

## **Products and Country of Origin Effects: The Malaysian Consumers' Perception**

Maznah Ghazali\*, M. Said Othman\*\*, Ahmad Zahiruddin  
Yahya\*\*\* and M. Sarif Ibrahim\*\*\*\*

*As more companies compete on the global markets and manufacture their products worldwide, the country of origin cue become more important as consumers often evaluate quality of a product based on the country where the product is produced. Past studies showed that consumer perceptions on country of origin play a major role in influencing a consumer's choice of a product. This paper reports on a study of Malaysian consumers' perception towards foreign products, and in particular looks at how the country of origin effect influences their behavior. Results showed that Malaysian consumers are inclined to attribute higher quality to products made in developed countries. The study also showed that the average Malaysian consumer does not consider the country of origin aspect to be their priority in deciding to purchase a product. Other product attributes take precedence, particularly its quality, technological prowess and price.*

**Field of Research:** International/Global Business.

### **Introduction: Country of Origin Effect in the Global Market.**

Country of origin effect can be defined as any influence that the country of manufacture has on a consumer's positive or negative perception of a product (Cateora and Graham, 1999). With increasing availability of foreign goods in most national markets, the country of origin cue has become more important as consumers often evaluate imported goods differently than they do competing domestic products. (Bilkey and Nes, 1982)

Nowadays, more companies are competing on the global market, and 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 based on the country where the product is produced.

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\*Dr. Maznah Che Ghazali, Faculty of Business Management, Mara University of Technology email: [dr\\_maznah@hotmail.com](mailto:dr_maznah@hotmail.com)

\*\*Mohd Said Othman, Faculty of Business & Accountancy, University of Malaya email: [msaidothman@um.edu.my](mailto:msaidothman@um.edu.my)

\*\*\*Ahmad Zahiruddin Yahya, Faculty of Business & Accountancy, University of Malaya email: [azyahya@um.edu.my](mailto:azyahya@um.edu.my)

\*\*\*\*Mohd Sarif Ibrahim, Faculty of Business & Accountancy, University of Malaya email: [sarif51@um.edu.my](mailto:sarif51@um.edu.my)

Consumer behavior can be seriously impacted by country of origin factor in three distinct ways: Firstly, buyers may simply use the country of origin as one of the many attributes employed to engage in product evaluation (Johansson et al, 1985; Hong and Wyer, 1989). Secondly, the country of origin may create a “halo effect” whereby consumers’ attention and evaluation of other product dimensions are affected (Erickson et al., 1984; Han, 1989).

Over the past three decades, the effect of a product’s country of origin on buyer perception and evaluation has been one of the most widely studied phenomena in international business, marketing and consumer behavior. In a study, Tan and Farley (1987) concluded that the potential impact of the country of origin of a product is the “most researched international aspect of consumer behavior”. The analysis of the country of origin focuses on the consumer’s opinion regarding the relative quality of goods and services based on the country where a particular product is manufactured. With the increasing pace of globalization and the diversity of manufacturing activities internationally, more studies are needed to guide marketers to have a better insight into buyers’ attitudes and behavior with respect to global products. Consumer perceptions on the country of origin effect play a major role in influencing a consumer’s choice of a product. The impact of the consumer’s perception on country of origin may also influence a multinational in deciding which foreign country should be its manufacturing base, apart from considerations of cheap labor costs, tax incentives, access to resources and other considerations. This paper specifically studies the perception of Malaysian consumers towards foreign products, and in particular looks at how the country of origin effect influences their behavior.

### **Objectives of the Study**

The main objectives of this study are to investigate the Malaysian consumer perception on the country of origin aspect of a product, by examining the country of origin effects on product preference and consumer behavior of the Malaysian consumer. Specifically, there are two aspects of this study. Firstly, it is to determine to what extent the country of origin aspect of a product impacts upon the average Malaysian consumer compared to other aspects like price, technological prowess and quality. Secondly, this study will attempt to answer how the average Malaysian consumer relates the quality of a product with its country of origin, by asking the respondents in this study to rank ten different countries in terms of their perception of the products manufactured in these countries. While there have been numerous studies on the impact of country of origin on consumers in developed countries, there is considerably less study on such an impact on consumers in developing countries, hence it is hoped that this study will contribute further to the understanding of how the local Malaysian consumers perceive foreign products. In addition the outcome of this study will be of immense value to foreign multinationals in marketing their products in the Malaysian market.

## Literature Review

According to Michael R. Solomon (1996), “consumer behaviour is the process involved when individuals or groups select, purchase, use or dispose of products, services, ideas or experiences to satisfy needs and desires.” Among the many different questions pertinent to consumer behaviour, one of the most difficult to explain is why a consumer makes a particular purchase, since such answers are seldom simple or clear. However, the question is crucial since a firm needs to know what really triggers a consumer to purchase a product. Among others, consumer purchases are influenced to a great extent by cultural, social, personal and psychological factors. Each individual is unique. Even consumers that come from the same background and live in a particular society may make different purchase decisions due to the diversity of factors that influence their consumer behaviour. With the advent of globalization, the country of origin factor has also been considered as influencing consumer behaviour.

Most country of origin researches have focused on examining consumer's attitude and perception in developed countries. In this regard, the observation on “hybrid” products, namely products designed in one country and manufactured in another has been extensively studied. Hybrid products usually carry brand names with various country connotations and may even be assembled with parts that are sourced in multiple countries. Based on previous research findings, American consumers (Reiersen, 1966; Gaedeke, 1973) or American industrial buyers (White and Cundiff, 1978; Crawford and Lamb, 1981; Xattin et al., 1982) have preconceived ideas about the quality of products from specific countries. Other studies have indicated that such stereotyping are not limited to the American consumer but also to consumers from different countries such as England (Banister and Saunders, 1978), Finland (Darling and Kraft, 1977), Canada (Wall and Heslop, 1986), France (Baumgartner and Jolibert, 1978), and China (Ford, La Tour and Henthorne, 1995). Consumer attitude toward imports vary from one country or another (Cattin et al., 1982). Even for consumers of the same nationality such as Malaysia, attitude and perception of the country of origin may vary significantly from one consumer to another. Consumer behaviour and attitudes may also undergo significant change over time due to factors such as the country's level of industrialization, social lifestyles and the influence of globalization.

## Study Methodology

In this study, the product dimensions used in the study by Han and Terpstra (1988) is replicated while the set of questionnaires employed by Darling and Wood (1990) is utilized. The questionnaire is divided into five sections, from Section A to Section E. However, for the sake of brevity this paper will only deal with the first two sections. Section deals with country of origin statements in general, while section B has two parts, with the first part attempting to generate

the respondent's perception of countries with the highest quality products by asking him or her to rank ten listed countries in a descending order. The second part attempts to generate the respondent's perception on various dimensions of a product in general by ranking twelve product dimensions.

Han and Tersptra developed five dimensions with regard to country image, and they are technical advancements, prestige, workmanship, economy and serviceability. The study of country image is applied to the Malaysian consumer to help understand better the Malaysian consumer perception of foreign products based on the country of origin effect. This questionnaire is distributed randomly to approximately 300 participants in the Klang Valley as a sample for the overall Malaysian population. The Klang Valley has a population of about two million people, and is the center of commerce and business in Malaysia. Consumers in the Klang Valley are sophisticated and are often exposed to both imported and local products. They are more likely to be familiar with foreign consumer products; as such they do represent a good sample of Malaysian consumers in general.

The questionnaire distributed are self-administered, which means that there is no interviewer asking or guiding the respondents throughout the questions, instead the respondents will themselves read and answer the questionnaire. The drop off method is used where the questionnaires are dropped off at specific points to be picked up later. This allows the respondent's time to think over the questions at their convenience. The respondents come from diverse backgrounds, and they work in different organizations such as banks, multinational companies, telcos, wholesalers, retailers and other business enterprises. Some of them are government employees and students of institutions of higher learning. Out of the three hundred questionnaires that were distributed, twenty five were not returned to the researchers to be analyzed, and this represented 8.33% of the total questionnaires. Sixteen questionnaires that have been handed back were completely empty. In addition, fifty nine questionnaires had to be discarded because the respondents did not completely answer or fill up the questionnaire. Therefore, a total of two hundred questionnaires were accepted for data gathering and analysis, which represented a total of 66.67%. Data analysis is conducted using the Statistical Package for Social Science (SPSS), in addition to employing desconsumeriptive analysis.

## **Study Analysis**

In section A of the questionnaire, there are fourteen statements concerning the general opinion of the respondents regarding the country of origin information and they are asked to indicate how strongly they agree or disagree with each of the statement. In this analysis, the researchers seek to understand the general opinion of Malaysian consumers on country of origin information. The result is Table 1 as shown below. From Table 1, all the fourteen statements in the questionnaire have a mean score above 3.00 which indicate that generally most

of the respondents do agree with each of the statements. The highest mean score, which is 3.79, comes from statement number one which has the respondents agreeing that when they buy expensive items, they will always find out what country the product is made in.

The second highest mean score is 3.76 which come from statement number ten that indicates that it is less important to look for country of origin when buying a product that is less expensive. From both the high mean scores of statement one and statement ten, it is clear that there is a direct or positive relationship between the price of an item and its country of origin information. The more expensive a product is, the more significance or importance will the consumer attach to its country of origin. The statement with the lowest mean score of 3.08 is statement number seven which states that in purchasing a new product, its country of origin is the first information that a respondent will consider. The score indicates that the mean is closer to the range of the respondents who neither agree nor disagree with the statement. Statement number five that have a mean score of 3.18 states that a respondent refuses to purchase a product without knowing its country of origin. The mean score for this statement is quite close to the midpoint of the Likert scale which indicated that the respondents are more impartial to this statement as compared to other statements in the list.

Table 1: OPINION OF MALAYSIAN CONSUMERS ON COUNTRY OF ORIGIN INFORMATION

Statement	N	Mean
1. When buying expensive items such as a car, TV or refrigerator, I always seek to find out what country the product was made in.	200	3.79
2. I feel that it is important to look for a country of origin information when deciding which product to buy.	200	3.70
3. To make sure that I buy the highest quality product or brand, I look to see what country the product was made in.	200	3.59
4. If I have a little experience with a product, I search for country of origin information about the product to help me make a more informed decision.	200	3.43
5. I refuse to purchase a product without knowing its country of origin.	200	3.18
6. When purchasing a product, I believe country of origin will determine the technological sophistication of the product.	200	3.69
7. When I am buying a new product, the country of origin is the first piece of information that I consider.	200	3.08
8. A product's country of origin does not determine the quality of	200	3.21

the product.		
9. When buying a product that has a high risk of malfunction, for example a digital camera, a person should always look for the country of origin	200	3.51
10. It is less important to look for country of origin when buying a product that is less expensive such as a shirt.	200	3.76
11. Seeking country of origin information is less important for inexpensive goods than for expensive goods.	200	3.57
12. I find out a product's country of origin to determine the quality of a product.	200	3.31
13. To purchase a product that is acceptable to my family and my friends, I look for the product's country of origin.	200	3.28
14. I look for country of origin information to choose the best product available in a product class.	200	3.37
OVERALL MEAN SCORE		3.462

To conclude, the researchers believe that in general, the Malaysian consumer moderately agrees that it is important for them to look for country of origin information in purchasing a product.

### Rank of Countries

In this survey, respondents are also asked to rank the various listed countries in order of having the highest product quality. Respondents ranked the countries in a decreasing order of product quality, by choosing the country they consider to be synonymous with the highest quality first and assigning the number one to it, while at the other end, the country considered to be synonymous with the lowest quality is assigned the rank of ten. In the data analysis, the mean of each country has been calculated. Since the respondents have listed number one and number ten to be of the highest and lowest ranks respectively, the researchers have arranged the sum of the mean of each country by the lowest mean to be the highest rank and the highest mean to be of the lowest rank. The result is condensed in Table 2 below:

Table 2: INVERSED RANKING OF COUNTRIES IN ORDER OF HAVING HIGHEST PRODUCT QUALITY

COUNTRY	N	MEAN	RANK
JAPAN	200	2.30	1
GERMANY	200	3.12	2
USA	200	3.12	2
UNITED KINGDOM	200	3.73	4
SOUTH KOREA	200	5.30	5
MALAYSIA	200	5.99	6
TAIWAN	200	7.01	7
CHINA	200	7.44	8
MEXICO	200	8.13	9
THAILAND	200	8.86	10

From the table, the respondents have listed Japan as the number one country that has the highest product quality by having the mean of 2.30. The respondents have ranked both Germany and the United States of America to be number two by both having the same mean of 3.12. Respondents have ranked the United Kingdom fourth and South Korea fifth in their ranking.

In this ranking exercise, Malaysia only managed to be number six in the list with a mean score of 5.99. Taiwan is listed as seventh, China eighth, Mexico ninth and finally Thailand last with the highest mean score of 8.86. From these findings, all the four developed countries listed, namely Japan, Germany, the United States of America and the United Kingdom are deemed by Malaysian consumers to be countries which produce high quality products. Interestingly, Japan is top of the ranks even though it is not a Western country like the other three countries in the list. Among the developing countries, a South Korean product is deemed by the Malaysian consumer to be of the highest quality. Malaysian products are still regarded with skepticism by the local consumer, though they are believed to be of a higher quality than those produced by countries such as Taiwan, China, Mexico and Thailand.

## Conclusions

Based on the data analysis conducted in this study, two important conclusions can be made. Firstly, the Malaysian consumer attaches the country of origin information to the quality of a product that he purchases. In general, he or she is inclined 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. Furthermore, a country such as South Korea is making inroads in impressing the Malaysian consumer with the quality of its products, while locally made products, that is Malaysian products do not rank as high in the mind of the average local consumer. Still, he or she believes that the local made-in Malaysia product is of a higher quality than other countries which lag behind

Malaysia in its economic development, such as Thailand. This clearly indicates that there is no particular bias on the part of a consumer for a local or foreign product, rather, as this study has shown, as a country becomes more developed economically, the products that it produces will be perceived to be of a higher and better quality. This explains clearly why Malaysia has earned a sixth place ranking, which places it behind the more developed countries like Japan, the USA and the UK, and ahead of other countries like China, Mexico and Thailand which are economically still lag behind Malaysia.

An exception here is Taiwan, which is ranked below Malaysia. The researchers believe that Taiwan suffers from an image problem since its products are considered to be of lesser, inferior quality, even if its economy is at a more advanced stage compared to Malaysia. If Taiwan is taken out from the rank of countries, the conclusion holds true. Therefore, by and large, the general conclusion is that the average Malaysian consumer relates the quality of product with the economic development of the product's country of origin. This conclusion confirms findings by earlier researchers in this field, as pointed out in the Literature Review section of this paper (page 8). To recap, early studies have shown the tendency for products from emerging economies to be negatively perceived by consumers (Bilkey and Nes, 1982; Cordell, 1992). Other studies also suggest a relationship between country of origin effect and the level of economic development (Wang and Lamb, 1983), with products from developed countries being perceived as superior to those from underdeveloped and developing countries.

Furthermore, products from industrialized countries tended to be more favorably evaluated than those from developing countries (Gaedeke, 1973). A study conducted by Schooler (1971) discovered a positive relationship between the degree of a country's level of development and the evaluation of its products. Another result of this study shows that there is no clear indication of the consumer's biasness or preference for local over imported products, or vice-versa. This can be seen from Table 2, since should the respondents have preference for local over imported products, Malaysia would have been ranked first in the list of countries. Similarly, if they have a higher regard for imports than local products, Malaysia would have been ranked last. This however was not the case as Malaysia was ranked sixth out of a list of ten countries of various economic development stages. Furthermore, Table 3 has shown that the consumer is more focused on the quality of a product than any sense of patriotism or otherwise, since the respondents, representing the average Malaysian consumer, rank quality as a more important product dimension (Rank Number 1) than the country of origin factor (Rank Number 10).

In other words, it is inconclusive that a consumer is partial towards either local or imported products. Such a finding is also borne by previous studies as reviewed on page 8 of this paper, since there is no clear evidence for consumers' preference for local or imported products. This is seen by the contradicting



results of three studies on this matter, with the first showing the tendency for consumers to evaluate their own country's products more favorably compared to imported products (Kaynak and Cavusgil, 1983; Elliott and Cameron, 1994; Samiee, 1994), while in the second study, Darling and Kraft (1970) found that Finnish consumers rated products significantly higher than similar makes from foreign manufacturers. On the other hand, in a third study by Gaedeke (1993), the conclusion was that domestic products were not always perceived to be better. A second conclusion derived from this study is that the average Malaysian consumer does not consider the country of origin aspect to be high on their list in deciding to purchase a product. Other product dimensions take precedence, especially the product quality, the technological prowess, and its price.

A qualifying statement must be made here, since in this survey, the respondents have ranked the twelve product dimensions based on products in general, as requested by the survey, and outcomes based on such generalization as in this study must be treated with caution. For instance, would the ranking by the respondents be significantly different between a high tech and expensive product like a lap top computer, and a relatively cheaper, mundane product such as a pair of shoes? This does not however render the conclusion to be totally inaccurate, because from the data collection and analysis, it is clear that there are certain dimensions or criteria that the average Malaysian consumer will consider in making his purchase decision. Interestingly, the average Malaysian consumers put precedence on quality over price, in spite of the perception in certain quarters that Malaysians are niggardly in their buying behavior and are more concerned with the price they pay rather than the quality of the product that they receive.

## **Recommendations**

In general, it is important for marketers to emphasize more on product dimensions such as the product quality, its technological prowess and its price in marketing their products in the local Malaysian market than its country of origin factor. However, marketers should put more emphasis on the country of origin factor if the product is made in developed countries such as Japan, Germany or the USA. On the other hand, if a product is made in developing countries, or lesser known under developing economies, the marketer should emphasize more on the product quality, its technological prowess and its price rather than the country of origin aspect since accentuating the country of origin dimension may be detrimental to the marketing efforts for such a product.

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