



IMPORTANCE OF COUNTRY-OF-ORIGIN ON DIFFERENT PRODUCT CATEGORIES PURCHASE DECISION

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Summary

Country of origin is an important factor in product evaluation process as well as for purchase decision. Its importance depends on the amount of information consumers have about the product and product category. This paper investigates the importance of country of origin in purchase decision-making process for three different product categories: high risk and high level of consumer involvement in purchasing process (car), medium risk and medium level of consumer involvement in purchasing process (TV), and low risk and low level of consumer involvement in purchasing process (confectionery products). Also, this paper investigates importance of country of manufacturing for purchase decision-making process in relation to country of origin's importance. Research was conducted on 215 respondents from Belgium and Republic of Croatia. Results have shown that country of origin is important only for car purchase, but not for TV and confectionery products. For all product categories, country of origin has been shown to be more important in the decision-making process than country of manufacturing.

Keywords: country of origin, country of manufacturing, purchase decision

Introduction

In a highly globalized world and hyper-competitive business environment, Country of Origin (COO) has become important factor in product differentiation and gaining competitive advantage, but also valuable information for consumers in product purchasing process (Agrawal & Kamakura, 1999; Brodowsky, Tan & Meilich, 2004; Godey et al., 2012). Because of COO's importance in consumer product evaluation and purchasing behavior, it has been topic of interest for many researchers in past couple of decades which resulted in numerous papers in this area (e.g. Brodowsky, 1998; Chao, 1998; Srinivasan, Subhash & Sikand, 2004; Lascu & Manrai, 1998).

Depending on product category, COO has a different level of importance in process of evaluation and estimation of purchasing risk (Alden, Hoyer & Crowley, 1993). Also, regarding product category depend the level of consumer's involvement in purchase decision-making process as well as the amount of information consumer will collect about the product. Level of consumer's involvement in purchase decision-making process is higher for durable and more risky products than for FMCG products (Lu Wang, Li, Barnes & Ahn, 2012; Kalicharan, 2014). Therefore, this paper focuses on investigation of following problem: the importance of COO in purchase decision-making process for different product categories. The importance of COO has been investigated for three different product categories: high risk and high level of consumer involvement (car); medium risk and medium level of consumer involvement (TV); low risk and low level of consumer involvement (confectionary products). Also, this paper investigates importance of Country of Manufacturing (COM) in purchase decision-making process in relation to COO importance.

Paper begins with theoretical background followed by section related to research (hypotheses, methodology, sample, results) and ends with conclusions and research limitations.

Theoretical background

In the risk evaluation process and purchase decision-making process, consumers are influenced by various factors from the environment, but also

the characteristics of the product itself. Product can be viewed as a set of intrinsic characteristics such as design, material from which it is made, performance, taste and so on, and extrinsic characteristics such as price, brand, reputation, guarantee and COO (Bilkey & Nes, 1982). Some research have shown that in product evaluation process consumers are more influenced by intrinsic characteristics (Godey et al., 2012), while other research have shown that extrinsic characteristics are more significant for product evaluation (Srinivasan et al., 2004). Product evaluation and purchase decision-making process based on extrinsic attributes are more common, for example, when consumer buying product in order to verify his/her social status, when creating his/her public image, or when he/she does not feel competent to evaluate product on the basis of intrinsic characteristics (Piron, 2000; Quester & Smart, 1998; Godey et al., 2012). One of the most important extrinsic characteristic that influences risk evaluation and product purchasing decision is COO (Ahmed et al., 2004).

COO can be defined as the country in which corporate headquarters of the company marketing the brand is located, regardless of the place in which the brand in question is produced (Balabanis & Diamantopoulos, 2008; Özsoy, Bodur & Cavusgil, 1991; Rezvani et al., 2012). In the absence of information or consumer's inability to objectively evaluate other, intrinsic or extrinsic characteristics, the COO becomes an important factor in evaluation of product quality (Agrawal & Kamakura, 1999). Consumers with a high level of objective knowledge rely more on product characteristics than on the COO information, while consumers with a high level of subjective knowledge and low level of objective knowledge tend to rely more on information on COO (Rezvani et al., 2012).

Given that a large number of products are not produced in its COO, an important information of the product evaluation process becomes COM. COM is the country where the product is actually produced and for certain product categories it has become a more important factor in evaluating the risk and for purchase decision-making process than COO (Fetscherin & Toncar, 2010). Some research have shown that consumers prefer products manufactured in developed countries (Han & Terpstra, 1988; Ahmed & D'Astous, 2001) and if the brand image and image of COO are consistent, consumers will more positively perceive product quality

(Haubl & Elrod, 1999). On the other hand, if product is produced in a country which has no positive image and whose image does not conform the perception of product, brand and/or COO image, then it can potentially result in a negative perception of product quality and brand image (Hamzaoui-Essousi & Merunka, 2007). Nevertheless, in the literature there is more findings that COO and/or strong brand have more impact on purchasing decision than COM and that both of them can mitigate negative influence of COM on consumer perception (Thakor & Lavack, 2003; Nes & Bilkey, 1993).

COO influences the perception of product quality, risk assessment, consumers attitudes and behavior and ultimately purchase intention (Kalicharan, 2014). Importance of COO is reducing when consumers have more information and are more involved in the decision making process (Agrawal & Kamakura, 1999). COO influence depends on product category that is subject of the purchase — is it product category whose purchase has high risk and high level of consumer involvement in the decision-making process or is it a low-risk product category with low level of consumer involvement (Fetscherin & Toncar, 2010; Pappu, Quester & Cooksey, 2007).

COO can serve as a shortcut for faster product evaluation which is moderated by consumer's level of involvement in purchasing process. If the level of consumer's involvement is high, the motivation for searching, collecting and processing information is also high. On the other hand, analytical approach to information processing discourages the use of "shortcuts" in evaluation, therefore the effect of COO decreases as the level of consumer involvement increases (Chatallas, Kramer & Takada, 2008). For low-involvement products, consumers rely on a few product characteristics or characteristic such as brand name (Alden et al., 1993). COO's and COM's influence is somewhat less important when it comes to a simple production process, e.g. confectionery products, while its importance grow for complex production processes such as cars (Fetscherin & Toncar, 2010). Generally, the effect of COO and COM is more important in evaluation of more technologically complex, more expensive and more riskier products whose purchasing is not so often (Acharya & Elliot, 2001).

Research

Hypotheses

Above mentioned suggests that COO, beside its influence on product evaluation and perception, also affects the consumer's purchase intention. Depending on the product category, COO has a greater or lesser importance on evaluation of alternatives and purchasing decisions. If purchasing decision has a high risk, it is more likely that the consumer will have a higher degree of involvement and that will more thoroughly examine product's characteristics, including COO and COM. This paper investigate three product categories: cars, TV and confectionery products.

Car is a product category where purchase decision-making process has a high level of risk, therefore level of consumer's involvement is also high (Manrai et al., 1998) and investigation of alternatives takes more time. Regarding car as a product category, the assumption is that consumers, besides performance and price, pay attention to the COO but a little less on COM due to the trend of outsourcing in the automotive industry. Therefore, the following hypotheses have been defined:

- H1: COO is important factor in purchase decision-making process when buying high-risk products.
- H2: COM is less important factor in purchase decision-making process when buying high-risk products than COO.

TV was used as a product category of lower level of consumer involvement in the purchase decision-making process and lower level of risk in comparison to car, but still significant enough to recognize the COO and COM as important factors in the evaluation process. In accordance with the abovementioned, the following hypotheses were defined:

- H3: COO is important factor in purchase decision-making process when buying a medium-risk product.
- H4: COM is less important factor in purchase decision-making process when buying medium-risk products than COO.

Confectionery products were used as a third product category with low-risk and low consumer involvement in the purchase decision-making process. The assumption is that consumers in the process of alternative evaluation do not invest great cognitive efforts by considering all product attributes, which results in the following hypotheses:

H5: COO is not important factor in purchase decision-making process when buying a low-risk product.

H6: COM is less important factor in purchase decision-making process when buying low-risk products than COO.

Metodologia i próba badawcza

Data was collected on a convenient sample of 215 respondents from Belgium ($n = 109$) and Republic of Croatia ($n = 106$). Croatia has been chosen to get insight into importance of COO and COM from the perspective of developing country, while Belgium has been selected as a representative of developed countries.

The highly structured questionnaire was used, consisting of four set of questions — the first three sets of questions were related to product categories (car, TV, confectionery products), while the fourth set of questions was about demographic characteristics of the respondents. Each set of questions related to product categories consisted of two group of questions. The first group of questions was used to examine the importance of certain product characteristic in purchase decision-making process (20 characteristics for car; 15 for TV; 11 for confectionery products). Respondents should expressed their attitude on a scale from 1 (not important) to 7 (most important). The second group of questions was related to COO and COM importance for purchase decision-making process. Respondents should expressed their attitude on a Lickert scale from 1 (completely disagree) to 7 (completely agree). Questionnaire was distributed in English and Croatian languages using "back-to-back translation".

Sample characteristics are shown in Table 1.

Table 1. Sample characteristics

	Croatia		Belgium	
Total number	106	100%	109	100%
Gender				
Male	40	38%	53	49%
Female	66	62%	56	51%
Education				
Elementary school	0	0%	0	0%
High school	23	22%	4	4%
Graduate degree	71	67%	47	43%
MBA	12	11%	55	50%
PhD	0	0%	3	3%
Employment				
Student	53	50%	26	24%
Employed	48	45%	77	71%
Unemployed	5	5%	6	5%
Retired	0	0%	0	0%
Monthly personal income				
Up 1.000 EUR	90	85%	23	21%
1.001–1.500 EUR	11	10%	31	28%
1.501–2.000 EUR	3	3%	32	30%
2.001–2.500 EUR	2	2%	16	15%
2.501 EUR and more	0	0%	7	6%

Results and Hypothesis Testing

Product category with high level of risk and high level of consumer involvement

The most important product characteristic in the purchase decision-making process for a car is *reliability*, followed by *safety*. In the third place is *value for money*, followed by *fuel consumption* and *performance*. The COO is ranked 17th in importance, while for the COM respondents said it is not important to them. An overview of the importance of all characteristics is given in Table 2.

Table 2. Importance of car characteristics when making a purchase decision

	Characteristic	Mean
1	Reliability	6,18
2	Certainty	6,14
3	Value for money	5,95
4	Fuel consumption	5,94
5	Performance	5,83
6	Maintenance and service	5,74
7	Functionality	5,74
8	Guarantee	5,67
9	Price/Discounts	5,64
10	Design	5,63
11	Interior	5,46
12	Equipment	5,29
13	Innovations/Technology	5,03
14	CO2 emission	5,02
15	Brand image	4,95
16	Recommendation	4,63
17	Country of Origin	4,47
18	Country of Origin image	3,97
19	Country of Manufacturing	3,69
20	Social status	3,61

Furthermore, the respondents were asked to express their degree of agreement with the statements about COO's and COM's importance in the purchase decision-making process of a car. The results are given in Table 3.

Table 3 shows that respondents spend a lot of time in the car purchase decision-making process and that they are collecting a lot of information. Also, respondents are aware that in most cases COO and COM are not the same country, but this is not so important to them. According to the results, COO is an important factor in car evaluation, but the purchase decision is not under its strong influence. On the other hand, COM is not an important factor in car evaluation (regardless of country development level) and respondents disagree with the statement that COM of the car has bigger influence on purchase decision than COO.

Table 3. The results of agreement with the statements about COO's and COM's importance

	Mean
COO is important to me for car evaluation	4,63
COM is important to me for car evaluation	3,48
My car purchase is strongly affected by COO image	3,52
Positive image of COO positively affects my car purchase decision	3,89
COO and COM are not always the same	5,83
COM of the car has bigger influence on purchase decision than COO	3,43
Car is overall higher in quality if manufactured in highly developed country	3,56
Car manufactured outside of Europe does not encourage me to buy it	2,88
It is important that car is manufactured in highly developed country	3,24
Positive COM image positively affects my car purchase decision	3,68
When choosing a car, I pay attention that COO and COM are the same	2,80
Car is higher in quality when COO and COM are the same	2,97
Before purchase decision I inform myself in detail about the car and alternatives/competition	5,76
I pay attention to COM of a car	3,58
I think I have enough knowledge about the product category — cars	4,05*
I need a lot of time to make purchase decision	5,61
If a car is manufactured in highly developed country, I do not care about the COO	2,71
No matter that COO is developed country, if a COM is developing country, I will not buy that car	2,33

1 — completely disagree ; 7 — completely agree

* non-significant

According to the above-mentioned hypothesis 1 (*COO is important factor in purchase decision-making process when buying high-risk products*) can be partly accepted because COO is an important factor in car evaluation but does not strongly affect purchase decision. The reason for this can be found in respondents' answers on characteristics importance in purchase decisions-making process according to which characteristics such are reliability, safety, value for money and fuel consumption, as well as the brand image and recommendations of others lie ahead of COO. In addition, respondents collect a large amount of information when deciding on car purchasing and are aware of the fact that numerous car brands, even though they originate from a certain country, are actually owned by companies from another country (e.g. the German car brand Opel is owned by a US company GM, the British car brand Rolls Royce is owned by the German company BMW).

The second hypothesis (*COM is less important factor in purchase decision-making process when buying high-risk products than COO*) can be accepted. Given the trend of production outsourcing from home country to countries with 'better' production/business environment (cheap labor, proximity to raw materials and key markets, etc.), not only in automotive industry but in general, consumers become aware of the fact that COO and COM does not have to be the same country, and also that one product (especially technically complex as a car) is not necessarily manufactured in just one country. In that sense, consumers pay less attention to COM, giving preference to other product characteristics such as COO and/or brand image that assure certain level of quality.

**Product category with medium level of risk
and medium level of consumer involvement**

Unlike a car where the most important characteristic is reliability, the most important characteristic when purchasing a TV is *functionality*. Functionality is followed by performance, *price/discount*, *security* and *value for money*, and *reliability*. In the case of TV, COO has a greater importance than COM, but none of them have been assessed as an important characteristic when buying a TV. An overview of the importance of all characteristics is given in Table 4.

Table 4. Importance of TV characteristics when making a purchase decision

	Characteristic	Mean
1	Functionality	5,72
2	Performance	5,65
3	Price/Discounts	5,61
4	Guarantee	5,61
5	Value for money	5,54
6	Reliability	5,51
7	Maintenance and service	5,14
8	Innovations / Technology	5,10
9	Design	4,78
10	Brand image	4,61
11	Recommendation	4,49
12	Country of Origin	3,66
13	Country of Origin image	3,45
14	Country of Manufacturing	3,11
15	Social status	2,94

In order to more deeply examine importance of COO and COM in purchase decision-making process for product category with medium level of risk and medium level of consumer involvement in purchase decision-making process, Table 5 shows the respondents attitudes regarding statements about COO's and COM's importance in the process of purchasing a TV.

Table 5. Respondents attitudes

	Mean
COO is important to me for TV evaluation.	3,73
COM is important to me for TV evaluation.	2,98
My TV purchase is strongly affected by COO image.	3,13
Positive COO image positively affects my TV purchase decision.	3,42
COO and COM are not always the same.	5,08
COM of the TV has bigger influence on purchase decision than COO.	3,25
TV is overallly higher in quality if manufactured in highly developed country.	3,21
TV manufactured outside of Europe does not encourage me to buy it.	2,46
It is important that TV is manufactured in highly developed country.	2,84
Positive COM image positively affects my TV purchase decision.	3,16
When choosing TV, I pay attention that COO and COM are the same.	2,62
TV is higher in quality when COO and COM are the same.	2,66
Before purchase decision I inform myself in detail about the TV and alternatives/competition.	5,03
I pay attention to COM of a TV.	3,14
I think I have enough knowledge about the product category — TVs.	3,69
I need a lot of time to make TV purchase decision.	4,39
If a TV is manufactured in highly developed country, I do not care about the COO.	2,67
No matter that COO is developed country, if a COM is developing country, I will not buy that TV.	2,34

1 — completely disagree ; 7 — completely agree

* non-significant

As with the car as the product category, respondents need a lot o time and information to make purchase decision for TV as well, and they are aware that COO and COM are not always the same country. Given that neither COO nor COM are not important characteristics in purchase decision-making process in case of TV (Table 4), there is no surprise in respondents answers that are shown in Table 5.

Accordingly, hypothesis 3 (*COO is important factor in purchase decision-making process when buying a medium-risk product*). cannot be accepted. Unlike a car, TV is a product category which is characterized by a lower risk, so consumers are less involved in purchase decision than with the car. Because of that, but also because of the fact that more importance is placed on performance, value for money and brand image as product's characteristics, and because of the aforementioned fact that the number of countries where products are produced and/or assembled are more than one, COO and COM are not of great importance for consumers. Also, the reason for these results may be the fact that companies give brand names that sound like they come from countries that have positive COO image for a particular product category to transfer country's positive associations on products (e.g. Matsui is a British brand of electronics that Sounds Japanese). But consumers have become aware of it, so they give more importance to other product characteristics.

The fourth hypothesis that states *COM is less important factor in purchase decision-making process when buying medium-risk products than COO* can be partly accepted. Even though neither COO nor COM are not important characteristic in purchase decision-making process of a TV, authors decided to partially accept the fourth hypothesis because respondents disagreed with the statement that COM has a bigger influence on the purchase decision than COO.

**Product category with low level of risk
and low level of consumer involvement**

Confectionery products as a product category does not involve high level of risk so it is not surprising that only characteristic that is important for consumers is taste. However, for this product category, there are some differences in respondents' answers depending from which country they come from (Belgium or Croatia). Respondents from Belgium are considering taste as only important characteristic when purchasing confectionery products, while respondents from Croatia, beside taste, as important characteristics marked value for money, price/ discounts and recommendations of others as well. As far as COO and COM is concerned,

neither for respondents from Belgium nor for respondents from Croatia are not considered to be important. The complete results for this product category are shown in Table 6.

Table 6. Importance of confectionery product characteristics
when making a purchase decision

	Characteristic	Mean
1	Taste	6,30
2	Value for money	3,97
3	Functionality	3,90
4	Price / Discounts	3,82
5	Brand image	3,52
6	Recommendation	3,51
7	Packaging	3,41
8	Country of Origin	2,99
9	Country of Manufacturing	2,91
10	Country of Origin image	2,75
11	Social status	2,10

Results shown in Table 7 are not surprising given that confectionery products belong to the category of low-risk products with low consumer involvement. It is also pointed out by the respondents answers that they do not need much time or lot of information for purchase decision-making process. As with the TV as a product category, for confectionery products as well COO nor COM are not important to processes of evaluation and purchase. However, it can be noticed that respondents have lower level of disagreement with statements on COO importance in comparison with level of disagreement with statements related with importance of COM. Also, they disagree that COM has a bigger influence on the purchase decision-making process than COO. According to above mentioned, hypothesis 5 (*COO is not important factor in purchase decision-making process when buying a low-risk product*) and hypothesis 6 (*COM is less important factor in purchase decision-making process when buying low-risk products than COO*) can be accepted.

Table 7. Respondents attitudes

	Mean
COO is important to me for evaluation of a confectionery products.	3,06
COM is important to me for evaluation of a confectionery products.	2,91
My purchase of a confectionery products is strongly affected by COO image.	2,79
Positive COO image positively affects my confectionery products purchase decision.	2,99
COO and COM are not always the same.	4,07*
COM of a confectionery products has bigger influence on purchase decision than COO.	2,83
Confectionery products are overallly higher in quality if made in highly developed country.	2,85
Confectionery products made outside of Europe does not encourage me to buy it.	2,46
It is important that confectionery products is made in highly developed country.	2,56
Positive COM image positively affects my confectionery products purchase decision.	2,86
When choosing confectionery products, I pay attention that COO and COM are the same.	2,52
Confectionery products are higher in quality when COO and COM are the same.	2,64
Before purchase decision I inform myself in detail about the confectionery products and alternatives/competition.	2,85
I pay attention to COM of confectionery products.	2,86
I think I have enough knowledge about the product category — confectionery products.	3,30
I need a lot of time to make confectionery products purchase decision.	2,31
If confectionery products are made in highly developed country, I do not care about the COO.	2,50
No matter that COO is developed country, if a COM is developing country, I will not buy that confectionery products.	2,27

1 — completely disagree ; 7 — completely agree

* non-significant

Conclusion

For the purpose of this paper, COO is defined as the country in which corporate headquarters of the company marketing the brand is located, regardless of the place in which the brand in question is produced. Because of highly competitive environment and gaining competitive advantages in today's globalized business environment, many companies have outsourced many of their activities so it is not unusual that COO differ from COM, country of design and/or country of assembly. Due to a number of a reasons (e.g. communication technology development, consumer protection movement) that and many other information are available to consumers and they use them (more or less) in purchase decision-making process.

Depending on product category, consumer characteristics (demographic, psychological, behavioral) and country development stage (developed/developing), importance of COO and COM information will differ in the purchase decision-making process. It is to be assumed that for product categories that require a higher level of consumer involvement in the purchase decision-making process and whose purchase is subject of higher risk, the information on COO and COM will have a greater effect than for product categories where the degree of consumer involvement and risk is lower.

According to before mentioned, for the purpose of this paper, we have conduct a research about COO and COM importance in the purchase decisions-making process for three different product categories depending on the degree of consumer involvement in the decision-making process and the level of purchase risk. The product category representatives were: car (high involvement — high risk), TV (middle involvement — middle risk) and confectionery products (low involvement — low risk).

The research has shown that COO is an important information in the purchase decision-making process only for car, while for TV and confectionery products it is not. But what was surprising is that COM is not an important product characteristic for any product category. Research has also shown that consumers put higher emphasis on COO in relation to COM when deciding on purchasing all three researched product categories.

These results indicate several things. Firstly, development and internationalization of brands from less developed countries (Lenovo from China, Ulker from Turkey and others) made consumers to accept the fact that quality products can come from developing countries as well so cosnumers put more emphasis on other product characteristics such as reliability, functionality and how product satisfy their needs. Secondly, the fact that companies like Nestle or Apple have more than 90% of their businesses moved to other countries rise the question of COO, i.e. consumers have a problem with conceptualizing the product's origin (design, production, assembly). And thirdly, as the level of consumer involvement and risk decreases, the importance of COO and COM in purchase decision-making process is also decreasing. All that suggests that

companies need to invest a lot of effort and resources in building a strong and recognizable brand because it is a guarantee of product quality resulting in reliability, security and social status. At the end it is important to stress that although our results showed that COO and COM are not important when making a purchasing decision, their impact and importance must not be ignored.

As any other, and our research has certain limitations. One limitation that can be mentioned is selection of product category representatives. Although according to different sources these products represent different categories, in future research it would be beneficial to include other products in order to be able compare the results. Sample can be considered as another limitation because convenient sample may offer indicative results but they cannot be generalize. Our sample consist of mostly young consumers and it is known that older people are more ethnocentrically oriented so if sample would be different results would likely be different too. This limitations present guidelines for future research.

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