A Multivariate Model of Partitioned Country-Of-Origin on Consumer Quality Perceptions

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A Multivariate Model of Partitioned Country-of-Origin on Consumer Quality Perceptions Abstract This paper deals with the effects of partitioned country-of-origin associations on consumer product quality evaluations. The main objective of this research is to examine the cognitive processes by which country-of-origin information influences consumer’s evaluation of a product. This research clarifies the roles of country-of-design, country-of-assembly, country-of-parts and brand image in evaluating consumer perceptions of product quality. Data were analyzed via structural equation models using Amos 5.0. Results of this study seemingly have implications for measurement, theory, and application. Finally, the study concluded with some limitations and directions for future research.

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EXTENDED ABSTRACT
A substantial body of literature has accumulated showing that consumers adjust their attitudes toward a product according to its country-of-origin (Chao 1993; Cordell 1992; Han 1989; Han and Terpstra 1988). This bias may be categorized as either “home country bias” or “foreign country bias”. With “home country bias” consumers prefer products made in their own country to identical products made in foreign countries. “Foreign country bias” exists when differential differences are expressed for products made in different foreign countries (Schooler 1965; Wang and Lamb 1983).

Understanding consumers’ opinion toward products from various countries can be useful in developing multinational strategic marketing policies. If country-of-origin is to be used as a competitive tool, managers must also understand the mechanism of country-of-origin on consumer quality perceptions. Research on evaluation of foreign products infers that the producing country affects consumers’ judgments of product quality (Bilkey and Nes 1982; Hong and Wyer 1989). For example, a country’s image regarding workmanship and technological advancement logically will be projected onto the features of products produced by that country. Product quality evaluation is conceptualized as the attitudes consumers hold towards their targeted products.

The main objective of this research was to examine the cognitive processes by which country-of-origin information influences consumer’s evaluation of a product. With so many structural equation modeling approaches have been used to test a hypothetical model containing relationships among psychological constructs including country associations, the evaluation of the product’s functional characteristics and appearance and the quality perceptions with regard to the product. The second objective was to develop a better understanding of the country-of-origin effect by separately examining the effects of the country-of-design (COD), the country-of-assembly (COA), the country-of-parts (COP), and consumer brand image (CBI) of a product.

To study the psychological process by which the country-of-origin associations are integrated in the formation of related behavioral deliberation, a hypothetical structural model was developed. The model contained eight theoretical constructs. These constructs were considered to be latent psychological variables that cannot be measured directly and without error. Instead, each of them has to be measured indirectly through multiple indicators. The eight constructs of the hypothetical model may be grouped into the following three categories:

- Evaluation of the country-of-Origin associations;
- Evaluation of the product; and,
- Evaluation of the quality.

Therefore, current study dealt with eight constructs and their observed measures. The questionnaire contained multiple measures of all seven latent variables of the model. The selection of these indicators was based on an extensive literature review. All measures used in the present study had already been used and found to be valid and reliable indicators in one or more previous studies. The main sources used in this selection process were: Insch and McBride (1998), Parameswaran and Yaprak (1987), Bandyopadhyay and Banerjee (2002), Ahmed and d’Astous (1999), Han and Terpstra (1988). For all of these directly observed variables, ratings were obtained on a seven-point scale ranging from 7=“Strongly Agree” to 1=“Strongly Disagree”.

Since COD, COA, COP and CBI deal with overall country and brand image, description and scales for each construct thus contained the same contents except the specific country name. For example, a description for COD such as “Japan has designed a television ——” has been changed into “China/Bangladesh has designed a television ——”. Similarly, the description for COA is “China assembled the final product——” has been changed into “Japan/Bangladesh assembled the final product——”. Finally, the description for COP is “Major parts have been produced in Bangladesh” has been changed into “Major parts have been produced in Japan/China”.

The data were first tested for reliability using Cronbach’s alpha to assess reliability. Internal consistency (reliability) values of the measurement items were assessed before entering into the structural analysis. Data were analyzed via structural equation models using Amos (Analysis of MOment Structures) 5.0.

The Maximum-Likelihood Method was selected as the method of model estimation. The fit of the structural model was estimated by various indices, and the results demonstrated good fit. For models with good fit, most empirical analyses suggest that the ratio of chi-square normalized to degree of freedom (χ^2/df) should not exceed 3.0 (Carmines and McIver 1981). In addition, the obtained goodness-of-fit (GFI) measure was 0.92 and the adjusted goodness-of-fit (AGFI) measure was 0.89, respectively, which are both higher than the suggested values. The other two indices of good fit—the normalized fit index (NFI) and the comparative fit index (CFI) are recommended to exceed 0.90. The results also meet these requirements. Finally, the discrepancies between the proposed model and population covariance matrix, as measured by the root mean square error of approximation (RMSEA), are in line with the suggested cutoff value of 0.08 for good fit (Byrne 1998).

The results of this study provide evidence that country associations can influence product responses. Moreover, when COD, COA, COP and CBI associations are available to consumers, these associations appear to affect product responses in different manners. The results raise the possibility that countries that already have positioned themselves around a reputation for technological innovation or other skills and abilities related to product development and manufacturing may expect consumers to transfer those associations to new products from the country.

REFERENCES
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