

Northumbria Research Link

Citation: Khan, Hina and Bamber, David (2007) Market entry using country-of-origin intelligence in an emerging market. *Journal of Small Business and Enterprise Development*, 14 (1). pp. 22-35. ISSN 1462-6004

Published by: Emerald

URL: <http://dx.doi.org/10.1108/14626000710727863>
<<http://dx.doi.org/10.1108/14626000710727863>>

This version was downloaded from Northumbria Research Link:
<https://nrl.northumbria.ac.uk/id/eprint/2113/>

Northumbria University has developed Northumbria Research Link (NRL) to enable users to access the University's research output. Copyright © and moral rights for items on NRL are retained by the individual author(s) and/or other copyright owners. Single copies of full items can be reproduced, displayed or performed, and given to third parties in any format or medium for personal research or study, educational, or not-for-profit purposes without prior permission or charge, provided the authors, title and full bibliographic details are given, as well as a hyperlink and/or URL to the original metadata page. The content must not be changed in any way. Full items must not be sold commercially in any format or medium without formal permission of the copyright holder. The full policy is available online: <http://nrl.northumbria.ac.uk/policies.html>

This document may differ from the final, published version of the research and has been made available online in accordance with publisher policies. To read and/or cite from the published version of the research, please visit the publisher's website (a subscription may be required.)

MARKET ENTRY USING COUNTRY-OF-ORIGIN INTELLIGENCE IN AN EMERGING MARKET

Dr Hina Khan

Senior Lecturer in Marketing
Newcastle Business School
Northumbria University
Newcastle Upon Tyne
Email: hina.khan@unn.ac.uk

and

Dr David Bamber

Senior Lecturer in Marketing
Hope Business School
Liverpool Hope University
Liverpool
Email: bamberd@hope.ac.uk

MARKET ENTRY USING COUNTRY-OF-ORIGIN INTELLIGENCE IN AN EMERGING MARKET

Abstract

Purpose - *The aim of the research is to explore country of origin (COO) effects among Pakistani elite consumers and to use that knowledge as an intelligence base for SMEs considering entry into Pakistan.*

Design/methodology/approach – *The literature concerning COO effects is presented and a principle component analysis is conducted using with an elite Pakistani sample using a COO Likert type style scale that was previously used by Lascau and Babb (1995) in Uzbekistan and Poland.*

Findings - *Four components were identified that correspond with consumers perceptions of produce attributes. The elite segment of Pakistan perceives COO image, product quality and luxurious image of product and price as distinct attributes when making a purchasing decision. This study provides a basis for SMEs to gather further detailed intelligence with regards to consumer perceptions of products and potential demand in Pakistan.*

Research limitations - *It will difficult to predict to which other foreign market these results will be applicable to, due to different market structures, buying power, cultures, attitudes toward the product and lifestyle.*

Practical implications - *The paper indicates a strategy that SMEs could adopt to enter the emerging market of Pakistan. Targeting the niche market of elite consumers who have strong buying power could prime the economy for future growth. Both SMEs within and outside Pakistan could take up strategies that use appropriate COO image, provided that appropriate marketing research is undertaken that produces intelligence both regarding COO image of the SMEs products and perceptions of those products' attributes in the target market.*

Originality/value of paper - *The study explores components within a COO Likert type questionnaire with reference to an elite managerial and professional consumer group in the under researched market of Pakistan. It is argued that SMEs can use the knowledge gained as a basis for entry to new country markets.*

Keywords *Elite consumer behaviour, country of origin, emerging market, Pakistan, Strategy, SME*

Paper type *Conceptual and Research paper*

INTRODUCTION

This paper investigates the country of origin (COO) effects among Pakistani elite consumers and proposes that the COO knowledge can act as an intelligence base for SMEs considering entry into emergent markets, such as Pakistan. After comparing empirical research conducted with an elite Pakistani sample with earlier research conducted in emergent Eastern European economies, there are indications that consumers, with distinct profiles, perceive COO effects differently in divergent markets. Although specific market intelligence will be required to place particular products in a particular emergent market, it is argued that SMEs could profitably use

COO intelligence as a basis for entry to new country markets, rather than develop a new and costly brand image.

BACKGROUND TO THE EMERGING PAKISTANI MARKET

Pakistan imports around \$10 billion on commodities, even though, 34% of the population is below the poverty line. The upper 10% of the population; the elite with the highest income, contribute 30% to the nation's internal spending. Pakistani population is expected to increase to 350 million by the year 2025 and the country is already the seventh most populous nation in the world and the fourth in Asia. Although the country is poor, there will be growing opportunities for market development and penetration targeted at the embryonic managerial and professional elite that will form the country's wealthier class in the near future. The future managerial and professional class will be increasingly conditioned by globalisation and are likely to be representative of the next generation of elite consumers. The Pakistani market, although having a unique set of barriers to entry, represents a market with good potential for growth. Indeed there is a growing micro and SME base within Pakistan, which is part of the informal sector in Pakistan. According to Ercelan et al (2005), the majority of employment in Pakistan is now within the micro and SMEs. Notably, SMEs in Pakistan are classed as units employing between 10 and 100 staff. According to Omar (2005) "SMEs are the backbone of Pakistan's economy. They represent 90 per cent of all enterprises in the country, provide millions of jobs and are an essential source for entrepreneurial spirit and innovation." Importantly, there are about 80,000 SMEs in the country, with these focus on trade and services. Furthermore, the true significance of SMEs is much higher as the informal sector, employing between 5 and 10 staff, needs to be accounted for. Thus in Pakistan, SMEs account for 80% of urban jobs and 30% of the country's gross domestic product (ADB, 2003). Constantly, over the last decade, the Asian Development Fund (ADF) has helped to reduce poverty and improve the quality of life for poor people throughout Asia and the Pacific. Indeed since 1973, the ADF has been a major instrument of concessional financing in support of equitable and sustainable development for the region, and in more recent years has provided hundreds of millions of dollars per annum to promote SME development (ADB, 2006). In particular, the Asian Development Bank (ADB) has promoted the competitiveness and profitability of Pakistani SMEs as a stimulus to economic growth, by providing

assistance packages in the form of loans and partial credit guarantees (PCG). Two distinct opportunities exist concerning Pakistan and SMEs. Firstly, there are opportunities to develop manufacturing SMEs in Pakistan rather than SMEs in trade or service sectors. Secondly, there are opportunities for manufacturing SMEs from developed economies to enter the Pakistani market. A relatively narrow class band with a socioeconomic focus depicting the elite embryonic managerial professional class warrants investigation as such a class is likely to prime future economic growth and provide a stable base for domestic purchases within Pakistan. Then, although SMEs from the developed world have a huge combined budget, individual SMEs have limited resources, hence they need to consider entry to new niche markets. The elite embryonic managerial professional class of Pakistan could represent such a niche.

INTRODUCING COUNTRY-OF-ORIGIN EFFECT

As international trade activity is becoming a vital part of world economy, it is even more important to gauge consumers' attitudes towards both domestic and foreign products (Netemeyer *et al.*, 1991). Many researchers in this area have focused on what is called country of origin (COO) effects: examining how consumers perceive products sourced from particular countries (Roth and Romeo, 1992). Despite claims that the world is a "global village" empirical studies suggest that national stereotypes continue to play an important role on "the mental maps" of modern consumers. A comprehensive review of the COO effect literature is presented by Al-Sulaiti and Baker (1998) covering many product categories from food to automobiles for consumers located in Asia, Europe, North and South American countries, Australia and New Zealand. However, research regarding COO effect on elite consumers' perceptions of products remains scarce.

A review of COO phenomenon was conducted by Knight (1999) who notes that Nagashima (1970) first wrote about the country of origin effect, defining COO effect as "the picture, the reputation, the stereotype that businessmen and consumers attach to products of a specific country." COO image originates from variables and demographics such as national characteristics, economic and political background, history, and tradition, but Knight (1999) comments that Han (1989) Parameswaran and Yaprak (1987) perceive country image as "reflecting consumers' general perceptions about the quality of products made in a particular country and the nature

of people from that country”. Furthermore, according to Han (1988) and Papadopoulos *et al.* (1990) COO perceptions encompass cognitions, highlighting particular product and marketing attributes and affect, concerning the country’s consumers.

COUNTRY-OF-ORIGIN EFFECT AS PRODUCT CUE

Products have extrinsic and intrinsic cues (Cordel, 1992 and Bilkey and Nes, 1982); intrinsic cues are tangible or physical characteristics, such as design or colour and extrinsic cues are intangible product characteristics, such as warranty or brand name. COO has been described as an extrinsic cue that is used by the consumer to evaluate a product quality. Accordingly COO, acting as an extrinsic cue, has considerable effect on consumer attitudes and the likelihood of product purchase (Nagashima, 1970, Schooler, 1971 and Yaprak, 1978). The COO effect is also known as the “made in” concept and has been described as the favourable or unfavourable influence a product’s country of manufacture may have on consumers’ attitudes and decision making (Bilkey and Nes, 1982 and Elliott and Cameron, 1994). Research has shown that COO does influence the consumer’s decision to purchase; consumers from developed nations prefer products from developed nations, for these consumers the preference may include home-made products, as opposed to products from less developed nations. On the other hand consumers from less developed nations preferred products from developed nations, for these consumers the purchase preference is also likely to be for products from developed nations (Ahmed and d’Astous, 1996; Lantz and Loeb, 1996, Okechuku, 1994 and Bruning 1997). For example, a study carried out by Kaynak *et al.* (2000) found that Bangladeshi consumers were more willing to purchase products from developed nations than product from developing countries. Consumers were willing to pay higher price for a Philips tape recorder made in Austria than the one made in India, even though manufactured by the same company and the quality of the product was also identical. In particular, targeted advertising campaigns to promote home made products such as “made in the USA” or “buy Canada” are effective in persuading consumers to buy home made goods rather than foreign goods (Reiersen, 1966, 1967 and Hong and Wyer, 1989). Laroche and Mourali (2005) investigate the influence of country image structure on consumer evaluations of foreign products and, citing Papadopoulos *et al* (1993), indicate that perceptions of country of origin of a product have three

components. Those components are cognitive, affective and conative. The cognitive component includes beliefs about a country's industrial and technological development. The affective component concerns the sentimental reaction to a country's people. The conative component concerns the consumers' desired level of interaction with the country. Thus country image is multi-dimensional.

POTENTIAL MARKET STRATEGY

SMEs entering a new market could use COO at the introduction stage of product life cycle (PLC) or to gain a quick entry method in the foreign market as suggested by Niss (1996) as used by Danish companies abroad. However, such strategies could be directly applicable for SMEs entering emerging economies. The importance of using COO intelligence in the beginning of the PLC or as an market entry method is that it allows the company to penetrate the market and position the product in a quicker way than brand name strategy. As COO give the product an immediate identity in the market whereas a product without or lacking COO linkage would achieve the distinctive profile. The alternative strategy of developing a brand image would be feasible but it requires a longer lead-time and more resources to develop. Niss (1996) presents a caveat that companies must take into consideration that the national image features contained in the COO image are suitable for the specific type of product and the targeted national segments: this is the sort of intelligence is required regarding COO importance amongst the target market. Thus intelligence about how the concept is structured concerning the COO image with respect to various products attributes such as expensive/luxuries and non-expensive products is required.

COO also serves as a cue to evaluate performance and specific product or service attributes so that consumers infer product attributes based on their perceptions of country stereotype and their experiences with products from that country (Bilkey and Nes, 1982). In order to identify important consumer segments, vital for targeting marketing strategies, Badri *et al.* (1995) recommend investigation of consumer profiles defined through demographic variables (age, gender, education, and income). They found significant differences in COO effect, but only in relation to products from Italy and Taiwan. Brunning (1997) investigated the relationships between COO effect, national loyalty, product choice and various demographic variables in consumers from different provinces of Canada, but did not use this residence

information in the conjoint analysis of relationships. Zain and Yasin (1997) investigated the relationship between education and COO and their findings showed no significant relationship between education and COO, apparently contradicting Delener (1995) and Zain and Yasin (1997), who found significant differences between genders related to the COO effect. Although Al-Sulaiti and Baker (1998) do report studies showing significant relationships between consumers' perception of price and COO they do not report any studies investigating consumer income and the COO effect. Lascu and Babb (1995) found that Polish consumers gave less priority to COO when purchasing inexpensive goods. Zain and Yasin (1997) revealed that Uzbek consumers perceived products from advanced nations to be of higher quality than developing countries. Zain and Yasin (1997) further discovered that consumers give priority to COO when purchasing products that are new, expensive and have a high risk of malfunctioning and the analysis of that questionnaire data produced three factors; social assurers, security seekers and price vetters.

RESEARCH OBJECTIVES

SMEs entering a new market could use COO at the introduction stage of product life cycle (PLC) or to gain a quick entry method in the foreign market, as suggested by Niss (1996) as used by Danish companies abroad. Such strategies could be directly applicable for SMEs entering emerging economies. The importance of using COO intelligence in the beginning of the PLC or as an market entry method is that it allows the company to penetrate the market and position the product in a way quicker than using brand name strategy. COO gives the product an immediate identity in the market, whereas a product lacking COO linkage is retarded in its achievement of a distinctive profile. The alternative strategy of developing a brand image would be feasible but this requires a longer lead-time and more resources. Niss (1996) presents a caveat, when using COO image as an entry strategy, that companies must take this into consideration the national image features contained in the COO image are suitable for the specific type of product and the targeted national segments. Intelligence regarding COO image importance amongst the target market is essential, as is knowledge about the structuring of the COO image with respect to the product attributes, such as price and function. So, the aim of this research is to investigate the COO effects within elite consumers of Pakistan. Research linking COO with elite consumers remain scarce and this intelligence will be useful for SMEs outside and

within Pakistan. Extensive manual inspection of the journals and electronic database searches also failed to locate literature concerning COO effects in elite Pakistani consumers. Furthermore, none of the ninety-nine studies reviewed by Al-Sulaiti and Baker (1998) investigated the COO effect on consumers from Pakistan. We investigate the component structure of a COO questionnaire, which was previously used by Lascu and Babb, (1995) using a non-elite sample. Here we used the questionnaire with an elite consumer sample, to investigate COO components important to them. A secondary purpose of this study is to investigate the relationships between demographic variables suggested by Badri *et al.* (1995) (gender, age, course and income) and the COO effect for the elite consumers in an emerging economy.

The objectives of the study were:

- To investigate COO effects on Pakistani elite consumers' perceptions of products
- To identify components of COO effect that are important to elite consumers
- To investigate the impact of demographics on those COO components
- To provide an intelligence base for SMEs considering entry into Pakistan.

RESEARCH DESIGN AND METHOD

Studies by Lascu and Babb (1995) and Zain and Yasin (1997) used translated versions of a thirteen item questionnaire for Polish and Uzbek consumers respectively. An English version of Lascu and Babb's (1995) questionnaire was used in this study and contained the same thirteen COO Likert type items, using a five point scale (5=strongly agree, 4=agree, 3=neither agree nor disagree, 2=disagree, 1=strongly disagree). The questionnaire was administered to elite consumers, who would be likely to purchase expensive and non-expensive products. Although short, this questionnaire was used as it covered the breadth of constructs concerning the COO phenomena and was used previously to analyse the emerging markets in other countries. We decided to use the English version of the questionnaire so that the results of analysis could be compared with previous results and locate social assurors, security seekers and price vetters, the three components found by Zain and Yasin (1997). A second part of the original questionnaire aimed to obtain demographic information about the respondents; gender, age, education. A sample was selected to

represent elite consumers. Here respondents were undertaking either bachelors or masters degrees in Business Administration, at the Institute of Business Administration (IBA) sites of Karachi University in Sukkur and Karachi. The sample contains a high proportion of people who are likely to become future managers and rich consumers and so they represent the emerging elite segment. The English version of the questionnaire, used previously by Zain and Yasin (1997) and Lascu and Babb (1995), was presented to the respondents and explained, in English by the researcher. All the respondents were fluent in both Urdu and English. The purpose of the study was explained and the questionnaires administered to the respondents. 400 questionnaires were distributed and a total of 322 questionnaires were returned (80.5 per cent). The remaining 78 questionnaires, although returned, were unusable as they contained partial information. Data from 322 respondents would be sufficient to ensure internal reliability of the results of a component analysis and to conduct demographic analysis.

DATA COLLECTION

In this study the Pakistani respondents are confined to a narrow class band with a socioeconomic focus depicting the elite embryonic managerial professional class, drawn from one of the most prestigious business institute in Pakistan. The high fees of the institute ensure that the sample is drawn from elite families. This is in contrast with Zain and Yasin (1997) where respondents were drawn from households in urban areas representing a far wider socio-economic spread. Of the 322 respondents, 312 provided details of their age. In our study, the mean age of the 312 respondents was 22 years; the age range was 17 - 44. Of the 322 respondents 205 were male (63.7 percent) and 117 were female (36.3 percent). 65 respondents were from Sukkur and 245 were from Karachi. 153 respondents (47.5 percent) were undertaking Bachelor of Business Administration (BBAs) and 169 (52.5 percent) respondents were undertaking Master of Business Administration (MBAs). The BBA sub-grouped represent a younger consumer group and the MBA group containing a mix of wealthy professionals and full-time student generally older than the BBA group. The MBA group thus represents consumers with stronger current buying power.

RESULTS

In order to find distinctive but generic product attributes, a principle components analysis was conducted with a varimax rotation to identify the number of component and relevant component loadings. For a scale item to be included in a component, we accept the need for the component loading to be greater than 0.4, as suggested by Kline (2000a); the value of 0.4 representing an acceptable level of psychological meaning, even though lower values may represent statistical significance. Components were selected when the eigen-value was greater than 1.0, as recommended by Kim and Mueller (1978). Using the above criteria, an elegant four-component solution was located. The scale items are rearranged orthogonally in table I and the four-component solution, containing all thirteen items, represents 57.46% of the variance.

TABLE 1. Four Component Solution for Country-of Origin Effect

Component / Items Description	Item	I	Component II	III	IV	Mean Scores
I Country of origin information						
Rely on COO information when experience of product is low	Q11	0.680	0.144	-0.005	0.067	2.69
Rely on COO when buying a new product	Q9	0.659	0.200	0.299	0.019	2.23
Rely on COO when purchasing for friends or family	Q10	0.655	0.201	0.091	0.028	2.36
Rely on COO when low risk of product malfunction	Q12	0.636	-0.046	0.190	0.005	1.89
Rely on “Made in label”	Q4	0.476	0.302	0.019	-0.253	2.49
II Quality						
Seeks on COO when high risk of product malfunction	Q6	0.116	0.766	-0.007	0.138	3.08
Seeks COO to support purchasing decision	Q3	0.208	0.617	0.349	-0.078	2.78
COO information as quality indicator	Q8	0.282	0.601	0.303	-0.102	2.78
COO information indicates best product with the product class	Q7	0.296	0.569	0.315	-0.134	2.82
Relative importance of COO for expensive compared with inexpensive products	Q5	-0.351	0.476	-0.044	0.392	2.67
III Luxury Purchase						
Rely on “Made in” information for purchase of highest quality products	Q2	0.148	0.122	0.863	0.035	3.23
COO information sought for expensive products	Q1	0.129	0.214	0.823	0.035	3.37
IV Inexpensive Purchase						
COO sought for inexpensive product	Q13	0.147	-0.020	0.065	0.901	2.31
% Explained Variance		18.18	16.43	14.43	8.42	
Cumulative % Explained Variance		18.18	34.61	49.04	57.46	

We identify component I as “COO-information”, component II as “Quality”, component III as “Luxury Purchase” and component IV as “Inexpensive Purchase”. The following results presented in table 1 show the components identified within elite Pakistani consumers’ perceptions of the COO effect. These components are distinctly different, both in number and make-up, from the three components (social assurers, security seekers and price vetters) obtained by Zain and Yasin (1997).

The highest mean score in the present study was 3.37 (see table 2) with regard to relatively expensive items like TV, cars or refrigerator. This indicates that the elite Pakistani consumers regard COO as important when buying an expensive product. However, the very low score for Q12, mean = 1.89, indicates COO is less important when purchasing inexpensive products. Low mean scores for Q5 and Q13 are also relatively low rank with regard to the importance of COO for purchase of inexpensive products.

Table 2 compares the mean scores of scale items in the present studies with the two previous studies. From table 2, the highest mean score in the present study was 3.37 with regard to relatively expensive items like TV, cars or refrigerator. This indicates that the elite Pakistani consumers regard COO as important when buying an expensive product, this high rank for Q1 concurs with the Polish and Uzbeks studies. However, the very low score for Q12, mean = 1.89, COO is less important when purchasing inexpensive products. Low mean scores for Q5 and Q13 are also relatively low rank and they concur with the responses from the Polish and Uzbeks studies with regard to the importance of COO for purchase of inexpensive products. Apart from the mean responses to items concerning either expensive or inexpensive products, the ranked response profiles of the three countries are dissimilar.

Comparing the mean scores of the present study with those of the Polish and Uzbeks studies, the Polish and Uzbeks perceived COO information more important than elite Pakistani consumers when making purchasing decisions. There are lower mean scores for responses from the Pakistani consumers to all the scale items. The broad Polish and Uzbek consumers gave great importance to COO information, whereas the elite Pakistani respondents gave relatively little importance to COO information. This difference might predict marked contrasts in mean scores, in particular relating to the

Pakistani rejection of COO importance of inexpensive products, by an elite Pakistani sample.

We considered the samples from Karachi and Sukkur to have originated from different sub-cultures and we investigated if a different level of importance was placed on COO by the two sub-cultures. Also, as reported by Zain and Yasin (1997), an important issue is whether there is a difference with regard to attitudes to COO between more educated consumers and less educate and all respondents in this study were university students and were classified according the courses they were currently engaged in.

Table 2: Comparative Mean Scores

Questionnaire Items		Poland [*]	Uzbekistan ⁺	Pakistan
When buying an expensive item such as a car, TV or refrigerator I always seek to find out what country the product was made in	Q1	4.16	4.35	3.37
To make sure that I buy the highest quality product or brand, I look to see what country the product was made in	Q2	3.55	4.00	3.23
I feel it is important to look for country of origin information when deciding to buy	Q3	3.36	3.95	2.78
I look for the "Made in ..." labels in clothing.	Q4	3.39	3.94	2.49
Seeking country of origin information is less important for inexpensive goods than for expensive goods	Q5	3.61	3.91	2.67
A person should always look for country of origin information when buying a product that has a high risk of malfunctioning, e.g. when buying a watch	Q6	3.98	3.88	3.08
I look for country of origin information to choose the best product available in a product class	Q7	3.15	3.86	2.82
I find out a product's country of origin to determine the quality of the product	Q8	3.22	3.77	2.78
When I am buying a new product, the country of origin is the first piece of information that I consider.	Q9	2.95	3.74	2.23
To buy a product that is acceptable to my friends and my family, I look for the product's country of origin.	Q10	2.98	3.69	2.36
If I have little experience with a product, I search for the country of origin information about the product to help me make a more informed decision	Q11	3.38	3.65	2.69
A person should seek country of origin information when buying a product with a fairly low risk of malfunctioning, e.g. when buying shoes.	Q12	3.95	3.54	1.89
When buying a product that is less expensive, such as a shirt ,it is less important to look for country of origin	Q13	3.60	3.08	2.31

^{*}Lascu and Babbs (1995), ⁺Zain and Yasin's (1997)

Zain and Yasin (1997) highlighted an important issue concerning the relationship between education level and COO effect. In this study all respondents in this study were classified according to the level courses that they were currently engaged in (MBA or BBA).

t-tests along with Levene's test for equality of variances (Levene, 1960) were performed on the COO dimensions with the gender, education and city variables, see table 3. Results from the *t* tests and Levene's test for equality of variances, presented in table III, indicate that there are some significant difference between demographic variables and COO effect, although no gender differences were found. The course attended (MBA/BBA) did impact on component III and the total scale score, MBA students had a mean score of 3.64 and BBA students had a mean score of 3.20 on component III, luxury purchases.

TABLE 3: Results of *t* tests

Component		<i>F</i>	significance	<i>t</i> -test	significance
Education MBA / BBA	I	0.55	0.46	1.25	0.21
	II	1.85	0.18	1.68	0.09
	III	5.81	0.02	2.55	0.01
	IV	0.34	0.56	1.36	0.17
	Total	0.78	0.38	2.26	0.03

Component		<i>F</i>	significance	<i>t</i> -test	significance
Gender Male / Female	I	0.26	0.61	0.66	0.51
	II	0.23	0.63	1.31	0.19
	III	0.08	0.78	-0.33	0.74
	IV	0.89	0.35	-1.27	0.21
	Total	1.29	0.26	0.68	0.50

DISCUSSION

The three original components social assurors, security seekers and price vetters located by Zain and Yasin (1997) were not replicated with this elite Pakistani sample. However, the results of the study demonstrated four main component patterns in this elite consumer segment.

Component I indicated that consumers rely on COO information to help them make decision especially when buying a product with which they are not familiar. This indeed could mirror a conative component that represents the desired level of interaction with the sourcing country.

Component II may show that consumers also use COO information to determine the quality of the product and when purchasing a product which has high risk of malfunctioning for instance, car, or TV. This may be a cognitive component as

indicated by Papadopoulos et al (1993), which represents the consumers' beliefs about the country's level of technological development.

Component III is likely to indicate that COO patterns play a significant role when purchasing an expensive or luxury item.

Component IV seems to indicate that COO information is not important when purchasing an inexpensive product. Components II and IV possibly representing the affective component as a sentiment connected with the country's people.

The results indicated that there are some significant differences between demographic variables and COO effect. With regards to the relationship of the demographic variables to the four components identified in this elite consumer segment;

No gender differences were found.

Education level of respondents (MBA/BBA) did impact on component III and the total scale score, MBA students had a mean score of 3.64 and BBA students had a mean score of 3.20 on component III.

Overall it was only component III, "Luxury Purchase", that showed significant relationships with age and education level, this component reflects the relationship between attitudes towards the most expensive items and the COO effect. This component accounts for over 14% of the variance, but it appears that for the elite Pakistani consumers COO has greatest impact on their perception of very expensive items. The top rank allocated to Q1 (table III) confirms the importance of component III and respondents are fairly unified in their high-ranking responses to items in the component III sub-scale.

Furthermore, component III could separate two consumer segments: those for which COO information is an important concept and those for which it is not. The "Inexpensive Purchase", component IV, on average failed to perceive the importance of COO in relation to inexpensive goods, Q13 having a low ranking and the related item Q12, referring to shoes, having the lowest ranking, although this item formed part of the sub-scale for component I. Stemming from the significant relationships of education and age with component II, the total scale score shows a significant

relationship with education level (table III) and with age (table II) and all four component together represent over 57% of variance in responses. In the sample used here age and education level are closely linked; BBA students tending to be younger (19.9 years) than MBA students (mean age 23.8 years). COO effect is more important for the young BBA students than the older MBA students.

IMPLICATIONS

COO effects with regards to luxurious and expensive products have important influence on consumers' perception and decision-making for such products. The findings of the research demonstrate that elite consumers rely on COO information in order to determine the quality of the products, especially when purchasing luxurious or expensive products with high risk of malfunctioning such as a car. The results also show that COO is more important for young elite consumers than the older consumers. The young managerial and professional elite is the next generation of consumers. For this reason, market can be divided into two segments, those consumers who are sensitive to COO information and those for whom COO is not important. Consumers, who give importance to COO information, product's COO may have certain meanings, which motivate them to purchase a product made in a particular country. Those meanings are likely to be related to cognitive, affective and conative components. Growing advance technologies, such as the internet and the profusion of satellite television have opened the doors for foreign SMEs to reach Pakistani consumers and exploit the economies of scope.

The study provides a better understanding of the characteristics of the demand for the elite consumer segment and will enable marketers to design appropriate marketing mix strategies to help target the existing and future consumers and position the product in the Pakistani market. It will be necessary to create an appropriate promotional mix to address these issues effectively and efficiently. Furthermore, by finding out which countries have favourable or positive images, amongst the consumers, SMEs from particular countries can capitalise on their favourable image in order to gain competitive advantages more efficiently than developing a brand image. COO could be used as a competitive tool by SMEs to differentiate the product in international marketing. However, it remains a moot point as to which other foreign market our results will be applicable to. The components were found to be different

for the elite Pakistani sample compared with Uzbekistani and Polish samples. Other difference are likely to be found in other market due to differing buying power, cultures, attitudes toward the product and lifestyle and these attributes will be inter-related with COO image.

CONCLUSIONS

COO effects both consumer beliefs when purchasing a foreign product and product evaluation after the purchase. If the product does not come up to their expectation or consumers are not satisfied this could deter them from buying the product from that country in the future. The SME's therefore must deliver what they promise. For instance, if the product is not reliable or is of poor quality, then relying only COO will not gain a positive image amongst consumers. Then they will form a negative perception not only of the particular product but also of the associated country. In line with the caveat of Niss (1996) intelligence about COO image must be matched with information about the product attribute as perceived by the target market. The findings of this study suggest that using COO information for luxurious or expensive products could help companies gain competitive advantages in the Pakistani market. Additionally, in this market, quality is perceived as an attribute distinct from COO image.

This study found that, as the perception of the luxury product is distinct from that of an inexpensive product, social prestige is a crucial factor influencing elite Pakistani consumers' purchasing decisions, as well as COO image. The study suggests that the preference for seeking for COO information is related to not only education level but also associated with social class. SMEs could exploit differences within the market segment since they are continuously looking to target consumers with strong buying power. SMEs should be more aware of nuances within the segment in order to gain favourable product positioning using COO image. Segments could be found in other countries but it is vital to understand the target market's socio-cultural values in order to serve the market successfully. More accurate knowledge and understanding leads to better market leverage and positioning. In this case, education, age and socio-economic classification could be considered for segmentation to effectively target the upper end of the market.

For instance, the study revealed Pakistani elite consumers give importance to COO when purchasing luxury and expensive products. The study also found some differences between younger and older consumers. It could be that younger consumer tend to give more importance to product COO to gain in popularity or to make a fashion statement. Furthermore, the reason older consumer gave less importance to COO could be that they rely on more extensive previous experiences to determine the quality of a product.

Hence, this elite market can be divided into two segments, those consumers who are sensitive to COO information and those for whom COO is not an important factor when making a purchasing decision. SMEs launching a product into Pakistani market could rely on product's COO to gain quick entry into the market. However, the leverage is likely to weaken in the long term as consumers get familiar with the product and purchasing decisions become influenced by other attributes such as brand name, quality and product prestige.

The study provides a foundation from which SMEs can investigate more detailed market intelligence with regard to their own products and potential consumers' perceptions of those products' attributes, in preparation for entry to their new target market.

REFERENCES

- ADB (2003) "Boosting Competitiveness and Profitability of Pakistan's SME Sector" available at <http://www.adb.org/ADE/> accessed on 31st August 2006.
- ADB (2006) "Asian Development Fund" available at <http://www.adb.org/Documents/News/2003/nr2003206.asp> accessed on 31st August 2006.
- Ahmed, S. and d'Astous, A. (1996), "Country of origin and brand effects: a multi-dimensional and multi-attribute study", *Journal of International Consumer Marketing*, Vol. 9 No. 2, pp. 93 - 115.
- Al-Sulaiti, K. and Baker, M.J. (1998), "Country of origin effects: a literature review", *Marketing Intelligence and Planning*, Vol. 16, No 3, pp. 150 - 90.
- Badri, M. A , Davis, D. L. and Davis, D. F., (1995), "Decision support for global marketing strategies: the effect of country of origin on product evaluation", *Journal of Product & Brand Management*, Vol. 4, No. 5 pp. 49 - 64.
- Bilkey, W. J. and Nes, E. (1982), "Country-of-origin effects on product evaluations", *Journal of International Business Studies*, Vol. 13, Spring/Summer, pp. 88 - 99.
- Bruning, E. R. (1997), "Country of origin, national loyalty and product choice: The case of international air travel", *International Marketing Review*, Vol. 14, No. 1, pp. 59 - 74.
- Cattell, R.B. (1957), *Personality and motivation structure and measurement*, World Book Company, Yonkers.
- Cordel, V. (1992), "Effect of consumer preferences of foreign sourced products", *Journal of International Business Studies*, Vol. 23, No. 2, pp. 251 - 69.
- Cronbach, L. (1990), *Essentials of psychological testing* (5th edition), Harper Collins, New York.

- Delener, N. (1995), "Exploring the determinants of country-of-origin labels and demographics on consumers' perceptions of quality: implications for marketers", in Kaynak, E. and Eren T. (Eds), *Innovation, Technology and Information Management for Global Development and Competitiveness Proceedings*, Istanbul, pp. 179 - 83.
- Elliott, G. and Cameron, R. (1994), "Consumer perception of product quality and the country of origin effect", *Journal of International Marketing*, Vol. 2, No. 2, pp. 49 - 62.
- Ercelan, A. Karamat Ali and Umar Abbas (2005) "Should Labour Regulation be Diluted for Small Enterprises?", *Pakistan Institute of Labor Education and Research Journal*, Vol. 12, June 2005, available at www.aprnet.org/index.php accessed on 31st August 2006.
- Han, C., (1988), "The role of consumer patriotism in the choice of domestic versus foreign products", *Journal of Advertising Research*, Vol. 28, pp. 25-32.
- Han, C., (1989), "Country image: halo or summary construct?", *Journal of Marketing Research*, , Vol. 26, pp. 222 - 9.
- Hong, S. T., and Wyer, R. S. Jr. (1989), "Effects of country-of-origin and product-attribute information on product evaluation: an information-processing perspective", *Journal of Consumer Research*, Vol. 16, September, pp. 175 - 87.
- Kaynak, E., Kucukemiroglu, O. and Hyder, A. S. (2000), "Consumers' country-of-origin perceptions of imported products in a homogenous less-developed country", *European Journal of Marketing*, Vol. 34, No. 9/10, pp. 1221 - 1241.
- Kim J-O. and Mueller, C.W. (1978), *Factor analysis: statistical methods and practical issues: Quantitative applications in the social sciences*, London, Sage.
- Kline, P. (2000a), *Handbook of psychological testing* (2nd edition), Routledge, London.
- Kline, P. (2000b), *A psychometrics primer*, Free Association Books, London.
- Knight, G. A. (1999), "Consumer preferences for foreign and domestic products", *Journal of Consumer Marketing*, Vol. 16, No. 2 pp. 151-162
- Lantz, G. and Loeb, S. (1996), "Country of origin and ethnocentrism: an analysis of Canadian and American preferences using social identity theory", *Advances in Consumer Research*, Vol. 23, pp. 374 - 8.
- Laroche, M., Papadopoulos, N., Heslop, L. and Murali, M. (2005) "The influence of country image structure on consumer evaluations of foreign products", *International Marketing Review*, Vol. 22, No. 1, pp. 96 – 115.
- Lascu, D. N. and Babb, H. W. (1995), "Market preferences in Poland: importance of product country-of-origin", *Innovation*, in Kaynak, E. and Eren, T. (Eds), *Techonology and Information Management for Global Development and Competitiveness*, Istanbul, pp. 216 - 22.
- Levene, H. (1960), "Equality of variance", in *Contributions to Probability and Statistics: Essays in Honor of Harold Hotelling*, I. Olkin et. al. eds., Stanford University Press, pp. 278 - 292.
- Nagashima, A. (1970), "A comparison of Japanese and US attitudes towards foreign products", *Journal of Marketing*, Vol. 34, January, pp. 191 - 210.
- Netemeyer, R. G., Durvasula, S. and Lichtenstein, D. R. (1991), "A cross-national assessment of the reliability and validity of the CETSCALE", *Journal of Marketing Research*, 28 August, pp. 320 - 27.
- Niss, H. (1996) "Country of origin marketing over the product life cycle: A Danish case study" *European Journal of Marketing*, Vol. 30, No. 3, 1996, pp. 6-22.
- Okechuku, C. (1994), "The importance of product country of origin: a conjoint analysis of the USA, Canada, Germany and The Netherlands", *European Journal of Marketing*, Vol. 29, pp 5 - 19.
- Omar, K. (2005) "Creating an entrepreneurial Pakistan" available at <http://www.jang.com.pk/thenews/jul2005-daily/09-07-2005/national/n2.htm> accessed on 31st August 2006.
- Papadopoulos, N., Heslop, L., and Bamossy, G., (1990), "A comparative image analysis of domestic versus imported products", *International Journal of Research in Marketing*, Vol. 16, No. 7, pp. 283 - 94.
- Papadopoulos, N. (1993), "What product and country images are and are not", in Papadopoulos, N. and Heslop, L. (Eds), *Product Country Images: Impact and Role in International Marketing*, International Business Press, New York, NY, pp. 3-38.
- Parameswaran, R, Yaprak, A, (1987), "A cross-national comparison of consumer research measures", *Journal of International Business Studies*, Vol. 18, pp. 35 - 49.
- Reierson, C (1966), "Are foreign products seen as national stereotypes?", *Journal of Retailing*, Vol. 42, Fall, pp.33 - 40.
- Reierson, C. (1967), "Attitude changes towards foreign products", *Journal of Marketing Research*, Vol. 4, November, pp. 385 - 7.

- Roth, M. S. and Romeo, J. B. (1992), "Matching product category and country image perceptions: a framework for managing country-of-origin effects", *Journal of International Business Studies*, 3rd quarter, pp. 477 - 97.
- Schooler, R. D. (1971), "Bias phenomena attendant to the marketing of foreign goods in the US", *Journal of International Business Studies*, Vol. 2, No. 1, pp 71 - 81.
- Yapark, A. (1978), "Formulating a multinational marketing strategy: a deductive cross-national consumer behaviour model", *PhD Dissertation*, Georgia State University.
- Zain O. M. and Yasin N. M. (1997), "The importance of country-of-origin information and perceived product quality in Uzbekistan", *International Journal of Retail and Distribution Management*, Vol. 25, No. 4 - 5, pp. 138 - 46.