countries are not evaluated as same (Nagashima 1970, Dornoff *et al.*, 1974, Morello, 1984, Craig & Douglas, 2001) For three different products i.e. Fabrics, Electronics and Cosmetics products, "Made in Pakistan" is compared with different set of countries for each product. The hypothesis is:

H3: Made in Pakistan" is evaluated same as "Made in" For selected categories of products.

Relationship Product Involvement And Product Purchase Decision.

Friedman & Smith (1993) argues that when a potential customer goes for purchasing and purchases the product, customer tries to get more information about that product. Goldsmith and Emmert (1991) argue that product involvement is an important concept in consumer behavior. Petty et al. (1983) and Neese and Taylor (1994) concluded that higher the product involvement, the more are the purchase chances. Upon foresaid arguments, the hypothesis is:

H4: Product Involvement and product purchase decision are positively related.

Relationship Product Knowledge and Product Purchase Decision

Petty and Cacioppo (1981) proposed that with high product involvement, customers consider the pros and cons of products more seriously and customer have more knowledge of product, they just search limited knowledge. Rao & Sieben (1992), Moore & Lehmann (1980) and Goldsmith & Emmert (1991) argue that if customer have the understanding of product, it will affect his search behaviour and they will search for limited information only before purchasing. On the based on the foresaid literature, the third hypothesis for the research is inferred as follows:

H5: Product Knowledge is positively related to product purchase decision.

Analysis

Two Statistical test were performed on the data along with descriptive analysis of the data. Those tests were ONE-WAY ANOVA and Correlation.

Descriptive Analysis

Descriptive statistics describe the Quantitative features of the data collected. In the research, Mean and Standard Deviation as Descriptive analysis were performed

Mean

Ibbotson (2002) argues that in literature, mean receives the most support . Mean is the average of all the values or the ratio of sum to the number of entries is arithmetic mean and is denoted by \bar{x} . The mean of statistical distribution with a continuous random variable, also called as the expected value.

Standard Deviation

It shows the dispersion of data from means. If the value of Standard Deviation is low, it indicates that data is closer to mean value and higher Standard Deviation shows that data is far from mean. Standard Deviation is obtained by having square root of variance. It is expressed in same units as of data.

SPSS tests

Following SPSS tests were performed in the study:

One-Way ANOVA

A statistical test used for differentiating between multiple means is Analysis-of-Variance (ANOVA) test. The purpose of this test in this study is to test different means within group (for sub-groups). As t-test can be applied for comparing two means, ANOVA is used to compare multiple means (more than two means). "For using ANOVA, the Dependent variable must be measure with interval or ratio scale such as Likert scale and in this study we use the five-point Likert scale to measure the dependent variable. There should be one or more variable which should be categorical and those independent variables can be referred as factors" (Kajalo, 2009). In our research we have four demographic variables (Age, Gender, Income and Education) on the basis of which we can categories our dependent variable.

There are many type of different ANOVA Test available to be used depending upon the number of variables that are to be analyzed. When we are comparing variance of two groups, one - tailed ANOVA test is applied. Two - tailed test is used when we want to investigate whether there is a significant difference between two groups. Another type of Analysis of variance is the Analysis of Covariance (ANCOVA). For ANOVA the independent variables either metric or categorical. (Malhotra & Birks, 2007)

When we want to divide the sub-groups into different categories like "More Dependent", "Neutral" or "Less Dependent" etc, Analysis of variance gives us the information about them.

For Multiple comparisons, Analysis of variance is also used. ANOVA allows us to find is there any difference in dependent variable with respect to some dependent variable? (Kajalo, 2009)

In this study, ANOVA is used to determine the categories of customers which are more dependent on COO in evaluation and purchasing of products like male or Female are more dependent on COO information? We also explored the more ethnocentric subgroup of the sample.

Correlation

It measures the degree of association or the degree of connectivity between two variables. Both the variables should be measured on a series of objects. The Correlation-coefficient shows the strength of relationship. It is one of the most widely used statistics. Correlation coefficient is represented by "r" and its value is from "-1" to "+1". The value of correlation actually shows the degree of relationship between the two variables. If both the variables changes in same direction (one goes up, the other also goes up and vice versa) it is positive correlation and if both the variables changes their values in opposite direction, it will be negative correlation and value of "r" will be below "0". For running the correlation test, the assumptions are:

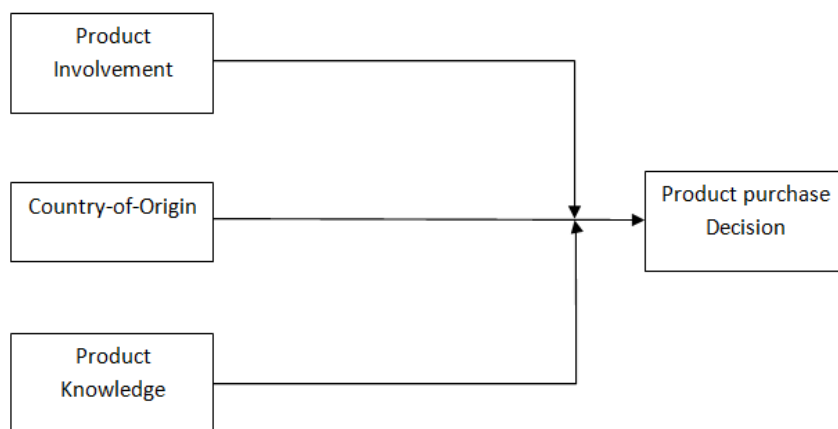
- a). The variables should have adequate range of entries.
- b). The readings of both the variables should be independent

Conceptual Frame work

The conceptual model for the study has been taken from Lin and Chen (2006) studies with some modifications. In Lin and Chen (2006) studies, demographic variables were not discussed however in this study; demographical variables are also included so the model needs to be modified to fit the studies.

According to the model, product knowledge and Product involvement along with the COO effect the purchase decision of the customers. Figure 1 shows the conceptual model of the study:

Figure 1, Conceptual model

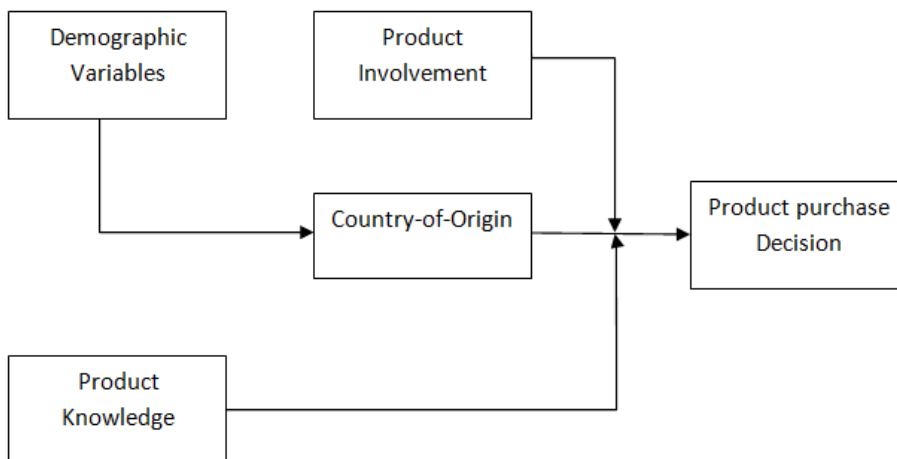


Source: Lin and Chen (2006).

Modified Model

As the research is also design to know the behavior of demographic variable (age, gender, education and income), so an extra variable is also added to the original Lin & Chen model. The modified model is shown in figure 1.1.

Figure 1.1, Conceptual model (Modified)



Source: Lin and Chen (2006) with modification

Results

To check the first hypothesis i.e. “Country-Of-Origin have significant and positive influence on product purchase decision”, Spearman’s correlation (As data is non-parametric) coefficient analysis between COO and purchasing intentions of all the three products was analyzed. Tables 1.1, 1.2 and 1.3 shows the correlation results of COO with different countries product (at the end of paper). The results can be summarizes as:

Table 1, significant results of Correlation, Source: Survey Data (2011).

Variable	Fabrics Pak	Electronics Japan	Cosmetics USA
Correlation result with COO (r)	.158*	.206**	.336**

*. Correlation is significant at the 0.05 level (2-tailed).

** . Correlation is significant at the 0.01 level (2-tailed).

In table 1, COO shows significant correlation with Pakistan_Fabric variable where $r=0.158$. It's been positive correlation between these two variables. This shows that COO has positive relationship with Pakistani Fabric purchase decision or the people who look for the COO information, when they purchase the Fabrics they look for Pakistani Fabrics. The results demonstrated that there is moderate and positive correlation between COO and Electronics_Japan where $r=0.206$. This shows that COO affects the purchase intention of Electronic products and the people who consider COO information, they prefer to purchase the Japanese electronics products. The results show positive but moderated significant correlation of COO with purchase intention of Cosmetics from USA where $r=0.336$. This shows that COO is related to purchase intention of Cosmetics. The results from above discussion is that COO effect the purchasing decision of customers so we can conclude that "Country-Of-Origin have significant and positive influence on product purchase decision".

Above mention findings are aligned with the Yaprak (1978), Roth and Romeo (1992), Tse *et al.* (1996), Zhou and Hui (2003) also reported the same findings.

For testing the second hypothesis which states that "Country-Of-Origin effect is related to consumers' age, gender, education and income". For testing this hypothesis, four independent One-way ANOVA test were conducted. Results show that COO is affected by all the four demographic variables and there is significant difference between the values on the basis of different demographic variables.

There is significant difference between means scores of COO with age of below 20 and above 60 years with sig. level of 0.001 which is lower than 0.05. Significant difference also recorded between the groups of 21 to 40 years and above 60 year group. Third significant difference lies between 41 to 60 years group and above 60 year group where significant level is 0.01. These differences are also shown in graph 1. Watson and Wright (2000), Orth and Firbasova, (2003) and de Mooij, (2004) also found that aged people are more conscious towards COO information.

For gender group, second independent ANOVA was run. ANOVA shows the Sig. level of 0.003 which is below the value 0.05 which determines that there exists statistically significant difference between the gender groups. As there are just two groups so no post-hoc test are performed. Graph 2 shows the difference in means COO on the basis of gender. Watson and Wright (2000), Delener's (1995), Dornoff *et al.*, 1974; Schooler, (1971), Wang, (1978) and Cleveland *et al.*, (2003) also concluded the same results.

To determine the difference in mean COO on the basis of education, third independent ANOVA test was performed. The results show that there exist a significant difference in mean COO of respondents with education of below Metric and MS/M.PHIL. The metric respondents also have significant difference in mean COO with Graduates, M.Phil. and PHD or above. Similarly, statistically significant difference lies between the responses of HSSC passed respondents and MS/M.Phil respondents. Another difference in mean score of COO is found in between the Masters and MS/M.Phil respondents. Graph 3 shows the Means COO against all the education groups. Analysis shows that high level of education results in more dependence on COO information which are also reported by Chou and Gupta (1995), Festervand *et al.*, (1985), Wall, *et al.*, (1991) also found that education are correlated to COO effect.

To analyze the different in mean COO on the basis of Income, another independent One way ANOVA test was performed. Results shows that there is significant difference in mean scores of respondents with income below 20000PM and with income 21000 to 40000PM, 41000 to 60000PM, 81000 to 100000PM and with above 100000PM. Respondents with monthly income of 21000 to 40000 PM shows different attitude towards the COO as compare to the respondents with income of 61000 to 80000PM. People with income of more than 61000PM but less than 80000PM shows different behaviour toward COO as compare to the respondents with income of over 100000PM. The mean respond to COO with different level of income PM is shown in graph 4. Kochunny *et al.* (1993), Bruning (1997), Sharma *et al.*, (1995) and de Mooij, (2004) also supported the argument that higher income people more prefers the COO information.

To test the third hypothesis i.e. "Made in Pakistan" is evaluated same as "Made in", descriptive analysis of countries preferred on the basis of products were examined. Results show that "Made in Pakistan" is evaluated better than "Made in" in Fabrics category. Graph 5 shows its details. Similar results are reported by Ghani *et al.*, (2007) in studies on Pakistan where they ranked Pakistani fabrics as the first choice of Pakistani customers. In electronic products category, it is evaluated on fourth number among the five listed countries. Japan was also found to be the most preferred country by Ghani *et al.*, (2007) in their research in Pakistan. Graph 6 shows comparison. For Cosmetics products, "Made in Pakistan" is evaluated on again on fourth spot among the five listed countries. Graph 7 shows the details. Table 2 shows the results of descriptive analysis for three different products and for five countries for each product. Niffenegger *et al.*'s (1980) found US cosmetics to the second preference of UK consumers. Badri *et al.*, (1995) also found US cosmetics to top ranked by Japanese respondents. For fourth hypothesis i.e. Product Involvement and product purchase decision are positively related, correlation coefficient analysis were performed between Product Involvement and product purchase. Results of shows that there is significant and positive correlation between product_involvement and fabric_Pak, no relationship of product_involvement with any of Electronic_products and Cosmetics, its show positive and significant correlation with cosmetic_USA. In other words, people who have the product knowledge or have understanding

of the product, they prefer the Pakistan made fabrics and USA made Cosmetics. Table 3.1, 3.2 and 3.3 shows the results of the said test.

The fifth hypothesis was “Product Knowledge is positively related to product purchase decision.” Correlation was performed and significant results are shown in the table below.

Table 4, Correlations between Product Knowledge and Cosmetics product

Variables	Country knowledge	Correlation (r)
Fabric Pak	Knowledge Pak	0.358**
Fabric india	Knowledge india	0.332**
Cosmetic USA	Knowledge USA	0.452**
Electronic japan	Knowledge japan	0.518**

Source: Survey Data (2011).

*. Correlation is significant at the 0.05 level (2-tailed).

**.. Correlation is significant at the 0.01 level (2-tailed).

All the other results were non-significant. Thus the customer who has the knowledge of Pakistani products, they prefer to purchase only the fabrics of Pakistan. Same is the case for India whereas USA cosmetics and Japan's electronics are also preferred.

Implication

The study's theoretical contributions to research include the better understanding of COO relative importance for the Pakistani customers. Study found that some domestically manufactured products are favoured like fabrics. However some foreign products are also favoured. Domestically manufactured fabrics are favoured as Pakistani cotton is one of the best cotton produced in the world and its products are cheaper and better in quality. On the other hand electronics and cosmetics of Pakistan are not being favoured. Pakistan is a under developed and in both of these categories, developed countries (Japan and USA respectively) are being favoured. These findings may be due to technological development of those countries as customers are biased toward less developed countries products.

Many companies are shifting plants to low labour cost locations like China and India to keep the cost low. From financial point of view, it is an effective decision but it does affect the customer's perception about the products. Managers have also to look in this matter before deciding to move an economical area as changing the location of production can affect the sales and customer choices.

There is a difference in the COO effect for different demographic variables. Marketers can use that information in labelling the products more efficiently. They can design more effective communication strategies depending upon the demographic information available. Studies can be used for effective segmentation of the market.

As COO information affects the selection of products, multinational companies need to consider this factor in marketing their products in different countries of the world. Countries with a positive COO image like Japan has for Electronics products should use its marketing tool. They can also relate the COO information to quality and better attributed product which can enhance sales of the firm.

Countries with a negative COO image for some products can use more effective communication tools and positioning strategy in overcoming the negative stereotype. Companies may use joint ventures with foreign companies in the host country to enhance the image.

Limitation of the Research

While interpreting the findings, limitations of the study should be considered. Those limitations can be used as a direction for future research. Some limitations of this study are that COO effect was just considered in Products categories only but not for the services sector. Due to somewhat small sample size of this study the accuracy of the study can be in doubt. Another limitation of the study is that it is a single cue study and it does not include the other extrinsic cues like design, warranty or price etc. Other extrinsic cues can have an effect on purchase decision.

The study was conducted in a very small geographical area and in a very specific market and with a very specific product. Same kind of study can be replicated in other countries of the world, with different product groups. The data of this study with that future research can be analyzed to uncover some other patterns in the data.

As the study was conducted in Pakistan, similar studies can be conducted in other South Asian countries or even Asian countries to compare the results and to find the difference in choices of respondents. More industrialized countries can have different results as COO depends on industrial development also. Same is the case for EU countries and USA where economic level of development is significantly different.

Study was focused on different products from different countries and it can be used to evaluate different products of same country. Another limitation of the study was that female respondents were not according to the actual population ratio of the country. Same was the case for the age, education and income levels.

Future Research

For future research, Services sector can be considered as in this study just products from different countries were

considered with large sample size to generalize the findings. In future study, multiple-cues can be studied to check which cue has the maximum effect on the product evaluation and purchase decision. To generalize the findings, cross culture studies can be conducted with large geographical area being covered. This study can be conducted for just one product from multiple countries or for multiple products for single country.

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Tables

Table 1.1, Correlations of COO with Fabrics Products.							
		COO	Fabrics_Pak	Fabrics_China	Fabrics_USA	Fabrics_India	Fabrics_Korea
COO	Correlation Coefficient	1.000					
Fabrics_Pak	Correlation Coefficient	.158*	1.000				
Fabrics_China	Correlation Coefficient	.136	.416**	1.000			
Fabrics_USA	Correlation Coefficient	-.001	.171*	.450**	1.000		
Fabrics_India	Correlation Coefficient	-.027	-.063	.195**	.584**	1.000	
Fabrics_Korea	Correlation Coefficient	-.037	-.114	.171*	.565**	.699**	1.000

Source: Survey Data (2011).

*. Correlation is significant at the 0.05 level (2-tailed).
**. Correlation is significant at the 0.01 level (2-tailed).

Table 1.2, Correlations of COO with Electronic Products.							
		COO	Electronics_Germany	Electronics_Japan	Electronics_Malaysia	Electronics_Pak	Electronics_China
COO	Correlation Coefficient	1.000					
Electronics_Germany	Correlation Coefficient	-.020	1.000				
Electronics_Japan	Correlation Coefficient	.206**	-.058	1.000			
Electronics_Malaysia	Correlation Coefficient	-.016	-.169*	.317**	1.000		
Electronics_Pak	Correlation Coefficient	-.129	.086	.140	.200**	1.000	
Electronics_China	Correlation Coefficient	-.124	.072	-.086	-.027	.406**	1.000

Source: Survey Data (2011).

*. Correlation is significant at the 0.05 level (2-tailed).
**. Correlation is significant at the 0.01 level (2-tailed).

		COO	Cosmetics_Pak	Cosmetics_India	Cosmetics_Malaysia	Cosmetics_China	Cosmetics_USA
COO	Correlation Coefficient	1.000					
Cosmetics_Pak	Correlation Coefficient	-.003	1.000				
Cosmetics_India	Correlation Coefficient	-.145	.293**	1.000			
Cosmetics_Malaysia	Correlation Coefficient	-.098	.405**	.439**	1.000		
Cosmetics_China	Correlation Coefficient	-.014	.358**	.365**	.542**	1.000	
Cosmetics_USA	Correlation Coefficient	.336**	.119	.049	.119	.271**	1.000

Source: Survey Data (2011).

*. Correlation is significant at the 0.05 level (2-tailed).
**. Correlation is significant at the 0.01 level (2-tailed).

	N	Minimum	Maximum	Mean	Std. Deviation
Fabrics_Pak	178	1.33	5.00	3.4010	.82845
Fabrics_China	178	1.00	4.67	3.0655	.88516
Fabrics_USA	178	1.00	5.00	3.1891	.81406
Fabrics_India	178	1.00	5.00	3.1442	.88571
Fabrics_Korea	178	1.00	4.67	3.3034	.84393
Electronics_Japan	178	1.33	5.00	3.3820	.79794
Electronics_Germany	178	1.00	5.00	3.3071	.87974
Electronics_Malaysia	178	1.00	4.67	3.3408	.65042
Electronics_Pak	178	1.67	5.00	3.2790	.87379
Electronics_China	178	1.00	5.00	3.2753	.88922
Cosmetics_Pak	178	1.67	5.00	3.2865	.85829
Cosmetics_India	178	1.67	5.00	3.3240	.72220
Cosmetics_Malaysia	178	2.00	4.67	3.2790	.71495
Cosmetics_China	178	1.67	5.00	3.3165	.77084
Cosmetics_USA	178	1.33	5.00	3.4138	.79884
Valid N (listwise)	178				

Source: Survey Data (2011).

Table 3.1, Correlations between Product Knowledge and Fabrics product							
		Product_Involvement	Fabrics_Pak	Fabrics_China	Fabrics_USA	Fabrics_India	Fabrics_Korea
Product_Involvement	Correlation Coefficient	1.000					
Fabrics_Pak	Correlation Coefficient	.191*	1.000				
Fabrics_China	Correlation Coefficient	.143	.412**	1.000			
Fabrics_USA	Correlation Coefficient	.065	.143	.450**	1.000		
Fabrics_India	Correlation Coefficient	-.049	-.051	.195**	.584**	1.000	
Fabrics_Korea	Correlation Coefficient	-.030	-.134	.171*	.565**	.699**	1.000

Source: Survey Data (2011).

*. Correlation is significant at the 0.05 level (2-tailed).

** . Correlation is significant at the 0.01 level (2-tailed).

Table 3.2, Correlations between Product Knowledge and Electronics product							
		Product_Involvement	Electronics_Japan	Electronics_Germany	Electronics_Malaysia	Electronics_Pak	Electronics_China
Product_Involvement	Correlation Coefficient	1.000					
Electronics_Japan	Correlation Coefficient	.043	1.000				
Electronics_Germany	Correlation Coefficient	.046	-.058	1.000			
Electronics_Malaysia	Correlation Coefficient	.056	.317**	-.169*	1.000		
Electronics_Pak	Correlation Coefficient	-.081	.140	.086	.200**	1.000	
Electronics_China	Correlation Coefficient	-.113	-.086	.072	-.027	.406**	1.000

Source: Survey Data (2011).

** . Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).

Table 3.3, Correlations between Product Knowledge and Cosmetics product							
		Product_ Involvement	Cosmetics Pak	Cosmetics India	Cosmetics Malaysia	Cosmetics China	Cosmetics USA
Product_ Involvement	Correlation Coefficient	1.000					
Cosmetics_ Pak	Correlation Coefficient	-.156*	1.000				
Cosmetics_ India	Correlation Coefficient	-.073	.293**	1.000			
Cosmetics_ Malaysia	Correlation Coefficient	.024	.405**	.439**	1.000		
Cosmetics_ China	Correlation Coefficient	.069	.358**	.365**	.542**	1.000	
Cosmetics_ USA	Correlation Coefficient	.105	.119	.049	.119	.271**	1.000

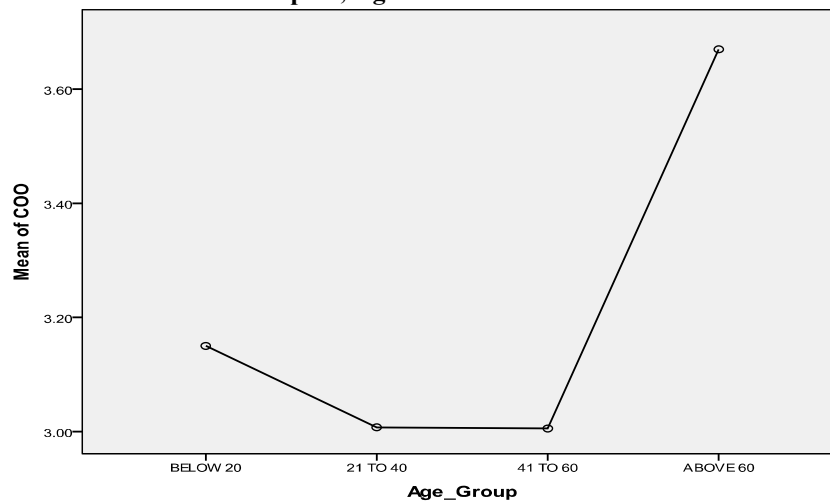
Source: Survey Data (2011).

*. Correlation is significant at the 0.05 level (2-tailed).

**. Correlation is significant at the 0.01 level (2-tailed).

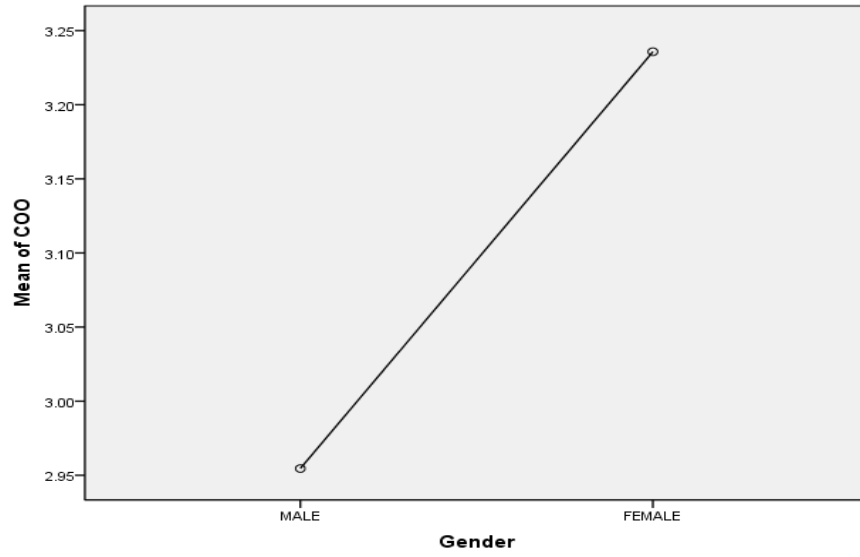
Graphs:

Graph 1, Age and mean COO.



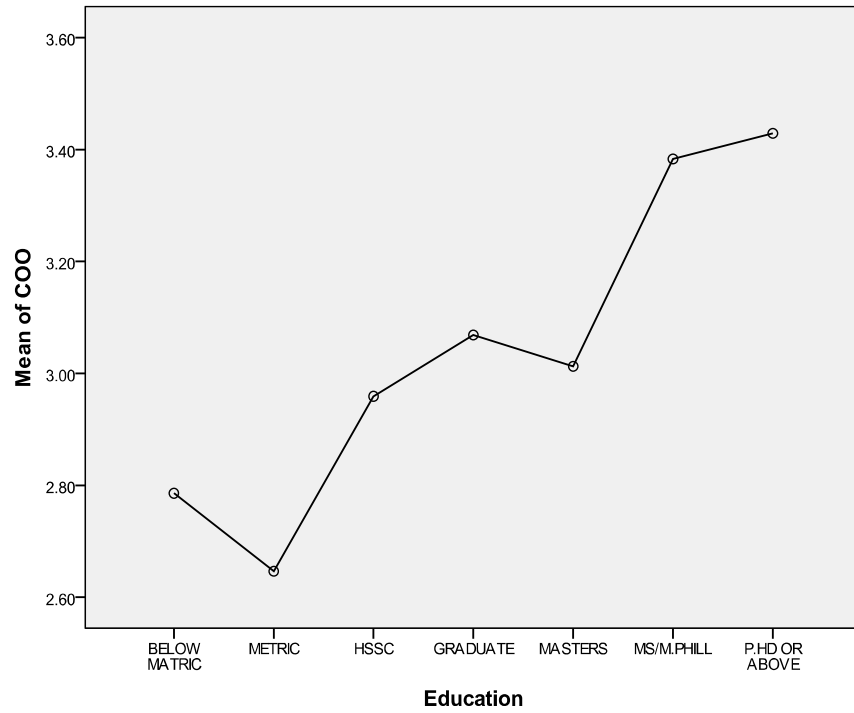
Source: survey data (2011).

Graph 2, Gender and mean COO



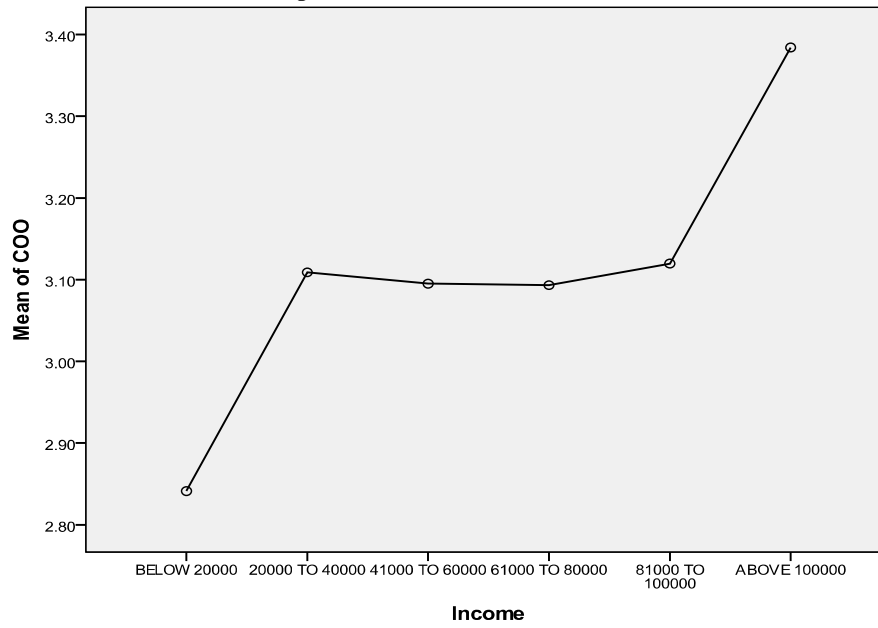
Source: Survey Data (2011).

Graph 3, Education and mean COO



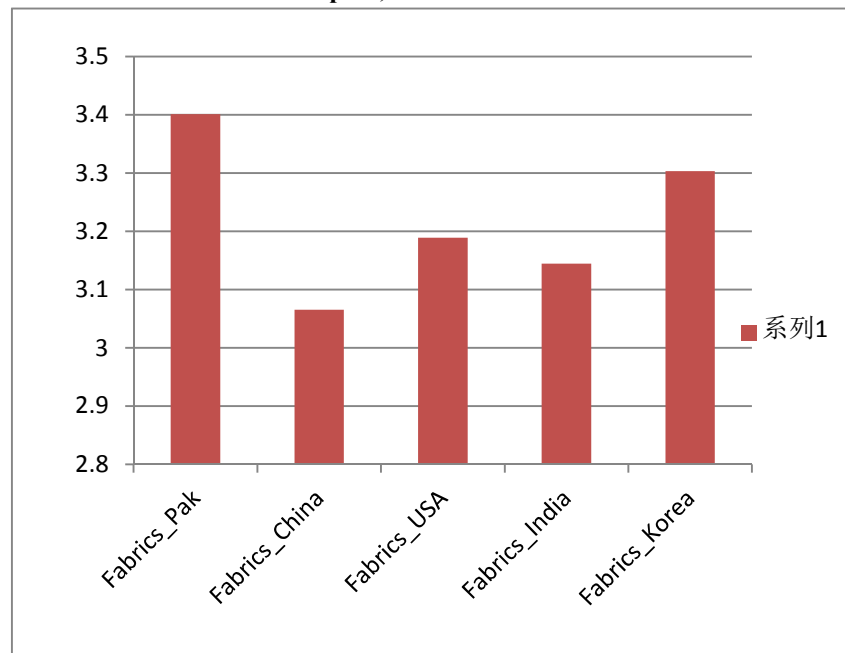
Source: Survey Data (2011).

Graph 4, Income and mean COO



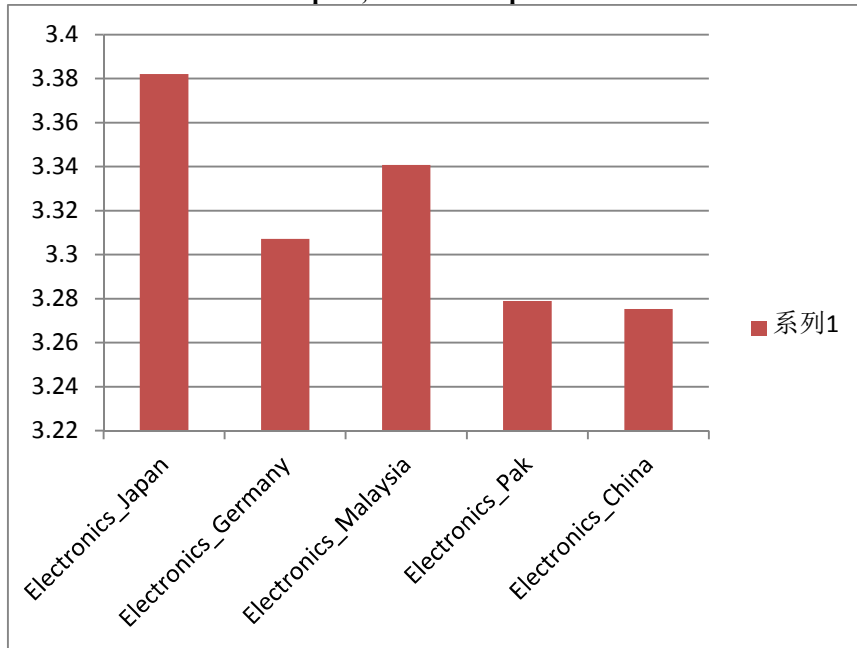
Source: Survey Data (2011).

Graph 5, Fabrics Product.



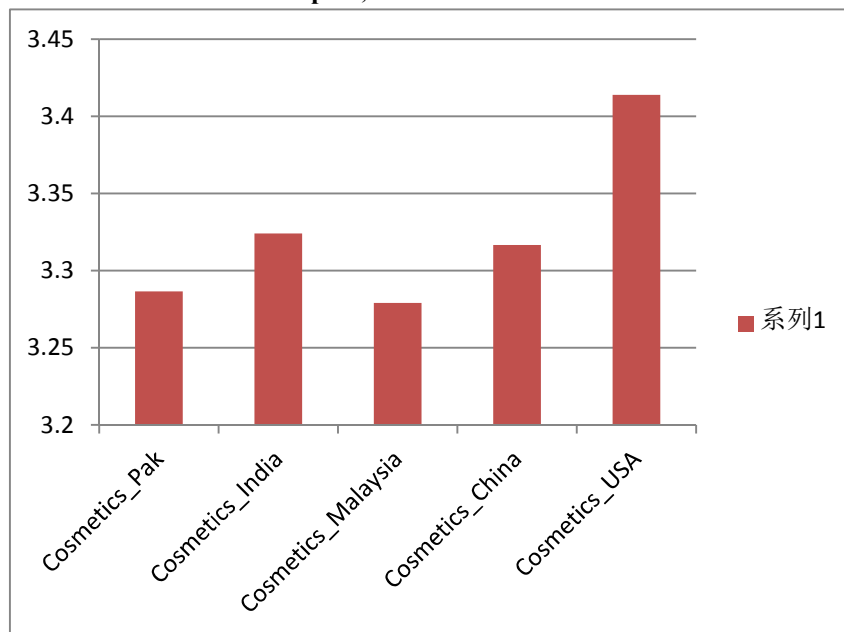
Source: Survey Data (2011).

Graph 6, Electronics products



Source: Survey Data (2011).

Graph 7, Cosmetics Products



Source: Survey Data (2011).