

CHAPTER II

LITERATURE REVIEW

2.1.Introduction

Rezvani (2012) said that although there are many parameters that consumers consider when they want to buy something, such as brand, color and design, researchers cannot ignore extrinsic factors like country of origin. Country of the origin effect (COO) is an important variable affecting consumer purchase in international marketing (Develi, 2010). The COO concept evolved into a more complex notion as global production operations became increasingly diverse, and new market opportunities continue to emerge in both developed and developing countries (Aiello et al., 2008). Many researchers believed that the effect of country-of-origin on consumers' perception of product quality is closely associated with their knowledge of the particular country and, in certain cases, the level of the country's economic development (Romeo & Roth, 1992, in Kalicharan, 2014).

Nowadays, more companies are competing on the global market - these companies manufacture their products worldwide and the location where they manufacture the products might effect the perception of the consumer on the quality of the product (Alsughayir et al., 2012). The phenomena country of origin image makes a significant impact on the attitudes of consumers and international strategies of companies through marketing efforts, consumer experience and the opinion leaders (İZMİR, 2016).

2.2.Theoretical Background

2.2.1. Country of Origin

According to Nagashima, 1970, in Develi (2010), COO is defined as the picture, reputation, streotype that businessmen and consumers attach to products of specific country. Cateora & Graham, 1999, in Yunus and Rashid (2016) added that country-of-origin (COO) can be defined as any influence that the country of manufacturer has on a consumer's positive or negative perception of a product. The COO is commonly considered the country that consumers typically associate with a product or brand, regardless of where it was manufactured (Aiello et al., 2008).

Fournier, 1998, in Verlegh and Steenkamp (1999) found that country of origin relates a product to national identity, which can result in a strong emotional attachment to certain brands and products. COO is viewed as the overall perception consumer's form of products from a particular country, based on their prior perception of the country's production and marketing strengths and weaknesses (Roth and Romeo, 1992, in Develi, 2010). Country of origin is not merely a cognitive cue for product quality, but also relates to emotions, identity, pride and autobiographical memories (Verlegh and Steenkamp,1999, in Develi, 2010).

2.2.2. Perceived Quality

According to Jin and Yong, 2005, in Yee and San (2011), perceived quality is a critical element for consumer decision making; consequently, consumers will compare the quality of alternatives with regard to price within a

category. Beneke et al., 2013, in Abdelkader (2015) added that PQ as the way in which a customer views a product's brand equity and overall superiority compared to the available alternatives and the customer's attitude towards the overall brand experience as opposed to just a product's particular characteristics.

Consumers often judge the quality of a product or service on the basis of a variety of informational cues that they associate with the product. Some of these cues are intrinsic to the products, whereas others are extrinsic (Yee and San, 2011). Product quality performance includes conformance, performance, reliability and durability (Agus & Hajinoor, 2012, in Abdelkader, 2015).

Extrinsic attributes are the cues that are external to the products itself, such as price, brand name, brand image, company reputation, manufacturer's image, retail store image and the country of origin (Yee and San, 2011). Li and Wyer, 1994, in Develi (2010) added that the quality of products that are typical of a country can sometimes be used as a standard of comparison in evaluating a new product, leading it to have a contrast effect on evaluations of the product.

2.2.3. Purchase Intention

Purchase intention is the individual's awareness to make an attempt to buy a brand (Shabbir et al., 2009, in Rezvani et al., 2012), usually purchasing intention is related with consumers' behavior, perception and their attitude (Keller, 2001, in Jaafar et al., 2012). Purchase behavior is an important key point for consumers during considering and evaluating of certain product (Keller, 2001, in Jaafar, et al., 2012). It also describes the feeling or perceived likelihood of purchasing the

products that are advertised, moreover, purchase shows the level of loyalty to products (Rezvani et al., 2012).

2.2.4. Effects of Country of Origin on Perceived Quality

Liefeld and Wall, 1991, in Kalicharan (2014) found that information on country-of-origin was of greater importance to consumers than price or brand when assessing and comparing the quality of products from certain developed countries. COO effect is concerned with how customers perceive products from certain countries and the overall perception consumer form of products from a particular country, based on their prior perceptions of the country's production and marketing strengths and weaknesses (Roth & Romeo, 1992, in Kala and Chaubey, 2016).

The quality of products that are typical of a country can sometimes be used as a standard of comparison in evaluating e new product, leading it to have a contrast effect on evaluations of the product (Li and Wyer,1994, in Develi, 2010). Differences in perceived product quality between developed countries and less developed countries are due to consumer beliefs that developed countries' workers are more technologically sophisticated than less developed countries' workers, and consequently more able to make quality products (Lee and Moon, 2001, in Develi, 2010).

2.2.5. Effects of Country of Origins toward Purchase Intention

Country of origin's influence on customer purchase intention has been a topic of study for many decades (Rezvani et al., 2012) Different cultures and histories cause dissimilar perceptions among consumers, which may lead to

different evaluations about products when they want to choose (Rezvani et al., 2012), so country image is an important consideration in evaluation of foreign-made goods and consequent decision to purchase them (Lala et al., 2009, in Develi, 2010). COO can have a positive or negative impact on customer intention, according to every effect that the country of manufacture has on the perception of the buyers (Rezvani et al., 2012). Consumers develop beliefs concerning a product (product evaluations), which lead to purchase intention (attitudes toward a product) in the end, based on their country of origin image (Han, 1989, in Izmir, 2016).

2.3. Previous Studies

There are some journals from previous researchers that are used by researcher to reinforce the theoretical background in this study. Here are the lists of those journals:

Table 2.1
Previous Study

No	Title	Variable	Method	Findings
1	<i>The Effect of Country of Origin Image on Purchase Intention: A Case Study on Bahir Dar University Instructors</i> Aschalew Degoma and Elias Shetemam (2014)	Country-of-origin image; Purchase intention, Perceived Quality	This research use questionnaire to collect the data. Structural Equation Modeling (SEM) with Amos 18 software was used for the data analysis.	The results of the two models for domestic and foreign products demonstrate the overall impact of country-of-origin on perceived quality and purchase intention.

2	<p>Perception of Turkish Consumers About Country of Origins Effect in German and Chinese Products</p> <p>Evrin Dldem Develi (2010)</p>	<p>Country of Origin, Product and Country Image, Perception, Quality</p>	<p>Using questionnaire, the independent samples t-test is executed to 689 students in Istanbul Kültür University Vocational School of Business Administration and Technical Science.</p>	<p>This research has showed that the perception of Chinese product has begun to change in a positive manner. China produces products in various quality. If a consumer wants low price and low quality she can find in variety of quality. The German perception stays constant as before.</p>
3	<p><i>Which Evaluation Criterion IS Affected By Country Of Origins Forms Purchase Intention The Most : An Empirical Study</i></p> <p>Onur Izmir (2016)</p>	<p>Country of origin image, Quality, Value, Utility, Purchase Intention.</p>	<p>Questionnaire has been conducted separately for both Peugeot 308 and Renault Megane. Then, the average of the variables derived from both the results of Peugeot 308 and Renault Megane were used in the structured regression model. Data is improved through SPSS (Statistical Package for Social Science) 21.0; confirmatory factor analyses (CFA) of latent variables and structured equation modeling (SEM) of the proposed model are conducted through AMOS (Analysis of Moment Structures) 20.0.</p>	<p>Three evaluation criteria are affected by country of origin image among which the quality perception is relatively affected the most by this construct.</p>

4	<p><i>A Conceptual Study on the Country of Origin Effect on Consumer Purchase Intention</i></p> <p>Samin Rezvani, Goodarz Javadian Dehkordi¹, Muhammad Sabbir Rahman¹, Firoozeh Fouladivanda¹, Mahsa Habibi¹ & Sanaz Eghtebasil (2012)</p>	Country of origin, purchase intention, country image, product knowledge, patriotism	The method of this research is reviews the different literatures	Country of origin is one of the extrinsic cues; in addition, there is no doubt that country of origin has considerable influence on the purchase intention process
5	<p><i>A review and meta-analysis of country-of-origin research</i></p> <p>Peeter W.J. Verlegh and a, Jan-Benedict E.M. Steenkamp (1999)</p>	Country of origins, Product Evaluation	In this research, a (chi-square) test for homogeneity is conducted, and dummy regression analysis.	This research found that the impact of country of origin is stronger for perceived quality than for attitudes and purchase likelihood.
6	<p><i>The Effect And Influence Of Country-Of-Origin On Consumers' Perception Of Product Quality And Purchasing Intentions</i></p>	Country-of-Origin, Product Quality, Purchase Intention, Ethnocentric	This research reviewed several empirical studies conducted over several years.	This study concluded that although country-of-origin is used as an external cue by consumers when evaluating product quality, other factors are equally important and can influence consumers' purchasing decisions.

	Harrychand D. Kalicharan (2014)			
7	<p><i>Does Country Of Origins Matter On Product Evaluation Among Saudi Consumers Perception?</i></p> <p>Abdulrahman A. Alsughayir, Abbas N. Albarq, and Syed R. Ahmed (2012)</p>	Country of Origins, product evaluation, Consumer Perception	<p>This research uses questionnaire which was distributed randomly to nearly 518 participants in the capital Riyadh. This research analyzed using descriptive statistics through SPSS 15.00, The researchers have arranged the sum of the mean of each country with the lowest mean to be the highest rank and the highest mean to be of the lowest rank.</p>	<p>This research found that the Saudi consumers match the country of origin concept to the quality of a product that they purchasing. In general, they are relying to attribute quality to a product that is made in developed countries, and Japan in particular receives a high score for the impression of producing high quality products.</p>
8	<p><i>Impact of Demographic Factors on Consumer Behavior - A Consumer Behavior Survey in Himachal Pradesh</i></p> <p>Rakesh Kumar (2014)</p>	Demographic Factors, Geographic Factors, Psychological Factors, Consumer Behavior	<p>The data has been collected with the help of interviews, personal observation, pilot survey and questionnaire. The data is analyzed using Percentage Method and Chi-Square Method.</p>	<p>The demographic factors like age, sex, income, occupation, education, marital status and family background which significantly affects the behavior of consumers.</p>

9	<p><i>Influences of Country-Of-Origin on Perceived Quality & Value According to Saudi Consumers of Vehicles</i></p> <p>Osama Ahmed Abdelkader (2015)</p>	<p>Country-Of-Origin, perceived value, perceived quality.</p>	<p>This research uses two methods, first distributed the questionnaire and second uses the semi-structured interviews, that the research conducted 34 in-depth interviews with some vehicle sellers and consumers from Saudi market. ANOVA analysis was used to explore the differences among the sample participates according to demographic variables</p>	<p>There are significant evidences of the influence of the specific image of COO on vehicles' PQ & PV. This specific image includes the perceptions about particular-country-production in general.</p>
10	<p><i>Consumers' Perceptions, Attitudes and Purchase Intention towards Private Label Food Products in Malaysia</i></p> <p>Siti Nurafifah Jaafar, Pan Ein Lalp, and Mohaini Mohamed (2012)</p>	<p>Private label product, purchase intention, consumer attitude, own label brand</p>	<p>Self-administered survey is the data collection method applied in this study where the respondent reads the survey questions and records his or her own response without the presence of a trained researcher. This research use Independent T-test and Multiple Regression to analyze the data.</p>	<p>The result of this study shows the association between almost all independent variables and purchase intention towards private label brand food products.</p>

11	<i>The Influence of Country-of-origin on Consumer Purchase Intention: The Mobile Phones Brand from China</i> Nor Sara Nadia Muhamad Yunusa, and Wan Edura Wan Rashidb (2016)	Country Image, Product Quality, Brand Familiarity, Purchase Intention	Fully structured questionnaire was used in this research as an instrument in order to gather information from the respondents. To test the hypothesis the researcher uses Pearson Correlation.	This study found that the respondents have positive perceptions towards mobile phones brand from China. At the same time, it also shows that there is an intention among Malaysian consumer to purchase mobile phones brand from China.
12	<i>Country-of-Origin Effect and Consumers' Buying Behaviour: An evidence from Indian Market</i> Devkant Kala and D.S. Chaubey (2016)	Country-of-origin (COO), Ethnocentrism, Xenocentrism,	This research using self-administrated questionnaires. One-way ANOVA analysis was carried out with the assumption that the factors of COO do not differ significantly across the age of consumers. Chi square test is applied to check the impact of global exposure of consumer and COO effect on product purchase. The analysis was done through SPSS.	The results of the study show that COO is considered as information that affects consumers' purchasing decision in terms of their perception toward the product's attributes as well as their overall evaluation of the product.

2.4. Research Hypothesis

According to J. K. Lee & Lee, in Rezvani et al. (2012), buyers use country of origin as an indicator of a product's quality. Degoma & Sheteman (2014) added that consumers take COO as an extrinsic cue which is a predictor of quality for

goods and services. The research which is done by Izmir (2016) found that country of origin image is affects the quality perception. He also said that the possible explanation for the reason that country of origin image affects the quality perception the most can be made by the fact that automobiles are classified as a high involvement product. Based on the discussion above, the hypothesis is:

H1: Country-of-origin influences on Indonesian consumers in perceiving the quality of XIAOMI

A lot of researchers have attempted to find effects of COO on product evaluations, attitudes toward the product, purchase intention and purchase choice (Degomaand Shetemam, 2014). COO can have a positive or negative impact on customer intention, according to every effect that the country of manufacture has on the perception of the buyers (Rezvani, 2012).

According to Lee & Lee, cited in Abdelkader (2015), COO image is an important extrinsic product cue, and researches show that it affects consumer perceptions, purchase intension and overall evaluations of the products. The research which is done by Rezvani (2012) has the result that country of origin is one of the extrinsic cues, and there is no doubt that country of origin has considerable influence on the purchase intention process. Based on the discussion above, the hypothesis is:

H2: Country of origin influences on Indonesian consumers' purchase intention on XIOAMI

People who receive product information for the purpose of making a purchase decision are likely to interpret the attribute information in terms of pre-

existing concepts that have positive or negative implications for the product's quality (Develi, 2010). Country image becomes a surrogate for quality when product information is lacking, and when there is a lack of familiarity with the Product (Monroe, 1973, in Develi, 2010).

The study which is done by Alsughayir et al. (2012) concluded that the Saudi consumers match the country of origin concept to the quality of a product that they purchasing, and they are relying to attribute quality to a product that is made in developed countries. Degoma & Sheteman (2014) also found that country of origin's image affects consumers' intention of buying through perceived quality variable. Based on the discussion above, the hypothesis is:

H3: Country-of-origin influences on Indonesian consumers' purchase intention on XIAOMI through perceived quality as the mediating variable

2.5. Research Framework

The research framework below is consist of three variables, which are country of origin as the independent variable, perceived quality as the mediating variable, and purchase intention as the dependent variable. The framework is adopted from Degoma & Sheteman (2014) which show the relationship between country of origin, perceived quality, and purchase intention.

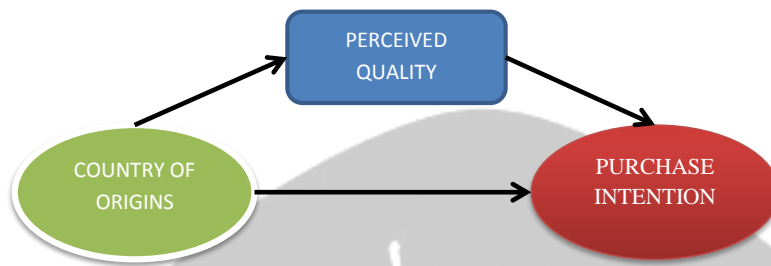


Figure 2.1 Conceptual Framework

Degoma & Sheteman (2014)