

Analysing malaysian consumer behaviour



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This chapter will focus three major concepts of this dissertation, which is country of origin effect, product quality, and product evaluation. In this part, academy literatures and business empirical of country of origin effects will be reviewed in order to have a closer look on the association between country of origin effect and product quality evaluation. The chapter will present a number of critical reflections on the two concepts, directly and indirectly. This part will also try to identify the characteristic of these critical literatures and special attention will be given to the alcohol beverage related country of origin researches.

More particularly, this part will take a closer look at Malaysian consumer behaviour in order to have better understanding Malaysian consumers' product evaluation on the one hand and their attitude towards developed and developing countries on the other. In the first instance, the research will collect secondary data from internet, journal, book and newspapers to proceed the research, country of origin, nation image, consumer behaviour, product evaluation, brand image were found related to purpose of the research and the author will limited the focus on these aspects while all articles and books selected are related to these aspects.

The concept and theories of country of origin effects will be mentioned in this chapter briefly. Some of the important characteristic of country of origin effects will be expressed while a few critical reflections on country of origin studies will be described. The author will try to prove Malaysian consumers use country of origin as an important cue for alcohol product evaluation prior buying decision. However, the relationship between country of origin effect

and medicated liquor remained unexplored as no direct literature can be referred. A summary will be presented sum up for this chapter.

2. 2 General View of Country of Origin Effects

The study of country of origin effect can be traced back to 1960s, an empirical study conducted by Schooler (1965) for 200 students in Guatemala and found that consumer will evaluate product according to its country of origin label when all the products attributes are similar in all aspects. In 1970s, Nagashima (1970) has defined the country of origin phenomenon as “the picture, the reputation, and the stereotype that businessmen and consumers attach to products of a specific country”. This concept has been supported by other scholars’ researches (Parameswaran and Yaprak, 1987; Han, 1989; Samiee, 1994), that is, how consumers perceive product sourced from particular country and how the information pertaining where the product is made influence consumers’ evaluation, attitude and purchase intention.

After the findings of Schooler and Nagashima, many country of origin effect study conducted by researchers from different countries ever since. Past researches which have examined the country of origin in the form of product types and attribute (e. g. Nagashima, 1970; Han, 1989; Roth and Romeo, 1992; Watson and Wright, 2000; Laroche et al., 2005; Chryssochoidis et al., 2007), brand image (e. g. Gaedeke, 1973; Feng and Xie, 2006; Hui and Zhou, 2003, Kuobaa, 2008), brand equity(e. g. Pappu et al., 2006;), reputation (e. g. Maronick, 1995; Lyden, 2005; Leonidou, 2007; Torres and Gutierrez, 2007), purchase intention (e. g. Piron, 2000; Vesile, 2008), price (e. g. Dodds

et al., 1991; Chen, 2004; Fan, 2007) , product quality and life cycle (e. g. Bilkey and Nes, 1982; Niss, 1996; Thakor and Lavack, 2003) as well as information (e. g. Hong and Wyer, 1989; Liefeld, 2004; Paswan and Sharma, 2004) from house hold consumer and organization buyers.

Much of the studies indicated that country of origin effect influence consumers' product evaluation. Consumers weigh the product based on information and individual experience before purchase decision. Obviously, it is considered that most of the researchers agreed that consumer use country of origin to stereotype product from particular country (Bilkey and Nes, 1982; Erickson et al., 1984; Wall et al, 1991; Roth and Romeo, 1992). Researchers believe consumers use individual subjective preference to evaluate product quality rather than impersonal knowledge and information on the product. Thus, country of origin image can be considered as a very important extrinsic cue for consumers during the product evaluation process. Consumers' perception towards a product's country of origin can influence their purchase decision.

More broadly, Country of origin has been developed as “ Halo effect” and “ summary effect” (Han, 1989). It also partitioned into cues such as “ country of manufacture”, “ country of design”, “ country of assembly” and “ country of brand” (Chao, 1993; Ulgado and Lee, 1993; Roger et al., 1994).

Researchers also found that country of origin had been used as an extrinsic cue that acts as a risk mitigant or quality cue for consumers, particularly when it is not easy to assess the intrinsic value of a product (Samiee, 1994; Thorelli et al., 1989; Cordell, 1992). Based on the development mentioned on the above, definition of country of origin can be interpreted as “ any

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influence that the country of manufacture, assembly, or design has on a consumer's positive or negative perception of a product" (Insch and McBride, 1998).

For customers who have limited product knowledge and less involvement of the product information, they often make simple and quick judgment about product quality on the basis of extrinsic cues, which including country of origin. Country of origin image helps them to simplify the purchase decision process and reduce purchase decision risk, so that easier for them to make " a subjectively reasonable decision" when they have no experience or information with the product (Muhlbacher et al., 2006). However, when consumer are educated and be informed, country of origin effect will be reduce and become weak (Czinkota and Ronkinen, 2004). This is because there are so many brands in the market and when the product is unknown, making decision is difficult and painful (Pfister, 2003). Some consumers are preferred to use " short cut" as key reference for buying decision (Duhan, 1999; Chaney, 2002). Country of origin has been used as a cue to help consumers to reduce dissonance during the purchasing progress and being an indicator for product quality (Lockshin and Rhodus, 1993; Lascu and Babb, 1995) as well as to lower purchase risk (Akaah and Korgaonkar, 1988).

Consumers evaluate a product on the basis of intrinsic and extrinsic cues (Bilkey and Nes, 1982). However, when consumers' product knowledge is limited and unable to evaluate product quality by intrinsic cues, extrinsic cues, for instance, country of origin, brand name, and price; will be used as key reference on quality evaluation. The finding of use of country of origin as major extrinsic is consistent with Ahmed and Johnson's (2004) study.

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However, when the product information is accessible and adequate, where the product manufactured is doesn't matter (Erickson et al., 1984).

Moreover, difference level of product knowledge or product experience will influence or bias consumer's purchase intention (Park and Lessig, 1981). It was found that when consumer are not familiar with a country's product, country of origin image will serving as a " Halo Effect" to consumers to infer product attributes and influence product's their brand attributes indirectly. However, when consumers are familiar with a product from particular country, country image will de served as a " Construct" so that they will summarize their belief towards product attributes and directly affects their brand attitude (Han, 1990).

Brand from countries that having favourable image are generally well accepted by consumers compare to those from less favourable countries. A positive national image can reduce cost of marketing and a poor national image may multiple the cost of operation (Ramo Cooper, 2007). However, if a brand is strong enough, the influence of the country of origin effects may be able to overshadowed (Ahmed and d'Astous, 1993).

Nonetheless, some consumers tend to have or bias about product and countries that have been influenced by rumours, myths, subjective perception and personal experience (Cateora and Graham, 2002). Especially when information or quality of product is unavailable or unknown, consumer's evaluation toward product will based on information that they guess, know and remember (Monroe and Lee, 1999).

At the point of purchase, consumer needs product knowledge, information, and experience to be able to evaluate product quality. When product knowledge, information, and experience about a product are limited, country of origin is more likely to be taken as a key reference for product evaluation. Literatures have identified that the linkage between product evaluation and country of origin effect is tend to be direct and strong.

Scholars found that developed countries are having a positive nation image, while products made in less developed countries were not evaluated as quality products (Schooler, 1965). A positive nation image will influence consumer to make a favourable evaluation on a product from the particular country. In construct, the images of developing countries are relatively poor. A negative nation image will convey a negative message on consumers' product evaluation, so that stereotype or bias is created. In other word, when a particular country's nation image is becoming more remarkable, no matter positive or negative, consumers are more easily to generate a correlation between a product made by the country and its nation image. If consumers accepted quality or performance of a product from particular country, they will extend their individual perception or subjective perception to other products made by the same country.

2. 3 Malaysian Consumer Behaviour and Country of Origin Effects

Researchers in the area of international marketing have suggested that country of origin has influence consumers' products evaluation (Bilkey and Nes, 1982; Samiee, 1994). However, does country of origin effects matter in a developing country such as Malaysia? Studies had found that country of

origin has significant effects in both less developed and developing country such as Bangladesh, China and Malaysia (Rahman, 2001; kaynak et. al. 2000; Sohail, 2005; Balestrini and Gamble, 2006; Yasin et al., 2007, Ghazali, 2008). Some studies show that country of origin does not transform to purchase intentions (e. g. Rahman, 2001), other studies indicated that consumer pay much more intention to country of origin when they purchase products for special occasion (e. g. Balestrini and Gamble, 2006; Ghazali, 2008).

It is reported that Country of origin effect significantly influenced consumers' perception of product in less developed country such as Bangladesh. Less developed countries' consumers generally perceived that products from developed country is stand for good quality and products from developing countries will be seen as less desirable in quality (Rahman, 2001; kaynak et. al., 2000). Indeed, the impact of country of origin on Malaysian consumers' perception of product has not been widely study until the recent years. Several researches from Arab Saudi and Malaysia have extended their effort to have a clear picture of country of origin effect towards Malaysian consumers in evaluating product from different country sources.

Is country of origin important towards Malaysian consumers' purchase intention? Studies had shown that Malaysian consumers are more likely to use the country of origin of a product as a cue when they evaluate automobiles (Sohail, 2005). Malaysia consumers tend to use different sources of information for product evaluation, such as newspaper and television. Malaysian consumers are more likely to use the origin of a product as a cue for evaluating products from different countries based on

different product dimensions (Sohail, 2005). Malaysian consumers have different preferences for product based on country of origin. It is reflected that Malaysian consumers accepted quality or performance of a product from particular country, for instance, German car is perceived as good quality. Malaysian consumers are believed will extend their individual perception or subjective perception to other products made by the same country (Sohail, 2005). These findings is consistent with Han's (1989) " Halo effects".

Similar to Sohail (2005), another country of origin effect study conducted by Ghazali et al. (2008) had indicated that Malaysian consumers attach the country of origin information to the quality of a product. They are inclined to attribute higher quality to product made in developed countries. Country of origin would be considered as an important cue during Malaysian consumers' purchase decision. It is believed that Malaysian consumers believe development of social and economy determine the quality of a product. However, the average Malaysian consumers are not likely to take country of origin as cue to assist purchase decision making as other product attributes take precedence, such as quality, price and technology. (Ghazali et al., 2008). This is because Malaysian consumers are considered very price sensitive. They are more concerned with the price rather than the quality and performance of the product. However, when all product attributes become similar and less differential, they may take country of origin as a cue to judge the quality of a product. The research also found that Malaysian believe developed countries are having a positive nation image and the images of developing countries are relatively poor. They prefer product

produced in developed countries rather than developing and less developed countries. This is consistent with Schooler's (1965) findings.

Apart from taking country of origin as single cue, Yasin et al. (2007) study Malaysian's perception toward country of origin in different way. They attempt to explore the effects of brand's country of origin image on the formation of brand equity. Their study had argued that country of origin is having significant influence on brand loyalty and brand awareness/associations, which mean country of origin plays an important role in Malaysian consumers' purchase decision, particularly those countries with positive image helps create positive attitude towards the brand. Yasin et al. (2007) findings have given a strong support to Sohail (2005) and Ghazali et al. (2008).

However, there is no direct research of country of origin effects on alcohol beverage conducted in Malaysia. Although the studies mentioned on the above has drawn a clear picture on Malaysian consumers' perception of country of origin effects, but experiment products are limited to industrial products such as household electrical appliances, electronic devices and automobiles, alcohol beverage product, especially medicated liquor are not included. Due to religion reason, the researchers mentioned on the above are Muslims. They are too sensitive to research "non-halal" items. Thus whether country of origin effects may influence medicated liquor would greatly depend on how well the non-Muslim consumers realize the effects of country of origin when purchasing medicated liquor. This research therefore to explore Malaysian Chinese consumers' medicated liquor purchasing

behaviours and investigating the effect of country of origin on they liquor quality evaluations.

2. 4 Alcohol Attributes and Country of Origin Effects

As mentioned on the previous section, the effect of country of origin on medicated liquor has not been examined in the business and marketing literature yet. However, two of the alcohol products, red wine and beers, has been experimented by few researchers (e. g. Balestrini and Gamble, 2006; Li et al., 2006; Wang et al., 2006, Schaefer, 1997). These empirical studies shown that country of origin can affect alcohol product consumer's perception of a product's quality. In addition, consumers' attitudes toward a alcohol beverage products and their purchase intentions were influenced by country of origin effects significantly. Although country of origin effects on wines and beers have not direct relation with medicated liquor, however there are considered as very good empirical reference for this dissertation.

When consumers buy product they are not just buying the simple functional aspect a product offer, there are other complexities involved in the purchase (Baines et al., 2008). Consumers may vary their cognition towards different products from same country (Halfhill, 1980; Han and Terpstra, 1988). For example, consumer esteem French fashion as very high quality products, however they may not do the same evaluation on French electronic products. This is because of influence of product attributes are playing a critical role in the interaction between the country of origin image.

In terms of alcohol beverage product, taste, quality and the image of drink is the major concerned for Chinese consumers (USDA, 1998). Studies

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conducted by USDA (1998, 2005) indicated that alcohol beverage purchases by Chinese fall largely into two categories: private home consumption or gift purchases. Historically, liquor and wine have played a critical role in Chinese society and culture (USDA, 2008).

When choosing an alcohol beverage as gift for special occasion, Chinese consumers are generally concern about its social and gratitude value as this mostly presented to relatives and friends as well as business partners for purposes of build up good relationship or to show off. A wine studies conducted by Yang (1989) showed that Chinese consumers buy a product for its social, symbolic value. In other words, gift giving is a extent of “ Guanxi” or “ relationship”, which is refers to generating or building strategic connection or delivery of commitment between two parties (Yan, 1996; Mauss, 1954).

In terms of purchasing of alcohol beverage, researches shown that product attributes interactive with country-of-origin image significantly. Balesttrini and Gamble (2006) indicates that Chinese wine buyers attach much more importance to country of origin information when wine is purchased for special occasions rather than private consumption. The research also showed that country of origin information is much more important than the price whilst slightly more important than the brand when consumers evaluating wine quality. Their findings are supported by Wang et al. (2006) as they found country of origin and price influenced Chinese consumers’ wine evaluation significantly. Another studies conducted by Li et al. (2006) also confirmed that Chinese customers consider country of origin as the most important factor in their wine evaluation when single-cue is applied. In <https://assignbuster.com/analysing-malaysian-consumer-behaviour/>

addition, the study indicated that country of origin is more important than brand as a wine quality indicator for product evaluation. It is playing an important as well when Chinese consumers evaluating wine for give giving than own consumption (Li et al., 2006).

In general, country of origin image is important than other cues such as price for beverage evaluation before a purchase decision. It is true that medicated liquor is different from wine, but medicated liquor is similar to wine as its quality only accessible after consumption (Chaney, 2000). Medicated liquor is difficult to be accessed in presentation prior purchase, thus consumers must rely on extrinsic cues, such as worth and mouth communication, brand name, advertisement or country of origin image (Balestrini and Gamble, 2006). USDA (1998, 2009) and Chaney (2000) indicated that the country-of-origin of wines can also be a key element in affecting consumer decision-marketing.

Malaysian are sharing similar gift giving culture with the mainland Chinese. Medicated liquor is one the important item of Malaysian gift giving culture as it enjoys an ever-growing reputation as a sophisticated, high-end product that should be indulged in as part of a modern, healthy and affluent lifestyle. It is also refers to wishing people being in good health and express good wishes for long life. This dissertation suggested that Malaysian consumers' behaviour and product attitude towards medicated liquor may be similar to Chinese consumers' behaviour and product attitudes towards wine. Thus this research proposes that country of origin effects may influence Malaysian medicated liquor consumers on product quality evaluation when they purchase the product for social occasion or self consumption.

2. 5 Product Evaluation and Country of Origin effects

Country of origin is believed has positively influence consumer's perception of product quality (Han and Terpstra, 1988). Consumers' view of country of origin is equated to attitudes towards product evaluations (Nagashima, 1970). In existing literature, there are a lot of studies on the mutual effect of product evaluation and country of origin effect. Questions related to relationship between product quality and country-of-origin effects have been approached in depth (Wall et al. 1991; Ahmed and d'Astous, 1993; Ettenson et al., 1988; Hastak and Hong, 1991). It seems widely accepted that quality perception and country-of-origin are correlated and as major reference factors for consumer prior purchase decision when they are unable to manage true information of unknown products.

Past researches also found that country of origin effects influence consumers' preference differently in the case of high and low involvement products (Saffu and Scott, 2009). Consumer will rely on country of origin cue when evaluating low involvement product than evaluating a high involvement product (Schaefer, 1997).

Quality perception was also directed affected by country image. When a country's image includes a strong effective component, its direct influence on product evaluation is stronger than its influence on product beliefs (Laroche et al., 2005). Alternatively, when a country's image has a strong cognitive component, its direct influence on product evaluations is smaller than its influence on product beliefs (Laroche et al., 2005). In other words, the structure of country image influences product evaluations both directly

and indirectly through product beliefs (Laroche et al., 2005). For instance, U. S. consumers are willing to pay more for made-in-USA products over Chinese products across 11 product categories and they willing to pay premium to the products from developed country rather than less developed country. This is because consumers feel that products and brands from developed countries with good image are more reliable than brands and products manufactured by developing countries with less favourable image (Drozdenko and Fensen, 2009). A study conduct by Quester et al. (2000) on Australian and New Zealand purchasing agents also shown similar phenomenon, that is, country of origin was found to influence product quality perceptions. When the purchasing agents source products internationally, country of design and country of assembly information will influence them in judging quality.

On the other hand, gender group and income group also plays important role in perception of country of origin effect towards product quality. Hoffmann (2000) conducted a research on country of origin effect toward Swedish consumers' perception towards fresh meat. A very interesting finding of the study is that, women use country of origin as a quality cue than men in terms of evaluating food quality and food safety. Furthermore, the study found that consumers with low incomes tend to use country of origin more extensively than consumers with high incomes. For those high incomes group, a product's country of origin has a stronger effect when considering luxury products (Piron, 2000).

Some finding in the extant literature indicated that product evaluation also affected by country of origin through product information and consumer

knowledge. When product information is clear and accessible, consumers who have experience with a product will evaluate the product based on the product's information. When consumers have limited information about the product, country of origin will be taken as critical cue for product quality evaluation (Maheswaran, 1994).

Han (1989) modelled country of origin image and beliefs as operation independently on product attitudes, depending on the consumer's knowledge state. Previous research concluded that when consumers have high level of product knowledge, stereotyping will not be used by them as a cue for product evaluation as they understand the quality of the product very well (Alab and Hutchinson, 1987; Rao and Monroe, 1988). Thus, intrinsic cues will be used for quality evaluation, while influence of country of origin effect is weak. Schaefer (1997) has conducted a research to investigate how knowledge affects consumers' use of country of origin in evaluating an alcoholic beverage. It is indicated that brand familiarity and objective product knowledge has significant influence on use of country of origin cue in product evaluations. In addition, product country knowledge can increase consumers' reliance on country of origin in judging a product.

Nonetheless, stereotyping process will affect consumers' evaluation of products when consumers' product knowledge is lacking while other product-specific information is not easily available. Therefore, extrinsic cues will be taken as key reference and influence of country of origin will become strong. In other words, consumers may consider country of origin as important cue for their product evaluation when they are not familiar with the product categories and are less involved with the product they are evaluating

(Jpsassen et al. 2008). Furthermore, Chattalas (2008) findings supported Alab and Hutchinson (1987) and Rao and Monroe (1988) arguments. His study shows that computer expert or highly computer science knowledgeable consumers were found to use a country hierarchy but placed a greater importance on brand name and quality. Computer novices are more relied on country of origin image and used the brand name to counteract a poor country image. This argument also supported by Schaefer (1997) study.

However, a few researchers do not agreed with the statement of country of origin influence product evaluation. Wong et al. (2008) conducted a research on the effect of country of origin subcomponents (e. g. design, assembly and parts) on young Chinese consumers with regarding to product quality and purchase intention. He found that country of origin did not influence young Chinese consumers' evaluation of product quality or purchase intentions because they perceive a hybrid product with multiple countries of origin sources as a norm for high involvement products. Kim (2006) conducted a country of origin research on Samsung and found that it is very hard to differentiate the product image from the country image while country image did not showcase any significant impact on brand image and purchase intention. D'Astous and Ahmed (1999) also pointed out that country of origin is a much less important attribute for both shoppers of video cassette recorders and consumers than brand reputation on design and assembly capabilities. In addition, country of origin is much less important attribute than brand reputation. Besides, Piron (2000) confirmed that a product's

extrinsic cues, such as country of origin, are less important than intrinsic cues, such as reliability and performance.

Since marketers believe that consumers' perception of a certain country image may influence their evaluation of the quality of the product from that country of origin, the arguments mentioned above seem challenging. The effect of country of origin and the country of origin effect is acting as a key factor in influencing consumer perception towards a certain brand from that country of origin and become one of the major references in determining consumer's purchase intention.

Research on the relationship between country-of-origin and the evaluation of quality in medicated liquor is very scanty. However, Lockshin and Rhodus (1993) found that country-of-origin is referred to as an indicator of quality of wine when consumers are unable to detect the true quality of a country's wine. These findings are later supported by Elliot and Cameron (1994) and Duhan (1999). Balestrini and Gamble (2006) also found that Chinese wine consumers use country of origin to evaluate wine quality. These empirical researches might be a very good support to this study as it is proven that alcohol products are influenced by country of origin effects. However, the effects on medicated liquor are yet to be justified.

2.6 Summary

Literatures reviewed in this section have indicated that country of origin effects influence consumers' product evaluation. Researches have shown that consumers use country of origin as a major factor for evaluating product quality when they are not familiar with product categories, low product involvement

and lack of product knowledge. It is generally agreed that consumers from less developed and developing country are perceived product produced in developed country are higher quality than product from developing country. It is confirmed that Country of origin effects has significant correlated with alcohol beverages' quality evaluation, such as wine and beer. However, a still unsolved issue in the study of country of origin is whether the country of origin effect is the major cues for Malaysian consumers to evaluate medicated liquor quality and buying intention.