

Investigation the Effect of Country-of-Origin on Consumer Perception and Purchase Intention of Luxury Brands: Case Study - Luxury Branded of Switzer Watches

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Abstract

The influence of Country-of-Origin (CoO) has been the focus on a lot of studies in international marketing fields. The concepts of consumer perception and purchase intention have a mutual relationship; assume importance in the study of country of origin effects. This research attempts to investigate the influence of country of origin towards consumer perception and purchase intention of luxury branded of Switzer watches in context of Iran. Finally regression analysis was used on data in order to test hypothesizes of study. The results strengthens our understanding of the CoO effect to consumer's purchasing intention specially when product's country of origin considering luxury brands. These results also contribute for a company that wishes to expand internationally in a geographic area and to the theoretical controversy concerning the importance of CoO in the consumer perception and purchasing intention on decision making process.

Keywords: Country-of-Origin (CoO); Consumer perception; Purchase intention; Luxury brands

Introduction

The effect of Country-of-Origin (CoO) on consumers' perceptions and purchasing intentions is a common theme in marketing research [1,2]. CoO effect refers to how consumers perceive products emanating from a particular country [3]. Country-of-origin images occur at two levels. At a macro level, mention of a particular country may convey a general image, while at a micro, or product class level, a more specific image will be created [4]. Wang and Lamb [5] concluded that the willingness of US customers to buy foreign produced goods was partially determined by the economic, political and cultural environments of the country of origin. Wall and Heslop [6] found that country images were closely related to level of political development. However, that for marketing purposes the most constructive perspective for analysis is the micro or product class level [4].

The importance of CoO in product evaluation and purchase intention cannot be ignored, especially in luxury branded products. Although the term luxury brand is used very often, it is appropriate to realize that there are different meanings associated with the term. The concept of branding is arguably a powerful marketing strategy used by high quality branded exports and more recently luxury branded products in order to justify low country image perceptions as trade-offs for high quality raw materials or expert artisan techniques [7,8]. However, the study includes additional elements, such as design, price, and guarantee, which can influence the purchasing intention of consumers.

The choice of these variables depends on the definition of what a luxury brand is. Researchers generally agree about the lack of substantial definitions of luxury, that is to say, definitions based on general intrinsic characteristics of products and techniques employed, or on techno-economic characteristics of the industry [9]. The common denominators are beauty, rarity, quality, and price, and also an inspirational brand endorsing the product.

The present study investigates and focuses specifically on the effects of CoO on the consumer perception as well as purchasing intention of consumers to buy and recommend luxury branded products that

are of multi-country affiliations. Regardless of the perspective used, prior research in the field of luxury shows the particular importance that brands play as vectors of strategies that consumers use in their decision-making processes [10-14]. The study focuses on this sector as the internationalization of business is inseparable from its economic development in recent years. In this context, brands conventionally use the argument of CoO in their international communication strategies. After describing the conceptual framework and methodology for the study, this research presents the findings.

Literature Review

Previous researchers working on the effects of CoO consist of two directions. On one direction, they consider the composition of product-country images [2,3,16]. On the other direction, they have an interest in how consumers use CoO as an evaluation of product quality [1,17,18]. One of the most comprehensive studies in this area, by Hong and Wyer [19], considered four possible explanations of how country-of-origin information can affect product evaluation. First, it could influence interpretation of other available product attribute information. Second, it could provide a heuristic basis for evaluation without considering other attribute information. Third, it could act as an attribute in itself. Fourth, it could influence the attention paid to other attribute information, thus affecting impact of this information. Their results mostly supported the contention that a product's country of origin stimulates a subject's interest in the product, and leads them to think more extensively about the product information

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and its evaluative implications [20]. This article is part of this second perspective, and examines the influence of CoO on perceptions and purchasing intentions of consumers in the field of luxury goods. The CoO impacts consumer perceptions and intentions through the image of the product's CoO. The image is the representation of a specific country, which consumers associate with the products [21,22].

Other work [15,23,24] shows the impact of CoO on the process of consumer decision making to be relatively low in studies combining several factors. One of the most important criticisms of research concerning CoO is that the latter has a real impact on product evaluation in the (unrealistic) event of other information not varying. This research therefore includes, in addition to CoO, other variables involved in how consumers assess and choose luxury goods. Luxury branded products are perceived by consumers to be handmade or manufactured by artisans [25,26] using time honored traditions [27], and/or natural ingredients [28,29]. Luxury brands with a long standing culmination of history, traditional cultures, regions and beliefs can exude a distinct uniqueness and nostalgic impression that adds to its authenticity [27-30]. As consumers evaluate branded products originating from a particular country with ingredients branded or sourced from another country, they will draw on existing knowledge or pre-existing beliefs of that country which in turn affects their perception that results in the evaluation of the overall "product category" of that particular country. Therefore, a positive level of congruency is usually achieved when a comparable fit is found between the country perceptions of the ingredient authenticity and the country of brand [31].

Methodology

This article focus on understanding and examine the relative influence of CoO on the consumer perception and purchasing intention to purchase luxury branded of Switzer watches in context of Iran:

1. Independent variables in this study are manufacturing process and product technological complexity.
2. Moderator variables are Country-of-Origin and consumer perception
3. Dependent variable is purchase intention.

Present study answers these issues using the key research question: Does CoO influence on consumer perception, purchase intention and consumer's willingness to buy luxury branded products?

This focus informs 5 hypotheses. The first important step is to specify the research context when attempting to identify luxury goods in a purchasing intention.

First hypothesis (H1): CoO is relatively important for consumer perception of luxury branded goods.

Second hypothesis (H2): CoO is relatively important for purchase intention of luxury branded goods.

Third hypothesis (H3): Consumer perception is relatively important for purchase intention of luxury branded goods.

Forth hypothesis (H4): Manufacturing process is relatively important for the role of CoO on consumer perception and purchase intention of luxury branded goods.

Fifth hypothesis (H5): Product technological complexity is relatively important for the role of CoO on consumer perception and purchase intention of luxury branded goods.

For testing hypotheses of the study, regression analysis was used. Using this method requires some prerequisites that are:

1. There should not be correlation between errors, means errors should be independent.
2. Errors should have normal distribution.

In order to check independence between errors, Durbin-Watson test was used. The DW value should be between 1.5 and 2.5 to reject correlation between errors. For all hypothesis of this study two above conditions were tested and for all of the hypotheses they were satisfied. By the way, for all hypotheses, Durbin-Watson values were between 1.5 and 2.5 and means errors are independent. The model which used in this article was developed to examine the effect of country-of-origin on consumer perception and purchase intention of luxury branded of Switzer watches in context of Iran.

This model examines the relationship between manufacturing process, product technological complexity variables and Country-of-Origin; and the influence of CoO, consumer perception and purchase intention toward luxury branded product. Figure 1 presents the conceptual model of this research.

The research is applied in terms of the objective, and descriptive-analytical in terms of data collection. The research population consists of consumer of luxury brands of Switzer watches. To determine the sample size of consumers, due to the unlimited clients, using Cochran method 150 samples were considered. Luxury brand consumers sample was selected among consumers of watches in a simple random method. This research involves interviewing customers of the research team. The data collection tool was a questionnaire for structured interview consisted of two parts: demographic data, and questions about the relationship between CoO and consumer perception and purchase intention of them.

The survey instrument was developed using established scales such as consumer's need for consumer perception towards branded products (a 6-item scale by Wood and Darling [32]), consumer

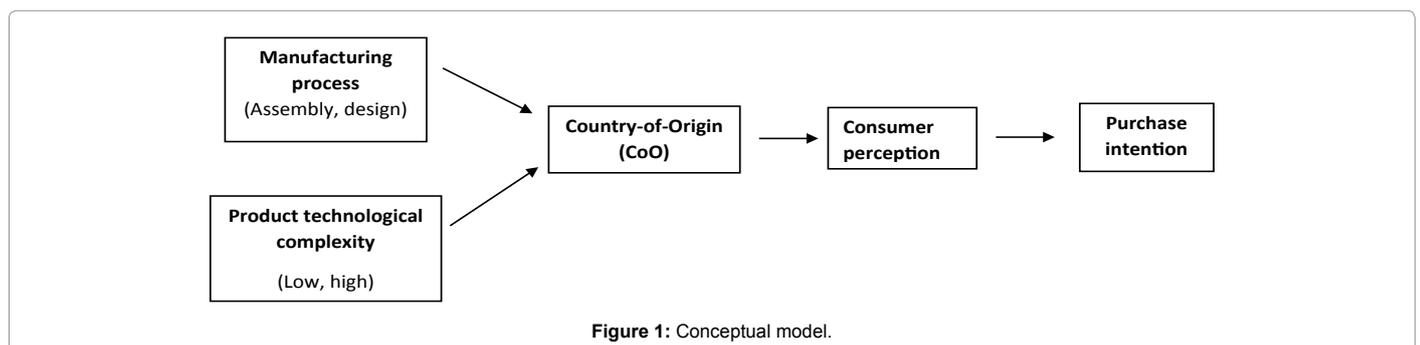


Figure 1: Conceptual model.

intention to purchase (a 6-item scale by Bower and Landreth [33]), manufacturing process and product technological complexity (a 3-item scale by Maxham and Netemeyer [34]) and country-of-origin (a 4-item scale by Park et al. [35]). The questions asked respondents to express their opinions and evaluations on a seven-point Likert scale with 1 representing “strongly disagree” and 7 representing “strongly agree”.

Reliability and validity of the test was approved by experts. To determine the reliability of the questionnaire, the Cronbach’s alpha was used. In pre-test, using 45 questionnaires and in SPSS software, Cronbach’s alpha and validity of the questionnaire was determined. Results suggested that reliability of the questionnaire questions was 81.4 percent, and since the alpha calculated is more than 70%, it can be concluded that the reliability of the questionnaire is largely guaranteed, and the impact of chance is not considerable. In other words, the alpha obtained for the questionnaire indicates a favorable situation. The structure of the sample respects the age and gender distribution of the total population of the country. The sample comprises 65.3% women and 34.7% men, and the research team defines the following age categories: aged under 20 years, from 20 to 39, from 40 to 59, and 60 years and over.

Students from the Shahre Ray branch of Islamic Azad University involved administered the questionnaire; their task was to find respondents in line with the age and gender quotas mentioned above and to help respondents fill in the questionnaire, explaining the questions if needed. The students’ role was also to ensure that respondents chose brands belonging to the watches. After collecting the questionnaires, data were classified, and using correlation and linear regression analysis to determine the individual effect of each of the independent variables on the dependent variable, were analyzed using SPSS software.

Results

The results of demographic data are presented in Table 1. The sample comprises 65.3% women and 34.7% men, and the research team defines the following age categories: 15.3% respondents were aged less than 20 years, 36% were aged between 20 to 39 years, 32% from 40 to 59, and 16.7% were aged 60 years and over. Also 61.3% of respondents were single and 38.7% of them were married.

Demographic variables	Number	Percentage
Sex		
Male	98	65.3
Female	52	34.7
Age (in years)		
Lower than 20	23	15.3
20-39	54	36
40-59	48	32
60 and above	25	16.7
Education		
Lower than high school diploma	6	4
High school diploma	28	18.6
Associate’s degree	46	30.6
Bachelor’s degree	62	41.3
Master’s degree and higher	8	5.5
Marital status		
Single	92	61.3
Married	58	38.7

Table 1: Distribution of demographic variables of consumers of luxury branded of Switzer watches.

In order to test the study’s hypotheses, a series of regressions were used to analyze the relationships between the predictors (independent variables) and the dependent variables.

The hypotheses and results are as follows:

Hypothesis 1: CoO is relatively important for consumer perception of luxury branded goods.

Hypothesis 2: CoO is relatively important for purchase intention of luxury branded goods.

Hypothesis 3: Consumer perception is relatively important for purchase intention of luxury branded goods.

Hypothesis 4: Manufacturing process is relatively important for the role of CoO on consumer perception and purchase intention of luxury branded goods.

Hypothesis 5: Product technological complexity is relatively important for the role of CoO on consumer perception and purchase intention of luxury branded goods.

Country-of-origin on consumer perception was significant at the 0.05 level. Thus, H1 are fully supported (Table 2). Country-of-origin and Consumer perception on purchase intention were significant at the 0.05 level. Thus, H2 and H3 are fully supported (Tables 3 and 4). Manufacturing process and product technological complexity on CoO were significant at the 0.05 level. Thus, H4 and H5 are fully supported (Tables 5 and 6).

Discussion

The results showed that H1 is significantly supported. This finding is compatible with findings of the Park et al. [35]. In these studies, CoO is an important factor for perception of consumers of luxury branded

Predictor	Items	α	β	t-Value	p-Value
Country-of-Origin	4	0.726	0.146	2.138	0.023**

**Denotes significance at the 0.05 level.

Table 2: Regressions of CoO of consumer perception toward branded product (4 items, $\alpha=0.720$).

Predictor	Items	α	β	t-Value	p-Value
Country-of-Origin	6	0.721	0.221	3.560	0.000**

**Denotes significance at the 0.05 level.

Table 3: Regressions of CoO of purchase intention toward branded product (6 items, $\alpha=0.720$).

Predictor	Items	α	β	t-Value	p-Value
Consumer perception	6	0.714	0.312	5.056	0.000**

**Denotes significance at the 0.05 level.

Table 4: Regressions of consumer perception of purchase intention toward branded product (6 items, $\alpha=0.720$).

Predictor	Items	α	β	t-Value	p-Value
Manufacturing process	3	0.723	-0.219	-2.453	0.011**

**Denotes significance at the 0.05 level.

Table 5: Regressions of manufacturing process of CoO toward branded product (3 items, $\alpha = 0.720$).

Predictor	Items	α	β	t-Value	p-Value
Product technological complexity	3	0.879	-0.187	-2.215	0.034**

**Denotes significance at the 0.05 level.

Table 6: Regressions of product technological complexity of CoO toward branded product (3 items, $\alpha=0.720$).

goods. Results of testing the hypotheses H2 and H3 indicated that effect of CoO and consumer perception of luxury brand on purchase intention is significant. Our findings are consistent with the findings from the previous study from Bower and Landreth [33]. Supporting the hypotheses H2 and H3 indicated that perception of consumers towards country-of-origin significantly affected their purchase intention. Thus when a consumer has a significant perception toward CoO of luxury branded product, this will have effect on his/her purchase intention.

Regression analysis on hypotheses H4 and H5 showed significant influence of manufacturing process and product technological complexity on CoO. Accepting the hypotheses H4 and H5 means that the assembly, design, high and low technologies will more likely influence country-of-origin. Our findings are consistent with the findings from the previous studies [34].

Conclusion

There has been a lot of research on the CoO effect and its influence in product evaluation. However, no research has been done to study the effect of CoO on consumer perception and purchase intention of luxury brands. In this study we examined CoO affecting on perception and purchase intention of consumers. We attempted to conceptualize the processes that affect the consumer perception and purchase intention variables that used for luxury branded products. A conceptual model was used to assess the effects of variables on each other using regression analysis. Results of hypotheses testing indicated that CoO has positive effect on consumer perception and purchase intention of luxury brands of watches. Like the other researches the limitations of this study are: There are many factors affecting on CoO. But in this study because of time limitation we didn't examined all factors influencing on CoO.

Questionnaire, as data gathering tools, the respondents may not answer the questions exactly according to what they think or behave. Statistical society of this study was consumers of luxury branded of Switzer watches. So development of statistical society to other luxury brand with different products decreases the limitation of study.

For future studies, we suggest that:

1. In this research only two factors have only been tested on CoO. Researchers may examine other factors affecting on CoO with extensive researches.
2. By extending this study to other luxury branded products, we can reach to better results and understanding about the role of CoO on consumer perception and purchase intention of luxury brands.

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