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CONSUMER PURCHASE PREFERENCES TOWARDS FOREIGN AND DOMESTIC BRANDED ELECTRICAL APPLIANCES

Tan Shuan Gin and Susan Chin Tee Suan
Multimedia University, Malaysia

ABSTRACT

The purpose of this study is to examine the consumer purchase preferences towards foreign and domestic branded electrical appliances. A total of 200 respondents took part in this survey. It was found that country of origin plays an important aspect in the purchase behaviour of the consumer.

Keywords: Purchase behaviour, electrical appliance industry, marketing, business environment, brand loyalty

INTRODUCTION

As at May 2005, Malaysia imported RM 6.8 billion worth of electrical products (MIDA, 2005). The consumers can choose foreign products ranging from rice and tea to automobiles and home appliances. Malaysia's electronic industry has certainly come a long way over the last three decades which established manufacturing projects for household appliances, wires and automotive batteries (MIDA, 2005). Most of the projects were under joint ventures basis with the foreign partners. The electrical and electronic industry remains as Malaysia's leading industrial sector, which contributes a lump sum of RM 266.3 billion or 44 per cent of Malaysia's total exports in October 2007 (Department of Statistics, 2007). There are 77 companies located in Malaysia producing a wide range of home appliances which consist of major appliances and small appliances such as washing machines, refrigerators and microwave ovens (MIDA, 2005). A number of Malaysian brands such as Pensonic, Khind and Acson have established a strong presence in this sub-sector. These local brands not only sell their products in Malaysia but have also gone overseas. In the highly competitive global marketplace, it becomes more significant to understand the perceptions of consumers towards global brands to local brands (Sankar, 2006). Consumers have the perception on the foreign made products are more reliable than local brands, is due to the foreign brands have successfully drawn consumers' attention from several aspects such as fancy design, higher products quality, country-of-origin of the products and brands name (Cai, Cude and Swagler, 2004). There seemed to be many issues in terms of the home appliance industry. Globalisation has made the business environment to be fast paced. With more and more industries growing in the country, more and more products and services are being introduced in the market. Marketers need to know the consumer purchasing behaviour. After all, the products and services produced are meant to satisfy the consumers. If consumers dislike it, then the company has lost. There is a phenomenon of consumers' bias toward foreign brand especially the consumers in developing countries. The business environment can be likened to the monopolistic market structure. There are many sellers and buyers in the market but sellers have the opportunity to differentiate the products and services. They can try to influence the consumers that their product is different from the others. Whether they will be successful, depends on a number of factors. Hence the purpose of this study is to examine these factors.

REVIEW OF LITERATURE

A major household appliance is usually defined as a large machine which performs some routine housekeeping task. Major household appliances may include air conditioner, washing machine, and refrigerator. There are some differentiation compared a major appliances to small appliances. The major appliances usually are large, difficult to move, and usually required to fix in a place. Whereas small appliance usually refers to portable or semi-portable home appliances which generally used on tabletop and other platforms. Small household appliances may include microwave oven, hairdryer and CD/DVD players. The theory of planned behaviour developed by Ajzen (1985) suggested behaviour intention were based on a combination of three influencing factors for a person: (1) attitude toward the behaviour, (2) subjective norm, and (3) perceived behavioural control. From this model, it suggested a person with a strong intention to perform the behaviour have strong beliefs that the behaviour can lead to the desirable outcome (attitude).

Besides that, the consumer's intention to perform behaviour will be influenced by the opinion of significant individuals such as parents, spouse, and friend (subjective norm). The Theory of Reasoned Action (TRA) developed by Ajzen and Fishbein aimed to predict and understand the causes of behaviour (Ajzen and Fishbein, 1980). The TRA has been successfully applied to predict one's intentions and behaviour in several areas such as university class attendance (Fredicks and Dossett, 1983), seat belt usage (Stasson and Fishbein, 1990) and weight loss (Bagozzi and Warshaw, 1992). It was also found that there is a strong relationship between attitude, subjective norms, and behavioural intentions for behaviour (Sheppard, Hartwick and Warshaw, 1988). According to Ajzen and Fishbein, (1980), the TRA proposes that any reasonably voluntary behaviour (such as buying home appliances) is determined by the one's intention to perform the behaviour.

Country of origin effects

The country-of-origin is to identify where a product is made, which is usually communicated by the term "Made in (the name of country)". Papadopoulos and Heslop (1993) found that the effect of country-of-origin affects consumers' preferences for products from certain countries over another. Based from previous findings (Bilkey and Nes, 1982; Han and Terpstra, 1988; Maheswaran, 1994), the image and reputation of a country will affect consumers' perception and judgement of the product quality and consumers' willingness to purchase the product. In today's huge marketplaces, it is easier for consumers to have access to purchase products and acquire information about the products from different countries (Han, 2010). Country-of-origin as a cue has become more important when foreign goods are increasingly available. Consumers always evaluate imported products differently from domestic products (Bilkey and Nes, 1982). However, the "Made in" stereotype are able to change in the long-run (Papadopoulos et al, 1990). Country-of-origin plays an important role when consumers evaluate products such as motorcars and designer bags which are considered as highly priced, high involvement, high status and highly specialized products. Vice versa, country-of-origin become less important while consumers are evaluating low priced, low involvement products such as tee shirts and toothbrush (Piron, 2000; Ahmed et al., 2004). According to Piron (2000), country-of-origin has a stronger effect in influencing consumers' perceptions of the quality of a luxury item (car) rather than for a necessity item (toothbrush).

Country Image

According to Hamzaoui and Merunka (2006) the country image can be defined as "perceptual unit that includes various country associations, such as what the consumers know or think they know about the characteristics of a country, its people, their habits and behaviours, and the products associated with it (e.g. innovation, technology, reliability, price, overall quality, typical products)". Categorization enables a natural theoretical framework for studying the effects of country-of-origin (Agarwal and Sikri, 1996). Due to the country-of-origin effects, consumers' evaluation on a particular product from a country possibly activates their own stereotypic beliefs on a country (Hamzaoui and Merunka, 2006). Consumers hold a very strong association in their memory when talking about countries.

Brand Names

Brand names have become more important for multinational companies. They have become a cue for consumers in decision making process whether to purchase the particular product (Ger et al., 1993). They are also used to inform consumers, information about a particular product which includes product quality, where consumers have not experience with a product before (Rao, 1972). According to a previous research by Schuiling et al., (2004), consumers perceive that local brands are more "down to earth" than international brands. Local brands are more concern of local traditions and local cultures. It becomes an important advantage for local brands to have a unique relationship with consumers (Sankar, 2006). Local brands are not flexible in terms of marketing strategies and marketing activities when compared to the global brands (Eckhardt, 2005). In general, consumers in the developing countries squint towards developed countries consumption practices and lifestyles (Peterson and Jolibert, 1995). Consumers prefer brands that originate from foreign countries especially from developed Western countries. This preference is not only link to perceived quality and other attributes but also to social status. As the highly competitive global

marketplace becomes stronger and faster, it is even more significant to understand the perceptions of the consumers towards global brands to local brands (Sankar, 2006).

Attributes

Attributes are the characteristic or features which a product may or may not have which inclusive both intrinsic products attribute and extrinsic products attribute (Mowen and Minor, 1998). Consumer seeks for products that have the attributes that helps to solve their problems and fulfils their wants and needs. In consumers' point of view, both intrinsic and extrinsic product attributes are equally important in choosing a brand (Myer, 2003). Unfortunately, there is no evidence that shows certain attributes are more influential to customer loyalty to a particular brand (Romariuk and Sharp, 2003). According to a previous study by Gwin and Gwin (2003), by understanding what are the reasons for consumer choose a product based on the attributes and this helps the researcher to understand why there are some consumers have preferences on certain brands. Maslow's hierarchy of needs is among the first theories as a basis for understanding a consumer motives for action (Maslow, 1970). Every consumer has their wants and needs which would influence their purchasing behaviour. A consumer who focused on esteem needs will purchase the home appliances that make him or her feel good about themselves. The consumer who focuses on love and belonging needs will purchase the home appliances that make them be respected and appreciated by family members (Maslow, 1970). Consumer ethnocentrism is a psychological construct which shows how consumers view the product which is made in their home country (Kinra, 2006). Ethnocentric consumers take pride in their home country's brands and culture (Steenkam et al., 2003). As defined by Shimp and Sharma (1987), consumer ethnocentrism means "the beliefs held by consumers about the appropriateness, indeed morality, of purchasing foreign made products". Although in today's market place, the number of consumers prefers global brands to local brands are increasing, but there are consumers in favour of home country made products (Shimp and Sharma 1987). The consumers will view purchasing foreign products as immoral and unpatriotic to their home country. Thus, the consumers will still purchase local brands even the quality standard is lower than the global brands (Wall and Heslop, 1986).

METHODOLOGY

This research is conducted in Peninsular Malaysia and concentrates on the factors influencing consumer preferences towards local and foreign brand home appliances by drawing out participation from various level of respondent in Peninsular Malaysia. The respondents in this research are the consumers who have the purchasing power to buy the home appliances. Respondents chosen are those with an income excluding those receiving allowances from their parents such as students. The questionnaire will be personally administered. They will be distributed to the respondents through a randomly identified manner. A total of 330 questionnaires were randomly distributed to all parts of Peninsular Malaysia, However, only 303 questionnaires were returned. Out of this, only 287 questionnaires can be used for research. The remaining 16 questionnaires could not be used as the respondents did not answer accordingly, hence their questionnaires could not be used for research (Table I).

Table I: Summary of the Survey Response

Categories	Frequency (Sets)	Percent
Response not received	27	8.18
Usable questionnaires	287	86.97
Unusable questionnaires	16	4.85
Total questionnaires	330	100.0

DISCUSSION

As shown in Table II, a majority of the respondents are aged between 31 to 40 years of age and that they are female. A majority of them purchased more than RM1,100 worth of goods from the shops and these goods are largely imported.

Table II: Descriptive Analysis

Characteristics	Measuring Group	Frequency	Percent	Cum Percent
Gender	Male	61	30.5	30.5
	Female	139	69.5	100.0
	Total	200	100.0	
Age	Less than 30 years old	25	12.5	12.5
	Between 31 years old and 40 years old	146	73.0	85.5
	More than 40 years old	29	14.5	100.0
	Total	200	100.0	
Purchase Amount	Less than RM 200	5	2.5	2.5
	Between RM 300 and RM 1000	46	23.0	25.5
	More than RM 1100	149	74.5	100.00
	Total	200	100.0	
Preferences	Local	40	20.0	20.0
	Imported	160	80.0	100.0
	Total	200.0	100.0	

Based on the 5 factors, it was found that brand names had a very strong correlation ($r = 0.815$). Brand becomes a cue for consumers in decision making process whether to purchase the particular product (Ger et al., 1993). Since a majority of consumers purchased imported goods, it could be the perception of the consumer that imported goods are better. This could be due to the country's image or country of origin. Papadopoulos and Heslop (1993) found that the effect of country-of-origin affects consumers' preferences for products from certain countries over another. Consumers prefer brands that originate from foreign countries especially from developed Western countries. This preference could be linked to social status. Both Product Attribute and Consumer Behaviour had an average correlation value $r = 0.395$ and $r = 0.353$ respectively. Consumer seeks for products that have the attributes that fulfils their wants and needs. In the consumers' point of view, both intrinsic and extrinsic product attributes are equally important in choosing a brand (Myer, 2003).

Table III: Factors Influencing Consumers' Purchasing Behaviour

Item		Purchase of imported vs. local goods	Relationship /Significant
Country of origin effects	Pearson Correlation	.531**	Positive
	Sig. (1-tailed)	.000	Yes
Brand names	Pearson Correlation	.815**	Positive
	Sig. (1-tailed)	.000	Yes
Product Attribute	Pearson Correlation	.395*	Positive
	Sig. (1-tailed)	.029	Yes
Consumer Behaviour	Pearson Correlation	.353**	Positive
	Sig. (1-tailed)	.000	Yes
Consumer Ethnocentrism	Pearson Correlation	.114*	Positive
	Sig. (1-tailed)	.004	Yes

As for Consumer Behaviour, Maslow Hierarchy of Needs provided the understanding. Every consumer has their wants and needs which would influence their purchasing behaviour. The consumer who focuses on love and belonging needs will purchase the home appliances that will make them respected and appreciated by their family members (Maslow, 1970). For example, if they were to buy a product which has a good safety feature, other members would be happy. With this aspect as it shows the purchaser cares for the user. Ethnocentric consumers take pride in their home country's brands and culture (Steenkam et al., 2003). As for Consumer Ethnocentrism, the correlation value is 0.114. The positive and significant relationship shows that consumers take pride in their purchase of electrical goods (Table III).

CONCLUSION AND AREA OF FUTURE RESEARCH

Based on the initial study, it was found that a majority of the respondents purchased imported electrical appliances. Consumers that purchased these imported electrical appliances were influenced mainly because of the brand name. Brands play an important role and that it roots the perception of the consumer. Consumers have the perception on the foreign made products are more reliable than local brands, is due to the foreign brands have successfully drawn consumers' attention from several aspects such as fancy design, higher products quality, country-of-origin of the products and brands name (Cai et al , 2004). For future research purposes, it would be beneficial if the electrical appliances be subdivided according to the various categories in order to study the purchasing behaviour of the consumer. In terms of the electrical appliances, it covers a wide variety of goods such as entertainment, kitchen and major household appliances such as the refrigerator.

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