IMPORTANCE OF THE PRODUCT COUNTRY-OF-ORIGIN FACTOR ON PURCHASING PROCESS IN THE CONTEXT OF GLOBALISATION

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Abstract. *Globalization is raising the country-if-origin importance question in the new light. It seems that the importance of country-of-origin (COO) factor has to go down, since both manufacturing and purchasing processes are under influence of overall globalization. In addition to this, many globally offered brands may be no longer associated with a specific country of their origin. From the other side, there are still strong attitudes of buyers observed about 'domestic' versus 'foreign' products, as well as about attitudes towards various countries. If these attitudes work as strong element within the COO factor, the importance of COO in the context of globalization would remain rather big.*

The objective of the paper is to explore the COO effect on the purchasing process in the context of globalization. The specific of Eastern European context is reflected through empirical exploratory research that was performed in Lithuania. The analysis suggests that perhaps some other elements have to be also included into studies of COO importance on purchasing behaviour. The authors propose that a less yet studied trait within consumers – country animosity – should receive more attention. It seems that in certain situations a product's origin can affect consumer buying decisions rather independently from judgments' of other characteristics of a product. The article formulates a model that incorporates country-of-origin animosity and purchasing moderators for further studies of the issue.

Keywords: *globalization, country-of-origin, animosity, purchase intent.*

Introduction

Globalization is raising the country-if-origin importance question in the new light. It seems that the importance of COO factor has to go down, since both manufacturing and purchasing processes are under influence of overall globalization. In addition to this, many globally offered brands may be no longer associated with a specific country of their origin. From the other side, there are still strong attitudes of buyers observed about 'domestic' versus 'foreign' products, as well as about attitudes towards various countries.

Systematic research on the country-of-origin effect began since 1965 with the article by Robert Schooler. Now country-of-origin is one of the most widely studied concepts in marketing, international business and consumer behaviour. It has been generally acknowledged that country of origin does influence consumers' product evaluations and purchase decisions (Baughn and Yaprak, 1993; Bilkey and Nes, 1982; Liefeld, 1993; Peterson and Jolibert, 1995, Pharr, 2005).

Despite attention of numerous scholars to the COO factor, no uniform conclusion regarding COO's effect on product evaluations has been made in previous studies. The majority of these studies provide evidence that COO's influence on product evaluations is moderated when encountered alongside with other extrinsic cues (e.g. brand name and price), intrinsic product factors (e.g. product complexity, type) and individual factors (level and type of consumer involvement, level of product familiarity, importance).

Researchers concluded that cue types, while affecting choice processes, appeared to be product specific. This means that product itself carries a great deal of weight in determining the extent to which a COO effect will emerge. Han & Terpstra (1988) suggest that country-of-origin effects need to be examined in the context of specific products. A similar notion of country–product interaction is suggested by a number of other studies (Howard, 1989; Kaynak & Cavusgil, 1983; Lumpkin et al., 1985; Roth & Romeo, 1992).

These issues are yet very little studied in Eastern Europe. In Lithuania studies regarding COO were carried out by I. Mockaitis, L. Šalčiuvienė, V. Pranulis (2005), R. Časas, S. Urbonavičius (2007). Knowing historical specifics of Eastern Europe, studies of COO in this region offer an additional challenge.

The objective of the paper is to explore the COO effect on the purchasing process in the context of globalization. The specifics of Eastern European region is reflected through empirical research that was carried out in Lithuania.

The sub-objectives are:

- Examine the importance of COO relative to other products attributes;
- Explore product specific cues that can explain relationship between COO and purchase intentions;
- Test whether previous research findings can be applied to Lithuania;
- Define what other factors have to be also included into studies of COO importance on purchasing behaviour.

The authors use nomothetic approach and explanation methodology. The exploratory research, which was done in Lithuania, is used for defining important COO moderating factors. The research serves as a source for developing propositions and a model for further studies of other important cues is proposed.

Exploratory research

The specifics of Eastern European context is reflected through empirical research that was done in Lithuania. The exploratory research is used for defining important COO moderating factors as well as additional ideas/propositions for deeper further analysis of the issue.

Table 1. ***Evaluation of factors***

	N	Mean	Std. Deviation
Quality	204	8,8382	1,3311
Experience	204	8,5735	1,5247
Price	204	7,5098	1,7434
Brand	204	7,1912	1,6632
Recommendations	204	6,6863	2,0558
The most important element of quality	204	6,5980	1,9286
COO	204	6,3529	2,2444
Advertising	204	5,2206	1,9261

Table 2. Relevance of COO cue

	All cues were marked (times)	Number of respondents that marked any cue	Average number of market cues (2/3)	COO was marked (times)	COO compared to all cases of marked cues (percentage)	COO compared to the number of respondents (percentage)
1	*2*	*3*	*7*	*4*	*5*	*6*
1. Automobile	682	203	3,4	53	7,8	26,1
2. Cell phone	572	203	2,8	15	2,6	7,4
3. TV set	574	201	2,9	62	10,8	30,8
4. Furniture	510	203	2,5	62	12,2	30,5
5. Clothing	564	199	2,8	23	4,1	11,6
6. Cosmetics	529	190	2,8	45	8,5	23,7
7. Wine	541	200	2,7	120	22,2	60,0
8. Cheese	464	196	2,4	66	14,2	33,7
9. Beer	441	189	2,3	44	10,0	23,3
10. Candies	463	199	2,3	32	6,9	16,1

Exploratory research was designed having cues that are typically considered in similar analysis. Product quality and price were included as the major components of perceived value. However, in many product groups product quality is perceived as a composition of numerous hardly measurable components. At the same time, product quality is often closely related with just one (the main) characteristic and the main function of a product, which serves the base for perceived quality evaluation. Because of this, in addition to overall quality cue, we included a criterion of the most important element of quality in addition to overall quality evaluation. Perception of a brand varies in different product groups, but the brand issue remains an important criterion in overall purchasing process. The brand construct itself also consists of many elements (similar to quality). Here we also excluded one of them – COO. Three other cues reflect communication or communication-developed cues. Advertising is the most universal and recognizable form of commercial communication, references – personal communication and personal experience – the processed result of previous communication.

One of the sub-objectives of this research was to look whether above mentioned factors are differently important

when buyers are purchasing different types of products. Therefore wide variety of products was included into analysis (automobile, cell phone, TV set, furniture, clothing, cosmetics, wine, cheese, beer, candies). They present different cases in terms of product durability, buyer involvement, purchasing frequency and product importance to a buyer.

The survey was performed with 204 master class business students. The sample included 51.5% of female and 48.5% of male respondents; 80% of respondents were from 22 to 30 years of age.

Respondents were asked to evaluate the importance of different factors while buying goods. The results mostly confirmed previous research findings that the country of origin does influence consumers' product evaluations and purchase decisions, but in terms of importance is in the line with factors that can be analyzed as elements of some more general cues (single characteristic of a quality is an element of overall quality, COO is an element of a brand). However, standard deviation of COO is bigger than in case of any other factor (table 1). This allows proposing that *evaluation of importance of COO varies more than evaluations of other factors, since there are numerous factors that increase this variation*.

One of the main reasons for varying evaluations of COO can be differences among product groups. This assumption was supported by the below provided findings (table 2).

The number of market cues per product type varies from 441 (beer) to 682 (automobile). Most probably, this can be related to a different complexity of products and overall number of characteristics that are important to buyers. Lower average number of marked cues in case of cheese, beer and candies suggest that less durable products should be purchased considering smaller number of their characteristics. However, this assumption is partially denied by the case of furniture, since in its case the number of considered characteristics is almost the same. This requires to analyze deeper the specific cues that were included into the survey, specifically – COO.

COO was indicated by 60 percent of respondents, when they considered purchasing wine, more than one-third of respondents when they considered purchasing cheese, and more than by 30 percent respondents – when they considered purchasing TV set and furniture. On the other hand, cell phones, clothing and candies are purchased by majority of respondents without paying attention to COO. This can not be directly associated with product durability or complexity. This allows proposing, that *COO importance is related by specific characteristics of a product group, rather than groupings, based on product complexity, durability or buyer involvement*.

This is even stronger confirmed by the comparison of COO to all cases of marked cues. The percentage varies from 4.1 (clothing) to 22.2 (wine).

Discussion and propositions

The data gained using exploratory research aims at providing additional ideas and propositions for deeper further analysis of the issue. Additional findings from previous studies and Eastern European historical context and specifics can offer extra insight for the COO research.

While exploring product specific cues that can explain relationship between COO and purchase intentions, findings from previous research were generalised. The results of exploratory research are compared to these findings in table 3 below.

The comparison of previous studies results and data gained from exploratory research provides evidence that COO importance in Eastern European context just partly confirms previous research findings. The fact that previous findings are partly approved by empirical research means that there can be more factors that can influence and be important in the purchasing process. As COO issues are little studied in

Table 3. ***Comparison of exploratory research results with findings from previous studies***

Findings from previous studies	Exploratory research results	Previous findings approved/ disapproved
Jacoby et al. (1977), Zeithaml, (1988) found that when intrinsic cues are missing or cannot easily be assessed, consumers tend to rely more on extrinsic cues; this is often the case for low-involvement products, since the cost of searching for intrinsic cues to aid consumers in product evaluation far exceeds the benefits.	COO cue is not important for these low involvement products: candies, beer. But research indicated, that it is relatively important to low involvement product cheese. Products like an automobile usually are bought after extensive search processes. To the contrary a minimal amount of search is devoted to products like shampoo or candies. This can not explain why COO is not important while purchasing a mobile phone.	Partly approved
Hugstad and Durr (1986) study results indicated that "sensitivity to country of manufacture (COM) varies by product category, being highest for durable goods".	The COO factor is important while purchasing durable goods (automobile, TV set, furniture) TV sets or furniture are bought once per 5 years or a decade, so other important factors like COO gain influence. This can not explain why COO is not important while purchasing a mobile phone.	Partly approved
Piron (2000) found COO had a significant impact on purchase intentions when considering luxury products and conspicuous (publicly-consumed) goods. There were no significant effects when testing COO evaluations for necessities or privately consumed goods. The researcher concluded that 'product type' has the ability to moderate COO's effect on purchase intentions.	No data regarding luxury goods. The COO factor is important while purchasing publicly-consumed goods (automobile, TV set, furniture). This can not explain why COO is not important while purchasing mobile phone. COO is not important for necessities (candies, clothing) and for privately-consumed goods (candies, clothing). This can not explain why COO is important while purchasing cheese or wine.	Partly approved
Lin and Kao (2004) found the magnitude of the COO effect on 'brand equity' was moderated by numerous product-based variables including product familiarity, product importance, and product complexity.	No data regarding product-familiarity and importance. Product complexity is high for automobiles, TV set, furniture, this means COO importance and complexity is high. Again this can not explain why COO is not important while purchasing mobile phone.	Partly approved

Eastern Europe these factors can be region specific. The analysis suggests that perhaps some other elements have to be also included into studies of COO importance on purchasing behaviour. The authors propose that a less yet studied trait *within* consumers – country animosity – should receive more attention. Incorporation of this trait into further analysis could significantly better explain variations in COO evaluations. It seems that in certain situations a product's origin can affect consumer buying decisions rather independently from judgments' of other characteristics of a product. In other words, consumers might avoid products from the offending country not because of a concern about the quality of goods, but because of the attitude towards a country – country animosity.

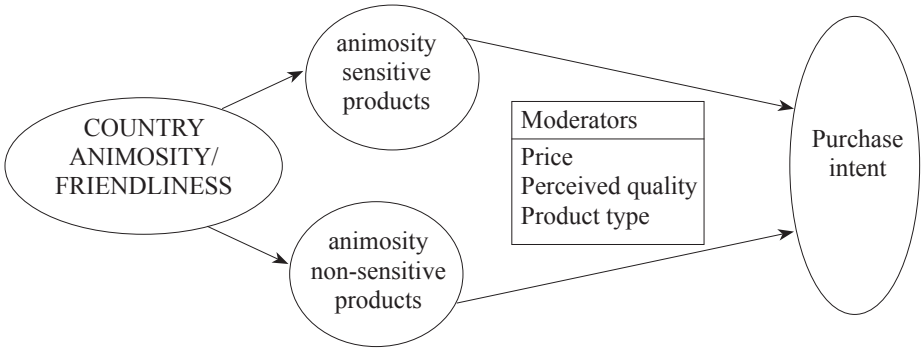
The COO importance and country animosity was studied by Klein, Ettenson, and Morris (1998), Nijssen and Douglas (2004), Pecotich, Crnjak-Karanović, Renko (2005). Their findings provided marketing managers and researchers with considerable evidence that factors above and beyond both the quality of foreign products and beliefs about the appropriateness of purchasing imports affect consumers purchase behavior in the international marketplace.

Animosity factor importance was not studied in Lithuania. Initial analysis suggests that there are more factors that can influence and moderate country animosity negative perceptions. The paradox is observed in Lithuania – despite high animosity towards some countries, products from these countries are bought and popular.

Thus the possible hypotheses can be drawn:

- There are animosity sensitive and animosity non-sensitive goods. Despite consumer country animosity certain non-sensitive goods from hostile country could be purchased. Examples of animosity sensitive goods could be gasoline, and examples of animosity non-sensitive goods could be cosmetics, cheese, tea, pharmaceuticals.
- Country animosity is negatively correlated to purchase intent if goods are animosity sensitive.
- Country animosity is positively correlated to purchase intent if goods are animosity non-sensitive.
- Possible moderators are: price, perceived quality and product type.

The hypotheses can be reflected in a model below.



Picture 1. ***Importance of country-of-origin animosity factor on purchasing process***

This model aims to explain the causal relationship and influence of country animosity to purchase intent. The moderating side effects of price, perceived quality and product type have to be taken into account.

Conclusions

The objective of this paper was to explore the COO effect on the purchasing process in the context of globalization. The analysis suggests that country-of-origin remains an important factor in purchasing process despite globalization. There are strong attitudes of buyers observed about various countries and 'foreign' products. The extent to which a COO effect will emerge depends on product specifics. In some products the importance of COO is high comparing to other products attributes.

The exploratory research, which was done in Lithuania, allows proposing that evaluation of importance of COO varies more than evaluations of other factors, since there are numerous factors that increase this variation. COO importance is related to specific characteristics of a product group, rather than groupings, based on product complexity, durability or buyer involvement.

The data gained from exploratory research provides evidence that COO importance in Eastern European context just partly confirms previous research findings. As COO issues are little studied in Eastern European context these factors can be region specific. Analysis suggests that perhaps some other elements have to be also included into studies of COO importance to purchasing behaviour. A less yet studied trait *within* consumers – country animosity – should receive more attention. It seems that in certain situations a product's origin can affect consumers buying decisions rather independently from judgments' of other characteristics of a product.

Initial analysis of country animosity in Lithuania sugests that there are factors that can influence and moderate negative country animosity perceptions. The paradox is observed in Lithuania – despite high animosity towards some countries, products from these countries are bought and popular. Further analysis is needed to explain causal relationships and influence of country animosity to purchase intent. The moderating side effects of price, perceived quality and product type should be of concern to future consumer research.

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