

Consumer's Purchase intention for foreign products: An empirical study on Indian working professionals

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Abstract: *There is tremendous growth in consumer reach which has been witnessed due to globalization. Many firms have tapped opportunities of distributing their products around the world. As a result country of origin has become crucial part for decision making. At one side where country of origin (COO) and foreign product knowledge (FPK) triggers purchase intention and on other side consumer ethnocentrism acts as a hindrance for making purchase decision of such products. It represents reverse globalization in VUCA world. The main purpose of this research paper is to find relationship of country of origin, foreign product knowledge, ethnocentrism, income level of consumers with purchase intention for foreign products. For the said research sample size was 100 and working professionals were considered as a sampling unit. Descriptive analysis was conducted first in order to assess the demographic characteristics of the respondent, after which, exploratory factor analysis (EFA) was conducted and finally, hypothesis were tested to verify model by using Pearson Correlation. The findings demonstrated that country of origin image, ethnocentrism, foreign product knowledge and income level significantly affected purchase intentions of consumer. The findings generated from this study will not only provide useful information to marketers who are selling imported products to Indian consumers' especially Indian working professionals but also help in developing effective marketing strategies. At the same time, this study is also meaningful contribution to literature, given scarcity on this topic pertaining to Indian working professionals.*

Keywords: *Purchase intention, Foreign products, Country of origin, Foreign product knowledge, Ethnocentrism, Income level*

I. Introduction

From a marketing perspective, in today's consumer centric era, a thorough study on what affects consumer's purchasing decision has become necessity for marketers. This is mainly because consumers' acceptance along with their purchase of products is critical factor that do not only help companies to sell products in a particular marketplace, but also determine their survival in highly competitive marketplace (Abunaser, 2007). Therefore in order to increase their customer base, companies not only focusing on domestic market, rather they are going global. Tapping global market has become one of the key strategies for companies which give them global presence.

The demographics of India are remarkably diverse. India is the second most populous Country in the World with more than one sixth of the world's population. Although India occupies only 2.2% of the world's land area, it supports over 15% of the world's population (source: mopsi.nic.in). India is such developing country which is actively taking part in International trade. The consumer market in India has drastically changed over the past years. Currently wide array of foreign products available in Indian market. For foreign multinationals, the Indian market constitutes one of the largest markets in the world. Indian consumers can choose from broader brands set, which include both domestic and foreign manufactured or licensed products. Thus, international marketers face tremendous challenge in understanding the Indian markets, which requires study on why and how Indian consumers buy foreign made products (Bamber, Phadke, & Jyothishi, 2012)

Despite the wide availability of foreign products in Indian markets, and with consistent increase in its consumption not much research has been done on this area. Moreover no research has been done by considering only working professionals. Researcher decided to consider working professional as sampling unit for study because in today's era need and purchase behavior of working professional has changed. Working professionals take utmost care to maintain their image and personality in the workplace. They are the ones who not only has urge to purchase or only has demand but this demand has been backed by money or tremendous potential to execute actual purchase. As a result of this, from marketing standpoint, it has become extremely important to understand the underlying motives that drive Indian working professionals' intention of buying foreign products. Therefore in the light of the above background, this study focuses; Indian working professionals purchase intentions towards foreign products. For the said study factors like country of origin, foreign product knowledge, ethnocentrism, income level along with purchase intention has been considered.

II. Review of literature

1. Purchase Intention

Many researchers have noted that consumers' purchase intention is reflected in how willingly they are in making purchases of certain products (Alex & Thomas, 2014; Dodds, Monroe and Grewal, 1991). From the same perspective, Saurabh and Mahajan pointed out that besides willingness to buy, purchase intention can also be considered as consumers likelihood of making purchases in the future as well as their purchase intentions.

2. Country of Origin

Several researchers have stated that country of origin is the place where the corporate headquarters of a company, a product, or a brand is located (Brookshire and Yoon, 2012; Kim and Pysarchik, 2000). This is because consumers have a high propensity of associating foreign products with their original home countries, even though the product at hand may not have been manufactured in the firm's home country (Ahmed, Johnson, Yang, Fatt, Teng and Boon, 2004). Thus researcher claims that country of origin did not lose its importance in the era of a globalized marketplace; rather its effects are prominent since consumers continue using it in judging a product's image (Dikcius and Stankeviciene, 2010).

3. Foreign Product Knowledge

Consumer knowledge should be regarded as a multidimensional construct where different types of a product related experience lead to different dimensions of knowledge (Alba and Hutchinson, 1987). Product knowledge is the cognitive representation of product – related experience in consumer's memory, which is likely to contain knowledge in the form of coded representations of brands, product attributes, usage situations, general product class information (Marks and Olson, 1981)

4. Ethnocentrism

Ethnocentrism is a social factor that revolves around the notion that individuals tend to perceive their own group as superior (Sumner, 1906). Ueltschy (1998) further added that ethnocentric individuals tend to perceive the world based on their own values and judge others in accordance to their own perceptions; they have tendency of rejecting the ideas that are dissimilar to their ideas; whereas blindly embracing the ones that are in harmony with theirs. The study conducted by Nguyen and Barrett (2008) in the context of Vietnam further disclosed that when consumers were ethnocentric in nature, they possessed the tendency of negatively judging foreign products, which increased their likelihood of buying local products.

5. Income level

Consumer demographics and habits contribute to describe in detail about individuals need and want. According to Kumar (2013), demographic information identifies potential for sales and consumption of a product. In literature various studies have reported that people who have different demographics in terms of age, income level operating status and level of educational attainment different in their willingness to buy the product (Tom et al., 1998; Tan 2002). However, some studies have found that demographics are not related to one's intention to buy a product (Wee et al., 1995; Ang et al., 2001).

Research Gap

In the above literature review, researcher tried to critically evaluate the available literature on consumer ethnocentrism, foreign product knowledge, country of origin, purchase intention for imported product and demographic variable like income level. However, detailed and microscopic examinations of the literature for aforementioned variables revealed that majority of the materials are based on different factors but no works available is available considering all five factors. Further, so far, there is no research being done by considering working professional as sampling unit for this research topic. **Hence, research gap is identified and primary objective of this research is to explain how purchase intention for imported product differs for consumer ethnocentrism, foreign product knowledge, country of origin, and demographic variable like income level and this study is undertaken with the following research objective and hypothesis.**

Research Objectives

1. To study the effect of Country of origin, foreign product knowledge, ethnocentrism and income level on purchase intention
2. To determine the country preferences for purchase of high involvement products like Car and Mobile phones

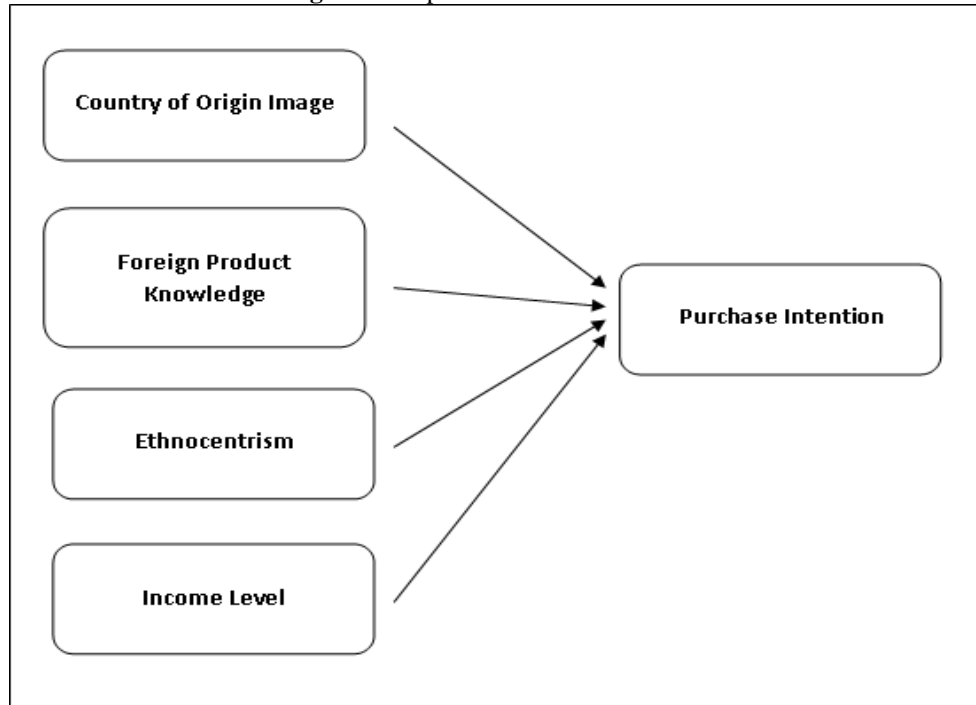
Hypothesis

- H₁: There is no significant relationship between Country of origin and Purchase intention
- H₂: There is no significant relationship between Ethnocentrism and Purchase intention
- H₃: There is no significant relationship between foreign product knowledge and purchase intention
- H₄: There is no significant relationship between Income level and purchase intention

III. Conceptual Research Framework

After Exploratory study and literature review, the conceptual framework is designed

Fig 1: Conceptual Research Framework



Source: Researcher's compilation from the study

IV. Methodology

The research design of the study is Single cross sectional descriptive research. As only one type of sampling unit was considered for the study and the data was collected only once. The research is based on primary and secondary data; it's single cross sectional descriptive research. The secondary data is collected from review of past researches and other reports. Primary data was collected through structured questionnaire for which sample size of 100 was interviewed. All 100 respondents were working professionals in the age group of 18 – 50 having experience of purchasing imported products. The sampling was done in the region of Mumbai. Sampling technique adopted for the research was judgmental sampling as working professionals were first evaluated on the basis of their experience on purchasing imported / foreign country made products. Samples were collected through structured questionnaire as data collection tool. In the questionnaire the questions were asked on 5 point likert scale, where 1 indicates 'strongly disagree' & 5 indicates 'strongly agree'. Apart from demographics like age, income, size of the family, the data was collected to study variables like purchase intention for imported products, country of origin, foreign product knowledge and ethnocentrism. Statistical techniques like Exploratory factor analysis, Bivariate correlation were used for analysis. Analysis is done by using SPSS version 21 and Excel.

Construction of the Sub-Scales

The COO Likert type scale, which was previously used by Lascu and Babb (1995) in Poland, and by Zain and Yasin (1997) in Uzbekistan, and further adapted by Khan and Bamber (2007) for use in Pakistan, was condensed to five items for use in the "COO Sub-scale" in the Indian context of this study. A further six items from a short CETSCALE were adopted for use as the "Ethnocentrism Subscale". These had been condensed from the seventeen item CETSCALE of Shimp and Sharma (1987). The wording of the six items was slightly modified to maintain face validity in the Indian context. Subscale of "Knowledge of Foreign Products" and

“Purchase Intention” were taken from scale designed by David Bamber, Sunidhi Phadke and Amalendu Jyothishi having three items each.

Analysis

The breakup of the respondents’ demographic characteristics is shown in the table 1. Responses were obtained from 100 respondents. From this 100 sample, 71% were ‘male’ and 29% were ‘female’. Out of the total respondents, 15% were from age group of ‘18 – 25’, 66% were from age group ‘26 – 35’, 18% were from age group of ‘36 – 45’, 1% was from age group of ‘46 – 50’. The data of respondent from various income level is also reflected in the table. 6% were from income ‘less than 3,00,000’ category, 24% were from ‘3,00,001 – 5,00,000’ category, 6% were from ‘5,00,001 – 7,00,000’ category, 44% from ‘7,00,001 – 9,00,000’ category and 20% from ‘more than 9,00,000’ category. For educational qualification, out of the total respondents, 4% were from ‘SSC’, 2% were from ‘HSC’, 63% were from ‘Graduate’, and 31% were form ‘Post Graduate’ category. Based on the results of profiling w.r.t. family size, 27% were from ‘less than 3’ category, 64% were from ‘4 – 6’ category, 8% were from ‘6 – 8’ category and only 1% was from ‘more than 8’ category. As research was done on working professionals, 98% respondents from ‘service’ background and 2% respondents ‘self employed’ background were part of entire sample.

Table 1: Profile of Respondent

Variable	Category	Frequency	Percentage (%)
Gender	Male	71	71
	Female	29	29
	Total	100	100
Age	18 - 25	15	15
	26 - 35	66	66
	36 - 45	18	18
	46 – 50	1	1
	Total	100	100
Income Level	Less than 3,00,000	6	6
	3,00,001 – 5,00,000	24	24
	5,00,001 – 7,00,000	6	6
	7,00,001 – 9,00,000	44	44
	More than 9,00,000	20	20
	Total	100	100
Educational Qualification	SSC	4	4
	HSC	2	2
	Graduate	63	63
	Post Graduate	31	31
	Total	100	100
Family Size	Less than 3	27	27
	4 – 6	64	64
	6 – 8	8	8
	More than 8	1	1
	Total	100	100
Profession	Service	98	98
	Self Employed	2	2
	Total	100	100

Source: Researcher’s compilation from the study

Exploratory Factor Analysis

Table 1: KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.	.735
Approx. Chi-Square	699.298
Bartlett's Test of Sphericity	df 136
Sig.	.000

Source: Researcher’s compilation from the study

The Kaiser – Meyer – Olkin Measure of Sampling Adequacy value is 0.735, indicating that sample is adequate to consider the data as normally distributed. The Bartlett’s test of Sphericity tests the null hypothesis that the item to item correlation matrix is an identity matrix. The matrix is tested by using Chi-Square test; the value of Chi-Square is found to be 699.298, which is significant at the 1% level of significance. Therefore the null hypothesis is rejected; indicating that item to item correlation matrix is not an identity matrix, and is therefore, suitable for factor analysis.

Table 2: Component Matrix

Item		Component			
		1	2	3	4
COO1	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 watch		.506		
COO2	I look for country of origin information to choose the best product available in a product class		.804		
COO3	I find out a product's country of origin to determine the quality of the product		.731		
COO4	If I buy a luxury product, I always look for products from certain countries		.717		
COO5	For the really expensive items, it is crucial that I know which country the product is from		.527		
FPK1	I know a lot about products from other countries				.619
FPK2	I do not need assistance when buying foreign products				.847
FPK3	I am never confused when buying products that are made from other countries				.725
EN1	Purchasing products from other countries is un-Indian	.716			
EN2	It is not right to purchase products from other countries because it puts Indian people out of jobs	.805			
EN3	We should purchase products manufactured in India instead of letting other countries get rich from us	.722			
EN4	Indian people should not buy products from other countries because it hurts Indian business and causes unemployment	.722			
EN5	I will buy only Indian products	.789			
EN6	Only those products not made in India should be imported	.745			
PI1	I feel happy buying foreign goods			.809	
PI2	For me, there is a certain excitement about shopping for things from other countries			.792	
PI3	I am pleasantly surprised when I see things from faraway places when I am shopping			.755	

Extraction Method: Principal Component Analysis.

Source: Researcher's compilation from the study

The principal component analysis was conducted on the complete scale using the Varimax procedure with Kaiser Normalization. Four factors were extracted corresponding to the items within each of the four constructs as an independent component in the scale. Each of the four subscale showed strong internal consistency with Cronbach Alphas between 0.656 and 0.861 as shown in table 4

Table 3: Scale Components

Sr No	Sub-scale	Component	Cronbach Alpha	Items
1	COO	1	0.734	COO1, COO2, COO3, COO4, COO5
2	FPK	2	0.656	FPK1, FPK2, FPK3
3	EN	3	0.861	EN1,EN2,EN3,EN4,EN5,EN6
4	PI	4	0.772	PI1,PI2,PI3

Source: Researcher's compilation from the study

Hence, items COO1 to COO5 were totaled for the COO score, items FPK1 to FPK3 were totaled for FPK score, items EN1 to EN6 were totaled for EN score, and items PI1 to PI3 were totaled for Purchase Intention score in order to test correlation and regression.

Table 4: Hypothesis Testing

Hypothesis	Sig Level	Comment
There is no significant relationship between Country of origin and purchase intention	Pearson correlation coefficient is 0.409 at 0.01 level of significance	Alternate hypothesis retained
There is no significant relationship between Ethnocentrism and Purchase intention	Pearson correlation coefficient is -0.165 at 0.01 level of significance	Alternate hypothesis retained
There is no significant relationship between Foreign product knowledge and purchase intention	Pearson correlation coefficient is 0.286 at 0.01 level of significance	Alternate hypothesis retained
There is no significant relationship between Income level and purchase intention	Pearson correlation coefficient is 0.276 at 0.01 level of significance	Alternate hypothesis retained

Source: Researcher's compilation from the study

Table 5: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.376 ^a	.142	.133	2.581
2	.438 ^b	.192	.176	2.517

- a. Predictors: (Constant), COO
- b. Predictors: (Constant), COO, Inc_level

Table 6: ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	107.702	1	107.702	16.162	.000 ^b
	Residual	653.048	98	6.664		
	Total	760.750	99			
2	Regression	146.221	2	73.110	11.540	.000 ^c
	Residual	614.529	97	6.335		
	Total	760.750	99			

- a. Dependent Variable: PI
- b. Predictors: (Constant), COO
- c. Predictors: (Constant), COO, Inc_level

As from table no. 5 and 6, it can be seen that as R square value is 0.192 and in the analysis of variance table significance level is 0.00 which indicates that the model is statistically significant at 99% confidence level.

Table 7: Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	7.259	2.103		3.452	.001
	COO	.290	.072	.376	4.020	.000
2	(Constant)	-7.007	6.138		-1.142	.256
	COO	.278	.071	.360	3.936	.000
	Inc_level	1.657	.672	.226	2.466	.015

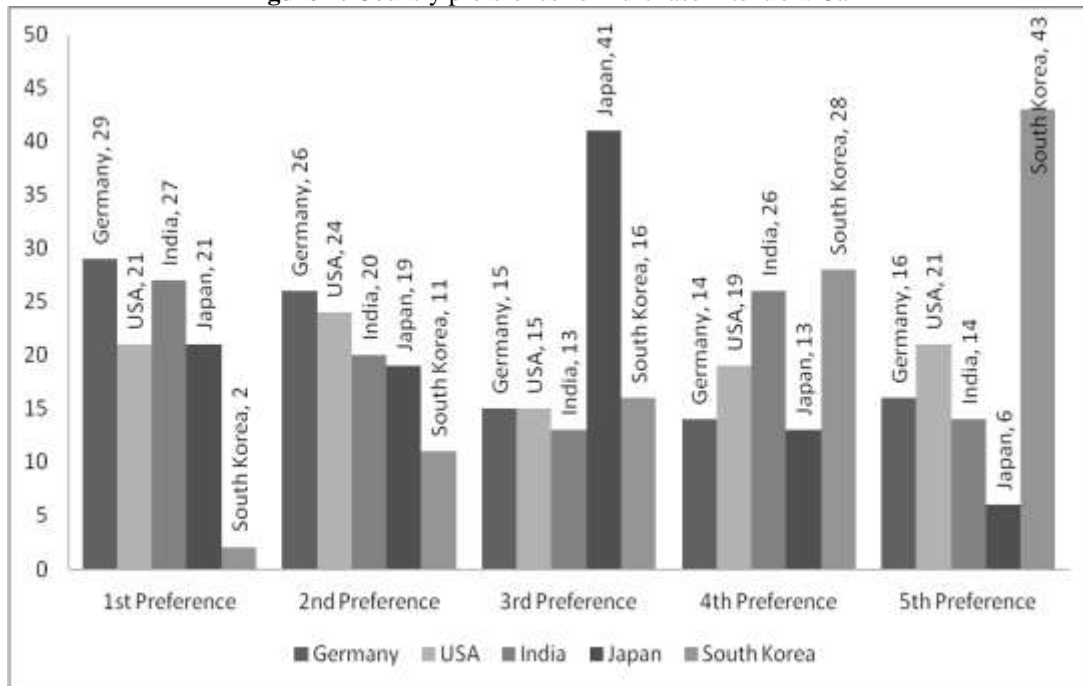
- a. Dependent Variable: PI
- Source: Researcher's compilation from the study

From the above table it can be seen that COO and income level are positive and has impact on dependent variable which is purchase intention. From the above table following linear regression can be framed;
 $Y (PI) = -7.007 + 0.278 (COO) + 1.657 (Inc Level)$
 The above equation is significant at 95% confidence level.

Researcher wanted to study the preference of home country in comparison with other countries. For this researcher considered high involvement products like car and mobile phone. Countries who are highest exporters for said category were considered. For Car category Germany, USA, India, Japan, South Korea and for mobile phones USA, India, China, Japan, South Korea were considered.

When respondents were asked for preferred country for making purchase of Cars and mobile phone respondents gave their five preferences for each category. In case of cars maximum respondents gave first preference to Germany and India (29% and 27% respectively), second preference to Germany and USA (26% and 24% respectively), third preference to Japan (41%), fourth preference South Korea and India (28% and 26%) and fifth preference to South Korea (43%)

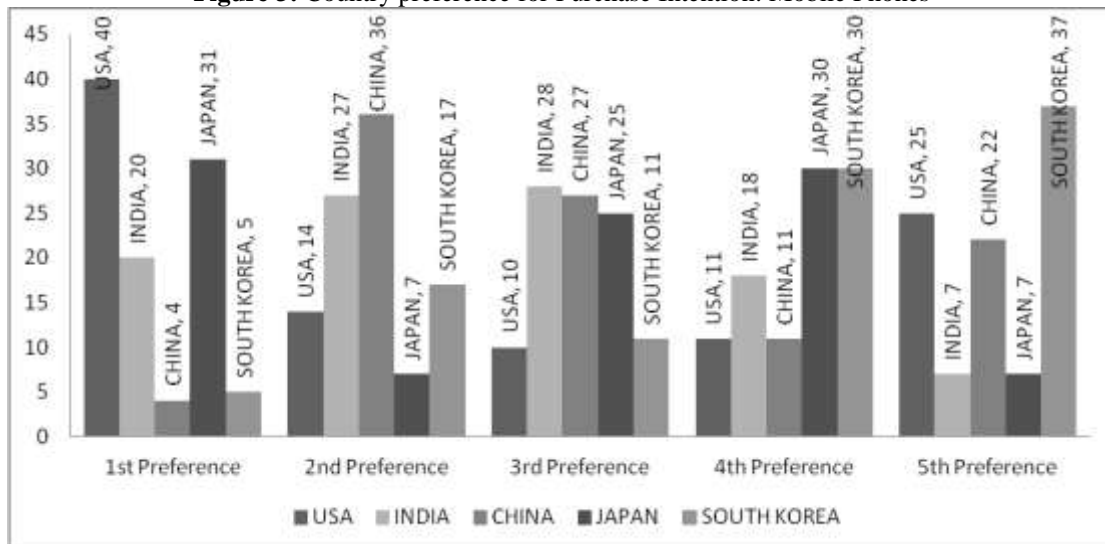
Figure 2: Country preference for Purchase Intention: Car



Source: Researcher's compilation from the study

In case of mobile phones first preference is given to USA (40%), second preference is given to China (36%), third preference is given to India (28%), fourth preference to South Korea and Japan (30% each), fifth preference to South Korea (37%)

Figure 3: Country preference for Purchase Intention: Mobile Phones



Source: Researcher's compilation from the study

Findings and Conclusion

The study shows there is a relationship between purchase intention and predictors like country of origin, foreign product knowledge, ethnocentrism, and income level. It is also found out that the relationship between ethnocentrism and purchase intention is negative in nature. Country of origin and foreign product knowledge are very important predictors for predicting consumers purchase intention of buying foreign products. When it comes to actually purchasing foreign products like mobile and cars, India does hold first position for car purchase whereas it holds third position for buying mobile phones. The observed interaction effects will have important managerial implications for multinational marketers entering developing countries. The study on consumer ethnocentrism gives a good understanding of consumer behavior. It shows that why one segment prefers domestic product over international and why in certain product categories there is no difference

in domestic and international product. So whenever any multinational want to enter Indian market and target average Indian consumer range of strategies are required that uses understandings about consumers' purchasing intentions, and information seeking their foreign as well as domestic product knowledge.

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