

**THE IMPORTANCE OF COUNTRY-OF-ORIGIN  
INFORMATION ON PRODUCT EVALUATION: A  
STUDY OF SOUTH AFRICAN CONSUMERS**

By

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## DECLARATION

I declare that this research is my own work. I have acknowledged sources referred to in full. It is submitted for the degree Masters in Business Administration at the University of Natal, Durban. It has not been submitted before for any degree or examination in any other university.

Signed..........

Date.....15/09/2003.....

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## **ABSTRACT**

International trade activity is becoming an increasingly more important part of the world economy, and it is recognized that there is a greater necessity to gauge consumers' attitude toward both domestic and foreign products (Netermeyer, Durvasula, and Lichtenstein, 1991). Research in this area has focused on what is termed the country of origin effect, that is, investigating how consumers perceive products sourced from a particular country (Roth and Romeo, 1992). Substantial portions of country of origin studies so far have focused on the consumer behavior of people in developed countries. However, because multinational companies around the world have expanded their operations in various developing countries, it is now relevant to examine this phenomenon in the developing world.

This dissertation examines the importance that South African consumers place on country of origin information and how they perceive the quality of products made in various countries, namely the United States, Japan, the United Kingdom, China, India, and South Africa. Further more, this study examines the ethnocentric tendencies of South African consumers and the influence of demographical factors on consumer perception as well as the evaluation of domestic versus foreign products in South Africa. One hundred and seventy-six questionnaires were distributed to employees of the University of Natal both Durban and Westville campuses and of this total, one hundred and thirty-three questionnaires were returned. This represents a response rate of seventy-six percent. Data was analyzed using SPSS software.

Statistics analysis of the results showed that South African consumers do indeed attach importance to country of origin information and that their evaluation of products is influenced by their perception and image of different countries. In line with previous research, the results indicated that consumers perceived products from developed countries as being of higher quality than products from developing countries. But they also exhibited a positive attitude towards South African products. This contradicts previous research findings whereby consumers in developing country perceive local products negatively. The result also revealed that price, country of origin, and brand are important to South African consumers before they consider purchasing decisions.

Furthermore, the result indicated that South African consumers tended to be ethnocentric. Ethnocentrism scores, however, couldn't be generalized for all segments of the population. Differences were found based on sex, education and age. Young, educated, female consumers demonstrated less ethnocentric tendencies than other segments implying that this segment represents the best target groups for overseas manufacturers and marketers.

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# CHAPTER ONE: INTRODUCTION

## 1.1. Introduction

International trade activity is becoming an increasingly more important part of the world economy, and it is recognized that there is a greater necessity to gauge consumers' attitude toward both domestic and foreign products (Netermeyer, Durvasula, and Lichtenstein, 1991). As companies eagerly expand outward and attempt to sell their products overseas, their success depends on the acceptance of those goods by consumers in different countries. Even though some marketers would prefer that consumers make their choices based on objective product attributes, evidence indicates that the country-of-origin of the product has a significant effect on people's purchases (Johansson, Douglas and Noknaka, 1985). However, most of these studies have been conducted in developed countries.

This study examines the importance that the people of Durban place on country-of-origin information and how they perceive the quality of products made in specific countries, such as the United Kingdom, India, Japan, China, the United States, and South Africa. Furthermore, this study examines the influence of demographical factors on consumers' perceptions and evaluations of domestic versus foreign products in South Africa.

This initial chapter will present the background information of the study and also the motivation for it. This will be followed by a discussion of the value of the study and its problem areas. This will then lead to the purpose and research methodology of the study. Finally, it will present the limitations and the structure of the research.

## **1.2. Background Information**

The rapid globalisation of markets has brought about unprecedented growth in world trade over the last few decades. Concurrent with such phenomenal growth in world commerce, is the expanding body of research on the country-of-origin in the international business and marketing literature (Mohamad, Earl and Tybkhan, 2000). Results from a large number of marketing studies conducted in consumer and organizational settings indicate that product evaluations are significantly affected by knowledge of where the product was made, that is, its country-of-origin (Wang and Lamb, 1983; Zhang, 1996; Geadeke, 1973; Cattin, Jolibert and Lohnes, 1982).

South Africa, with a total area of 1,219,912 square kilometers, situated in the Southern region of Africa is a developing country. The country has a population of approximately 43 million, with per capita GDP of US\$6,900 with contributions from the following sectors: agriculture 5%, industry 35% and services 60%. The South African economy is that of a middle-income, developing country with an abundant supply of resources, well-developed financial, legal, communications, energy, and transport sectors, a stock exchange that ranks as the 10<sup>th</sup> largest in the world, and a modern infrastructure supporting an efficient distribution of goods to major urban centres throughout the region. In 2000, the country's export of goods and services total R268 929 million while total imports of goods and services total R 265 557 million. The main trade partners of South Africa are: the United Kingdom, the United States, Germany, Italy, Japan, Belgium, India, and China (Jackson, 2001:135-136).

The South African economy has exhibited a fundamental strength, stability and resilience in the post-apartheid era. The government of South Africa has made remarkable progress in consolidating the nation's peaceful transition to democracy. The government has also demonstrated its commitment to an open market, privatisation and a favourable investment climate with its release of the crucial Growth, Employment and Redistribution (GEAR) strategy (Countries of the world and their leaders yearbook, 2002:1177). This development has created opportunities and attracted many global firms wishing to operate in South Africa. In the last eight years, a great number of joint venture projects

between South Africa and several other countries have been taken place (Africa South of the Sahara, 2002). To penetrate these newly emergent markets successfully, marketers must understand the varying needs and preferences of consumers. An assessment of consumers' product perceptions is pertinent in assessing consumer demand. Consumer beliefs about the country-of-origin of the products can be an important factor influencing consumers' purchase decisions (Zain and Yasin, 1997:138).

Substantial portions of country-of-origin studies carried out so far have focused on the consumer behaviour of people in the developed countries of Europe and North America. The demand for many consumer goods is reaching saturation point in these developed economies, and companies from these countries are searching for market opportunities in the emerging markets like South Africa (Kaynak, Kucukemiroglu and Hyder, 2000:1225). However, there has been little if any research carried out on this topic in South Africa. The objective of the research therefore is to determine the importance that the South Africans, in City of Durban, place on country-of-origin information and how they perceive products originated from different countries.

### **1.3. Motivation for the Study**

Consumer attitudes towards foreign products, and the corresponding marketing practices in a global marketplace, have been one of the most interesting topics in "country-of-origin" literature (Erickson, Johansson and Chao, 1984; Johansson, Ronkainen and Czinkota, 1994). The interest in such a subject is not surprising, since consumer attitudes towards foreign products, and associated marketing efforts, have been believed to be very important influences on purchasing behaviour (Samiee, 1994). This perspective is an important tool used by managers in determining successful marketing strategies, especially for international markets that are aggressively dynamic and competitive.

Extant country-of-origin research has contributed substantial degree of knowledge about consumer attitudes in various countries towards foreign products and corresponding marketing strategies. In addition, it has provided significant insights into the importance of such knowledge for the determination of successful international marketing strategies

(Mohamad, Earl and Tybkhan, 2000). However, empirical research on the attitudes of consumers in developing countries towards foreign products, and associated marketing practices, is somewhat limited. This limitation exists even though multinational enterprises around the world have expanded their operations in various developing countries and have been faced with the challenge of managing the competitive interaction of a firm's products with foreign products (Roth and Romeo, 1992).

The development and sustenance of the domestic manufacturing sector in South African ultimately depends on the willingness of consumers to purchase locally manufactured products. Easy availability of imported brands, many of which have achieved enviable market positions worldwide, presents a difficult challenge for domestic manufacturers. This is all the more salient in all developing economies where the manufacturing sector is more undeveloped. The development of the manufacturing sector in such economies is hampered by the fact that consumers in those economies view domestic products less favourably than products from more advanced countries (Ettenson 1993, Kaynak, Kucukemiroglu and Hyder, 2000).

In recent years, consumers in developing countries have had increased access to a wide variety of products and services from other countries. Furthermore, with the advance in satellite communication, travel, television outreach and internet access as well as increased education, consumers are becoming more aware of the range of products available throughout the world (Kaynak, Kucukemiroglu and Hyder, 2000:1221). While many studies have investigated the importance of a product's country-of-origin in consumer choice in developed countries, very few studies have investigated this phenomenon in developing economies and few, if any at all, in developing African countries. As a result, it is essential to examine the importance South African consumers place on country-of-origin information, and their perceptions towards foreign and locally made products.

## **1.4. Value of the Study**

As indicated, previous studies on product perception based on the country-of-origin concentrated much on developed countries. This study will concentrate its efforts on investigating South African consumers' perceptions about this topic from a developing country's perspective.

The findings of this study provides:

1. South African marketing managers with a useful insight on how consumers perceive products from other countries as well as locally manufactured products.
2. Useful information for both importers and exporters in selecting their target market and formulating appropriate marketing strategies. The prejudice against imported products is a barrier for multinational marketers to overcome, but it is also a favourable factor that domestic manufacturers can take advantage of it.
3. Insight for marketing practitioners to take care in choosing the place of assembly of their products.
4. Lessons for domestic producers to develop separate marketing strategies for the imported products from developed and less developed countries, rather than just dealing with the imported product under the general term "foreign".

## **1.5. Problem Statements**

Increasing domestic competition and saturated local markets are forcing several companies to consider marketing their products in foreign countries. As companies eagerly expand outward and attempt to sell their products overseas, their success depends on the acceptance of those goods by consumers in different countries. Although some marketers believe that consumers make their choices based on objective product attributes, evidence indicates that country-of-origin of the product has a significant effect on people's purchases. The prejudice against imported products is a barrier for

multinational marketers to overcome (Johansson, Douglas, and Noknaka, 1985). Ignoring the effects of country-of-origin information on consumers' product evaluation would result in an ineffective marketing strategy.

In conducting this research, the researcher has sought to answer the following questions:

1. Do South African consumers rely on country-of-origin information in evaluating products?
2. Do demographical factors such as age, gender, education and income have an influence on consumers' perception towards domestic versus imported products?
3. Do South African consumers regard country-of-origin information as the most important extrinsic cue relative to price and brand before considering purchasing specific product categories?

## **1.6. Objectives of the Study**

The objectives of this study are:

1. To determine to what extent the country-of-origin information has value to South African consumers.
2. To identify whether South African consumers' decision to purchase cars, electronic items and clothing is influenced by "Made-In.."\* labels.
3. To identify the relative importance of country-of-origin information in relation to price and brand to South African consumers.
4. To determine South African consumers' ethnocentric tendencies.
5. To determine whether demographical factors (age, gender, education and income) influence consumers' perception of imported versus domestic products.
6. To make recommendations to local manufacturers, exporters, and global marketers

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\* 'Made In' can mean manufactured-in but assembled, designed, or invented-in, made by a product whose domicile is in (Papadopoulos, 1989).

7. To identify future research needs based on findings.

## **1.7. Overview of Research Methodology**

Data was collected via a self-administered survey from a convenience sample. Respondents were drawn from the University of Natal, and University of Westville and were residents of the city of Durban, South Africa.

A structured questionnaire, with adapted sections from earlier studies, was utilised to collect data. This is dealt with in greater detail in Chapter Three. Responses were measured using a 5-point Likert Scale, which has been widely used to measure consumer attitudes. The 5-point Likert Scale was used to measure South Africa consumer perceptions of the importance of country-of-origin information dimensions; consumers' perceptions of quality; and consumer ethnocentric tendencies. Furthermore, the Likert Scale was used to gauge the importance of country-of-origin information relative to other extrinsic cue such as price and brand.

## **1.8. Limitations of the Study**

The following factors have been identified as limitations to the outcome of the study.

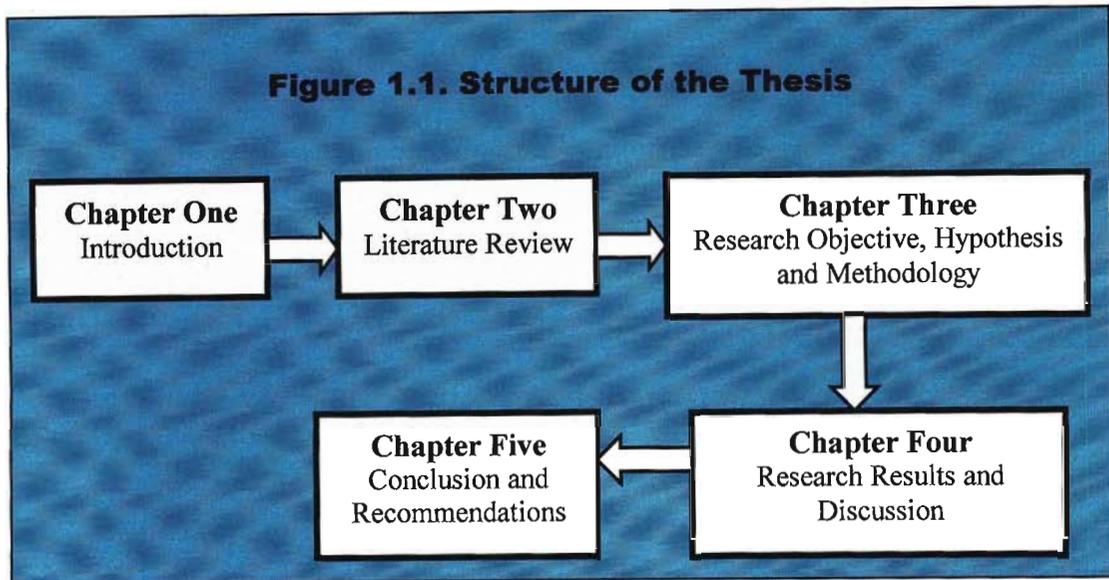
1. Some studies indicated that consumers from different geographic regions might view perceived country-of-origin images differently. However, due to time and budget limitations in this research paper, all the respondents were selected from the city of Durban, Kwazulu-Natal province.
2. In this research respondents were given only written reference to products, not a tangible product or picture stimulus. One cannot be sure what respondents have in mind when such evaluations are given. For example, if a respondent has been asked to evaluate the quality of an intangible television made in Japan, he/she might not be sure exactly which brand he/she has been asked about. As a result, his /her response might not reflect the right perception of the specific brand.

3. The data collection technique that the researcher used in this research, which is a self-administrated survey, may be vulnerable to haloing biases (Cooper and Schundler, 2001).
4. Because of time limits, this research is a cross-sectional rather than longitudinal study.
5. Non-probability sampling techniques don't provide estimates of precision.
6. In this study a limited number of product categories were used to evaluate South African consumers quality perception of products which originated from various countries. Additional research involving other product categories is required to reveal what aspects of products determine whether or not the country-of-origin is important in product evaluations.
7. In a study of this nature, there is often a discrepancy between what people say and how they actually behave. Respondents may favor domestically made products in a study because it is perceived as patriotic. If, however, consumers do not pay attention to the country-of-origin of a product at the time of purchase then this factor's effects may be exaggerated, no matter what approach is used for studying the phenomena (Okechuku, 1994).

## **1.9. Structure of the Research**

As shown in Figure 1.1, this thesis is divided in to five chapters and it intends to provide a better understanding of the influence of country-of-origin on consumers' product evaluations. The first chapter provides brief background information about the study. It explains why this type of research is conducted in the first place. The apparent relevance of country-of-origin has given rise to a large number of studies that investigate its effect on consumer behaviour. Chapter Two presents a review of prior research in this area. A literature review provides first insights into the different ways in which country-of-origin may affect consumers' product judgments. In addition, it highlights a number of empirical generalizations with regard to the country-of-origin effect. Chapter Three focuses on a brief discussion of and justification of each hypothesis of the study. It also expands on the research methodology used in the study. Chapter Four contains data

presentation and analysis, including an interpretation of findings. The final chapter provides conclusions and recommendations.



## 1.10. Summary

Results from a large number of marketing studies conducted in consumer and organizational settings indicate that product evaluations are significantly affected by knowledge of where the product was made, that is its country-of-origin (Wang and Lamb, 1983; Zhang, 1996; Zain and Yasin, 1997; Cattin, Jolibert and Lohnes, 1982). A substantial portion of country-of-origin studies to date has focused on consumer behaviour of people in the developed countries. Empirical research on the attitudes of consumers in developing countries towards foreign products, and associated marketing practices, is somewhat limited. This limitation exists even though multinational enterprises around the world have expanded their operations in various developing countries and have been faced with the challenge of managing the competitive interaction of a firm's products with foreign products (Roth and Romeo, 1992; Kaynak, Kucukemiroglu and Hyder, 2000).

This study examines the importance that consumers in developing countries, South African place on country-of-origin information in their evaluation of and their perception toward foreign and domestic products. A structured-questionnaire, with adapted sections from earlier studies, was utilised to collect data. Responses were measured using a 5-point likert scale.

The findings of the study have implications for domestic manufacturers, foreign manufactures, marketers, and other channel intermediaries doing or wishing to do business in South Africa. An understanding of the role of country-of-origin images for imported products versus domestic ones would aid in the formulation of better marketing plans, strategies and policies by companies of both domestic and international origin (Kaynak, Kucukemiroglu and Hyder, 2000).

This thesis is organized in to five chapters. The following chapter presents a review of prior research in this area to provide a better understanding of the influence of country-of-origin on consumers' product evaluations.

## **CHAPTER TWO: LITERATURE REVIEW**

### **2.1 Introduction**

Country-of-origin has been an important factor in consumer purchasing decision-making as well as industrial purchasing. Analysis of the country-of-origin effects focuses on investigating how consumers perceive products sourced from a particular country. The majority of studies in this area demonstrate the existence of country-of-origin effects on product evaluation, although the magnitude, direction and process vary considerably.

This chapter will present a review of previous research done in this area. The themes will be addressed include the definition of country-of-origin, the evaluation of the product, consumer ethnocentrism, demographic effects, and the perceptions of consumers in developed and developing countries towards products from different countries. Furthermore, other variables that may have direct or indirect effects on country-of-origin information cue and consumers' perception towards product evaluation will be discussed.

### **2.2 Country-of-Origin Definition**

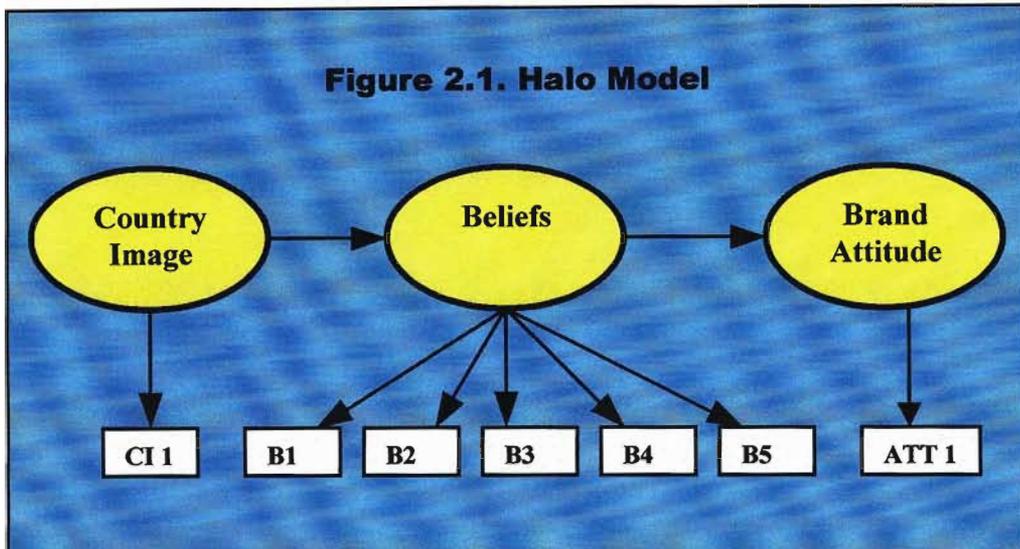
The country-of-origin effect, also known as the "Made-In" concept, has been defined in many ways in the literature. According to Wang and Lamb (1983), country-of-origin effect is an intangible barrier to entering new markets, which may take the form of negative consumer bias towards imported products. Johansson, Douglas and Noknaka (1985) define country-of-origin as the country where the corporate headquarters of the company which is marketing the product or brand is located. Typically, this is the home country of a company. Cattin, Jolibert and Lohnes, (1982) define the product's country-of-origin as "the country of manufacturer or assembly".

## 2.3 Country-of-Origin and Product Evaluation

The role of country of origin as a cue in evaluating product quality is widely recognized. Erickson, Johansson, and Chao (1984) noted that country of origin reflects a consumer's general perceptions about the quality of products made in a particular country and the nature of people from that particular country. When making judgments about a foreign product, the consumer's knowledge about the country's reputation for producing good or inferior products may be used to predict the quality of a particular product (Kaynak and Cavusgil, 1983). In addition, studies have explored the relationship between consumers' perceptions of product quality and the level of economic development of the sourcing country. Products produced in less developed countries tend to have a less positive image than products from more developed countries (Cordell, 1992; Wang and Lamb, 1983; Geadeke, 1973; Zain and Yasin, 1997; Zhang, 1996).

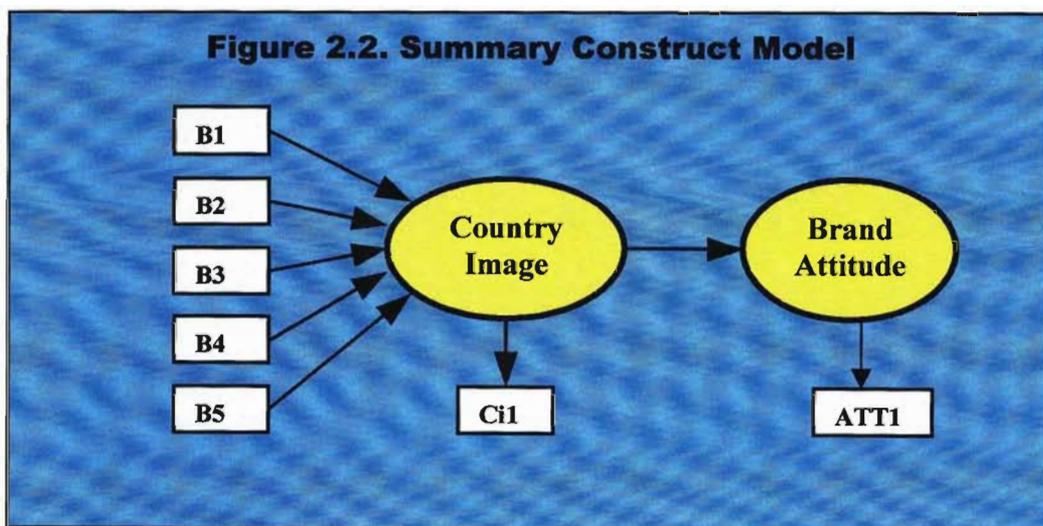
The impact of country-of-origin information also appears to be influenced by the degree of familiarity of the respondents with the product. Consumers with specific product knowledge, and high ability to evaluate a specific product, tend to rate products either more or less positively than do with less knowledge (Johansson, Douglas and Noknaka, 1985). Han (1989) attempted to explain country-of-origin effects when consumers are familiar or not with the product through the halo and summary construct models.

Country image, as halo view maintains that country-of-origin information allows consumer to infer the quality of an unfamiliar foreign brand or product. This is similar to the role played by price in helping consumers infer the quality of a product when other relevant information is lacking (Jacoby and Haddock, 1971). Han's (1989) Halo Model as replicated in Figure 2.1, implies that country image (CI) directly influence the product attribute beliefs (B1..), which in turn directly influence the attitude toward the product or brand (ATT). In the other words, a structural relationship exists in the form of Country Image → Beliefs → Brand Attitude.



Source: Han, 1989:224.

In contrast to this, the Summary Construct Model (Figure 2.2) implies that, among consumers possessing high knowledge about the product stimulus, country image serves to summarize beliefs about the product's attributes, directly affecting brand attitude. In other words, a structural relationship exists in the form of Belief  $\rightarrow$  Country Image  $\rightarrow$  Brand Attitude



Source: Han, 1989:224.

The summary construct view maintains that consumers recode and abstract individual elements of information into higher order unit or chunks. Accordingly, consumers already familiar with a country's product may abstract relevant information into the country-of-origin cue.

Han (1989) measured country image using the evaluation of products from a specific country, for example Japanese television sets. Brand attitude was measured using the evaluation of specific brands such as Panasonic television sets. Both measures were collected from a sample of 116 respondents, using a seven point semantic (good-bad differential) scale.

Kaynak, Kucukemiroglu and Hyder (2000) suggest that research conducted to date which investigates the impact of country-of-origin on product evaluations can be categorized into four research approaches in current marketing literature. These are single-cue approach, multi-cue approach, conjoint (trade-off) analysis approach and environmental analysis approach.

In single-cue country-of-origin studies, consumers will generally use country-of-origin to infer product quality if they know little else about the product class and/or product brand (Eroglu and Machleit, 1989; Han, 1990). In these studies, it was found that consumers tend to have common notions about people in other countries, and also their stereotyping evaluations carry over into the realm of product evaluations. Past studies (Kaynak and Cavusgli, 1983; Eroglu and Machleit, 1989) indicated that products from more developed countries generally received more positive evaluations than products from less developed countries. According to this approach, the country-of-origin of a product can have a tremendous influence on the acceptance or rejection of a product over and above marketing techniques such as promotion and incentives used (Kaynak and Cavusgil, 1983).

Maheswaran (1994:354) attempted to identify consumer expertise and the type of attribute information as moderating the effects of country-of-origin in product

evaluations. The result indicated that when an attribute was unambiguous, experts based their evaluations on attribute strength, whereas novices relied on country-of-origin. The result also showed that both experts and novices differed in their processing of stereotypical information. For example, experts used country-of-origin stereotypes for the selectivity process and relied heavily on attribute information about the product, whereas novices used them as a frame of reference to differentially interpret attribute information.

In the absence of attribute information in the hands of consumers in many of the developing countries, consumers place great importance on the products' country-of-origin. For instance, in many of the developing countries, consumers place higher value on those products which come from advanced countries. A developed country origin of a product is seen as a type of insurance about the product's quality and performance. A case in point is that consumers are willing to pay an extra premium for a Phillips tape recorder, which was made in Austria over one manufactured by the same company in India, although the quality of both products is identical (Kaynak, Kucukemiroglu and Hyder, 2000:1226).

Those researchers who used multi-cues, on the other hand, designed their studies in such a way that country-of-origin is one of the factors amongst a variety of influences a consumer considers when making selection and, ultimately purchasing decisions. These multiple factors are considered significant variables in consumer product evaluation when consumers are confronted with selection among alternative product brands (Kaynak, Kucukemiroglu and Hyder, 2000). By same token, Alba and Hutchinson (1987) in Kaynak, Kucukemiroglu and Hyder (2000:1226) argue that consumer knowledge should be regarded as a multi-dimensional construct, where different types of product-related experiences lead to different dimensions of attitude and knowledge, and these different dimensions of knowledge and attitude have different effects on product evaluations, choices and purchase behaviour, depending on the specific situation and task at hand.

Okechuku (1994) conducted a multi-cue approach study to investigate the relative importance of country-of-origin of a product to consumers in developed countries such as

the United States, Canada, Germany and the Netherlands. The result showed that the country-of-origin of a product was one of the two or three most importance attributes in product evaluations. It was often as important as, or in some case more important than, the brand name and price. A similar multi-product and multi-cue setting study was also conducted by Wall, Liefeld and Heslop (1991) to assess the effect of country-of-origin labelling on consumers' perceptions in evaluating a product's quality, their willingness to take the risk, and the likelihood of them purchasing the product. The research found that the country-of-origin information had a more important in effect on product quality assessment than price and brand information. Although it was not necessarily contradictory to the above findings, Johansson (1989) argue that the impact of country-of-origin might be considerably more complex than is typically assumed. Researchers should be aware of other factors such as consumer familiarity with product, nationality and demographical characteristics that might over-ride country-of-origin effects.

Another group of researchers conducted research based on a conjoint (trade-off) analysis. They argue that trade-off analysis provides a measurement yardstick for how much consumers' value respective attributes of products from foreign countries compared to the domestic products. Furthermore, consumers may be able to compare attributes of products from a variety of foreign sourcing countries (Kaynak, Kucukemiroglu and Hyder, 2000:1227). Consequently, the complexity of the consumer's purchase environment may be represented more realistically through the conjoint method than through surveys that focus on a single attribute. In addition, this approach makes it possible to assess the relative importance of each of a product's attributes in decision-making. In other words, consumers engage in trade-offs among several intrinsic and extrinsic attributes of a domestic or foreign product (Ettenson, Wagne and Gaeth, 1988).

The fourth research approach analyzes the impact of environmental factors on country-of-origin information. In this context an environment refers to what is external to a company's marketing system, and neither directly controls it nor is directly controlled by it (Kaynak, Kucukemiroglu and Hyder, 2000:1227).

Kaynak (1985) argued that it is difficult to know the precise nature and effects of the various elements of the marketing environment on country-of-origin of products. The impact of the environment, in most cases, has been studied in terms of socio-economic and technological conditions of the supplier. There has been an ongoing debate regarding this issue (Cordell, 1992; Papadopoulos, Heslop and Beracs, 1989). When deciding on the effect that country-of-origin may have on consumer evaluations, preferences were found to be more products specific for industrialised than less developed countries. Therefore, marketers must understand how various environmental factors affect consumer perception of domestic and foreign brands/products (Kaynak, Kucukemiroglu and Hyder, 2000:1225).

## **2.4 Consumer Ethnocentrism**

Although still a long way from the "global village" that Ted Levitt (1983) predicted over a decade ago, an increasing number of consumer markets are characterized by global competition. A growing number of companies in many industries including American, European and Asian firms now operate on a global level. The trend towards the globalisation of markets is fueled by changes in consumer knowledge and behaviour. Satellite television and international travel have made consumers more aware of other cultures' life-styles and products, and increased the power of global brands.

Yet, while some consumers prefer global or foreign products and view them as symbols of status, others exhibit strong preferences for domestic-made products and have negative attitudes towards foreign or imported products. Such negative attitudes towards foreign products can arise from a number of sources. Consumers may think products from certain countries are of inferior quality and hold feelings of animosity toward a country (Klein, Ettenson and Morris, 1998).

Much research has been conducted to examine consumer attitudes towards foreign or imported products based on a single construct such as consumer ethnocentric attitudes or "Made-In..." cues. Consumer ethnocentrism is a construct which has been widely used in

studying consumer attitudes toward foreign products. It derives from the more general construct of ethnocentrism, which in turn is rooted in a belief that one's own group is superior to other groups (Bearden and Etzel, 1982). Consumer ethnocentrism is defined by Shimp and Sharma (1987) as beliefs held by consumers about the appropriateness or morality of purchasing foreign made products. According to Shimp, Sharma and Shin (1995: 27), consumer ethnocentricity has the following characteristics:

1. It results from the love and concern for one's own country and the fear of losing control of one's economic interests as the result of the harmful effects that imports may bring to oneself and countrymen.
2. It contains the intention or willingness not to purchase foreign products. For highly ethnocentric consumers, buying foreign products is not only an economic issue but also a moral problem. This involvement of morality causes consumers to purchase domestic products even though, in extreme cases, the local quality is below that of imports. In a situation where a domestic alternative to a foreign product may not be available highly ethnocentric consumers prefer products from countries that are culturally similar to their own as opposed to countries that are culturally very different from their own.
3. It refers to a personal level of prejudice against imports, although it may be assumed that the overall level of consumer ethnocentricity in a social system is the aggregation of individual tendencies. Shimp and Sharma (1987) argue that specific socio-psychological processes are invoked whenever the country-of-origin cue is provided to consumers. These processes emanate from fundamental predispositions towards ethnocentric attitudes, which are different from typical stereotyping processes in that the values ascribed to the country-of-origin cue are based on whether the cue supports one's in-group identity.

Han (1988) found that patriotic consumers exhibited a negative bias towards buying foreign products. However, contrary to the findings of Shimp and Sharma (1987) he found little evidence of negative biases in consumers' evaluations of foreign products.

Further, Han (1988) found little evidence to support his hypothesis that country-of-origin affects purchase intention through product evaluation.

Herche (1992) examined the predictive validity of consumer ethnocentric tendencies and concluded that such tendencies predict purchase behaviour over and above that of demographic variables. Furthermore, Herche (1992) reported that the prediction of purchase behaviour varies with products. As an explanation, it was proposed that the differences in the predictive validity of consumer ethnocentric tendencies for different products could be due to varying levels of consumer involvement or quality perceptions.

Bruning (1994) suggested that the country-of-origin, reference group influence, and consumer ethnocentrism literature should emerge as one when addressing the role of national locality in the purchase decision process. According to Bruning, the country-of-origin effect extends two messages. On the one hand, it serves to relay global impressions to consumers about the product attributes if they lack product knowledge. This is known as halo effect. On the other hand, it also serves as an indicator of group identity. This implies that consumers prefer locally made products to foreign produced products, when a sense of national affiliation and loyalty are strong. For instance, a person with a low sense of national loyalty is not as likely to respond to promotional campaigns focusing on a national theme as are individuals possessing a strong sense of loyalty for their nation. Intrinsic and other non-country specific extrinsic cues might persuade less nationalistic consumers to choose foreign products over to their locally made substitutes. On the other hand, a person with a strong sense of nationalism might respond to the country-of-origin cue positively because of close association of "nation" with one's own self-identity.

Three years later Bruning (1997) continued his research to assess respondents' air carrier preferences using an ordered probit analysis of a sample of 427 travelers at a large Canadian airport. The main purpose of the research was to examine the role national loyalty plays in determining a passenger's international air carrier selection. The data presented in this study confirmed the importance of national loyalty as a component of the country-of-origin effect. Canadian respondents measuring high in national loyalty

preferred a national carrier for an international flight when other foreign carriers are in competition with the national carrier.

Based on the research results Bruning (1997:65) concluded that the country-of-origin effect reflects the strength of national loyalty and it includes a component which functions to cue one's "felt" national loyalty as well as specific product attributes. Thus, while the generally accepted country-of-origin effect relates to cues about product attributes, the national loyalty effect relates to one's group affiliation and the strength of allegiance or loyalty to country in the purchase decision context.

Much research has been conducted in developed countries in this area and the results of that research indicate that consumers in developed countries prefer domestic products to foreign products. Good and Huddlestons (1995) conducted research in less the developed, former socialist countries of Poland and Russian. Their sample consisted of customers from two stores in each of three cities in Poland and Russia. Stores in the study included one state-owned and one privately owned store in Mosco, Russia; and one state-owned and one privately owned store form Poland. The purpose of the study was to investigate whether Polish and Russian consumers exhibited ethnocentric tendencies and whether these tendencies vary by country, demographic characteristics and store type. Another purpose of the study was to determine whether the degree of ethnocentrism had an effect on product selection decisions related to country-of-origin. The finding of the result indicated that in general, age has been consistently significantly, and positively related to attitude towards products. The result was similar to Smith's (1993), and Wall, Hofstre and Heslop (1988). Younger Polish consumers had a more open attitude about or were more positive towards foreign products. While for Russians, although there were no significant differences in ethnocentrism by age as found amongst Polish consumers, scores on ethnocentrism did increase with age. Furthermore, women were more ethnocentric than men in both the Polish and the Russians samples.

Good and Huddlestone (1995) also studied the relationship between ethnocentrism scores and store type. In both Poland and Russia, consumers who were shopping at the state-

owned stores were more ethnocentric than consumers shopping at private stores. Good and Huddleston extended possible explanations for this finding. They stated that state-owned stores were the largest retail formats and most heavily steeped in the planned economic system. Large organizations were more cumbersome and it was more difficult to change the corporate culture within. Because state-owned stores typically received supplies directly from state-owned producers, they had a long history with domestic production. New start-up private stores did not have the long tradition with domestic suppliers, thus loyalty to domestic production was more logical for consumers who shopped at the state-owned stores (Good and Huddleston, 1995:42).

Sharma, Shimp and Shin. (1995) established that consumer ethnocentric tendencies play a more important role in decision-making when the product of interest is an important source of jobs and income for the domestic economy. Also, the more threatened consumers are by the importation of a product (personally or for the economy in general) the more ethnocentric tendencies will influence decision-making. Finally, when the imported product is perceived as less necessary, ethnocentric tendencies may play a more important role in decision-making.

In this research South African consumers are expected to show ethnocentric tendencies. However, since the measurement of consumer ethnocentric tendencies in this research relies on a self-report methodology, which may create the opportunity for consumers to respond in a manner that is inconsistent with their true feelings, the findings of the research may fail under close inspection. In the context of ethnocentric tendencies, many consumers may feel embarrassed about admitting they are willing to commit an unpatriotic act. Simply stated, self-reported scores of ethnocentric tendencies may be skewed due to the consumers' desire to respond in the most socially responsible manner (Okechuku, 1994).

## **2.5 Demographic Effects**

Past studies (Wall and Heslop, 1989; Wall, Heslop and Hofstra, 1988) suggested that demographic variables have a role in the differences between men and women responses to the “Made-In” image. Women rate domestic products more favourably than men (Good and Huddleston, 1995; Sharma, Shimp, and Shin, 1995). With regard to age, younger people tend to evaluate foreign products more favourably than do older people (Good and Huddleston, 1995; Han, 1988).

Education enjoyed fairly consistent results when correlated with perceptions of products. Most studies revealed that people with a high level of education are more in favor of foreign products than those with limited education (Good and Huddleston, 1995; Wall, Liefeld and Heslop, 1991). Like wise McLain and Sternquist (1991) found that as the education level increased, the level of consumer ethnocentricity displayed by the respondents decreased. Wall and Heslop (1986) found that, there was a strong negative relationship between income level and attitude towards domestic products. The higher the income, the less likely it was that the consumer would buy domestic products. On the other hand, McLain and Sternquist (1991) agreed that income did not significantly account for variations in ethnocentricity between consumers.

## **2.6 Consumers in Developing Countries**

All societies have processes of social comparison, ways of negotiating status and prestige, and markers of class. Researchers agree that the products and brands chosen by consumers often serve non-utilitarian functions. These may include symbolic acquisition and communication of social distinctions, particularly status (Douglas and Isherwood, 1979). Such concern with status display is even more important in developing countries, where interpersonal relationships are of prime importance and where, because of economic transition, income disparities and status mobility are high (Ger, Belk and Lascu, 1993).

In the country origin literature, Heslop and Papadopoulos (1993) pointed out that COO effects have been found to be greater when consumers are looking for high status products. If this is true, it would seem that the category of consumers who place a premium on a brand's non-localness largely because of the status (self-image and reference group approval) benefits should be those who are more sensitive to what their reference groups think of them (Batra et al., 2000:35).

Given this greater salience of status markers by the acquisition of non-local brands rather than local brands in developing societies, Batra et al., (2000:37) extended possible explanations for this by summarizing the findings of previous research.

Firstly, in developing countries, imports are usually more expensive and more scarce than local products, making them more desirable from a reference group standpoint (Bearden & Etzel, 1982).

Secondly, consumers in developing countries are relatively less affluent than those in developed countries, and this can, quite naturally, create a sense of insecurity and inferiority. Consumers in developing countries, thus, often seek to emulate the apparently glamorous Western consumption practices and lifestyles and purchase the brands they are exposed to through movies and television channels, Western tourists, fellow workers who have been overseas, and their own travel abroad. Because the production and control of popular culture resides in the affluent core countries of the West, the flow of media images is mostly outwards from the economic center (the West) to the periphery (the developing world), making brands that symbolize affluent Western lifestyles seem highly desirable.

Thirdly, Hannerx (1990) pointed out that the desire to display competence with regard to alien cultures is an important motive behind the growth of "cosmopolitan" elites in many developing countries. Owning foreign brands is arguably a way of displaying such competency.

Finally, Venkatesh and Swamy (1994) argued that consumers in developing economies today want to be able to participate in the global consumer community. They want to live in this "imagined world" in part, through access to products from all over the world. However, not all consumers have the power to do so, and this leads to an aspirational yearning for many foreign-made brands. In Romania, for instance, only the nomenclature, individuals who could travel to the West, could acquire such goods. Hence, possession of these goods as well as knowledge of Western popular culture was a source of great status.

Goudge, and Ivanov (1998) attempted to test the effect of country-of-origin, brand name, and price upon consumer behaviour for discretionary apparel purchases in the newly emerging free market economy of Macedonia. Since Macedonia does not produce designer jeans locally, all designer jeans available were foreign brands. Versace an Italian brand of designer jeans, was selected as a premium-priced, high status brand associated with Italian fashion from a developed country. Mavi designer jeans, a Turkish brand, was selected because of its popularity. Consistent with previous studies of consumers' perception of products from developing countries, Macedonian consumers perceived Mavi to be a lower status, lower-priced product.

Brand name and brand origin were manipulated using four different versions of the questionnaire. Version one presented Mavi jeans as originating from Turkey and then from an unknown location outside Turkey. Version two presented Mavi jeans as originating from Turkey and then from Italy. Version three presented Versace jeans as originating from Italy and then from an unknown location outside Italy. Version four presented Versace jeans as originating from Italy and then from Turkey. No mention was made in each version of the brand name or locations used in other versions.

An Analysis of Variance of the four groups revealed that there were significant differences found between groups for intention to buy brand in original country-of-origin and intention to buy brand in new country-of-origin for all respondents. Those consumers who would buy Mavi made in Turkey increased significantly when presented with Mavi

jeans made in Italy. Versace jeans made outside Italy and in Turkey decreased respondents' intentions to buy them. A division of respondents by age reflected the same results for older consumers except for the lack of a significant difference for Versace made in Turkey. Younger consumers were more likely to be influenced by the change in brand origin. An intention to purchase Mavi went up when consumers were told that they would be made in Italy and down when they were told that Versace would be made outside Italy and in Turkey.

Price perceptions which were measured on an interval scale were significantly different when Mavi and Versace products originated at an unknown location outside Turkey and Italy respectively. Price perceptions did not change significantly for buyers who considered Mavi jeans originating outside Turkey, but were significantly lower for buyers who considered Versace jeans originating outside Italy. The importance of price and brand did not show significant changes when the country-of-origin was changed.

Generally speaking, the results showed that Macedonian buyers were more likely to view designer jeans associated with developing countries positively if the brand origin was repositioned in a fashion-oriented, developed country. Price expectations and willingness to pay were significantly lowered when the brand origin was repositioned to a developing country. A strong brand name may, under certain conditions, offset this negative effect (Goudge, and Ivanov, 1998:42-43).

Kaynak, Kucukemiroglu, and Hyder (2000) conducted research to assess consumer's country-of-origin (COO) perceptions of imported products in Bangladesh, homogeneous less developed country. The study tried to find answers to the following research questions:

- \* How are various product-sourcing countries perceived by Bangladeshi consumers?
- \* What are the most and least favored foreign sources of supply for different product categories?
- \* Do these foreign product images affect the international marketing strategies of domestic and foreign companies?

- \* How do the general business conditions and the prevailing environmental factors affect the way Bangladeshi consumers make decisions with regard to the purchase of domestic versus foreign products?

A mean rating for Bangladeshi consumers' perception and evaluation of nine countries of supply as well as the home country of Bangladesh was calculated for each country on each product class, as well as products in general. The categories were:

1. Electronic items: this included radios, television sets, tape recorders and other electronic equipment.
2. Food products.
3. Fashion merchandise: this included textile, suits, shirts, jackets, etc.
4. Household goods - furniture, kitchen utensils, etc.

The source countries were only selected from amongst those from which Bangladesh received most of the product class needs. The countries were ranked for each product class by using pair wise comparisons of the countries.

The results of the study indicated that Bangladeshi consumers viewed electronic products from Japan, Germany and the United States most favourably. Food products from the United States, Germany and England were ranked as Bangladeshi consumers' top choices. Fashion merchandise from the United States, Germany and England tied for first place as the top three choices in that product category, whereas Italy and Japan were placed as second and Sweden as third in rank. Bangladeshi consumers ranked the United States, Germany and England as first, and Italy, Japan and Sweden as their second and Korea as their third choices for household goods. Products in general from the United States, Germany and Japan tied for first rank, England was second and Sweden was their third choice. Bangladeshi consumers, in every product class as well as for products in general, view products from their own country and India least favourably. It is interesting to note that some of the Indian products imported into Bangladesh were manufactured under license of a Western or Japanese company but Bangladeshi consumers evaluated

these products in a negative way because the particular products carried Indian labelling on them. One of the possible reasons for a low product quality rating for Indian products may be attributable to the fact that India and Bangladesh have been at odds politically with each other in the past, hence the poor evaluation of Indian products.

The research also discovered that the products which originated from advanced developed countries were perceived to be associated with very similar attributes which included good or very good quality, reliability, performance and good workmanship. The products originating from developing countries of the South were perceived to be less desirable in quality (Kaynak, Kucukemiroglu and Hyder, 2000:1231).

Zhang (1996) conducted experimental research to investigate how Chinese consumers evaluated products made in the United States, Japan, and South Korea. The study employed a quota sample of three hundred shoppers in a large shopping centre in the northeastern suburb of Beijing. Product classes used in this study were one non-durable product, a shirt, and one durable product, a color television set. The country-of-origin information of the products was presented to the subjects in two different formats. For the single-cue condition, the product type, name, and the "Made-In" label were presented to the subjects for evaluation. For the multiple-cue condition, the subjects were presented with the physical product. Subjects rated the products separately using five items and seven-point semantic differential scale yielding two sets of ratings corresponding to the two products.

The result found that the country-of-origin information influenced Chinese consumers' reactions to foreign products. Consistent with studies conducted in Western countries (Kaynak and Cavusgil, 1983; Samiee, 1994), products that enjoyed a positive country-of-origin image received a more positive rating from the Chinese consumers. Specifically, products from Japan and the United States were preferred to products from South Korea reflecting that country-of-origin stereotyping was a factor in the product evaluation process of the Chinese consumers. However, the result contradicts to the previous study (Smith, 1993) which proposed that consumers prefer products, which originated from

countries which are culturally similar to their own rather than products which originated from dissimilar cultures. It appeared that country images influenced Chinese consumers' decision-making independent of cultural influence. Given the result that the culturally dissimilar Japan and the United States both enjoyed highly positive country images in the minds of the Chinese consumers, other factors, such as the perceived degree of economic development, may be more important determinants of their country image (Zhang, 1996:63).

The result also revealed that country-of-origin effects were subject to moderation by other factors, such as product type. Similar to the studies by Kaynak and Cauvsgil, 1983 and Gaedeke, 1973, the impact of country-of-origin on Chinese consumers varied with different products. For a more sophisticated electronic product, the country-of-origin was more salient. Television sets made in Japan and the United States received higher ratings than shirts produced in the same countries. However, such a product effect was much less salient with Korean made products implying that product type didn't matter in the case of poor country image (Zhang, 1996).

In the area of presentation format (single-cue versus multiple-cue), Zhang's result showed that the single-cue setting was related to a stronger country-of-origin effect. Respondents placed more importance on country-of-origin information of the two product classes in a single-cue condition. This finding was consistent with previous research (Lin and Stenquist, 1994; Johansson, 1989; Han, 1989) which found that buyers based their product evaluation on country-of-origin when it presented only as product attribute information.

Lin and Stenquist (1994) attempted to investigate the effects of information cues, country-of-origin, and store prestige on consumers' perception of quality and estimation of retail price. Data was collected from a sample of two hundred and six-five respondents using a four times three factorial experimental design and the article inquisition was a sweater. The countries cues used were the United States, Italy, Japan and Taiwan. The result indicated that the country-of-origin was the only cue, which significantly

influenced Taiwanese consumers' perception of sweaters. However, the country-of-origin and store image did not influence the consumers' price estimates in this study. This contradicted to Ahmed and Zouien's (1993) finding which stated that the less favourable the country image, the lower the price consumers expected to pay. Consistent with other findings, however, Taiwanese consumers evaluated developed countries products more positively than products made in a less developed country. The sweater with a "Made-In Japan label received the highest evaluation for quality, followed by the United States, Italy and Taiwan.

Lin and Stenquist (1994:14) suggested that consumers in less developed countries are likely to rely on national image and the country-of-origin for product evaluations because a lack of information and purchasing experience. This might have implications for countries (especially more developed countries), which are trying to increase exports of manufactured products and for firms and retailers, which source products from different countries. For example, manufacturers of foreign brands, especially from more developed countries may benefit from a country-of-origin advertising campaign. Because imported products are perceived to be of better quality than domestic products, this quality advantage may be used as a strategy for foreign producers to reduce perceived risks for consumers

## **2.7 Consumers in Developed Countries**

As the world is becoming more integrated through globalisation and trade liberalisation, it has become clear that developed countries markets are no longer the exclusive preserve of domestic manufacturers. Rather, their local market is overcrowded by products made not only in industrialised countries, but also significantly from developing countries. However, the information input "Made in.." developing countries, has not received much attention as it has been focused to goods from developed countries (Gaedeke, 1973).

Gaedeke conducted a study to investigate the attitudes of consumers in developed countries towards products made in developing countries. The purpose of his study was

to assess the opinions of American consumers towards the quality of products made in various developing countries, and to determine to what extent consumer attitudes towards the quality of products from developing countries changed when widely known United States brand names were used. To test the first objective, a total of one hundred respondents from the two marketing sections were asked their opinions about the quality of imported products in general, about classes of products imported in relatively large volume from developing countries, and about specific product items. Results of the study showed that products made in the United States were ranked in first place for products in general as well as for the more homogenous groups of food products, electronic items, and textiles. Students ranked imports from the Philippines in second place while those from Indonesia received the lowest relative ranking.

Opinions toward imported food, electronic, and textile products reveal that a particular country may rank high for one product class and low for another. Hong Kong, for instance, ranks very high in textiles but very low in food products. Similarly, canned meat made in Brazil had a much higher quality image than television sets from the same country; and tape recorders made in South Korea were ranked much higher than their shoes (Gaedeke, 1973).

The same result is expected from the study at hand. South African consumers' opinion regarding the quality images for specific items from individual countries will vary. For instance, dresses from the United Kingdom will have a higher quality image than that country's television set. Cameras made in Japan will have a higher quality image from South African consumers' point of view than dresses from Japan.

The second objective of Gaedeke's study was to determine whether consumer attitudes towards the quality of imported products change when widely known United States brand names appeared on such products. Consequently, one group of studies consisting of one hundred respondents was asked their opinions about the quality of branded products without country-of-origin information while another group with the same number of

respondents was asked to indicate their opinions about the same branded products but with the additional information of where the products had been made.

The result showed that in some cases, the products ranked high in quality when the branded product was presented with country-of-origin information. For instance, Swift's canned beef ranked much higher when the label indicated, "Made in Brazil" than without the country-of-origin data. However, in some cases, branded products were ranked as high quality when the country-of-origin information was not known. For instance, Ampex tape recorders ranked higher without their country-of-origin information than "Made in South Korea" attached to them. Penney's "Penn-Prest" dress shirts, however, were ranked similarly whether country-of-origin information (Mexico) was indicated or not.

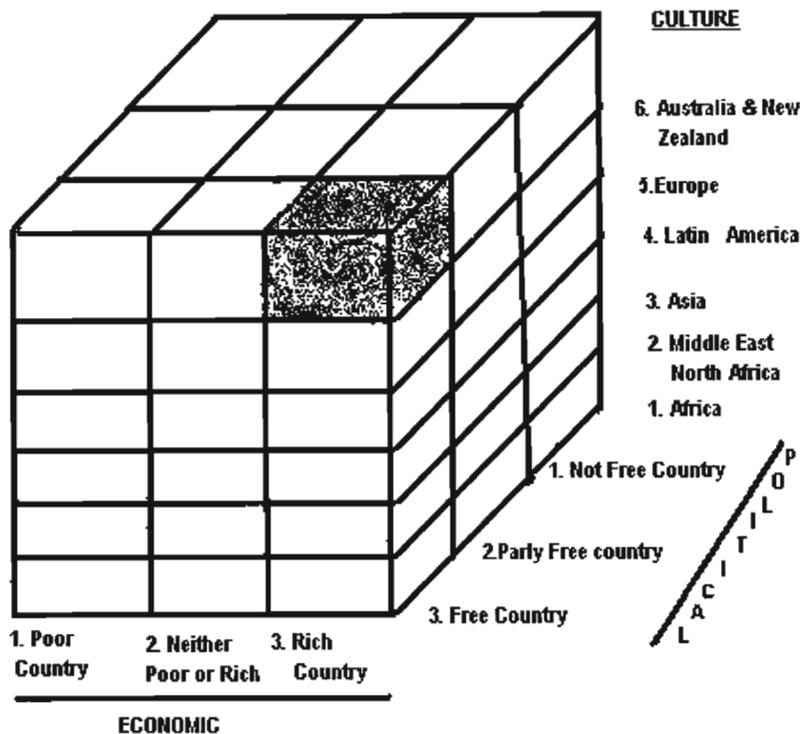
To determine if there was a significant correlation between consumer opinions about the quality of branded products with and without country-of-origin information, Gaedeke used a Spearman Rank-Order Correlation. The finding of the analysis showed that there was a significant positive correlation between consumer opinions on the quality of branded products with and without country-of-origin information (Gaedeke, 1973:19).

Wang and Lamb (1983) conducted research among a randomly chosen sample of five hundred residents in the Bryan-College Station, America. The purpose of the study was to investigate potential variables regarding country-of-origin that consumers might use in making judgments about foreign made products. The results showed the American consumers were most willing to buy products made in economically developed and politically free countries, for example, Europe, Australia, or New Zealand. Respondents displayed prejudices against products from developing countries.

Based on the findings, Wang and Lamb (1983) developed an environmental segmentation model where each individual country belongs to one of the fifty-four segments. According to this hierarchy type model (see Figure 2.3), products from countries in the shaded segment (E3, P3, C6) enjoy the highest level of consumer acceptance. The closer

a segment is to the shaded segment, the more willing consumers are to buy products from the countries within the segments. This implies that products from a country low in this hierarchy would be perceived to be of lower quality than a similar product from a country higher in the hierarchy.

**Figure 2.3. Environmental Segmentation Model**



Source: Wang and Lamb, 1983:80

The other interesting research in this area was conducted by Cordell in 1991. The purpose of this study was to address the effects on consumer choice of the country-of-origin cue. Cordell explored the interactive effects of the country-of-origin with three important market factors in four product categories, namely colour television, microwave ovens, bicycles, and telephones. The three market factors were (1) the competitive context in which the country cue occurs; (2) price level within the product category; and (3) overall financial risk of the product category. Countries used were Algeria, India, Peru, and the United States). The result indicated similar results to previous studies (Gaedeke, 1973; Wang and Lamb, 1983) and that, in the aggregate, preference biases against products

from less developed countries did persist. Respondents were less likely to choose less developed countries products as the financial risk as well as the price increases.

## **2.8 Country-of-Origin and Other Variables**

Johansson, Douglas and Nonaka (1985) and Johansson (1989) argue that although many studies suggest that the country-of-origin affects consumer product evaluations and purchase intentions, little is known about how strong the effect is in the presence of other product attributes. This is because most past studies have been based on attitude surveys in which a single cue, the country-of-origin of the product, was the only cue supplied to respondents on which to base their evaluation. This tends to result in a bias in favor of finding a significant country-of-origin effect and the exaggeration of this effect.

In this part the researcher will review previous research done on the country-of-origin effect in relation to other intrinsic and extrinsic variables. In addition, factors likely to affect these evolutions such as respondent characteristics, cultural orientations, and motivation level will be assessed.

### **2.8.1 Country-of-origin, Brand and Price**

The use of information cues including product brand, price and country-of-origin in the consumer decision processes is of interest to marketing practitioners and researchers. Marketers want to know how sensitive consumers might be to pricing variations between domestic and imported products of the same type and the consequences of moving well-known domestic brand names to new countries of manufacture.

Wall, Liefeld and Heslop (1991) experimentally tested the effects of country-of-origin labelling when combined with brand name and price level on consumers' rating of quality, risk to purchase, value, and the likelihood to buy a shirt, telephone and wallet. The data was collected from a sample of two hundred and sixty-five respondents using a shopping mall intercept procedure. Countries used were Canada, Hong Kong, Italy, South

Korea, Taiwan and the United States. The result indicated that country-of-origin was significant in the quality assessment of all the three products and also for the likelihood of buying the shirt. However, the likelihood of purchasing the shirt was lower from the developing countries than from developed countries. Brand name affected the ratings of quality and risk for the telephone and the likelihood of purchase for shirt. The well-know brand of telephone was more positively perceived in both dimensions, but the unknown shirt brand was more likely to be purchased.

When examining the impact of price, the result found that price was significant when consumers rated the value of shirt, wallet and telephone, and the risk of purchasing the wallet. The higher priced products were consistently seen as giving lower value. The risk factor of purchasing was rated higher for the high priced wallet.

In general, the findings indicated that the country-of-origin was related to the assessment of product quality, but when it came to evaluating purchase likelihood, country-of-origin seemed not to be important. In addition, age, education, sex and perceptions of ability to judge products were related to consumers' ratings of quality, risk, value and the likelihood of purchase especially when the product was more complex and difficult to judge (Wall, Liefeld and Heslop, 1991).

Other comprehensive research that shows the relative importance of country-of-origin in relation to other variable was the research conducted by Okechuku (1994). This study used conjunction analysis to investigate the relative importance of the country-of-origin of a product to consumers in the United States, Canada, Germany and the Netherlands. Two product categories, television sets and car radio/cassette players were used as items of study.

The results showed that for television sets, the country-of-origin was the most important attribute to American respondents; brand name and picture quality were most important to Canadian and German respondents; and brand name was most important to Dutch respondents. For car radios, the brand name was the most important attribute to American

and Dutch respondents; the brand name and the country-of-origin were most important to German respondents; and the country-of-origin was most important to Canadian respondents. Contrasts based on Turkey multiple comparisons showed that, for television sets, the brand name was significantly more important to Dutch than to American, Canadian and German respondents; the country-of-origin was significantly more important to American than German and Dutch respondents; and the warranty was significantly more important to Canadian and German than Dutch respondents. For car radio/cassette players, there was no significant difference among countries in the importance of any of the five attributes. Across the four countries the importance of the country-of-origin ranged from eighteen to twenty nine percent for TV sets and from twenty three to twenty seven percent for car radios.

Regarding the importance of the source country with the importance of other attributes the findings indicated that for American respondents and for television sets, the source country was significantly more important than the brand name, price, picture quality and warranty, at  $p < 0.05$ . For Canadian respondents the source country was also significantly more important than warranty and about as important as the brand name, price and picture quality. For German respondents the source country was almost as important as the brand name, price, picture quality and warranty. Finally, for Dutch respondents the source country was significantly more important than warranty, almost as important as price and picture quality, but less important than the brand name.

For car radio/cassette players, the country-of-origin was significantly more important than price in each country. In addition, it was significantly more important than receiver quality and about as important as the brand name and cassette player quality for American respondents. It was significantly more important than the cassette player quality and about as important as the brand name and receiver quality for Canadian respondents. Country of origin was also significantly more important than the receiver quality and about as important as the brand name and cassette player quality for German respondents. Finally, it was about as important as the brand name, receiver quality and cassette player quality for Dutch respondents.

Compared with Ettenson, Wagner and Gaeth's 1988 study, this study found the level of the importance of country-of-origin significant. The discrepancy between the two results might lie partly in the difference in the product categories studied (Okechuku, 1994:17-18).

A similar study was also conducted by Ahmed and d'Astous (1993). The research investigated the effects of three countries of origin, three brand names and three levels of price and service on consumers' perceptions of the purchase value of an automobile in two consuming countries, namely Canada and Belgium. Three brands of automobile were chosen for the study: Toyota, Ford, and Lada.

The result indicated that the effect of price on perceptions of purchase value was not significant. In addition, the brand name was a more important information cue than country-of-origin for Belgian consumers, but not for Canadian consumers. Ahmed and d'Astous (1993) suggested that global marketers should conduct large-scale studies using samples from different countries where a global product is marketed in order to produce relevant information to determine whether or not it would make sense to manufacture products in poor image countries, just to make use of low cost labour, and what type of modification to global marketing strategies may be needed from one consuming country to another.

Given the inconsistent results of previous research regarding the relative importance of brand, country-of-origin and price, it is important to conduct this type of research to reveal whether focusing on one of the above factors would be beneficial in the South African market.

### **2.8.2 Perceived Risk and Country-of-Origin Bias**

Hampton (1977) conducted a study to examine the influence of perceived risk on the ratings of twenty-seven products in three classes of perceived risk (high, moderate, low) from nine countries. The study examined the perceived risk of American products made

in the United States compared with products made abroad by American firms. The study found a general increase in perceived risk for products made abroad. Some specific products showed lower risk when made abroad. Most of these cases were products made industrialised countries other medium developed countries. One was made in Brazil and one in Hong Kong. None of these cases involved products made in poorer less developed countries.

Hampton's (1977) findings also indicated that there might be a hierarchy of perceived risk having an inverse relationship with economic development. No interaction was found between countries and products. Hence, a low-risk product made in the United States might be perceived as a high-risk product when made in a high-risk country.

Nes (1981) examined the country of manufacture as a cue to perceived product risk and perceived product quality. Products were classified into two groups: low risk and high-risk products. Three brand categories were used in the study: no brand name, a new brand name and a well recognized brand name. Four countries of origin were used: no country information available, made in a poor country, made in an average income country and made in a developed country. The findings showed that all three factors (country, brand and risk class) were significant, while none of interactions was significant.

Hugstad and Durr (1986) also investigated the importance of country of manufacture (COM) information to American consumers. The products used in their study were automobiles, cameras, canned food, shoes, and sport shirts. The countries used were Japan, China, South Korea, Taiwan and the United States. Using a mall intercept method, interviews were conducted with three hundred and forty-one shoppers. They were asked their sensitivity, and perceived risk related to each country and its products. The results indicated that sensitivity to country of manufacture (COM) varies by product category, being highest for durable goods. Moreover, COM also appeared to affect perceptions of quality and price for products from different nations.

Cordell (1992:252) also conducted a study to examine country-of-origin preferences of American consumers. Of particular interest was the consistency of consumer perceptions within country, class and moderator effects of other extrinsic traits on the country-of-origin. This research investigated hypotheses that product specific preferences are more significant when products are from industrialised countries than when they are from less developed countries. The moderator effects investigated in this research were branding condition and performance risk, because they are inherent to all products.

Subjects were asked to evaluate differences in product quality and the ability of the fourteen given countries to produce quality goods. Of the fourteen, seven were industrialised countries and seven were less developed countries. Subject groups one and two evaluated wristwatches, and groups three and four evaluated shoes.

The findings supported the country by performance risk relationship. These outcomes indicated that under some circumstances, the risk associated with a product might influence the consumer's willingness to tolerate the additional risk associated with the country source of production. Thus, a maker of high performance risk products might wish to be more cautious about expanding production to less developed countries. However, certain collateral strategies are available to mitigate country derogation (Cordell, 1992:259). He suggested that a firm could produce goods in a less developed country but had to provide a superior warranty to alleviate the consumer's fears of product failure. Alternatively, the maker could manufacture low risk products in less developed countries and higher risk products in industrialised countries. Or, finally, it could produce components at low cost in less developed countries but finalize the production in industrialised countries whose origin would appear on the product.

### **2.8.3 Level of Motivation and Country-of-Origin Effects**

Gurhan-Canli and Maheswaran (2000) conducted research designed to investigate the factors that influence and the psychological processes that underlie country-of-origin evaluations. Subjects received attribute information that was either condensed in a single

product or dispersed across several products manufactured in a country with relatively unfavourable associations. The theoretical background of this research was based on two dual models of persuasion. The first was the Elaboration Likelihood Model (Petty and Cacioppo, 1979) and the second model was the Heuristic-Systematic Model (Chaiken 1980). Both model identified the cognitive process involved in accepting persuasive message.

According to these models under high motivation conditions, consumers are thought to engage in a detailed processing of the persuasive message that involves thoughtful examination of relevant message arguments or attribute information. In contrast, under low motivation, mode of processing involving less effort is anticipated, and consumers are likely to form judgments in cognitively simple ways by minimizing high-effort processing. Alternately, perceivers can also use simple decision rules, such as that products manufactured under a well-known brand name are likely to be of good quality. Thus, under low motivation, subjects may try to form their judgments with a minimum of effort, and country-of-origin offers a basis for doing so (Maheswaran 1994). In contrast, high motivation consumers are less likely to use cognitive short cuts in forming their judgments. Country-of-origin information may be processed and considered but more as one of the product attributes instead of an overall basis for judgments (Gurhan-Canli and Maheswaran, 2000:96).

Gurhan-Canli and Maheswaran (p.97) interpreted this result as, when high motivation consumers are provided with both country-of-origin and attribute information, they are less likely to process attribute information in relation to the country-of-origin. When later asked to make a country-of-origin judgment, high motivation subjects may view this task as unrelated to the evaluation of specific products and are likely to report their judgment based on retrieving their prior evaluations. However, when motivation is low, consumers are likely to direct their attention towards the country-of-origin.

Weber and Crocker (1983:961) conducted an experimental study to examine stereotype change using three models. These were:

- (1) The Bookkeeping Model, in which each instance of stereotype-relevant information is used to modify the stereotype gradually;
- (2) The Conversion Model, in which stereotypes change radically in response to dramatic or salient instance; and
- (3) The Subtyping Model, in which new stereotypic structures are developed to accommodate instances not easily assimilated by existing stereotypes.

They presented stereotype information that consisted of congruent, incongruent, and irrelevant behaviours displayed by group members. The incongruent information was either condensed in describing a few group members or dispersed across several group members. In the condensed condition, only a small subset of group members displayed all incongruent behaviours. For example, only two members in a group of six displayed incongruent behaviours, while others did not exhibit any incongruent behaviour. In the dispersed condition, incongruent information was distributed across all members so that each one of them slightly disconfirmed the expectations. Specifically, each member displayed one incongruent behaviour.

This study showed that perceptions of the group were more likely to be affected when incongruent information was dispersed across several group members as the Bookkeeping Model and the Subtyping Model predicted. When incongruent information was condensed in a few group members, subjects maintained their evaluations by regarding these group members as exceptions. They were subtyped and dismissed as unrepresentative of the group.

A similar study was conducted by Maurer, Park and Rothbart in 1995. Participants were instructed to organize information about group members either by distinguishing stereotype-congruent from stereotype-incongruent individuals (subtyping instructions), by dividing the individuals into multiple groups on the basis of similarities and differences (subgrouping instructions), or with no explicit organising instructions.

The result showed that condensed information was less effective in affecting perceptions of the group because it is likely to be subtyped, leaving prior expectations intact. When subjects were instructed to sort group members in relation to their prior expectations, disconfirming members, that are those described with several incongruent attributes were subtyped. Such subtyping led subjects to perceive disconfirmers as highly atypical and confirmers as very typical of the group. Hence, the group perceptions were not affected despite disconfirming members.

In general, cognitive responses showed that country-of-origin evaluations are more likely to be favourable when consumers focus on the country-of-origin and when the information is dispersed across several of the country's products (Gurhan-Canli and Maheswaran, 2000:104).

#### **2.8.4 Cultural Orientation and Country-of-Origin Effects**

The ever-increasing level of world trade, opening of markets, enhanced purchasing power of customers, and intensifying competition all have allowed and even forced marketers to expand their operations. The challenge for marketing manager is to handle the differences in values and attitudes, and subsequent behavioural patterns that govern human interaction on two levels: first, as they related to customer behaviour and, second, as they affect the implementation of marketing programs within individual markets and across markets.

To take advantage of global markets or global segments, marketers are required to have or attain a thorough understanding of what drive customer behaviour in different markets, and to detect the extent to which similarities exist or can be achieved through marketing effort. Understanding culture is critical here not only in terms of getting strategise right but also for ensuring that implementation by local operations is effective (Czinkota and Ronkainen, 2002).

Gurhan-Canli and Maheswaran (2000) examined the extent to which cultural orientation influenced country of origin effects on product evaluations in two countries: Japan and

the United States. Subjects were given attribute information about a mountain bike made in either Japan or the United States. The theoretical background of this research was based on a framework that consists of vertical individualism (VI), horizontal individualism (HI), horizontal collectivism (HC), and vertical collectivism (VC). This framework was developed by Triandis and Gelfand (1998).

According to Triandis and Gelfand's framework in Gurhan-Cani and Maheswaran (2000:310), vertical individualists are concerned with hierarchy and strive to achieve higher status by competing with other group members. They value self-enhancement and self-serving biases over group affiliation. Horizontal individualists want to be distinct and unique from other group members and emphasize self-reliance. Horizontal collectivists are interdependent with the group and share common goals. They want to be similar to other members but do not subordinate themselves to group norms. Vertical collectivists are committed to and accept the superiority of the group over the individual. They often sacrifice their personal goals to further the group interests.

Gurhan-Cani and Maheswaran's (2000:315) findings showed that country-of-origin effects vary across cultures on the basis of the diverse cultural patterns present in different countries. The evaluations and the cognitive responses converged to show that individualists evaluated the home country product more favourably only when it was superior to competition. By contrast, collectivists evaluated the home country product more favourably regardless of its superiority. Mediation analyses extend these findings by identifying the vertical dimension of individualism and collectivism as the dominant dimension in accounting for country-of-origin differences between consumers in the United States and Japan.

Gurhan-Cani and Maheswaran's findings also provided insights on foreign product purchase. For example, Shimp and Sharma (1987) show that more-ethnocentric consumers are less likely to purchase foreign products for economic reasons. Gurhan-Cani and Maheswaran (2000) suggested that cultural orientation also influences the purchase of foreign products. They extended the findings of Klein, Ettenson, and Morris (1998) by documenting that in addition to country-specific animosity, general cultural

tendencies such as individualism/collectivism may also influence foreign product purchase.

Their findings also suggested that country-of-origin-based strategies need to be customized across cultures. In collectivist cultures, home products are likely to benefit from featuring country-of-origin in advertising. For example, Kao Corporation maintains a leading share in the Japanese diaper market by highlighting its Japanese origin. However, featuring the country for foreign products may not provide a differential advantage in these cultures. Country-of-origin focus in individualist cultures may be effective only when home products are superior. For example, Chrysler was able to achieve a turnaround by highlighting the home country image and providing improved products. A simple appeal to "buy American" might not have been as effective (Gurhan-Canli and Maheswaran, 2000:316).

Based on Hofstede's (1994) national cultural dimensions, South African cultural orientation is a mixed of both collectivist and individualist. Black South Africans and Indian origin South Africans have collectivist cultural tendencies. White South Africans of Dutch and English origin have individualistic cultural orientation. Taking that fact into consideration, it is more likely for South African consumers to favour home country products since majority of South Africans display a collectivist cultural orientation. However, marketers should be aware of these differences in cultural orientation in order to design effective marketing practices.

## **2.9 Summary**

It has been generally agreed that country-of-origin affects consumers' product evaluations. Although some studies report that the country-of-origin affects consumer ratings on only certain attribute of the products, the majority of previous studies indicate the salience of country-of-origin in overall product evaluation (Kaynak, Kucukemiroglu and Hyder, 2000; Zhang, 1996; Good and Huddleston, 1995; Okechuku, 1994; Lin and Stenquist, 1994; Wall, Liefeld and Heslop, 1991; Han, 1989).

Consumers evaluate a product on the basis of information cues. Such cues have been separated into two categories, namely intrinsic and extrinsic. The country-of-origin amongst other evaluative criteria considered is found to be factor affecting a product's acceptance or rejection considered when purchasing or evaluating a foreign made product. These multiple factors are considered significant variables in consumer product evaluation when consumers are confronted with a selection of alternative product products. The effect of country-of-origin labelling on consumers' assessment of product quality, risk to purchase, perceived value, and the likelihood of purchase was tested in a multi-product and multi-cue setting. In this study, country-of-origin information was found to be more important in affecting product quality assessments than were price and brand information (Kaynak & Cavuagil, 1983; Wall, Liefeld and Heslop, 1991; Okeckhuku, 1994; Lin and Sternquist, 1994).

It has been found that all products originating in foreign countries are subject to country-of-origin effects. Past studies have demonstrated the existence of negative biases towards products made in foreign countries. This is particularly evident in developed countries where domestic products tend to be evaluated more favourably than foreign-made products (Geadeke, 1973; Wang and Lamb, 1983; Cordell, 1991). Consumers' high ethnocentrism and patriotism may be two of the reasons for such a tendency (Shimp and Sharma, 1987; Smith, 1993). Conversely, in the case of developing countries, national products tend to be evaluated less favourably than imported goods from developed countries (Zhang, 1996; Kaynak, Kucukemiroglu and Hyder, 2000; Lin and Stenquist, 1994; Batra et al., 2000; Heslop and Papadopoulos, 1993; Goudge and Ivanov, 1998). However, the effects of country characteristics should be considered with caution since consumers do not perceive all foreign products or all products from a given country as being the same or similar. Some researches found a significant difference between general country attitudes and specific product attitudes by country-of-origin (Kaynak and Cavusgil, 1983; Geadeke, 1973; Zhang, 1996).

It has also been found that there are two moderating factors that may mediate country-of-origin effects, namely cultural orientation and level of motivation. Research has been

carried out using the individualism/collectivism framework as a useful basis for examining cultural differences in consumer behaviour. Based on that framework, research found that individualists evaluated the home country product more favourably only when it was superior to competition. In contrast, collectivists evaluated the home country product more favourably regardless of its superiority (Gurhan-Canli and Maheswaran, 2000; Triendis and Gelfand, 1998).

Furthermore, research documented that under high motivation conditions, consumers are thought to engage in a detailed processing of the persuasive message that involves thoughtful examination of relevant message arguments or attribute information. By contrast, under low motivation, a less effortful mode of processing is anticipated, and consumers are likely to form judgments in cognitively simple ways by minimizing effortful processing. Under low motivation the effect of country-of-origin is high (Maheswaran, 2000).

Overall, there is overwhelming agreement among researchers about the existence of country-of-origin effects on consumers' evaluation of products and there is broad consensus that this effect tends to vary by product category, product dimensions, and consumer demographics. Generally, there is a bias against products from developing countries.

## **CHAPTER THREE: RESEARCH OBJECTIVE, HYPOTHESIS AND METHODOLOGY**

### **3.1 Introduction**

This chapter aims to discuss the theoretical background of the hypothesis and the research approach, which was used in this research study. It will elaborate the sampling technique, means of data collection, measurement instruments and the methods used in data analysis. Furthermore, it will elaborate how measurement scales were checked using Cronbach's alpha to assess if the scales produced internal consistent reliability and how validity was analysed through confirmatory factor analysis.

### **3.2 Research Objectives and Hypothesis**

A great deal of research has documented the effects of country-of-origin information on consumers' product evaluations. Certain major studies indicated that in a situation where country-of-origin is available as an information cue, consumers are more likely to rely on the country-of-origin in evaluating a product (Kaynak, Kucukemiroglu and Hyder, 2000; Zhang, 1996; Okechuku, 1994; Zain and Yasin, 1997; Geadeke, 1973; Wang and Lamb, 1983; Wall and Heslop, 1991; Lin and Stenquist, 1994).

**Objective 1.** To identify the importance South African consumers place on country-of-origin information in product evaluations.

Previous research has found that there was no difference between more educated consumers and those with less education or between males and females regarding the importance placed on country-of-origin information (Delener, 1995; Zain and Yasin, 1997).

**Objective 2.** To identify whether the importance of country-of-origin dimension scores vary along demographical lines.

**H1.** There is no significant difference between more educated and less educated consumers on the importance they place on country-of-origin information dimensions.

**H2.** There is no significant difference between male and female consumers on the importance they place on country-of-origin information dimensions.

The economic level of the producer country has been investigated as a determinant of country-of-origin differences in the belief that consumers esteem products from prosperous countries and derogate those from poor countries. Consumers are expected to use evaluation-based inferencing to reason that product quality correlates with the economic level of the producer country (Alba and Hutchinson, 1987; Wang & Lamb, 1983; Zhang, 1996; Zain and Yasin, 1997).

**Objective 3.** To identify whether South African consumers will perceive goods originating from developed countries as being of higher quality than goods originating in developing countries.

It was also found that greater product class knowledge and availability of product alternatives facilitates and thus increases the use of multiple cues (Johansson, 1989; Ettenson, Wagner and Gaeth, 1988). As such, consumer knowledge should be regarded as a multi-dimensional construct, where different types of product-related experiences lead to different dimensions of attitude and knowledge, and these different dimensions of knowledge and attitude have different effects on product evaluations and choice and purchase behaviour, depending on the specific situation and task at hand (Alba and Hutchinson, 1987). According to these studies, country-of-origin is amongst several evaluative criteria considered when purchasing or evaluating foreign made products, which affects the acceptance or rejection a product. The effect of country-of-origin labelling on consumers' assessment of product quality, risk to purchase, perceived value,

and likelihood of purchase was tested in a multi-product and multi-cue setting. In these studies, country-of-origin information was found to be more important in affecting product quality assessments than were price and brand information. (Kaynak and Cavugsil, 1983; Wall, Liefeld and Heslop, 1991; Okechuku, 1994).

**Objective 4.** To identify the relative importance of country-of-origin information in relation to price and brand to South African consumers.

Patriotic, ethnocentric, and nationalistic sentiments expand and decline among people of one country and people of other countries. Periodic claims of unfair competition, uneven playing fields, and excessive foreign influence cross international boundaries and inflame business people and consumers alike. Consumers are made to feel guilty for purchasing imported products, and patriotic advertisements remind consumers of their duty to choose domestic made goods over imports (Sharma, Shimp and Shin, 1995:26). Numerous country-of-origin studies have touched on consumers' patriotic prejudices against imports and generally have found that consumers tend to evaluate domestic products unreasonably favourably vis-à-vis imported products (Han, 1988; Sharma and Shimp, 1987; Geadeke, 1973; Smith, 1993).

**Objective 5.** To determine South African consumers' ethnocentric tendencies.

**H3.** South African consumers are expected to display ethnocentric tendencies.

Researchers have also previously examined the effect of demographic variables such as age, gender, education, and income level on consumer ethnocentrism (Sharma, Shimp, and Shin, 1995; Good and Huddleston, 1995; Wall, Liefeld, and Heslop, 1989). According to their findings, older people are more likely to exhibit higher levels of ethnocentrism than younger people. Females' generally tend to show a more positive country-of-origin bias towards domestic products than males (Good and Huddleston, 1995; Sharma, Shimp, and Shin, 1995). People with a high level of education are more in favour of foreign products than those with limited education (Good and Huddleston, 1995; Wall, Liefeld and Heslop, 1991; Wall and Heslop 1986). Also, high-income

consumers are generally found to react more favourably toward foreign products (Wall and Heslop 1986; Wall, Liefeld and Heslop, 1988).

**Objective 6.** To determine whether ethnocentrism scores vary along demographical factors.

**H4:** Consumer ethnocentrism in South Africa is positively related to age.

**H5:** South African females are expected to exhibit a higher degree of ethnocentrism than males.

**H6:** A negative relationship is expected between the level of educational achievement and consumer ethnocentrism.

**H7:** A negative relationship is expected between income level and consumer ethnocentric tendencies.

## **3.3 Research Design and Methodology**

### **3.3.1 Data Collection**

In conducting this research paper, secondary as well as primary data were used to acquire the necessary information. Secondary data was collected from journals, books, periodicals, and Internet. Primary data was collected using the survey method whereby a structured-questionnaire designed to elicit specific information from respondents was given to a sample of population.

### **3.3.2 Sample**

The first step in the data collection procedure was to identify the right population group from which the sample could be drawn. Previous research revealed that a large number of respondents who had no direct income, were not interested in commenting on consumer

behaviour, especially concerning durable consumer goods purchases such as television sets and refrigerators (Kyank, Kuckemiroglu, and Hyder, 2000). Since the major objective of this study is to identify whether consumer buying behaviour towards cars, electronic items and clothing was influenced by country-of-origin labels and information cues, it was important for the respondents to be income earners.

The second important criterion for the respondent selection was the level of education. The potential respondent must be capable of understanding and completing the questionnaires. Finally, it was important to maintain some ratio between male and female respondents so that the results were not affected by one or other gender. Because of limitations of the three criteria, the researcher adapted a non probability-purposive sampling method. Purposive sampling is a non-probability sample that conforms to certain criteria (Cooper and Schindler, 2001:192).

Participants in this research were employees of University of Natal, both Durban and Westville campuses. The choice of these particular organizations was for convenience, and since these organizations use education as one criterion in hiring employees, the researcher believe that the respondents constituted a suitable sample for this research study.

One hundred and seventy-six questionnaires were distributed and of these, one hundred and thirty-three questionnaires were returned, representing a response rate of seventy-six percent. However, the sample size only consisted of one hundred and twenty six, as seven of the returned questionnaires were considered unusable.

### **3.3.3 Measurement questions and Instruments**

Measurement questions were divided in to five sections (Section A, B, C, D, and E).

## Section A

Section A of the questionnaire consisted of thirteen country-of-origin statements, drawn from Zain and Yasin's (1997) study, and attempted to seek the opinions of South Africans on country-of-origin information of products. This questionnaire was originally developed by Lasca and Babb's (1995). Zain and Yasin (1997) study was conducted in Uzbekistan, a former Socialist state, and using their statements also allowed comparisons on the findings of this study with theirs. A five-point Likert scale was used in the study (5 = strongly agree; 4 = agree; 3 = neutral; 2 = disagree; and 1 = strongly disagree). The Likert scale is the most frequently used variation of the summated rating scale. Summated scales consist of statements that express either a favourable or unfavourable attitude towards the object of interest. The respondent was asked to agree or disagree with each statement. Each response was given a numerical score to reflect its degree of attitude favourability, and the scores may be totaled to measure the respondent's attitude (Cooper & Schindler, 2001:232). This method of scale was found to be appropriate for this type of study because past study indicated that Likert type scales are more appropriate and reliable for studies of this nature than Thurston scaling and the semantic differential scaling (Edwards & Kenney, 1986:92). Furthermore, the Likert scale is easy to administrate.

Cronbach's coefficient alpha\* had been used to assess the reliability of the measures. In this study, internal consistent reliability\* was most feasible and it was ascertained by asking for the same item of information in two or three slightly different ways. Cronbach's alpha produced an acceptable level of reliability value 0.8576.

The purpose of measurement is to measure what is intended to be measured. Validity addresses the problem of whether a measure, for example, an attitude measure measures what it is supposed to measure. Since the measurement that was used in this research

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\* Cronbach's alpha measure of reliability that ranges from 0-1, with value of .60 to .70 deemed the lower limit of acceptability (Hair et al., 1998:88).

\* Internal consistency reliability is a characteristic of measurement in which an instrument measures consistency among response of a single respondent (Hair et al., 1998:88).

paper was employed from previous studies which had been carried out, the researcher believes that the questionnaire has content validity.

### **Section B**

Section B obtained the respondents' evaluations on the quality of products such as cars, dresses/shirts, shoes, cameras, televisions, refrigerators and radios made in specific countries. These countries were India, the United Kingdom, Japan, China, the United States and South Africa. These countries were selected because they were significant sources of importation of such products to South Africa. A five point Likert Scale was used to gauge respondents' perceptions of quality on each product from respective countries (5 = high quality; 1 = low quality). The reliability analysis for this section was Cronbach's alpha value of 0.8576. The questionnaire was adapted from Zain and Yasin, 1997.

### **Section C**

Section C of the questionnaire was designed to determine which extrinsic cues South African consumers regarded the most important before considering purchasing the specific product categories, such as cars, dresses/shoes, televisions, refrigerators, and radios. The two most known extrinsic cues in marketing literature are price and brand. However, findings of certain research revealed that country-of-origin of a product has a tremendous influence on the acceptance and success of a product over and above the specific marketing and advertising techniques. Hence, this factor was incorporated in this study as a third extrinsic cue. The reliability analysis for this section was Cronbach's alpha value of 0.7562

### **Section D**

Consumer ethnocentrism was measured using the CETSCALE proposed by Shimp and Sharma (1987). This scale was designed to measure respondents' ethnocentric tendencies related to purchasing foreign versus local-made products. Ethnocentric tendencies can be rated from highly ethnocentric to non-ethnocentric, where a consumer on the high end of the spectrum believes that purchasing foreign-made products is morally wrong. On the

other hand, highly non-ethnocentric consumers may view foreign products as better because they are not produced in their own country.

Given that the CETSCALE has been previously used and validated in various cross-cultural contexts, (Herche, 1992; Good and Huddleston, 1995), the ten-item version of the original seventeen scales was utilised in this study. The original seven-point scale was also adapted to a five point, forced-choice likert scale anchored by “strongly agree “ (5) and “strongly disagree” (1).

A factor analysis was conducted to test respondents’ ratings for each ethnocentric tendency measurement variables for validity purpose. As a result one factor retained as illustrated in Table 3.1. This factor accounted 61.88 percent of the variance in the data and labelled as ethnocentric tendency. Kaiser-Meyer-Olkin\* was used to measure the sampling adequacy. It produced a value of 0.913 indicating that the sample was adequate for a factor analysis to proceed. Bartlett’s Test of Sphercity\* was also significant as illustrated in Table 3.2.

**Table 3.1. Factor analysis on the ethnocentric tendency ratings.**

Component	Total Variance Explained					
	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	6.189	61.885	61.885	6.189	61.885	61.885
2	.909	9.094	70.979			
3	.662	6.616	77.595			
4	.503	5.035	82.630			
5	.420	4.198	86.828			
6	.365	3.651	90.479			
7	.356	3.563	94.042			
8	.257	2.569	96.610			
9	.177	1.774	98.384			
10	.162	1.616	100.000			

Extraction Method: Principal Component Analysis.

\* Kaiser-Meyer-Olkin measures the sampling adequacy, which should be greater than 0.5 for a satisfactory factor analysis to proceed (Hair et al, 1998:89).

\* Bartlett test of sphericity is a statistical test for the overall significance of all correlations within a correlation matrix Hair et al, 1998:88).

**Table 3.2. KMO and Bartlett's test on the ethnocentric tendency ratings.**

KMO and Bartlett's		
Kaiser-Meyer-Olkin Measure of Adequacy		.913
Bartlett's Test	Approx. Chi-	854.48
Sphericity	df	45
	Sig.	.000

**Section E**

The last section of the questionnaire contains a demographic scale in order to classify respondents according to specific group criteria. This scale includes gender, age, ethnic group, marital status, education, and income per year. It guaranteed respondents anonymity, as names were not required. This ensured honest opinions and answers and secured internal validity. Multiple-choice, single-response rate scales were used to determine demographic profile of respondents. The multiple-choice scale allows the respondents to select one from several alternatives (Cooper and Schindler, 2000:232). Respondents choose from a range thus ensuring that they did not have to disclose specific details, which might otherwise make them uncomfortable and less willing to participate fully and honestly.

**3.4 Data Analysis**

The data collected from respondents was coded and entered into the computer. The researcher reviewed all the replies gathered and compiled them for comprehensive analysis. All the replies of the respondents to the questions were categorized according to their similarity. The average mean scores were calculated for opinions rated on a scale from 1 to 5 on each of the country-of-origin information statements; consumer perception of quality; relative importance of country-of-origin to price and brand. Factor analysis was performed on consumers' ethnocentric measures to identify the salient items that measure ethnocentrism. Factor analysis produces hypothetical constructs, called factors,

which represent sets of variables (Hair et al, 1998:89). The principal component extraction\* was used to determine the minimum number of factors needed to account for the maximum portion of the variance represented in the original set of variables. The number of factors to be retained was determined using latent root criterion, greater one is considered significant. Since one component was extracted that measure ethnocentrism, the solution could not be rotated.

The independent samples t-test\* was used to test if there is a significant difference between more educated and less educated, as well as between men and women regarding the importance placed on country-of-origin information. The independent samples t-test was also utilised to reveal whether ethnocentrism scores vary in accordance with demographical factors, namely gender and education.

The other factor of interest is whether South African consumers display ethnocentric tendencies. To test this, one-sample t-test was performed to compare the sample's mean ethnocentrism score with hypothetical or population mean score. The population mean score was assumed to be 30 as it was greater than the average mean score of 25 reflecting respondents ethnocentric tendencies.

Pearson correlation coefficient was also performed to test if ethnocentrism scores correlated with respondents' age as well as with their income. Pearson's correlation coefficient expresses the degree of linear relationship between two variables measured from the same individual. Pearson's (r) values range between  $-1.00$  to  $+1.00$ . A correlation coefficient of  $+1.00$  signifies a perfect positive relationship, while  $-1.00$  shows a perfect negative relationship (Bryman and Cramer, 1999:176).

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\* Principal components analysis-method used to transform a set of variables into a new set of composite variables or principal components that are not correlated with each other (Cooper & Schuilder, 2001:592).

\* The Independent samples t-test compares the mean scores of two groups on a given variable (Bryman. and Cramer, 1999:143)

### 3.5 Summary

A great deal of research has documented the effects of country-of-origin information on consumers' product evaluations. Certain major studies indicated that in a situation where country-of-origin is available as an information cue, consumers are more likely to rely on the country-of-origin in evaluating a product (Kaynak, Kucukemiroglu and Hyder, 2000; Zhang, 1996; Okechuku, 1994; Johansson, 1989). Previous researches also uncovered the relationship between country-of-origin effects and the level of economic development where products from developing countries are rated as being inferior to those from industrialised countries (Alba and Hutchinson, 1987; Wang & Lamb, 1983; Zhang, 1996). Furthermore, some researchers examined the effect of demographic variables such as age, gender, education, and income level on consumer ethnocentrism and they found a positive correlation between age, and ethnocentric tendency, and also found females scored higher in ethnocentrism. But a negative relationship between education and ethnocentric tendency was found to exist (Good and Huddleston, 1995; Wall, Liefeld, and Heslop, 1989; Sharma, Shimp, and Shin, 1995).

All those findings are hypothesised in this research paper. To prove it, primary data was collected using the survey method whereby a structured-questionnaire was given to a sample of the population designed to elicit specific information from respondents. Out of the one hundred and seventy-six questionnaires distributed, one hundred and twenty-six were returned, representing a response rate of seventy-six percent. The data was analysed using various statistical techniques, namely factor analysis, one sample t-test, independent samples t-test, Pearson correlation coefficient, and descriptive techniques such as average mean and frequency. The next chapter will present and discuss the results.

## **CHAPTER FOUR: RESEARCH RESULTS AND DISCUSSION**

### **4.1 Introduction**

This chapter deals with the analysis of the results that were derived from the questionnaires distributed to respondents. Data was coded and analysed using SPSS (Statistical Package for Social Sciences). The constructs of interest were measured using a variety of statistical techniques.

The parametric test was used to test the hypotheses because the data was derived from interval measurement scales. One sample t-test was used to test for South African ethnocentric tendencies. The independent samples t-test was used to test if country-of-origin information dimensions and ethnocentrism varies along the demographical factors such as education and gender. Since the significant values for the Levene's test were high (greater than that 0.05), the result that assumes equal variances was used for both groups. Then a p-value for the t-test less than a level of significant value of five percent supported the alternative hypothesis; and a p-value less than that level resulted in rejection of the alternative hypothesis throughout the analysis (Brayman and Cramer, 1999:145).

Descriptive analysis was used to identify South African quality perception and to assess the relative importance of country-of-origin to price and brand.

Furthermore, frequency tables and graphs were used to tabulate the data under the sample demographic profile.

The discussion will begin with a description of the demographic profiles of the respondents in order to give the reader an understanding of which groups the respondents

were drawn from. This will be followed by presentation and discussion of the results respective to the objectives and hypothesizes of the study as outlined in chapter three.

## 4.2. Sample Demographics

### 4.2.1 Gender

The respondents were balanced in terms of gender (see Table 4.1). That is, 50.0% were females and 50.0% were males. This satisfies one of the sample selection criteria, maintaining the same ratio between male and female so that the result would not be constrained as gender-specific.

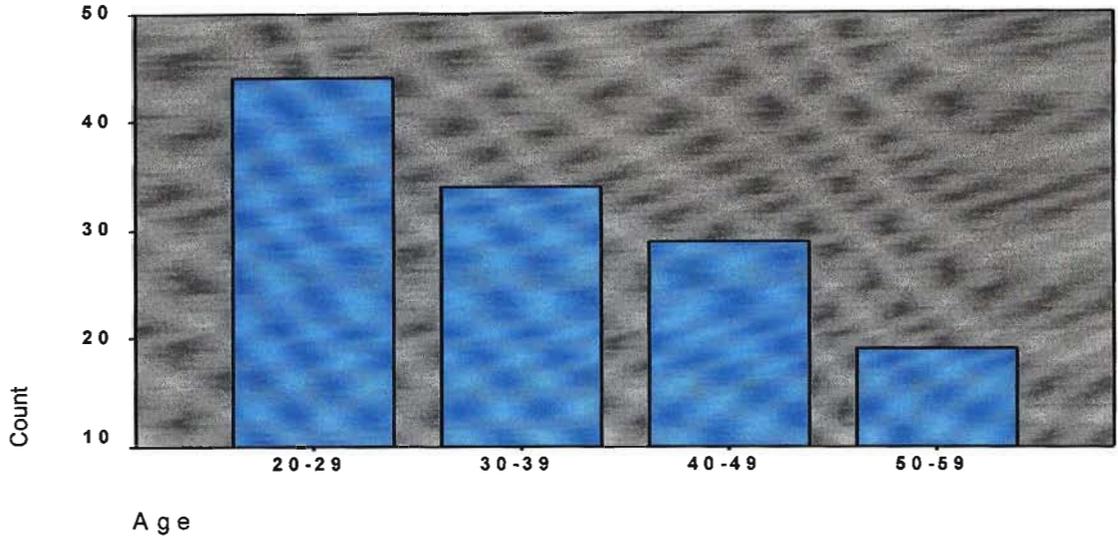
Table 4.1 Gender categories

		Frequency	Percent	Valid Percent	Cumulative Percent
<b>Valid</b>	Female	63	50.00	50.0	50.8
	Male	63	50.0	50.0	100.0
	Total	126	100	100	

### 4.2.2 Age

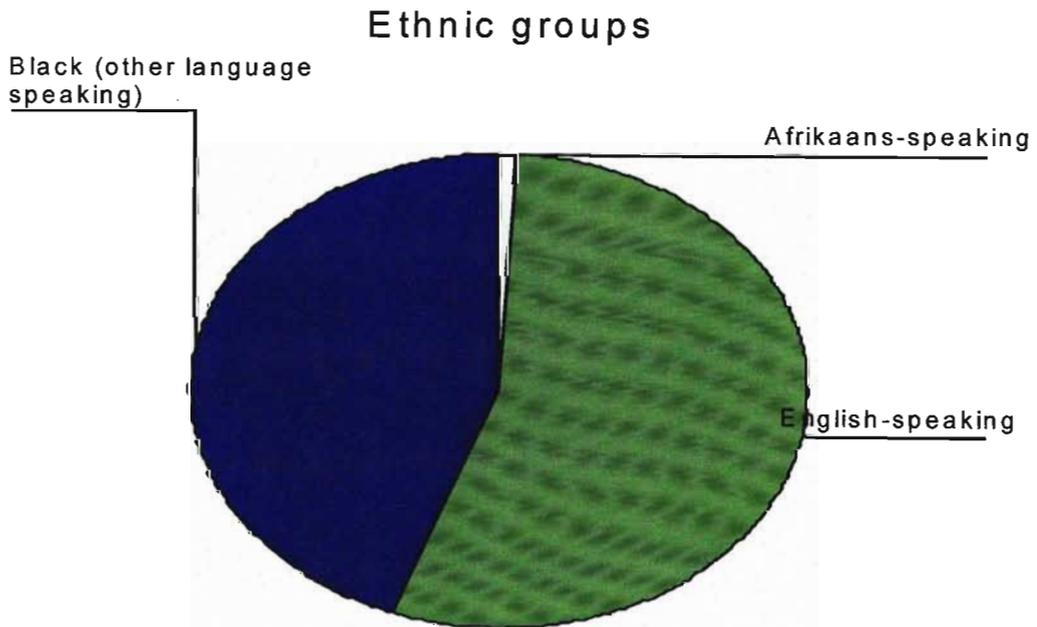
As shown in the Figure 4.1, 34.9% of respondents fell within the 20-29 age group, 27 % fell within the 30-39 age group, 23% fell within the 40-49 age group, and 15.1% fell within 50-59 age group.

**Figure . 4.1 Age categories**



### 4.2.3 Ethnic Group

When looking at the spread between the various ethnic groups, it can be seen that Afrikaans speaking South Africans constituted 0.8% of the sample, English speaking 54.8%, and other language speaking groups accounted for 44.4% of the sample (see Figure 4.2).



#### 4.2.4 Martial Status

Table 4. 2 Martial status

		Frequency	Percent	Valid Percent	Cumulative Percent
<b>Valid</b>	Single	47	37.3	33.3	37.3
	Married	67	53.2	53.2	90.5
	Divorced	12	9.5	9.5	100.0
	Total	126	100.0	100.0	

Table 4.2 shows that over half of the respondents are married. These respondents might have good purchasing experience with the products under study. Of the rest of the sample, 37.3% of the respondents are unmarried (single), and 9.5% of the respondents are divorced.

#### 4.2.5 Education

Table 4.3. Education categories

		Frequency	Percent	Valid Percent	Cumulative Percent
<b>Valid</b>	Matric	53	42.1	42.1	42.1
	Diploma	26	20.6	20.6	62.7
	Degree	47	37.3	37.3	100.0
	Total	126	100.0	100.0	

Result indicates that more than one third (42.1%) of the respondents are matric certificate holders. Of the rest of the sample, 37.3% of the respondents have obtained a degree (including first degree, masters' degree and doctorate degree) and 20.6% of the respondents are diploma holders.

## 4.2.6 Income

Table 4.4. Income groups

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Under R 50,000	24	19.0	19.4	19.4
	R 50,000- under R75, 000	48	38.1	38.7	58.1
	R 75,000- under R 100,000	31	24.6	25.0	83.1
	R100, 000- under R125, 000	18	14.3	14.5	97.6
	Above R 125,000	3	2.4	2.4	100
	Total	124	98.4	100.0	
Missing value	00	2	1.6		
Total		126	100.0		

Of the respondents, 63.7% fall in the annual income level of between R50, 000-100,000 which would rank as middle to high social class. A further 16.9% of the respondents earn incomes of R100, 000 and more per year. These two groups have high purchasing power in relation to expensive goods such as cars, refrigerators and televisions. Lastly, 19.4% of the respondents earn under R50, 000 per year. This group includes young new job starters and employees who have worked for a long time but less educated.

## 4.3. Importance of Country-of-Origin Information Dimensions in Product Evaluations

The first purpose of this section which is linked to objective one of the study, was to identify the importance South African consumers place on country-of-origin information in product evaluations. Average mean scores were calculated for respondents' opinions on each of the country-of-origin information statements. (Refer Table 4.5).

As shown in the Table 4.5, South African consumers felt that the country-of-origin is more important when buying a product that is high risk (Statement 1); when buying expensive products such as cars, televisions and refrigerator (Statement 2), and to make sure that they buy the highest quality product (Statement, 3). This is shown in the table by average mean scores of 4.18, 4.09, and 3.73 respectively. These findings are consistent with Chao and Gupta's (1995) results where country-of-origin information is often used by consumers to reduce the complexity of the task involved in information processing. Based on their findings, they concluded that the extent to which a consumer gains confidence in a country's products, may mean that the consumer may be predisposed to rely on country-of-origin information as a halo construct to infer information about individual product attributes, thereby reducing the need to search for information relating to specific attributes of the product. Thus, one should place importance on country-of-origin information for a complex product such as car (Chao and Gupt, 1995). This however, contradicts Schaefer's (1997) findings whereby consumers are more willing to rely on country-of-origin, when evaluating a low involvement product (buying clothing (Statement 8) in the case of this research) than when evaluating a high involvement product such as a car (Statement 1).

Respondents also placed importance on country-of-origin information when making a purchase decision (3.53), to choose the best product available in a certain product class (3.43), and to determine the quality of the product (3.42). On the other hand, respondents considered country-of-origin as unimportant information when buying a product with a low risk of malfunctioning (Statement 11) with an average mean score of 2.76, when buying a new product (Statement 12) with an average mean score of 2.75, and when buying products that are acceptable to friends and family (Statement 13) with an average mean score of 2.51

**Table 4.5. Importance of country-of-origin information dimensions in product evaluations**

Questionnaire Statements	Mean Scores Present Study	Zain & Yasin's Study (1997)
1. A person should always look for country-of-origin information when buying a product that has a high risk of malfunctioning e.g. when buying a TV, watch or camera.	4.18	3.88
2. When buying an expensive item such as car, TV, watch or camera I always inquire to find out what country the product was made in.	4.09	4.35
3. To make sure that I buy the highest quality product or brand, I look to see what country the product was made in.	3.73	4.00
4. I feel that it is important to look for country-of-origin information when deciding which product to buy.	3.53	3.95
5. I look for country-of-origin to choose the best product available in a product class.	3.43	3.86
6. I find out a product's country-of-origin to determine the quality of the product.	3.42	3.77
7. Seeking country-of-origin information is less important for inexpensive goods than for expensive goods.	3.41	3.91
8. I look at "Made-In.." labels in clothing (dresses/shirts/shoes before deciding on a purchase.	3.18	3.94
9. If I have little experience with a product, I	3.13	3.65

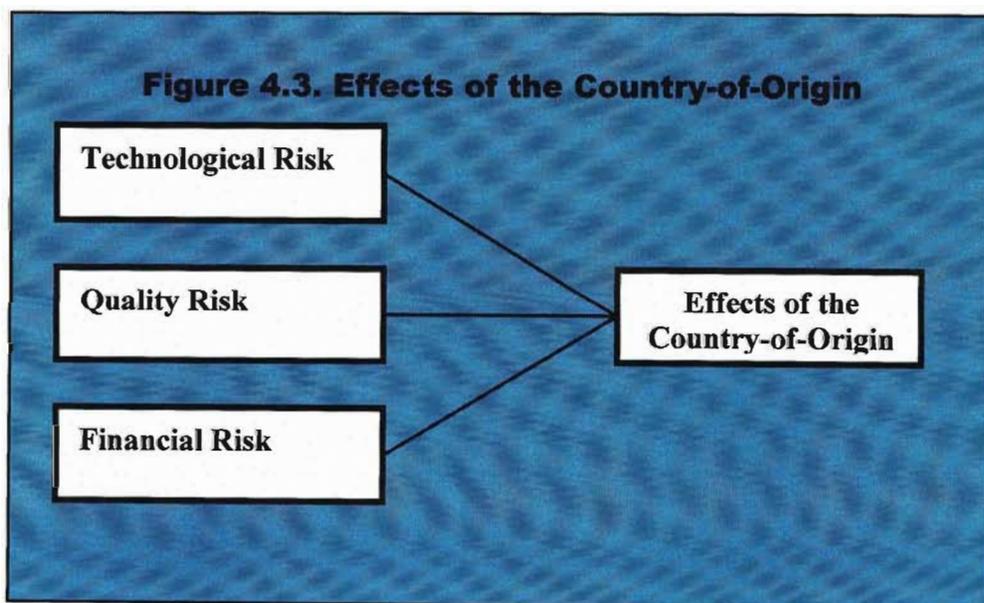
search for country-of-origin information about the product to help me make a more informed decision.		
10. When buying a product that is less expensive, such as a shirt, it is less important to look for the country-of-origin.	3.02	3.08
11. A person should seek country-of-origin information when buying a product with a fairly low risk of malfunctioning, e.g. when buying shoes.	2.76	3.54
12. When I am buying a new product, the country-of-origin is the first piece of information that I consider.	2.75	3.74
13 To buy a product that is acceptable to my friends and my family, I look for the product's country-of-origin.	2.51	3.69

(Note: Statements were rated on a scale of 1-5). Adapted from Zain and Yasin, 1997.

Looking at the present study average mean scores for each statements (Table 4.5) in comparison with previous studies conducted by Zain and Yasin (1997), it can be identified that South African consumers rated lower for all the statements except Statement 1. There are two possible explanations for this difference. One explanation might be that Uzbek consumers have low motivation levels to engage in a detailed processing of product attribute information. Instead they make their judgments with minimum effort, and country-of-origin offers a basis for doing so (Maheswaran, 1994). South African consumers on the other hand, although they perceived country-of-origin information as an important cue, they have moderate motivation level relative to Uzbek consumers. The importance of country-of-origin information is particularly valuable in risk reduction when consumers have a low confidence level in a producer's intrinsic cues and the cues have a low predictive value (Chao and Rajendran, 1993). This is inline with

Kaynak and Cavusgil (1983) and Wall and Lamb's (1983) findings that country-of-origin effects tend to increase with the technological complexity of the product.

The other explanation for the difference might be due to different sample size. The sample size of the present study was 126 respondents whereas in the Zain and Yasin study the sample size was 583. Peterson and Jolibert (1995) undertook a quantitative meta analysis of the country-of-origin effect and they found that larger samples produced an effect sizes that on average were greater than those produced by smaller samples. However, although the mean scores of each country-of-origin information dimensions of this result are lower than previous result, South African consumers do place importance on country of information. Particularly, the following three dimensions tend to increase the impact of country-of-origin: the technical complexity of the product (technological risk), the quality of the product (quality risk) and the price level (financial risk). Statements 1 and 2 in the Table 4.5 relates to technological risk; Statements 3, 4, 5 and 6 relates to quality risk; and Statements 2 and 7 relates to financial risk. The general positive effect of each of the three dimensions is represented in Figure 4.3



Adapted from Propeck and Cheron, 1997.

### 4.3.1 Demographic Characteristic and Country-of-Origin Information Importance

The second purpose of this section which is linked to objective two of the study, was to test if the importance of country-of-origin information dimensions scores varied along demographical lines, namely education and gender. It was hypothesized that

**H1:** There is no difference between more educated and less educated consumers on the importance they place on country-of-origin information dimensions.

**H2:** There is no significant difference between male and female consumers on the importance they place on country-of-origin information dimensions.

H1 was tested using the independent samples t-test. The mean score for the importance of country-of-origin information dimensions were compared between respondents who had completed matric and those who had completed degrees. The results are shown in Table 4.6. There was no significant difference found between respondents who had completed matric (mean score 43.7800) and the respondents who had completed degree (mean score 43.1778,  $t$ -value = .290,  $P = .772 > 0.05$ ). Thus, hypothesis one was supported.

H2, which indicated that there is no significant difference between the responses of females and males, was also tested using the independent samples t-test (refer to Table 4.7). Mean scores for importance of country-of-origin information dimensions were compared between females and males. As it can be seen, the mean score for males (44.4167) was higher than the mean score for females (41.0862). However, the difference was not statistically significant ( $t$ -value = -1.858,  $P = .066 > 0.05$ ). Hence, hypothesis two also supported.

These results are consistent with Delener's, 1995 and Zain and Yasin's, 1997 findings whereby there is no statistically significant difference between the importance of country-of-origin information dimensions and demographical variables.

**Table 4.6. Results of independent samples t-test for education level and importance of COO information dimensions.**

**Group Statistics**

Education	N	Mean	Std. Deviation	Std. Error Mean
COO matric	50	43.7800	10.2704	1.4525
COO degree	45	43.1778	9.9185	1.4786

**Independent Samples Test**

	Levene's Test for Equality of Variances	t-test for Equality of Means								
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
									Lower	Upper
COO	Equal variances assumed	.131	.718	.290	93	.772	.6022	2.0765	-3.521	4.7257
	Equal variances not assumed			.291	92.5	.772	.6022	2.0726	-3.514	4.7183

**Table 4.7. Results of independent samples t-test for gender and importance of COO information dimensions.**

**Group Statistics**

Gender	N	Mean	Std. Deviation	Std. Error Mean
COO female	58	41.0862	11.1925	1.4697
COO male	60	44.4167	7.9453	1.0257

### Independent Samples Test

		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
									Lower	Upper
COO	Equal variances assumed	5.037	.027	-1.869	116	.064	-3.3305	1.7821	-6.860	.1993
	Equal variances not assumed			-1.858	102.5	.066	-3.3305	1.7922	-6.885	.2242

## 4.4 Consumers Perception of Quality

The purpose of this theme (objective three) was to assess South African consumers' quality perceptions toward different product categories which also originated from different countries. A mean rating for South African consumers' perception and evaluation of five countries as well as the home country was calculated for each country of each product category in Table 4.8.

**Cars.** The results for cars showed a marked difference in the perceived quality among the three developed countries. It indicated that cars manufactured or assembled in Japan were perceived in the eyes of South Africans, as somewhat high quality to high quality with a mean average 4.4839. This was followed by the United States, the United Kingdom, and South African cars somewhat high quality, with average mean of 4.0738, 3.8770 and 3.7295 respectively. South African consumers perceived Chinese cars neither high nor low quality with mean average of 2.9424, and Indian cars as somewhat low quality with an average mean 2.1404.

**Table 4.8. Perceived quality of products made in specific countries.**

Products	Countries					
	USA	Japan	UK	SA	China	India
Cars	4.0738	4.4839	3.8770	3.7295	2.9424	2.1404
Dresses/Shirts	4.2991	3.15813	4.1102	3.8699	2.9496	2.9091
Shoes	3.9583	3.1500	3.8387	3.7772	2.9333	2.7105
Cameras	4.0732	4.4320	3.7417	3.3453	3.2520	2.4124
Televisions	3.9328	4.4355	3.6017	3.4508	3.2160	2.4508
Refrigerators	3.8824	4.1048	3.5882	3.5645	2.8474	2.4138
Radios	3.9664	4.3226	3.5254	3.4715	3.1920	2.4274
Average mean	4.026571	4.3226	3.7547	3.6012	3.0475	2.4949
Rank	1	2	3	4	5	6

Note: Factors were ranked on a scale of 1-5 where

1 = low quality; 2 = somewhat low quality; 3 = neither high nor low quality;

4 = somewhat high quality; and 5 = high quality.

**Dresses/ Shirts.** Respondents rated the quality of the United States, the United Kingdom, and South Africa dresses/shirts as somewhat high quality with average means of 4.2991, 4.1102, and 3.8699 respectively. Chinese and India dresses/shirts were rated as neither high nor low quality. This finding is encouraging to South African clothing manufacturers. Although the South African average mean is lower than the two developed countries (the United States and the United Kingdom), the difference is not significant. If South African manufacturers can sell those products at lower prices than that of the other two countries, there would probably be high demand for their products.

**Shoes.** Results for the shoe product category showed that consumers perceived the United Kingdom, the United States and South African shoes as somewhat high quality

with average means of 3.9583, 3.8387, 3.7772, respectively. Japanese (average mean 3.1500) and Chinese shoes (average mean 2.9333) were rated as neither high nor low quality. The adverse judgments of quality reflected in these results are tempered by the fact that the differences in rating of quality between shoes made in the United Kingdom, the United States, and South Africa were the closest of all the product categories studied. The results are also encouraging to South African shoe manufacturers.

**Cameras.** The result for cameras showed a clear quality difference between developed countries' products and developing countries from consumers' points of view. Cameras made in Japan were rated first as somewhat high quality to high quality with an average mean of 4.4320, followed by the United States cameras (average mean of 4.0732) and the United Kingdom cameras (average mean of 3.7417). While cameras from the two developing countries, China and South Africa were rated as neither high nor low quality to somewhat high quality. Furthermore, India's cameras were rated as somewhat low quality.

**Televisions.** The result for televisions indicated the same the results as for cameras. Japanese televisions were rated first as somewhat high quality to high quality, followed by the United States televisions, which were rated as somewhat high quality. The United Kingdom, and South African televisions were rated as neither high nor low to somewhat high quality with an average means of 3.6017, and 3.4508 respectively. Chinese televisions were rated as neither high nor low quality and the Indian product as somewhat low quality.

**Refrigerators.** As shown in Table 4.8, South African consumers rated Japanese and the United States refrigerators as somewhat high quality, the United Kingdom and South African refrigerators as neither high nor low quality to somewhat high quality, and Chinese refrigerators as neither high nor low quality. Indian refrigerators were rated as low quality.

**Radios.** The result for radios were the same as the result for refrigerators except for the fact that South African radios were rated as neither high nor low quality. Japanese and the United States refrigerators were rated as somewhat high quality, the United Kingdom and South African refrigerators were rated as neither high nor low quality to somewhat high quality, and Chinese refrigerators as neither high nor low quality. Indian refrigerators were rated as low quality.

The mean scores of the respondents' perceptions of quality for each of the products from the six producing countries showed that South African consumers view car, camera, television, refrigerator, and radio products from Japan, the United States, and the United Kingdom more favourably. Dress and shoes products from the United States, the United Kingdom, and South Africa were rated as South African consumers' top choices in quality. Overall rankings, based on the calculated average of the perception scores by country showed that, the United States was perceived as the country that produces high quality products, while Japan was placed second, followed the United Kingdom (refer Table 4.8). This results support that there is generally a direct relationship between product quality evaluation and the perceived degree of economic development of the country-of-origin (Wang and Lamb 1983; Zhang, 1996; Lin and Stenlinquist; 1994, Gaedeke, 1973). However, as show in the Table 8, South African consumers do not rate South African products as inferior or low quality. The overall rate is neither high nor low quality to somewhat high quality with an average mean of 3.6012. According to Wang and Lamb's (1983) country hierarchy, this means that respondents rate South African products as high quality in comparison to other developing countries.

The effects due to country characteristics should be considered with caution since consumers do not perceive all foreign products, or all products from a given country as being the same or similar. Results from consumers' opinions about the quality of specific imported products shows that quality images for specific items from individual countries vary widely (Kaynak and Cavusgil 1983; Geadeke, 1973). Cars, cameras, televisions, refrigerators and radios from Japan have a much higher quality image than dresses and shoes made in Japan. Similarly, dresses, shoes, and cars made in South Africa were

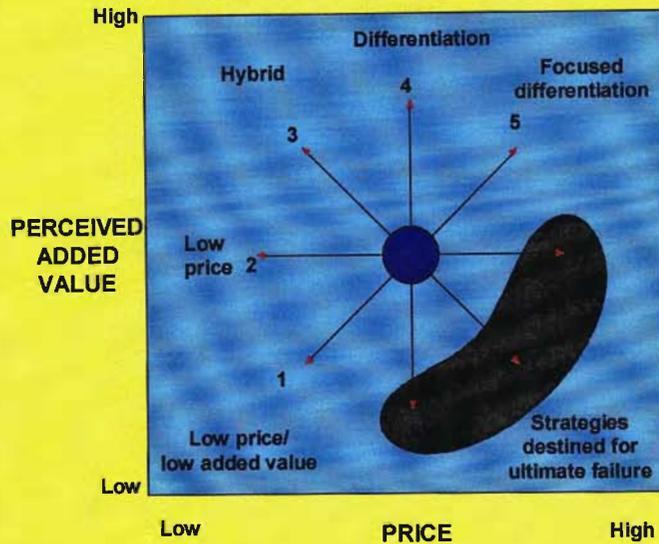
ranked higher than electronic products made in South Africa. There are two reasons why South Africans rated dresses, shoes and cars products highly relative to the other product categories. Sharama, Shimp and Shin (1992) established that consumers' ethnocentric tendencies play a more important role in decision making when the product of interest is an important source of jobs and income for the domestic economy. Also, the more threatened consumers are by the importation of a product (personally or for the economy in general), the more ethnocentric tendencies will influence decision-making. The South African automotive industry, for example, is a significant and stable employer, with an estimated 33, 000 jobs in vehicle manufacturing and 47,000 in components and tyre production (Vickers, 2002). It also makes a significant contribution to South African balance of payments (export minus import). Putting this industry at the mercy of well established foreign companies would endanger the livelihoods almost of a hundred thousand South African employees. As a result, South African consumers might prefer local cars although not as such as cars from developed countries.

The other possible reason is that South African automotive, leather and clothing industries were for several years the most highly protected industries which operated behind a wall of high tariffs and non-tariff barriers. This gave those industries a chance to improve their products' quality before they were out competed by foreign products.

#### **4.4.1 Managerial Implications.**

This section of the research has its own managerial implications. The primary implication is that the country-of-origin is an important tool that managers can utilise to position their products. Different companies can position their products differently. According to Bowman's strategy clock (Figure, 4.4), companies from developed countries (the United States, Japan, and the United Kingdom) should pursue a differentiation strategy (strategy No.4) to target new rich consumer markets. For a company from India and China, a low price strategy (strategy No.1) is the best option to pursue in order to target low-income earners. While South African companies should position their products as low-priced but medium value-added to target the middle-income group.

Figure 4.4. The strategy clock: Bowman's competitive strategy options



Tim Friesner - Marketing Management

Source: Tim Friesner, 2000:6.

This grand positioning strategy should also be supported by tactics organized around the marketing mix element (see Table 4.9).

Table 4.9. Marketing mix strategy for managing country-of-origin effects.

Country Image

Marketing Mix	Positive	Negative
Product	Emphasize "Made In"	Emphasize brand name
Price	Premium price	Low price to attract value conscious
Place	Exclusive locations	Establish supply chain partners
Promotion	Country image ● Nation sponsored	Brand image ● Manufacturer sponsored

Source: Mohamad, Earl and Tybkhan, 2000:73.

Countries such as the United States and Japan that possess a favourable country-of-origin image for products should emphasize the phrase “Made In...”. A positive country-of-origin factor also permits the adoption of premium pricing, exclusive distribution, and general country-of-origin advertisements that reinforce the country-of-origin advantage.

Conversely, it is advisable for countries, such as India and China that have lower quality image for their products, to adopt strategies that minimize the impact of country-of-origin. For this latter group of countries, marketing managers should select a brand name for their products, provide value pricing, establish supply chain partners, and build a positive image through promotion activities (Mohamad, Earl and Tybkhan, 2000).

## **4.5 The Importance of Country-of-Origin, Price and Brand Attributes**

The purpose of this section (objective four) was to assess which extrinsic cue South African consumers would consider as the most important factor before considering purchasing a product. Respondents were asked to rate how important the three product attributes of price, country-of-origin, and brand, are across a range of five product categories (cars, dresses/shirts, televisions, refrigerators, and radios). The mean values of each of the cues are ranked in Table 4.10.

**Cars.** For cars, the mean value of the price product attribute was the highest at 4.3873, followed by the country-of-origin cue with average mean of 4.2460. This difference is certainly not statistically significant. Brand was rated least with an average mean score of 3.8560.

**Dresses/Shirts:** Price cue had the highest mean score in the dress category as well with a score of 4.1275, followed by brand with an average mean score of 3.47059. The value of country-of-origin was ranked as at least 3.1373.

**Table 4.10. The importance of country-of-origin, price and brand attributes.**

	Price	COO	Brand
<b>Car</b>	4.3873	4.2460	3.8560
<b>Dress/Shirt</b>	4.0159	3.0714	3.74560
<b>Television</b>	4.1762	4.1508	3.9683
<b>Refrigerator</b>	4.2355	3.6994	4.1290
<b>Radio</b>	4.1810	3.8492	3.7698
<b>Average mean</b>	4.19918	3.80336	3.89374
<b>Rank</b>	1	3	2

Note: factors were rated on a scale of 1-5 where

1 = very important; 2 = important; 3 = neutral; 4 = not important; and  
5 = not very important

**Televisions:** The result for televisions shows that price was rated as the most important extrinsic cue, followed by country-of-origin and brand. However, the difference between price and country-of-origin is not statistically significant.

**Refrigerators:** South Africans rated price at 4.2355 as the most important extrinsic cue they consider before purchasing a product. Brand was rated second at 4.1290 and country-of-origin rated the least at 3.6994.

**Radios:** Price cue had the highest mean score in the radio category as well at 4.1810, but it was followed by country-of-origin with average mean score of 3.8492. The value of brand was ranked as least important at 3.7698.

In all product categories, price was rated as the most important extrinsic cue consumers considered when purchasing products. Country-of-origin and brand also important but their level of importance varies from one product category to another.

These findings may partially explain the inconsistent findings of previous research with respect to the country-of-origin effects in product evaluations. There is clearly a product category factor, which along with other non-cue factors determines the value of the country-of-origin cue. Kaynak and Cavusgil (1983) and Wall and Heslop (1986) found that country-of-origin effects tend to increase with the technological complexity of the product. These findings are to some extent in contrast, although not necessarily in contradiction, to the findings of Schaefer (1997), which suggested that it is possible that consumers are more willing to rely on an extrinsic cue, such as country-of-origin, when evaluating a comparative low involvement product, such as dresses, than when evaluating a complex, high involvement product, such as cars.

Although the present study does not find country-of-origin as the first attribute consumers consider before a purchasing decision (Okechunku, 1994), it clearly demonstrates that respondents regard country-of-origin information as more important attribute in evaluating complex products such as cars, televisions, and radios than less in complex products such as dresses/shirts and shoes. Country-of-origin was rated second next to price in these categories with no statistically significant difference. Manufacturers and retailers of more technically complex products may wish to either stress or de-emphasize the country-of-origin cue through promotion, packaging, layout, and display methods.

In comparison to a study by Okechuku (1994) using television sets, country-of-origin appears to be more important to South African consumers, with a weight of 0.34, than it is to consumers in the developed countries of America (0.29), Canada (0.22), Germany (0.19), and Holland (0.18). Although the importance of country-of-origin to Americans is also high, the difference rate could be due to the fact that in Okechuku's study country-of-origin was weighted relative to four product attributes, while in this study it was rated against two product attributes. Furthermore, as discussed in the literature review,

Americans are concerned about country-of-origin because they want to make sure they buy domestic product (Geadeke, 1973), while South Africans are concerned about country-of-origin because they want minimize the effect of technological and financial risks.

Country-of-origin also appears to be more important to South African consumers in the car product category, with a weight of 0.34 than it is to consumers in developed countries, German (0.27), Canadian (0.25), American (0.24), and Dutch (0.23). Conventional marketing wisdom might suggest that consumers who have long been denied access to foreign goods may focus more on brand attributes because well-know brands are assumed to be indicators of status or prestige or as a way to reduce risk (Ettenson, 1993). In contrast to that, however, this research found that South African consumers place more value on country-of-origin than brand to evaluate high-risk products. However, since there were no statistically significant difference among the three attributes, all of them are important.

## **4.6 Consumer Ethnocentrism**

The purpose of this section (objective five) was to measure South African consumers' ethnocentrism. The CETSCALE (Shimp and Sharma, 1987) was used to measure each respondent's degree of consumer ethnocentrism. As mentioned earlier, consumer ethnocentrism can be defined as the beliefs held by consumers about the appropriateness of buying foreign made product rather than those made domestically.

Of the ten questions, which were asked the majority of respondents agreed with seven questions. These were the statements.

1. Only those products that are unavailable in South Africa should be imported (70%).
2. South Africa products first, last and foremost (74.6%).
3. We should purchase products manufactured in South Africa instead of letting other countries get rich off us (56%).

4. South Africa shouldn't buy foreign products, because this hurts South Africa business and causes unemployment (43.7%).
5. It may cost me in long run but I prefer to support South African products (59.0%).
6. We should only buy products made in foreign countries when we can't get products made in our own country (57.1%).
7. South African consumers who purchase products made in other countries are responsible for putting other South Africans out of work (45.2%).

Respondents disagreed with the following statements: (1) It is not right to purchase foreign products (50.0%); (2) A real South Africa should always buy South African made products (47.0%). (Refer Appendix 2).

To test if South African consumer ethnocentrism is statistically significant, it was hypothesized that

**H3.** South African consumers are expected to display ethnocentrism.

This can be restated, as the sample ethnocentric mean will be greater than population mean or hypothetical mean of 30. Since the scale included 10 items, each scored on a 1-5 scale, the range of scores possible was 10-50. The population or hypothetical mean of 30 was greater than the average mean of 25, reflecting that respondents exhibited ethnocentric tendencies.

This hypothesis was tested by means of one sample t-test. The result is shown in Table 4.11. Statistically significant difference occurred between the sample mean (34.3306) and population mean (30) at  $P < 0.05$ , meaning that South African consumers tended to be ethnocentric. Hence, the hypothesis was supported.

**Table 4.11. Results of one sample t-test for consumer ethnocentrism.**

**One-Sample Statistics**

	N	Mean	Std. Deviation	Std. Error Mean
CETSCALE	124	34.3306	9.6143	.8634

**One-Sample Test**

	Test Value = 30					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
CETSCALE	5.016	123	.000	4.3306	2.6216	6.0397

It is interesting to attempt to answer the basic question of why South African consumers tend to be ethnocentric. There are three possible explanations for this.

The first possible explanation is that South African consumers have started to be aware of the “Proudly South Africa” campaign, which was initiated by National Economic and Development and Labour Council (Nedlac). Proudly South Africa was launched in 2001 as an exciting campaign to promote South African companies, products and services, which help to create jobs and economic growth in this country. The campaign’s promotional activities emphasis consumers’ patriotic obligation to buying domestic products and evoke their fears about the decline of local industry and the loss of domestic jobs as consequences of not patronizing domestic products. Some of the advertising messages are:

- “Bye-bye unemployment”
- “The future is in your wallet”
- “Shop until unemployment drops”
- “Make South Africa works”
- “Buy proudly South Africa.”

Although it is premature to say that the campaign is working effectively as is still relatively new, a survey carried out in 2002 indicated that 92% of South African consumers were ready to support a South African-branded product or service, with 77% already seeking out locally made products (South Africa alive with possibility the official gateway, 2002). Taking this into consideration, one might say that the “Proudly South Africa” campaign has had an impact on this research’s results.

The second possible reason could emanate from the influence of culture on patriotic feelings. As mentioned earlier, the majority of the respondents in this research were Black and Indian origin South Africans. These people display a collectivist cultural orientation. According to Triends et al (1988) these people evince strong consumer ethnocentric tendencies because they tend to consider the effect of their behaviour on society, feel responsible for others, and are more susceptible to social influences against imports. It was therefore likely that the result of this research would be influenced by the cultural orientation of the respondents.

The third possible explanation is that the measurement of consumer ethnocentric tendencies in this research relies on a self-reporting methodology. This might create an opportunity for consumers to respond in a manner that is inconsistent with their true feelings. In the context of ethnocentric tendencies, many consumers might feel embarrassed about admitting they are willing to commit an unpatriotic act. Simply stated, self-reported scores of ethnocentric tendencies might be inflated due to the consumers’ desire to respond in a socially responsible manner (Okechuku, 1994).

#### **4.6.1 Demographic Characteristics and Consumer Ethnocentrism**

The purpose of this section (objective six) was to assess whether ethnocentric tendencies vary in accordance demographic characteristic. The following hypotheses were tested:

**H4:** Consumer ethnocentrism in South Africa is positively related to age.

**H5:** South African females are expected to exhibit a higher degree of ethnocentrism than males.

**H6:** A negative relationship is expected between the level of educational achievement and consumer ethnocentrism.

**H7:** A negative relationship is expected between income level and consumer ethnocentrism.

H4 was tested by correlating the ethnocentrism scores with the respondents' ages. As shown in Table 4.12, there was a statistically significant positive relationship between ethnocentrism and the respondents' ages, Pearson correlation coefficient ( $r = .518$ ,  $P < 0.001$ ). Thus, the hypothesis was supported. However, it worth mentioning that the relationship was only modest, not strong.

**Table 4.12. The correlation between ethnocentrism scores and respondents' ages.**

		Correlations	
		CETSCAL E	Age
CETSCALE	Pearson Correlation	1.000	.518**
	Sig. (2-tailed)	.	.000
	N	124	124
Age	Pearson Correlation	.518**	1.000
	Sig. (2-tailed)	.000	.
	N	124	126

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

Keeping in line with previous researches (Good and Huddleston, 1995; Han, 1988) in this study the ethnocentrism score increases with age. The mean scores of the first age groups (20-29 and 30-39) were not statistically significant different to one another. But when the mean scores of these groups were compared with age groups (40-49 and 50-59) mean scores, there was a statistically significant difference. (Refer to Appendix 3) The mean score of the last groups were greater than the first two groups indicating that young South African consumers tend to be less ethnocentric.

H5, which indicated that South African females are expected to exhibit a higher degree of ethnocentrism than males, was tested by means of independent samples t-test. As can be seen in Table 4.13 means scores on the ethnocentrism scale were significantly different with men being more ethnocentric a mean of 36.8889 than women a mean of 31.6885. The t-value was  $-3.12$  ( $P < 0.05$ ). Therefore, the hypothesis was rejected.

This result is contrary to a group of studies that indicated that females generally tend to show a more positive country-of-origin bias towards domestic products than males (Good and Huddleston, 1995; Wall, Liefeld, and Heslop, 1989; Sharma, Shimp, and Shin, 1995). Males tend to have strong ethnocentric tendencies about their personal welfare, the welfare of the domestic economy, and the current level of unemployment in view of the influx of international competition in their consumer markets.

**Table 4.13. The relationship between ethnocentrism scores and gender.**

**Group Statistics**

	Gender	N	Mean	Std. Deviation	Std. Error Mean
CETSCALE	female	61	31.6885	10.1136	1.2949
	male	63	36.8889	8.4187	1.0607

**Independent Samples Test**

		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
									Lower	Upper
CETSCALE	Equal variances assumed	3.27	.073	-3.12	122	.002	-5.2004	1.6689	-8.5042	-1.897
	Equal variances not assumed			-3.11	116.7	.002	-5.2004	1.6739	-8.5154	-1.885

H6 postulates that there will be a negative relationship between the level of educational achievement and consumer ethnocentrism. This was tested using the independent samples t-test. The mean scores for ethnocentrism were compared between respondents who hold matric certificates and those who hold degrees. Table 4.14 shows the result. The mean score ethnocentrism for people with degrees (29.4894) was significantly less the mean score for people with certificates (39.3462). The t-test value was 5.737,  $P < .05$ . Hence, the hypothesis was supported. This finding is consistent with results reported in literature. As education level increased, degree of ethnocentrism decreased.

**Table 4.14. Relationship between level of education achievement and consumer ethnocentrism.**

**Group Statistics**

Education	N	Mean	Std. Deviation	Std. Error Mean
CETSCALE matric	52	39.3462	8.0850	1.1212
degree	47	29.4894	9.0118	1.3145

**Independent Samples Test**

	Levene's Test for Equality of Variances	t-test for Equality of Means								
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
									Lower	Upper
CETSCALE	Equal variances assumed	.094	.760	5.737	97	.000	9.8568	1.7182	6.4466	13.27
	Equal variances not assumed			5.705	92.9	.000	9.8568	1.7277	6.4259	13.29

H7 was tested by correlating the ethnocentrism scores with the respondents' incomes. As it is shown in Table 4.15, there was no significant relationship between ethnocentrism

and income, Pearson correlation coefficient ( $r$ ) = 0. -078,  $P > 0.001$ . Their relationship was very weak and negative. Thus, the hypothesis was not supported. This finding contradicts Good and Huddleston's, 1995; Sharma, Shimp and Shin's, 1995; and Bailey and Pineres's, 1997 results which found that the higher the income, the less likely it was that the consumer would buy domestic products. On the other hand, it is consistent with McLain and Sternquist's (1991) results that income did not significantly account for variations in ethnocentricity between high and low income earners in South African consumers.

**Table 4.15. The correlation between income level and ethnocentrism scores.**

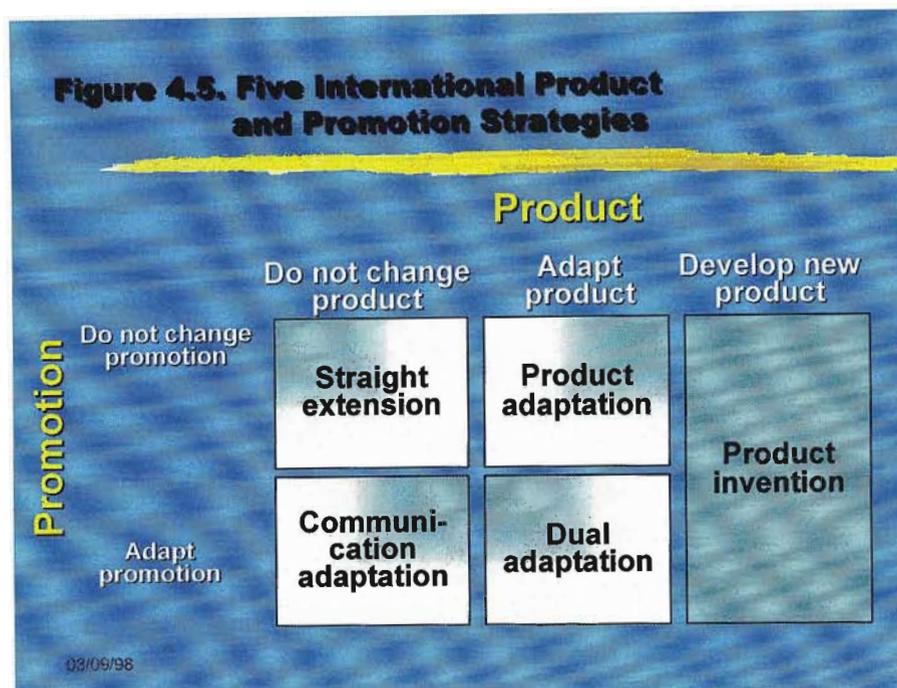
**Correlations**

		CETSCAL E	Income
CETSCALE	Pearson Correlation	1.000	-.078
	Sig. (2-tailed)	.	.394
	N	124	122
Income	Pearson Correlation	-.078	1.000
	Sig. (2-tailed)	.394	.
	N	122	124

#### **4.6.2 Managerial Implications.**

Like the previous sections this part of the research has its own managerial implications. As set forth by Shimp and Sharma (1987), the primary application of the CETSCALE is for market segmentation and targeting based on consumers' evaluations of country-of-origin. The result revealed that ethnocentrism scores could not be generalized for all segments of the population. Some segments displayed higher ethnocentric scores than other segments. Market segments with specific demographical characteristics (for example, older male) exhibited significantly stronger ethnocentric tendencies than female and young consumers. Consequently, international as well as local companies wishing to reach these target segments of the population need to adapt their marketing mix program especially the most culturally sensitive aspects of communication and promotion

(communication adaptation or dual adaptation strategy). (See Figure 4.5). On the other hand, companies which wish to target young and highly educated consumers could enjoy the benefit of the global approach to marketing, that is cost advantage, and economies of scale, and scope by standardizing their marketing mix as far as possible and adapt where necessary (straight extension or product adaptation strategy).



Source: Prentice Hall Inc., 1998:13.

## 4.7. Summary

Various statistical techniques namely the one sample t-test, the independent samples t-test, the Pearson correlation coefficient, and descriptive statistics have been used to test the hypotheses. Statistical results revealed that South African consumers attached importance on country of origin information on product evaluations. Particularly, they rely on country of origin information if the products are technically complex and financially risky. Consistent with previous research carried out in less developed countries, South African consumers perceive products originating from developed

countries such as the United States, Japan and the United Kingdom, as high quality than product originating from less developed countries. When they evaluate the relative importance of the country of origin to price and brand, the result showed that price was more important to them than the other two extrinsic cues. The importance of country of origin increases as the complexity of the product increases. However, generally speaking the three extrinsic cues were important to South African consumers with no statistical difference between them.

Furthermore, the CETSCALE measurement of ethnocentrism indicated that South African consumers tend to be ethnocentric. This tendency, however, varies depending on demographic factors. Young, educated and female consumers tend to be less ethnocentric than their counterparts. The findings of this research could have profound managerial implications. The next chapter will summarize and conclude the findings in more detailed and based on the findings, recommendations will be made.

## **CHAPTER FIVE: CONCLUSION AND RECOMMENDATIONS**

### **5.1. Introduction**

This chapter summarizes and provides conclusions to the findings. Furthermore, it provides recommendations for marketers, the government and future researchers on this area based on the findings of the study.

### **5.2 Conclusion and Summary**

The three main purposes of this study were to gauge the importance consumers place on country-of-origin information, to identify whether the country-of-origin effect varies according to demographic variables, and to examine the perception of South Africa consumers of products from different countries.

Overall, this research has revealed that South African consumers do take country-of-origin of products into account and their evaluation of products is influenced by their perception and image of different countries. The research found no statistically significant difference between more educated and less educated consumers as well as between male and female consumers on the importance they place on country-of-origin information dimensions. This finding is in line with previous research done by (Delener, 1995; Zain and Yasin, 1997) The findings of this study also conform to the findings of previous country-of-origin studies which revealed that consumers perceive products from developed countries more favourably than products from developing countries. This is evident from the fact that, Indian and Chinese products received much lower ratings compared to the three developed countries products that were investigated. South African consumers clearly perceive products originating from the United States, Japan, and the

United Kingdom as being of high quality but also they exhibit a positive attitude towards South African products. This is contrary to previous research findings where developing consumers perceived local products as inferior. This high rating may be explained by the patriotism of consumers.

Regardless of the reasoning, however, the findings suggest that South African manufacturers may be well able to compete effectively against manufacturers from developing countries who sell their goods in South Africa, but they are clearly losing ground to manufacturers from developed countries in terms of quality. Local manufacturers still have to overcome the perceived quality gap and to gain consumer preference over imported products. Concurrent with improving the quality of domestic goods, NEDLAC should continue to promote the image of South African made goods through its 'Proudly South Africa' campaign, which includes consumer education, advertising, and tradeshows. These findings also have managerial implications for international marketers. As practiced in other developing countries, products from less wealthy countries such as India and China need to be targeted at consumers at the low end of earnings whereas those products coming from the United States, Japan and the United Kingdom will appropriately be targeted at "new rich" consumer markets (Kaynak, Kucukemiroglu and Hyder, 2000)

The fourth objective of the study was to assess the relative importance of country-of-origin in relation to price and brand. The result demonstrated that consumers' perceived the three extrinsic cues as important. Price was rated first in all product categories but without being statistically different to brand and country-of-origin. The importance of country-of-origin relative to brand varied amongst different product categories. Consumers are more guided by the country-of-origin in the case of certain products such as cars, televisions, and radios, and more so by the brand in other cases. Generally speaking, however, all of them were rated as important means that marketers can manipulate by emphasizing on one or more attributes which provide them with a competitive advantage.

The last two objectives of the study were to measure South African consumers' ethnocentric tendencies and to identify if ethnocentrism scores vary along the demographical variables. The result revealed that South African consumers generally tend to be ethnocentric. This led to the suggestion that perhaps the "Proudly South Africa" campaign, cultural orientation of the respondents and self-reporting nature of the study had influenced the consumers' desire to respond in a socially responsible manner.

The research also revealed that ethnocentrism scores could not be generalized for all segments of the population. Differences were recorded based on sex, education, and age. Younger, more educated consumers demonstrated less ethnocentric tendencies than other segments. It is these segments who are more open-minded about products from overseas and who are generally discerning, that represent the best target groups for overseas manufacturers.

### **5.3 Recommendations for Marketers**

Research has shown that country quality perceptions may vary across product categories. For instance, in one study Japanese electronic products received high quality evaluations while Japanese food products received low ones (Kaynak and Cavusgli 1983). Consistent with this research, Japanese cars and electronic products were perceived as being of high quality while dresses and shoes fared less favourably. Hence, country-of-origin should be examined in terms of the fit between a country's image and product categories. By relating a country's image to the product category, managers can have a better understanding of when the promotion of a product's country-of-origin is beneficial and when it is not. When the country-of-origin is an important decision attribute, the marketer manufacturing in, or importing from, a favoured foreign source (for example from Japan and the United States) should emphasize the product's country-of-origin. Placing the brand's country-of-origin on the packaging, or on the product itself, would also have a positive effect on attitudes (Roth and Romeo, 1992). However, if country-of-origin is less important or if products originated from a country with a less favourable

image, marketers should concentrate on communicating other product attributes. There are various ways to attenuate a less favourable country-of-origin image.

1. Advertising should emphasize important product benefits rather than the product's country-of-origin. For instance, where the perceived quality difference is significant and South Africa made products are not the quality leader, consumers will rate refrigerators and radios from developed economies to be of a higher quality. If local manufacturers improve the competitive quality levels of such products, then based on these findings, consumers are likely to give the local product a chance. However, in the absence of improvement in quality levels, the locally made product will need to compete on the basis of price.

2. The company should consider a joint venture with a company which operates from a country favourable country-of-origin image. For instance, an Indian or Chinese car manufacturer may benefit from manufacturing and/or marketing its cars with Japan partners.

3. If companies have already used a local name, which has strong connection to their less favourable origin, they could attenuate the link through acronym branding to boost quality image and project a more sassy image (e.g. Lucky GoldStar → LG) (Jo, 2001).

## **5.4 Recommendations for the Government**

Encouraging consumers to buy local products has long been practiced by many governments and has provided good results. For instance, such campaigns in the United Kingdom, Australia, the United States, and Malaysia have helped to build “national brand” consciousness. In recent times, with trade liberalisation and tariff reduction in accordance with WTO agreement, many South African companies are under threat from products manufactured in developed countries as well as from cheaply produced products from East Asian. In response to this, South African government should not impose tariff

and other trade restriction to safeguard local companies as this might lead to trade wars between countries and inefficiency in the local protected industries. Instead of that, however, the government should encourage the NEDLAC “Proudly South Africa” campaign to promote South African companies, products and services.

## **5.5 Recommendations for Future Study**

This study has examined only few product categories. Additional research involving other product categories is required to uncover what aspects of products determines whether or not the country-of-origin is important in product evaluations. Future research should also focus on identifying other extrinsic cues for example. warranty or store image and intrinsic cues, which are important to buyers in product evaluation using appropriate research design.

Consumers’ attitudes toward imports from various countries can vary significantly from one country to another. Even consumers from one region to another in the same country can have significantly different perceptions of the country-of-origin (Cattin, Jolibert and Lohnes, 1982). Consumers’ attitudes and behavioural intentions in a particular country can also vary over time due to changes in their country’s level of industrialisation, marketing developments, and life styles (Papadopoulos and Heslop, 1993). Hence, a longitudinal study that includes respondents from different part of the country will be needed to identify future consumer behaviour trends.

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## **APPENDICES**

## Appendix 1. Country-of-origin Information Dimensions

**Statement 1. Buying an expensive item**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid strongly disagree	7	5.6	5.6	5.6
disagree	10	7.9	7.9	13.5
neutral	18	14.3	14.3	27.8
agree	31	24.6	24.6	52.4
strongly agree	60	47.6	47.6	100.0
Total	126	100.0	100.0	

**Statement 2. Highest quality product**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid strongly disagree	14	11.1	11.1	11.1
disagree	11	8.7	8.7	19.8
neutral	20	15.9	15.9	35.7
agree	30	23.8	23.8	59.5
strongly agree	51	40.5	40.5	100.0
Total	126	100.0	100.0	

**Statement 3. Deciding which product to buy**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid strongly disagree	12	9.5	9.6	9.6
disagree	11	8.7	8.8	18.4
neutral	31	24.6	24.8	43.2
agree	41	32.5	32.8	76.0
strongly agree	30	23.8	24.0	100.0
Total	125	99.2	100.0	
Missing .00	1	.8		
Total	126	100.0		

**Statement 4. Buying cloth**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly disagree	14	11.1	11.2	11.2
	disagree	15	11.9	12.0	23.2
	neutral	50	39.7	40.0	63.2
	agree	26	20.6	20.8	84.0
	strongly agree	20	15.9	16.0	100.0
	Total	125	99.2	100.0	
Missing	.00	1	.8		
Total		126	100.0		

**Statement 5. Inexpensive goods versus expensive goods**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly disagree	10	7.9	8.1	8.1
	disagree	24	19.0	19.5	27.6
	neutral	29	23.0	23.6	51.2
	agree	24	19.0	19.5	70.7
	strongly agree	36	28.6	29.3	100.0
	Total	123	97.6	100.0	
Missing	.00	3	2.4		
Total		126	100.0		

**Statement 6. Buying high risk of malfunctioning product**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly disagree	9	7.1	7.1	7.1
	disagree	6	4.8	4.8	11.9
	neutral	23	18.3	18.3	30.2
	agree	41	32.5	32.5	62.7
	strongly agree	47	37.3	37.3	100.0
	Total	126	100.0	100.0	

**Statement 7. Choosing the best product available**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly disagree	7	5.6	5.6	5.6
	disagree	14	11.1	11.3	16.9
	neutral	41	32.5	33.1	50.0
	agree	43	34.1	34.7	84.7
	strongly agree	19	15.1	15.3	100.0
	Total	124	98.4	100.0	
Missing	.00	2	1.6		
Total		126	100.0		

**Statement 8. Determining the quality of the product**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly disagree	7	5.6	5.6	5.6
	disagree	19	15.1	15.2	20.8
	neutral	39	31.0	31.2	52.0
	agree	39	31.0	31.2	83.2
	strongly agree	21	16.7	16.8	100.0
	Total	125	99.2	100.0	
Missing	.00	1	.8		
Total		126	100.0		

**Statement 9. Buying new product**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly disagree	20	15.9	15.9	15.9
	disagree	41	32.5	32.5	48.4
	neutral	32	25.4	25.4	73.8
	agree	17	13.5	13.5	87.3
	strongly agree	16	12.7	12.7	100.0
	Total	126	100.0	100.0	

**Statement 10. Buying product acceptable to friends and family**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly disagree	35	27.8	27.8	27.8
	disagree	32	25.4	25.4	53.2
	neutral	32	25.4	25.4	78.6
	agree	14	11.1	11.1	89.7
	strongly agree	13	10.3	10.3	100.0
	Total	126	100.0	100.0	

**Statement 11. little experience with a product**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly disagree	18	14.3	14.3	14.3
	disagree	19	15.1	15.1	29.4
	neutral	34	27.0	27.0	56.3
	agree	38	30.2	30.2	86.5
	strongly agree	17	13.5	13.5	100.0
	Total	126	100.0	100.0	

**Statement 12. Buying low risk of malfunctioning product**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly disagree	22	17.5	17.6	17.6
	disagree	29	23.0	23.2	40.8
	neutral	48	38.1	38.4	79.2
	agree	9	7.1	7.2	86.4
	strongly agree	17	13.5	13.6	100.0
	Total	125	99.2	100.0	
Missing	.00	1	.8		
Total		126	100.0		

**Statement 13. Buying in inexpensive goods**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly disagree	18	14.3	14.4	14.4
	disagree	28	22.2	22.4	36.8
	neutral	35	27.8	28.0	64.8
	agree	15	11.9	12.0	76.8
	strongly agree	29	23.0	23.2	100.0
	Total	125	99.2	100.0	
Missing	.00	1	.8		
Total		126	100.0		

## Appendix 2. Consumer Ethnocentrism

**Statement1. Unavailable products should be imported**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid strongly disagree	10	7.9	7.9	7.9
disagree	14	11.1	11.1	19.0
neutral	10	7.9	7.9	27.0
agree	28	22.2	22.2	49.2
strongly agree	64	50.8	50.8	100.0
Total	126	100.0	100.0	

**Statement 2. SA product first and foremost**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid strongly disagree	4	3.2	3.2	3.2
disagree	7	5.6	5.6	8.7
neutral	21	16.7	16.7	25.4
agree	41	32.5	32.5	57.9
strongly agree	53	42.1	42.1	100.0
Total	126	100.0	100.0	

**Note: SA stands for South Africa**

**Statement 3. Purchasing FP is not real South African**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid strongly disagree	13	10.3	10.3	10.3
disagree	29	23.0	23.0	33.3
neutral	27	21.4	21.4	54.8
agree	33	26.2	26.2	81.0
strongly agree	24	19.0	19.0	100.0
Total	126	100.0	100.0	

**Note: FP stands for foreign products**

**Statement 4. Not right to purchase foreign products**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid strongly disagree	23	18.3	18.3	18.3
disagree	40	31.7	31.7	50.0
neutral	26	20.6	20.6	70.6
agree	19	15.1	15.1	85.7
strongly agree	18	14.3	14.3	100.0
Total	126	100.0	100.0	

**Statement 5. A real South African...**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid strongly disagree	22	17.5	17.5	17.5
disagree	33	26.2	26.2	43.7
neutral	31	24.6	24.6	68.3
agree	25	19.8	19.8	88.1
strongly agree	15	11.9	11.9	100.0
Total	126	100.0	100.0	

**Statement 6. Purchase SA products**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid strongly disagree	7	5.6	5.6	5.6
disagree	23	18.3	18.3	23.8
neutral	28	22.2	22.2	46.0
agree	39	31.0	31.0	77.0
strongly agree	29	23.0	23.0	100.0
Total	126	100.0	100.0	

**Statement 7. Don't purchase FP because it hurts SA business**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid strongly disagree	9	7.1	7.1	7.1
disagree	21	16.7	16.7	23.8
neutral	41	32.5	32.5	56.3
agree	32	25.4	25.4	81.7
strongly agree	23	18.3	18.3	100.0
Total	126	100.0	100.0	

**Statement 8. Buy SA product no matter long run cost**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly disagree	5	4.0	4.0	4.0
	disagree	13	10.3	10.5	14.5
	neutral	32	25.4	25.8	40.3
	agree	37	29.4	29.8	70.2
	strongly agree	37	29.4	29.8	100.0
	Total	124	98.4	100.0	
Missing	.00	2	1.6		
Total		126	100.0		

**Statement 9. Buy FP if SA doesn't produce the products**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly disagree	8	6.3	6.3	6.3
	disagree	20	15.9	15.9	22.2
	neutral	26	20.6	20.6	42.9
	agree	26	20.6	20.6	63.5
	strongly agree	46	36.5	36.5	100.0
	Total	126	100.0	100.0	

**Statement 10. It is immoral to buy FP**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly disagree	10	7.9	7.9	7.9
	disagree	27	21.4	21.4	29.4
	neutral	32	25.4	25.4	54.8
	agree	28	22.2	22.2	77.0
	strongly agree	29	23.0	23.0	100.0
	Total	126	100.0	100.0	

## Appendix 3. Mean Ethnocentrism Scores of Different Age Groups.

### 3.1 Mean scores comparison between 20-29 age groups and 30-39 age groups.

Group Statistics

	Age	N	Mean	Std. Deviation	Std. Error Mean
CETSCALE	20-29	43	28.9767	9.6547	1.4723
	30-39	34	32.7941	7.4540	1.2784

Independent Samples Test

		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
									Lower	Upper
CETSCALE	Equal variances assumed	1.744	.191	-1.9	75	.061	-3.8174	2.0092	-7.820	.1851
	Equal variances not assumed			-2.0	74.969	.054	-3.8174	1.9499	-7.702	.0670

### 3.2 Mean scores comparison between 20-29 age groups and 40-49 age groups.

Group Statistics

	Age	N	Mean	Std. Deviation	Std. Error Mean
CETSCALE	20-29	43	28.9767	9.6547	1.4723
	40-49	28	39.1786	7.6452	1.4448

**Independent Samples Test**

		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
									Lower	Upper
CETSCALE	Equal variances assumed	.966	.329	-4.7	69	.000	-10.2018	2.1667	-14.52	-5.88
	Equal variances not assumed			-4.9	66.259	.000	-10.2018	2.0628	-14.32	-6.08

**3.3 Mean scores comparison between 20-29 age groups and 50-59 age groups.**

**Group Statistics**

	Age	N	Mean	Std. Deviation	Std. Error Mean
CETSCALE	20-29	43	28.9767	9.6547	1.4723
	50-59	19	42.0526	7.2224	1.6569

**Independent Samples Test**

		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
									Lower	Upper
CETSCALE	Equal variances assumed	2.402	.126	-5.3	60	.000	-13.0759	2.4777	-18.03	-8.120
	Equal variances not assumed			-5.9	45.5	.000	-13.0759	2.2166	-17.54	-8.613

**3.4. Mean scores comparison between 30-39 age groups and 40-49 age groups.**

**Group Statistics**

	Age	N	Mean	Std. Deviation	Std. Error Mean
CETSCALE	30-39	34	32.7941	7.4540	1.2784
	40-49	28	39.1786	7.6452	1.4448

**Independent Samples Test**

		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
									Lower	Upper
CETSCALE	Equal variances assumed	.099	.755	-3.3	60	.002	-6.3845	1.9244	-10.2	-2.54
	Equal variances not assumed			-3.3	57.2	.002	-6.3845	1.9292	-10.2	-2.52

**3.5 Mean scores comparison between 30-39 age groups and 50-59 age groups.**

**Group Statistics**

	Age	N	Mean	Std. Deviation	Std. Error Mean
CETSCALE	30-39	34	32.7941	7.4540	1.2784
	50-59	19	42.0526	7.2224	1.6569

**Independent Samples Test**

		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
									Lower	Upper
CETSCALE	Equal variances assumed	.397	.532	-4.4	51	.000	-9.2585	2.1119	-13.50	-5.019
	Equal variances not assumed			-4.4	38.4	.000	-9.2585	2.0928	-13.49	-5.023

**3.6 Mean scores comparison between 40-49 age groups and 50-59 age groups.**

**Group Statistics**

	Age	N	Mean	Std. Deviation	Std. Error Mean
CETSCALE	40-49	28	39.1786	7.6452	1.4448
	50-59	19	42.0526	7.2224	1.6569

**Independent Samples Test**

		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
									Lower	Upper
CETSCALE	Equal variances assumed	.765	.386	-1.3	45	.203	-2.8741	2.2230	-7.351	1.6032
	Equal variances not assumed			-1.3	40	.199	-2.8741	2.1984	-7.316	1.5681

## **Appendix 4. Questionnaire**

**Dear respondent,**

I am currently a student at University of Natal, Durban. In accordance with the requirements for the degree of Master of Business Administration, I am conducting research on how consumers perceive products originated from different countries. You are kindly asked to take a few minutes to fill in the questionnaire for me. All answers to the questionnaire will remain strictly confidential. Your help is greatly appreciated.

Best regards,

Samson Woldu Estifanos

**SECTION A. COUNTRY-OF-ORIGIN INFORMATION.**

The following questions refer to your perceptions on the importance of country-of-origin information when purchasing different products.

For each statement, please circle the appropriate number which best describes how strongly you agree or disagree with each statement. For example, if you strongly agree that the country-of-origin information is important when buying an expensive item, then circle 5. On the other hand, if you strongly disagree that the country-of-origin information is important when buying an expensive item, then circle 1.

**N.B. 1. Country of origin refers to country of manufacturing or assembly.**

**2. Please don't fill it if you are not a South African.**

<b>Description</b>	<b>Strongly Disagree</b>	<b>Disagree</b>	<b>Neutral</b>	<b>Agree</b>	<b>Strongly Agree</b>
1. When buying an expensive item such as car, Tv, watch or camera I always inquire to find out what country the product was made in.	1	2	3	4	5
2. To make sure that I buy the highest quality product or brand, I look to see what country the product was made in	1	2	3	4	5
3. I feel that it is important to look for country of origin information when deciding which product to buy.	1	2	3	4	5
4. I look 'made in...' labels in clothing (dresses/shirts/shoes) before deciding on a purchase.	1	2	3	4	5

5. Seeking country of origin information is less important for inexpensive goods than for expensive goods.	1	2	3	4	5
6. A person should always look for country of origin information when buying a product that has a high risk of malfunctioning, e.g. when buying a TV, Watch or camera.	1	2	3	4	5
7. I look for country of origin to choose the best product available in a product class.	1	2	3	4	5
8. I find out a product's country of origin to determine the quality of the product.	1	2	3	4	5
9 When I am buying a new product, the country of origin is the first piece of information that I consider.	1	2	3	4	5
10. To buy a product that is acceptable to my friends and my family, I look for the product's country of origin	1	2	3	4	5
11. If I have little experience with a product, I search for country-of-origin information about the product to help me make a more informed decision.	1	2	3	4	5
12. A person should seek country-of-origin information when buying a product with a fairly low risk of malfunctioning, e.g. when buying shoes.	1	2	3	4	5
13. When buying a product that is less expensive, such as a shirt, it is less important to look for the country of origin.	1	2	3	4	5

## SECTION B: CONSUMERS PERCEPTION OF QUALITY

Please judge the overall quality of the products in the following countries. Note that there are no right responses, the question asks for your own opinion. Please follow the example and use scale of 1-5 where:

- 1 = low quality;
- 2 = somewhat low quality;
- 3 = neither high nor low quality;
- 4 = somewhat high quality;
- 5 = high quality

### For Example

	Countries					
Products	India	Uk	Japan	China	US	South Africa
Cars	4	4	3	5	2	3

	Countries					
Products	India	Uk	Japan	China	US	South Africa
Cars						
Dresses/shirts						
Shoes						
Cameras						
Television						
Refrigerator						
Radio						

**SECTION C: THE IMPORTANCE OF COUNTRY OF ORIGIN, PRICE, AND BRAND ATTRIBUTES.**

I would like to know how important the price of the product, the country of origin of the product and brand of the product is to you.

Please circle the appropriate number which best describes how important each of these three attributes are to you. For example, if you feel the price of the product is very important, then circle 5. On the other hand, if you feel the price of the product is not very important, then circle 1.

<b>Cars</b>					
	<b>Very not important</b>	<b>Not Important</b>	<b>Neutral</b>	<b>Important</b>	<b>Very important</b>
Price	1	2	3	4	5
Country of Origin, "Made in"	1	2	3	4	5
Brand	1	2	3	4	5
<b>Dresses/ shirts</b>					
Price	1	2	3	4	5
Country of Origin "Made In"	1	2	3	4	5
Brand	1	2	3	4	5
<b>Television</b>					
Price	1	2	3	4	5
Country of Origin "Made In"	1	2	3	4	5
Brand	1	2	3	4	5
<b>Refrigerator</b>					
Price	1	2	3	4	5
Country of Origin "Made In"	1	2	3	4	5
Brand	1	2	3	4	5
<b>Radio</b>					
Price	1	2	3	4	5
Country of Origin "Made In"	1	2	3	4	5
Brand	1	2	3	4	5

## **SECTION D. ETHNOCENTRISM MEASUREMENT**

In this section your attitude towards purchases of products made overseas versus South Africa made products is examined.

For each statement, please circle the appropriate number which best describes how strongly you agree or disagree with each statement. There is no right or wrong answer; the researcher interest is numbers that truly reflect your feelings regarding overseas made products versus South Africa made products.

	<b>Strongly Disagree</b>	<b>Disagree</b>	<b>Neutral</b>	<b>Agree</b>	<b>Strongly Agree</b>
1. Only those products that are unavailable in South Africa should be imported	1	2	3	4	5
2. South Africa products first, last and foremost.	1	2	3	4	5
3. Purchasing foreign made products is not like a real South African.	1	2	3	4	5
4. It is not right to purchase foreign products.	1	2	3	4	5
5. A real South African should always buy South African made products.	1	2	3	4	5
6. We should purchase products manufactured in South Africa instead of letting other countries get rich off us.	1	2	3	4	5
7. South Africans should not buy foreign products, because this hurts South African business and causes unemployment	1	2	3	4	5
8. It may cost me in the long run but I prefer to support South African products.	1	2	3	4	5
9. We should only buy products made in foreign countries when we can't get products made in our own country.	1	2	3	4	5
10. South African consumers who purchase products made in other countries are responsible for putting other South Africans out of work.	1	2	3	4	5

## SECTION E: DEMOGRAPHIC INFORMATION

**Question 1. Gender.** Please circle on the appropriate category

1.	2.
Female	Male

**Question 2. Age.** Please circle on appropriate category.

1	2	3	4	5
20-29	30-39	40-49	50-59	60-69

**Question 3. Ethnic Group**

1. Afrikaans-Speaking South African	2. English-speaking South African	3. Black (other language speaking) South African
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**Question 4. Martial status.** . Please circle on appropriate category

1	2	3	4
Single	Married	Divorced	Widowed

**Question 5. Education.** What is the highest level of education you have obtained?

1	2	3
Matric	Diploma	Degree

**Question 5. Income per year.**

1	2	3	4	5
Under R 50,000	R50, 000-Under R75, 000	R75, 000-Under R100, 000	R100, 000-under R125, 000	Above R 125,000