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## **Impact of Country of Origin on Indian Consumers-study of Chinese Brands**

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### **ABSTRACT**

The aim of this research is to find out consumer perception towards Chinese, Taiwan, Hongkong products purchased in emerging market like India. The study covers factors like types of products purchased, reasons for their purchase behavior, purchase behaviour towards Chinese origin products affected by variables like price, functionality, quality, image, purchase intention in future for Chinese origin products and relationship of country of origin on consumer satisfaction level. The research was carried out in Mumbai-also called mini India as its population is a blend of all region of India. The study is about consumers' perception and their purchase behavioral towards selected products from China, Taiwan and Hongkong. It is survey techniques using questionnaire as a research tool. A total of 200 participated in the study with 180 are taken up for analysis. They are selected on simple random intercept basis. Majority of Indians have purchased Chinese products. It is possible due to Chinese products available at affordable price. Price, quality and functionality of a product could influence the purchase behavior. Taiwan has a grater image and good country of origin perceptions compared to China. Mobile (39%), toys (40%) and food items (31%) are the most preferred category for purchase and has a good image due to country of origin. Country of origin, product functionality at affordable price may be a good country penetration strategy for emerging market. Textiles from China has not gained much entry in India when compared to other countries. Quality product at affordable price can be a used as penetration strategy by managers for emerging market based on the present study. Research on acceptance of a brand based on consumer purchase behavior towards Chinese products in emerging market like India may give information on managing Chinese brands in global scenario specially in MINT and BRIC countries as they are culturally different compared to western countries. Consumers form emerging countries are looking for value for money form a product compared to developed economy. There is paucity of research which compares the country of origin on Chinese region-China, Taiwan and Hongkong in emerging market like India. India is an important trade partner for China.

**Key words:** Purchase behavior, emerging market, Chinese product, perception, country of origin

### **INTRODUCTION**

China and India ranked among the worlds largest developing nations, fastest growing economies, most populous states and greatest ancient civilizations. However, most importantly, they are among the foremost rising powers in Asia. In the past quarter of a century, China's productive forces and overall national strength is now widely perceived as "the rise of China." Chinese electronic goods like radio, torch, DVD players, etc., are reigning supreme in the Indian market. Decorative items, fashion accessories like slippers, jewelry, hand bags, etc., receive huge responses during festive seasons in India. This year, one saw the flooding of the Indian markets with Chinese made idols, are welcomed with open arms by the Indian consumers. Globalization and liberalization offer competitive openings for several world brands to the Indian markets. Bestowed with growing

disposable incomes, Indian consumers exhibit wide diversity in their buying habits. Apparently, the emerging fascination for imported brands impels distributors to leave enough space to shelf more with Chinese region brands in their showrooms. The substantial increase in consumers' demand for imported products with considerable attraction for 'made in China' brands inspired this study. It explores the perception of various types of Chinese products in the Indian regional markets. It is important due to increasing trade between India and China (Economic Times, 2013).

Many factors contribute to China's economic success. Besides, recent years have seen fast globalization of business across the globe with the boom of Asian economies such as India, China, Indonesia and Malaysia, among others. Growth through international expansion has led to unprecedented numbers of global brands competing for share in markets around the world. An international retailer may gain an advantage from perceived brand global image. In emerging countries, a brand is either foreign or domestic (Zhou *et al.*, 2010). Economic reform, the opening-up policy, stable international environment, large-scale development, export-oriented strategy, central-led investment, national consensus and support play important roles in China's economic growth (Zhou *et al.*, 2010; Chinen and Sun, 2011). In spite of its three decades of sustained high economic growth rates, China has an image and reputation of a low cost producer in the global market place (Chinen and Sun, 2011). China, however, "understands that it needs to move beyond a low cost production model into higher value-added products" (Loo and Davies, 2006). In spite of its three decades of sustained high economic growth rates, China has an image and reputation of a low cost producer in the global market place (Chinen and Sun, 2011) China, however, "understands that it needs to move beyond a low cost production model into higher value-added products" (Loo and Davies, 2006). By contrast, India's lag in GDP and other benchmarks compared with China due to the delay in economic reforms, lower national savings rate, lesser inflow of Foreign Direct Investment (FDI), relative inefficiency of its bureaucracy and the long standing dispute with Pakistan. Most Indian scholars think that these explanations are reasonable and acceptable.

China has surprised the world with its robust economic growth throughout the 1980s and 1990s. According to the research done by Ruenrom and Savika (2003), the average annual growth rate of GNP was about 9.4%, which made China the fastest growing economy in the world. China contributed 27.7% to world economic growth exceeding that of the United States, whose contribution in the same year was 16.3%. The Chinese exports to other Asian nations increased as companies from around the region moved their lower-end manufacturing processes to China. Trade relationship between India and China are rapidly emerging as one of the most important bilateral relationship in the worlds (Economic Times, 2013). Recent agreement between India and China will help these countries to double the trade value in three years from \$50 bn (Times of India, 2013). This study is inspired due to such development and is also important as both the countries fought a brief war in 1962.

Closely following the liberalization and the economic reforms, India is witness to an important event: The 'Chinese Aggression' of a different order in the form of entry of Chinese goods at a price, which sends heart attack signals to many Indian organizations. A wrist watch for Rs. 10, a washing machine for Rs. 1250, a ceiling fan for Rs. 75, a mixer grinder for Rs. 350. The price list is up in many places (Basu, 2007). A rumor turns out to be true when the customers report that they have actually purchased these articles at these prices. Whether one believes it or not, there are a lot of issues raised. One major question rose: Can China really offer these products at such a price? Is China trying to dump inferior goods at a cheap rate? Is this a temporary phenomenon or is it going to last long? If it is going to last long, what will happen to the Indian goods and Indian organizations? Can China be prevented from dumping the goods into the Indian market? The

magnitude of India-China trade highlights that the trade between the two countries has grown very robustly. The think tanks of the country assure a tremendous potential with regard to the trade between these two countries and therefore, this fast growing market demand is to supplant the US as India's single largest trading partner within few years (Srinivasan, 2004). Several studies acknowledge that the value added products from China, especially consumer durable and non-durable, are more supplementing Indian markets (Gopalan, 2001; Luce and Kyngge, 2003). Acceptance of Chinese products at low cost needs to be studied in Indian perspective.

In emerging countries, a brand origin can be classified as either foreign or domestic (Zhou *et al.*, 2010). Country of Origin (COO) effect on consumer attitudes toward purchases from different countries has long been recognized in the literature. Country of origin is another important concept in international marketing that has been documented to affect consumer perceptions. Evidently, observation of current trends in regional markets also exposes that in order to withstand the rising inflation in India, regional markets prefer more made in China brands than any other foreign products. Low-priced imported products indicates the slow penetration of China brands into Indian markets. Apparently, this shift builds up slight market tensions among the indigenous producers and therefore, it is the time to evaluate the demand state of made in China products in Indian regional markets. In spite of its three decades of sustained high economic growth rates China has an image and reputation of a low cost producer in the global market place (Chinen and Sun, 2011) China, however, "understands that it needs to move beyond a low cost production model into higher value-added products" (Loo and Davies, 2006). The economic liberalization in 1991 brought various products and brands into India and transformed the lifestyle of consumers in the country (Sabnavis, 2003). Indian consumers do get influenced by country of origin and is more pronounced in western and northern part of India compared to southern and eastern part of India (Kinra, 2006; Srivastava, 2009). The extant literature on country-of-origin effects suggests that, due to the rise in multinational production, international companies are increasingly paying less attention to the importance of country of origin as a source of competitive advantage and as a driver of customer preferences (Baker and Ballington, 2002). There is need to study the perception of Chinese brands specially if there is any brand differentiation on perception of three countries namely China, Taiwan and Hongkong among Indian consumers. Country of origin image influences and determines consumers' perceptions of a product and thus, has an impact on the purchase decision and the use of a product or service. Country-of-origin label, as one of the extrinsic cues, provides consumers with additional information about product quality (Papadopoulos and Heslop, 1993). Country-of-Origin (COO) image is the key factor that influences consumer's perception of a product. The quality of unfamiliar foreign brands is inferred through country image. Positive country-of-origin image can be used as a powerful marketing tool (Vrontis *et al.*, 2006). However, Consumer's evaluation of country-of-origin and brand image changes if they use products from a specific country more extensively. Consumer experience plays an important role. Emerging market like India, due to globalization, are opening up a new market for rising middle class population.

It is unclear in emerging countries whether consumers favor global or local brands (Swoboda *et al.*, 2012). There is need to study the consumers' perception towards global brands specially towards brands coming from Chinese region in emerging market like India. As Indian history has witnessed the material imports of Chinese silk, porcelains and herbal medicines, made in Chinese brands are not being new to Indian consumers. It is more important as globalization and reform process has led China and India emerging as a global economy in the world. There is paucity of such research from emerging area like India. This study may increase our understanding of the origin, brand names in a foreign language and reasons for purchase of Chinese origin brands.

Past research has established that consumers predict product quality/performance based on the association between brands and their COO images (Diamantopoulos *et al.*, 2009). Country-of-origin studies have attempted to link gender and behavioural outcomes but have produced some what mixed results. Consumers often make associations between products and countries based on their perceptions of a country's know-how and reputation relative to the design, manufacture and branding of particular generic goods (Usunier and Cestre, 2007). The literature on country-of-origin effects suggests that, due to the rise in multinational production, international companies are increasingly paying less attention to the importance of country of origin as a source of competitive advantage and as a driver of customer preferences (Baker and Ballington, 2002) but, as global sourcing leads to an increasing number of bi-national products, consumers' evaluation becomes more complex as products are then associated with more than one country. Nowadays, it is rare for the brand origin (country from which the brand originates) and the country of manufacture (where the product is actually made) to be the same (Carvalho *et al.*, 2011). Consumers often make associations between products and countries based on their perceptions of a country's know-how and reputation relative to the design, manufacture and branding of particular generic goods (Usunier and Cestre, 2007). It is unclear in emerging countries whether consumers favor global or local brands (Swoboda *et al.*, 2012). Moreover, most studies of COO effects have focused on technologically complex products (e.g., cars and computers) and very little is known about how consumers use COO information when evaluating simple products like textiles, crockery etc. A Local-owned brand is a one owned by a domestic company whereas, a foreign-owned brand owned by a foreign firm (Batra *et al.*, 2000). Therefore, in recent years, the Country-of-origin (COO) construct and by extension, research on COO-has been under fire from at least three angles. First, it is argued that the "COO effect is no longer a major issue for international marketing operations: Multinational production, global branding and the decline of origin labeling in WTO rules tend to blur the COO issue and lessen its relevance" (Usunier and Cestre, 2007). Many times consumers may know the brands but may not know the country of origin (Samiee, 1994). COO might have played some role in product choice (Roth and Diamantopoulos, 2009).

However, it will be interesting variable to study the country of origin related to same region with same culture but differs in country names.

On recent past, some research has explored the perception studies on China brands. Country of origin will affect only if consumer has a knowledge of country, political relationship, product knowledge due to past experience and availability (Thaker and Pachern, 1997; Kaynak and Kucukemiroglu, 2001). Chinese brands image due to made in China was not perceived well in Hongkong except for the price. Chinese brand has a reputation of low cost and made in a developing nation' would turn off US consumers due to lack of familiarity or inferior image (Chinen and Sun, 2011). The effect may be cognitive affective of normative aspect of country of origin. However, this is influenced by role of economic development, impact of multi-national and industrial purchasers as per Verlegh and Steenkamp (1999). Many Chinese exporters adopt the stereotypic "price leadership" product strategy due to corporate climate, factor costs and demand conditions (Brouthers and Xu, 2002). Many Chinese firms believe that a low price strategy is their main competitive advantage. Other Chinese firms use price leadership strategies for historic reasons, relying on cheap labor. Lee and Zhou (2000) argue that manufacturers in developed nations now provide high quality products at reasonably low prices, while other less developed countries' manufacturers seriously challenge Chinese firms by producing similar products at lower costs. Both trends erode China's historical cheap labor, price leadership "advantage". Chinese firms can improve their satisfaction with export performance if they choose a more difficult but better strategy of branding and targeting other less developed countries (Brouthers and Xu, 2002). Cost

advantage, technological advantage, quality advantage and functional advantage led to the development of distinct cross-national perceptions of product. Products from Japan, USA, Germany, China have their own image globally.

The economic liberalization in 1991 brought various products and brands into India and transformed the lifestyle of consumers in the country (Sabnavis, 2003). Consumers can rely on their perceptions of product quality from a specific country and use them to evaluate other products from the same country. A country image can also vary in time, due to changes in its level of industrialization but also lifestyle patterns. When consumers are asked to evaluate products from different countries, products from industrialized countries are generally positively evaluated (Hamzaoui-Essoussi, 2010). Consumers perceive the price below their reference price as a gain while they perceive the price higher than their reference price as a loss (Han, 2001). Asians are more price-conscious (Cui and Liu, 2001). Chinese firms most easily achieve a "strategic fit" by pursuing a "price leadership" strategy. How Indian perceives the price of Chinese origin brands can be interesting variables for study as Indian are more price-conscious. Even though, China and India do not have good political relationship, interest of Indian consumers towards brands manufactured from Chinese region has not diminished. This may be due consumers who exhibit higher levels of patriotism do not necessarily oppose other countries (Balabanis *et al.*, 2001) nor are against purchasing foreign products.

Globalisation and rapid economic reforms has helped Indian to get exposure to global brands. Increasing per capita income too helped Indian consumers to improve their living standards with increasing aspiration to use global brands. Indian still perceive "Chinese products" means coming not only from China but also from Taiwan and Hongkong. There is no Indian study on brand perception on different parameters which differentiate the products coming from Chinese region specially after globalization. The summary of the same is given in Table 1.

The gaps identified based on literature survey are how quality, functionality, performance, brand with multilocalized manufacturing units leading to difused country of origin and image are identified as variables for further study. In addition role price in creating a consumer demand is also a variable for study. Less developed countries, however, tend to have a much higher price elasticity of demand than do developed countries (Sooryamoorthy, 1997; Verlegh and Steenkamp, 1999). Thus, price becomes the dominant factor in purchasing decisions rather than product quality or brand (Luo, 1995; Cui, 1999). Ordinary consumers from Asian countries or India usually spend family savings on durable goods, they tend to be price-sensitive and value-conscious (Srivastava, 2011a; Cui and Liu, 2001). Consumers need a reference price as a cue for evaluating the price of an observed product/service.

Purchase behaviour is measured on purchase intends which gets affected by quality, functionality, performance, brand with multilocalized manufacturing units leading to difused country of origin and image and psychic distance. These factors are built in to questionnaire. If a firm is able to create a strong brand it can attract customers and build barriers against competition. Branding allows firms to differentiate their products both from competitors and commodity products; therefore, the firm no longer has to compete exclusively on price. This requires study in Indian context as India is one of the biggest trade partner of Chinese region products.

Country of origin may affects satisfaction level. German products are known to have quality perception therefore, may increase satisfaction level. Therefore, this is taken as a variable for study in our research.

Closely following the liberalization and the economic reforms, India is witness to an important event: The 'Chinese Aggression' of a different order in the form of entry of Chinese goods at a price which affects many Indian organizations. There is increasing trends among Indians to purchase

Table 1: Effect of country of origin on consumer perceptions, Chinese brands, global brands and Indian scene

Author /Year	Focus area	Missing gaps
<b>Country of origin and consumer perceptions of a brand</b>		
Papadopoulos and Heslop (1993)	Country of origin	Quality, image, pricing, functionality, performance of a brand are missing variables
Batra <i>et al.</i> (2000)	Defining global and local brands	Quality, image, pricing, functionality, performance of a brand are missing variables
Baker and Ballington (2002)	Multi national location manufactured brand, consumer preference	Consumer experience, pricing, functionality of a brand are missing variables
Chao <i>et al.</i> (2003)	Strong brand image and country of origin	Quality, image, pricing, functionality, performance of a brand missing variables consumer experience of a brand are missing variables
Vrontis <i>et al.</i> (2006)	Image of country of origin	Consumer experience, quality, performance pricing, functionality of a brand are missing variables
Diamantopoulos <i>et al.</i> (2009)	Quality/performance and country of origin	Consumer experience, pricing, functionality of a brand, multi located manufactured brands image are missing variables
Usunier and Cestre (2007)	Country reputation and know how image	Consumer experience, pricing, functionality of a brand multi located manufactured brands image are missing variables
Roth and Diamantopoulos (2009)	Country reputation	Consumer experience, pricing, functionality of a brand, multi located manufactured brands image are missing variables
Carvalho <i>et al.</i> (2011)	Multi located manufactured brand, country of origin	Quality, image, pricing, functionality, performance of a brand missing variables consumer experience of a brand are missing variables
Swoboda <i>et al.</i> (2012)	Global or local brand	Quality, image, pricing, functionality, performance of a brand missing variables consumer experience of a brand are missing variables
<b>Country of origin and Chinese brand perception</b>		
Thaker and Pachern (1997)	Consumer awareness about country, country of origin, consumer experience	Quality, pricing, functionality, performance of a brand are missing variables
Verlegh and Steenkamp (1999)	Economic development of a country, impact of MNC, types of products	Quality, pricing, functionality, performance of a brand, country of origin and multi located manufactured brand are missing variables
Lee and Zhou (2000)	Price and brand	Quality, functionality, performance of a brand, country of origin and multi located manufactured brand are missing variables
Brouthers and Xu (2002)	Brand, pricing and target customer, country of origin	Quality, functionality, performance of a brand and multi located manufactured brand are missing variables
<b>Indian scene and acceptance of global brands</b>		
Balabanis <i>et al.</i> (2001)	Nationalism, country of origin	Quality, functionality, performance of a brand and multi located manufactured brand are missing variables
Han (2001)	Price and country of origin	Quality, functionality, performance of a brand and multi located manufactured brand are missing variables
Sabnavis (2003)	Life style, purchase behaviour	Quality, functionality, performance of a brand and multi located manufactured brand are missing variables
Hamzaoui-Essoussi (2010)	Country of origin, technical skills of country	Quality, functionality, performance of a brand and multi located manufactured brand are missing variables

foreign products. Rising middle class population has given more purchasing power due to more disposable income to global brands in India.

However, earlier research are focused on China as a country but not much work has been done comparing the the Chinese region like China, Taiwan and Hongkong made products based on country of origin. Similarly, pricing, quality, functionality, design, image and country of origin on brand equity of a brand in emerging market is not studied in details in recent years on global brands. Therefore, these are taken as variables for study in emerging market like India.

This study focuses to increases our understanding of the effectiveness of country of origin preferred perceptions of Chinese region originated brands. How the purchase behaviour is influenced by quality, price besides country of origin needs to be studied. Is there exist a variation between China, Taiwan and Hongkong origin brand perception?

The aim of this study is five fold. First, this study tries to find out the types of products purchased by Indian consumers from Chinese region during last three months. This gives the correct evaluation on their purchase behavior. The sub objective is to find out their experience with product usage in general for these purchases. It also tries to find out if there is any difference on their experience based on the country of origin perception.

The second part is to find out the reasons for their purchase behavior. Quality, price, functionality and features are independent variables. This will help us to find out main factor influencing their purchase behavior.

It also aims to investigate the impact of country of origin of Chinese region products on consumers' intention to purchase in emerging market like India. It also sought to test that how country of origin of Chinese region like China, Taiwan and Hongkong may have different perceptions on image, quality, price, functionality in Indian consumers mind and thus, affects purchase behavior.

The third objective is to find out the reasons for the purchase behaviour towards Chinese origin products. It also sought to test that how country of origin of these three form Chinese region may have different perceptions on image, quality, price, functionality in Indian consumers mind. It will also try to correlate the important factor affecting purchase behaviour among Indian consumers.

The fourth objective of the study is to measure the purchase intention in future for Chinese origin products. How experience, quality, price, functionality may affect his intention to purchase products of Taiwan, China and Hongkong.

It also explores the relationship of country of origin on consumer satisfaction level. How country image influences the satisfaction level is taken up for study. Satisfaction level on usage of products from Chinese region is measures on five point scale.

Therefore, this study focuses to increases our understanding of the effectiveness of country of origin preferred perceptions of Chinese region originated brands. How the purchase behaviour is influenced by quality, price besides country of origin needs to be studied. Is there exist a variation between China, Taiwan and Hongkong origin brand perception?

## **METHODOLOGY**

This study is made to understand and infer the real reasoning behind Indian consumers' decision making when purchasing foreign-made products specially from Chinese region. Products manufactured in Chinese region are taken up for study as these products are available in India in many segments due to liberalised import. Today, China is a leading trade partner with India. Still in India products manufactured by Chinese companies are not rated high in terms of quality and



functionality. Many Indian feel that Hongkong is separate and has a better image on quality and functionality compared to China. When compared to main China, even Taiwan is considered to be better. In view of this perception, this study explores the image and country of origin perception of products manufactured in China, Taiwan and Hongkong in era of globalization.

Perception was measured on a likert scale of one to five by giving scale to very good, good fair, bad and very bad. Dependent variable under this study is purchase intention and independent variables under study are quality, price, fuctionality, performance and country of origin.

To develop the sample, we randomly convenient selected households from Mumbai city which is a financial capital of India. Mumbai is a mini India as people from different states of India live to earn in the city. These households have purchased products from Chinese region.

**Questionnaire design:** This was based on experience of purchase of different types of Chinese products, perception, reasons to buy the Chinese, Taiwan and Hongkong (also refered as Chinese region) products among Indian consumers. It ask them to rate their perceptions on scale of one to five on country of origin for these products which originated from Chinese region. Scale used is likert scale to measure the perceptions. Global country image was measured with items taken from Martin and Eroglu (1993). This is built in the questionnaire it self. This helped us to have a standard approach in measurement of country of origin.

The questionnaire is used as a research instrument to collect the data. Each question has a multiple options and the respondents are asked to register their opinion by selecting any of the options and rateon saacle of one to five accordigly. Questions asked are pertaining to independent variables like quality, functionality, performance, price and country of origin. It also measured purchase intention on five point scale-very definit, definit, may be, may not and definetly not. Reasons for their purchase behaviour are measured on five point scale. It was filled on the basis of intercept technique by the interviewer on a selected random basis. These interviwer are the management graduates.

The present study measured the dependent variable like intention to purchase, reasons for purchase, their experience and satisfaction level using using five point scale adapted from Pan and Zinkhan (2006) in our survey. The satisfaction level among the users were measured on five point scale.

**Sampling and data collection:** Previous studies have been criticised for researching students because of biased responses (Liefeld, 1993). In an attempt to overcome this criticism and to strengthen the external validity (Ghauri and Gronhaug, 2005) the current study focuses on actual consumers of Chiese region products. Respondents were screened prior to the start of the survey by asking them whether they buy Chinese products. The sample of this study comprised 200 consumers from Mumbai city which has different ethnic groups. The 180 respondents are selected for analysis as 20 respondents have not purchased Chinese products. They are selected on simple random convenient basis by using intercept technique.

The data were collected by means of a specially-developed questionnaire. The survey was conducted during the period September-November, 2012. Table 2 gives the samples profile.

The samples is more biased towards younger age groups below 35 years (87%). India has more than 50% of its population below the age of 25 and more than 65% below the age of 35 (Basu, 2011). Age group of 35 years has more buying power in India and is a dominant group in

Table 2: Samples profile of the respondents (Demographic analysis)

Age (years)	N
Up to 25	100
26-35	56
36-45	16
46-55	8
56 and above	-
Total	180
<b>Education</b>	
Post graduate	40
Graduate	66
Under graduate	74
Total	180

the population. The 59% respondents are graduate or post graduate education in our present study. Only 18 (10%) of the sample size are females. Therefore, gender study was not done.

These data are analysed by using SPSS and excell for statistical analysis. Regression, ANOVA, Chisquare and Pearson test are used for these data.

**Management:** The research was carried out in Mumbai-a financial capital of India. Each respondent 's age, income, education were noted. Incomplete forms were rejected. Students enrolled in business administration were engaged to collect the data.

**Ethical consideration:** This project is not sponsored project. Students participated as a part of course work.

## RESULTS

The first part of of the study is to study the types of products purchased by Indian consumers from Chinese region. This gives an idea of accepted category of products through their purchase behaviour among Indian consumers. Table 3 gives the information about the same.

Toys, mobile phone, food item are the top three most preferred purchases made by Indian consumers during the last three months from Chinese region. Differences identified between different category of products revealed that consumers consider the functions of designing and manufacturing differently depending on the technological complexity of the products (Hamzaoui-Essoussi, 2010). The Country of Origin (COO) is an important concept in international business research because of its ability to influence purchase behavior and other critical outcomes. Indian population are well aware of the Chinese products. The 90% of the Indian population leaving in Mumbai have purchased products from Chinese region in our study. This is contrary to findings of Chinen and Sun (2011) which mentions that 'Made in a developing nation' would turn off consumers.

The 51% were happy with their experience (measured as Very good to good experience and clubbing both data). The 38% reported fair experience. Only 11% reported to be unhappy with the Chinese products in our present study. The Chinese products have a negative image (Chinen and Sun, 2011). This is not the case in our study. A negative image will not lead to purchase behaviour as observed in our study. This is contrary to finding of Chand and Tung (2011) which says that developing countries have perceptions of inferior quality affecting the demand for their products. It is possible due to psychic distance which has made Chinese products acceptable. Psychic distance influences the acceptance of a brand (Srivastava, 2011b).

Table 3: Chinese product categories purchased during the last three months by Indian consumers\* (N = 180)

Type of Chinese products purchased	N	(%)
Mobile phone	70	39
Bulb	32	18
Aparrel	10	6
Food item	56	31
Crockery	30	17
Toys	72	40
TV	20	11

\*Multiple entry

Table 4: Reason to purchase Chinese products by Indian consumers\* (N = 180)

(a)

Reasons for purchase	N	(%)
Quality	46	26
Price	156	87
Functionality	34	19
Fashionable features	10	6

\*Multiple entry

(b)

Regression-coefficients<sup>a</sup>

Model	Unstandardized coefficients		Standardized coefficients		
	B	Std. error	(Beta)	t	Significant
Constant (1)	11.605	3.973		2.921	0.210
Quality	-2.442	1.007	-0.924	-2.425	0.249
Constant (1)	-4.830	0.361		-13.378	0.047
Price	1.813	0.095	0.999	19.053	0.033
Constant (1)	7.263	0.615		11.812	0.054
Functionality	-1.316	0.152	-0.993	-8.660	0.073

<sup>a</sup>Dependent variable: Rank

Based on their experience, Taiwan, Hongkong and China are ranked accordingly. Thus, Taiwan as a country has better image compared to Hongkong and China in our present study. The country-of-origin effect influences the brand image to a great extent (Balabanis *et al.*, 2001; Hamzaoui-Essoussi, 2010).

The next question was asked on the reasons to purchase a Chinese or Taiwan or Hongkong manufactured products. In the recent years China is known to produce electronics goods at an affordable price and that is the reason many people prefer to buy products from China. Thus, when a person gets the same quality goods at a lesser price then it is obvious that they will get hold of the products which are cost effective. China has an image and reputation of a low cost producer in the global market place (Chinen and Sun, 2011). Table 4 informs about the reasons for their purchase behaviour.

Analysis based on different factors like quality, price functionality and fashionable features reveals that Indian consumers purchase the products mainly due to price (Regression analysis). The above tables show that the effect of price on ranking is significant while that of quality and functionality is not significant. Hence, the most important factor for purchase of Chinese products is price followed by functionality and then quality.

Table 5: Country perceptions of China, Taiwan and Hongkong by Indian consumers on manufactured products and their rank (N = 180)

Country	Quality	Price	Functionality	Rank in terms of preference		
(a)						
China	3.5	4.3	3.2	3		
Taiwan	4.2	3.2	4.7	1		
Hongkong	4.1	3.8	4.1	2		
ANOVA: Single factor						
(b)						
Summary						
Groups	Count	Sum	Average	Variance		
Column 1	3	11.0	3.666667	0.323333		
Column 2	3	12.1	4.033333	0.583333		
Column 3	3	12.0	4	0.03		
(c)						
ANOVA						
Source of variation	SS	do	MS	F	p-value	F crit
Between groups	0.246667	2	0.123333	0.395018	0.689982	5.143253
Within groups	1.873333	6	0.312222			
Total	2.12	8				

Chinese products has perception of product at affordable price. When consumers have a positive perception of brand origin, attitude toward the brand is heuristically formed, rendering the strength of product attributes irrelevant (Carvalho *et al.*, 2011).

Country-of-Origin (COO) is used as a quality indicator and there seems to be a positive correlation between product evaluations and the level of economic development of a country (Bilkey and Nes, 1982). China has done well economically. Chinese products does not command a high perception on quality but price factor accompanied by good functionality has made the brand accepted in the mind of Indian consumers. China has to convince the world that they have “brands that deserve a price premium” (Loo and Davies, 2006). Indian consumer purchase Chinese products in certain category as they get value for money from their purchase.

The another question was to measure the nation perception on quality and price and functionality. Taiwan, Hongkong and China were taken up for the study. Each parameters are rated on scale of one to five scale. The average score is calculated and recorded Table 5.

Chinese products score the maximum on price, Taiwanese products score the maximum on quality and Hongkong products score maximum on quality and functionality. The average score for Chinese products considering price, quality and functionality is 3.67. The average score for Taiwanese products considering price, quality and functionality is 4.03. The average score for Hongkong products considering price, quality and functionality is 4.0.

Indians rate products from Taiwan better than China (As per ANOVA test). Chinen and Sun (2011) reports that ‘Made in a developing nation’ would turn off US consumers due to lack of familiarity or inferior image. Chinen and Sun (2011) mentions that people from Taiwan and Hong Kong had a significantly lower impression of China compared to the Mainland Chinese in showing that the COO effect could moderate product perceptions. This data can be useful in improving the country image of Chinese manufactured products. Chinese manufacturer can get the product assembles in Hongkong (part of China) to get better entry in a new market specially in emerging market like India.

Table 6: Purchase intention of Chinese region products among Indian consumers (N = 180 multiple entry)

Country	Very definite	Definite	May be	Maynot be	Definetely not
China	80	21	30	5	44
Taiwan	136	38	3	2	1
Hongkong	111	21	17	5	26

(b)

Country \*opinion crosstabulation

Country		Opinion					Total
		Very definitely	Definitely	May be	May be not	Definitely not	
China	Count	78	21	30	5	44	178
	Expected count	107.5	26.5	16.5	4.0	23.5	178.0
Taiwan	Count	136	38	3	2	1	180
	Expected count	108.7	26.8	16.7	4.0	23.8	180.0
Hongkong	Count	111	21	17	5	26	180
	Expected count	108.7	26.8	16.7	4.0	23.8	180.0
Total	Count	325	80	50	12	71	538
	Expected count	325.0	80.0	50.0	12.0	71.0	538.0

(c)

Chi-square tests

Variables	Value	df	Asymp. Sig. (2-sided)
Pearson chi-square	85.732 <sup>a</sup>	8	0.000
Likelihood ratio	103.325	8	0.000
Linear-by-linear association	14.120	1	0.000
N of valid cases	538		

(d)

Opinion	Very definite		May not be		Definitely		Total score	Total score	Total score	Total score	Average score
	definite	Definite	May be	be	not	(NX5)	definite (NX4)	score may be (NX3)	may not be (NX2)	may not be (NX1)	
China	80	21	30	5	44	400	84	90	10	44	125.6
Taiwan	136	38	3	2	1	680	152	9	4	1	169.2
Hongkong	111	21	17	5	26	555	84	51	10	26	145.2

Average score shows that Indians would like to buy from Taiwan, followed by Hongkong and China

The another study is measure the purchase intention in future in view of their experience. Purchase intention is measured on scale of very definit, difinit, may be, may not be and definitely not as shown in Table 6.

The average score shows that Indians would like to buy from Taiwan, followed by Hongkong and China. Since, the significance value is  $0.000 < 0.05$ , there is a relation between country and opinion regarding buying the products. There is strong coraltion between image and product purchase. This is also suggested by Cui and Liu (2001) which mentions that companies from China should develop brands and target these brands at developing countieres.

The last part of study is to measure the satisfaction of product usage coming from Chinese region. It is measured on five point scale adopted from Pan and Zinkhan (2006) in our survey. Table 7 gives the detailed information.

There is variation on satisfaction level on product usage for Taiwan, Hongkong and China. Since, the significance value is  $0.000 < 0.05$ , there is a relation between country and opinion

Table 7: Satisfaction level among Indian consumers on products from Chinese region (N = 180-Multiple entry)

Country	Very satisfied	Satisfied	Fairly satisfied	Not satisfied	Definetely not satisfied
China	30	50	20	50	30
Taiwan	95	32	35	18	0
Hongkong	45	30	31	34	20

(b)

Country \*opinion crosstabulation

Country	Opinion					Total
	Very definitely	Definitely	May be	May be not	Definitely not	
<b>China</b>						
Count	78	21	30	5	44	178
Expected count	107.5	26.5	16.5	4.0	23.5	178.0
<b>Taiwan</b>						
Count	136	38	3	2	1	180
Expected count	108.7	26.8	16.7	4.0	23.8	180.0
<b>Hongkong</b>						
Count	111	21	17	5	26	180
Expected count	108.7	26.8	16.7	4.0	23.8	180.0
<b>Total</b>						
Count	325	80	50	12	71	538
Expected count	325.0	80.0	50.0	12.0	71.0	538.0

(c)

Chi-square tests

Variables	Values	df	Asymp. sig. (2-sided)
Pearson chi-square	85.732 <sup>a</sup>	8	0.000
Likelihood ratio	103.325	8	0.000
Linear-by-linear association	14.120	1	0.000
No. of valid cases	538		

<sup>a</sup>3 cells (20.0%) have expected count less than 5, the minimum expected count is 3.97

regarding buying the products. Satisfaction is highest for Taiwan followed by Hongkong and China. Bilkey and Nes (1982) pointed out that a positive brand reputation may offset a negative country-of-origin effect. This may be the reason that brands from China are popular in India. More than 90% of Indian in our study have purchased products from Chinese region.

## DISCUSSION

Companies can generally capitalize on their country's favorably perceived capacity to design or manufacture a product category (e.g., Iran and woolen rugs, India and tea) if their global country image is unfavorable or conversely, capitalize on the global country image (e.g., Norway), or both (e.g., Germany and cars, engineering). But in the context of emerging markets, consumers' perceptions of the place where the product is designed or manufactured become decisive, especially in the case of unknown brand names entering the market (Hamzaoui-Essoussi, 2010). The differences between emerging and developed markets, the increasing purchasing power of middle-class consumers in emerging markets, but also their increased familiarity with products of various origins underline the need for studying the applicability of the existing COO concept in this context. Concept of 'consumer animosity' which asserted that consumers will avoid products from certain countries not because of inferior quality but rather lingering 'antipathy related to previous or ongoing military, political, or economic events' from the offending nation. This has not happened

in Indian case in the present study even though there was a war between India and China in 1962. Price, quality and functionality of a product could influence the purchase behaviour. In emerging market it becomes more important due to affordability of the products.

In emerging market like India, purchase of a product is directly related to product functionality, affordable price with quality linked to functionality, psychic distance and animosity. Psychic distance could influence the purchase of Chinese products as they are nearer to India. Psychic distance has a role in brand purchase behaviour (Srivastava, 2011a). Therefore, it will be be appropriate to design a following equation based on results which can explain this situation better:

$$\frac{Pb \Sigma \sqrt{Pf+P}}{Pd \pm q \pm a \pm \infty \pm \text{COO}}$$

Pb = Purchase behaviour, Pf = Product functionality, P = Price, Q = Quality, COO = Country of origin, Pd = Psychic distance, A = Animosity.

Purchase behaviour of consumer of a product is summation of square root of product functionality plus price divided by psychic distance. This may be affected by quality, animosity and country of origin. If the psychic distance which is measured on cultural, physical and psychic distance is more than one, the purchase behaviour will change. For example in hypothetical case, if average score measured on a scale of 1-5 five being the highest for Pf = 3.3, P = 4.1, Pd = 1, q = 3, a = 3 then:

$$Pb = \frac{\Sigma \sqrt{3.3+4.1}}{1=2.70+3+3=8.7}$$

It means 58% chances are there for purchase bahaviuor. Country of origin not taken in to account. Thus, this equation can be applied to determine the success factor in entry mode in international business.

Understanding consumer behavior in relation to the perception of COO provides fundamentals for strategic decisions in marketing and consumer behavior. Purchase behaviour of Indian towards Chinese product is fairly more inclined due to psychic distance factors as culturally Indians are more nearer to Chinese due to proximity of religion and culture. However, in case there is longer psychic distance the acceptance of the product may diminish if other products are available from near-buy country (Srivastava, 2011b). Samsung is gaining more acceptance compared to Nokia. Quality is important but if the functionality is taken care, Indians tends to buy the products. In developing country like India consumers expect the product to work when in use. Affordable product with good functionality will get advantage in term of acceptance. Animosity may affect the purchase behavoiur. However, if the two countries are nearer to each other culturally, the purchase will take place. Indians do purchase products manufactured from Pakistan even though there is high degree of animosity. Both Taiwan and Hong Kong are among China's biggest trading partners-China is Taiwan's largest destination for outward FDI (Chand and Tung, 2011). It will be an interesting area for further study.

## CONCLUSION

With the rise of China and India as major global economies, it is increasingly important to study the acceptance of Chinese products in India. Both the market has huge potentials and is shaping

world economy. The country of origin of a product affects purchase decisions because consumers tend to infer the quality of a country's products from its national image. Majority of Indians have purchased Chinese products. It is possible due to Chinese products available at affordable price. Indian perceives Chinese products as low priced with value for money. Mobile, toys and food items are the most preferred category. They are purchased mostly by younger population of age group below 35 years. It is the most potential segment for India. Price is single most important point in decision making process by consumers in India followed by quality and functionality of the product.

### **LIMITATIONS AND SCOPE OF RESEARCH**

This research was carried out in Mumbai-a financial capital which may not represent smaller population behaviour. The study was more confined to younger age groups which is a dominant age group of India. A study at geriatric population (Baby boomer category) may give a new information. Animosity and psychic distance were not taken up in this study. It will be good to study these two factors as entry barrier in international business. Gender study was not done due to inadequate sample size of females. Convenient sampling is also one of the limitation of the study. Although, the purpose of this study was not to develop a model on consumer purchase behaviour by using different variables, future efforts in that regard may wish to incorporate our variables into their investigations.

### **MANAGERIAL IMPLICATIONS**

Mode of entry in global business is an important issue. Our study may help to understand the mode of entry in to emerging market. Country of origin, product functionality at affordable price may be a good country penetration strategy for emerging market. Companies in China can assemble the product in Hongkong (now part of China) to get good entry in large market like India. Textiles from China has not gained much entry in India when compared to other countries. Affordable product with quality can help the Chinese and other countries to enter India. Quality product at affordable price can be a used as penetration strategy by managers for emerging market based on the present study.

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