

## Factors Affecting Consumer Preference of International Brands over Local Brands

Zeenat Ismail<sup>1\*</sup>, Sarah Masood<sup>2</sup> and Zainab Mehmood Tawab<sup>2</sup>

<sup>1</sup>Department of Social Sciences, Institute of Business Administration – Karachi

<sup>2</sup>Students of Institute of Business Administration – Karachi

**Abstract:** This study was conducted in order to determine the consumer preferences of global brands instead of local ones. It is also designed to find out the buying behavior patterns of young Pakistani consumers. Consumer evaluates products based on information cues, which are intrinsic and extrinsic. A number of factors affect the consumer purchase decisions. The results suggest that most important factors that influence a consumer's final decision are the price and quality of the product in question. Since the consumers usually associate the price of the brand with its quality, a brand priced too low is generally perceived as a low quality product. Similarly, a product priced too high may not be affordable by many. Other factors that have an impact on the consumer preferences are: consumer ethnocentrism, country of origin, social status, price relativity with the competing brands and family and friends.

The research was conducted in Karachi and the samples selected included 200 people of age 16-24. The data collected for the research was through a questionnaire and was conducted in two popular shopping malls of the city and two universities since the target audience was largely the youth. Calculations were then analyzed and interpreted using a percentage of respondents and through frequency distribution tables and charts.

**Keywords:** Consumer preference, International brands, Local brands

### 1. Introduction

Globalization is an inevitable phenomenon that is leading the entire world towards becoming one market, a global village. Not only has the process of globalization aided immensely in the exchange of goods and services, information and knowledge through the reductions in international barriers, but it has also led the world into becoming a real single universal community comprising of people from different cultures, thus resulting in the shrinkage of the world. With the world becoming a single market, globalization has had a major contribution in enabling the organizations worldwide to step out of the restricted domestic markets and to set up their operations across the globe with confidence. This has largely led to a decline in the importance in national borders and a greater emphasis on what the consumers actually demand; be the consumers located in the very country in which the organization exists or an entirely different part of the world. Moreover, with the rapid increase in global competition, companies that strictly adhere to and cater to the needs of the local markets are finding themselves at a disadvantage and gradually losing the competitive advantage that they so much strived to achieve. However, for some products and services "the tastes and preferences of consumers in different nations are beginning to converge on some global norm" (Holt 2002). From a consumer perspective, however, reactions to the prevalence of global brands seem to vary among the different customers. On the one hand, consumers seem to value and admire global brands and regard such brands as a status symbol. On the other hand, global brands are often criticized for threatening the local differences and imposing the western cultures on our society, leading to a loss of cultural identity.

### 2. Purpose of the study:

---

\* Email: zismail@iba.edu.pk Tel #:+92(333) 3775545 Fax #:+92(21) 38103008

This study is aimed at determining consumer preference of the youth of international brands instead of national or local brands in Pakistan. There are various factors which influence consumer purchase decision. Such as Country of origin, price of the brand fashion, family and friends, brand name, availability, advertising campaigns, consumers' ethnocentrism etc. The study is also designed to find out the buying behaviour patterns of the young Pakistani consumers, attitudes towards global and local brands and the preference for foreign brands.

### **3. Literature review**

Brands have been constantly reviewed and redefined in the marketing literature and there are numerous definitions for 'brand'. A definition of a brand by The American Marketing Association (AMA) in the 1960s (Keller, 1998:2) is "a name, term, sign, symbol, or design, or a combination of them, intended to identify the goods and services of one seller or group of sellers and differentiate them from those of competitors." For consumers, when deciding between brands which are in the marketplace will include brands as an element to determine the qualities of the product rather than employing their time to enhance their knowledge of the product in information searching activities. Therefore, consumers use brands as cues to make decisions to purchase or try products (Ger et al., 1993).

### **4. Quality**

Perceived quality is defined as the consumers' judgment about an entity's (service's) overall excellence or superiority (Zeithaml, 1988 and Rowley, 1998). Research also indicates that consumers value global brands especially for their assumed high quality and prestigious image (e.g., Nguyen, Barrett and Miller 2005; Steenkamp, Batra and Alden 2003). An internationally well-established brand name can act as a "halo" constructs that effects quality beliefs (Han 1989). If a brand is perceived as globally available, consumers are likely to attribute a superior quality to the brand, since such quality is thought of as a prerequisite for international acceptance.

### **5. Country of origin**

The country of origin effect has been defined as "the positive and negative influence that a product's country of manufacture may have on consumers' decision making processes or subsequent behavior (Elliott and Cameron, 1994). 1991). Infact in the words of Nagashima (1970), COE can be defined as "the picture, the reputation, and the stereotype that businessmen and consumers attach to products or brands of a specific country. This image is created by such variables as representative products, national characteristics, economic and political background, history, and traditions". The literature on country-of-origin effects is quite rich and covers the topic from different perspectives in different countries. Some studies have shown that country of origin also has symbolic and emotional meaning to consumes, and it plays an important role along with other attributes such as quality and reliability in shaping consumers attitudes toward products. Moreover, attitudes and perceptions of consumers toward brands and products will depend on categories, for instance, electronic goods from Italy may be perceived as a poor quality but Italian clothing would be perceive as fashionable and high quality (Bikey and Nes, 1982). This would be differently perceived with Japanese brands as Japanese electronic goods would be perceive with positive attitudes and Japanese clothing will be negatively perceived.

### **6. Price**

Researchers found out that once consumers perceive a price difference between local-owned and foreign-owned brands, price dissimilarities begin to affect their preference for local-owned brands. Therefore, since price is also one of the most important extrinsic cues that consumers use when evaluating the product/brand (Hansen, 2005), we test the impact of price against consumer's ethnocentric tendencies to determine at what point consumers are willing to forsake preference for local products for a greater price discount with foreignowned products.

### **7. Social status**

Authors have stressed that consumers may prefer global brands because of associations of higher prestige (Schuiling & Kapferer, 2004; Shocker, Srivastava, & Rueckert, 1994; Steenkamp, et. al., 2003). Global brands may have a higher prestige than local brands due to their relative scarcity and higher price. Furthermore, global brands may also stand for cosmopolitanism. Some consumers prefer global brands because they enhance their selfimage as being cosmopolitan, sophisticated, and modern. Conversely, according to Ger (1999), local brands tend to be targeted and positioned based on a deep cultural understanding and therefore create “a sustainable unique value and offer the symbolism of authenticity and prestige”. Still, consumers have been found to have no intrinsic preference for global brands (De Mooij, 1998).

## **8. Friends and family**

Reference groups include groups or people whom one can look up for guidance and ask for opinion. These are important source of influencing the brand purchases. Reference group include friends and family who influence ones buying decisions due to special skills, knowledge, personality. If a friend had a bad experience with a product, it is more likely that one will refrain from buying it. However many studies found out that, knowledge that consumers obtain through direct personal experience will be perceived to be more trustworthy than information from other communications. This results in more strongly held beliefs (Swaminathan et al., 2001).

## **9. Research Questions**

- The reasons for consumer preference of global brands over the local ones.
- The product attributes that are mostly considered by consumers when buying a brand.
- The demographic characteristic of consumers who buy foreign brands more frequently.

## **10. Research methodology**

This study is a descriptive study and more of a qualitative nature and was conducted to identify and analyze the reasons why consumers prefer international brands to national brands when purchasing consumer goods. The sample for this research included the 200 consumers whose ages ranged from 16-24 years from Karachi. Simple random sampling was used for this study.

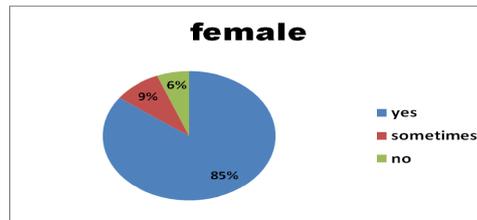
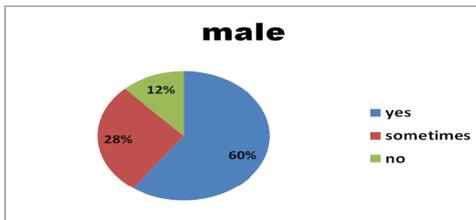
Questionnaires were used to collect primary data. The questionnaire included closed ended questions and Likert scale is used in most of the questions. These questionnaires were distributed to collect data from the students of Institute of Business Administration itself as well as the students of Institute of Business Management. Apart from this, we also visited Park Towers shopping mall and The Forum, the two leading shopping malls in Karachi, with the aim of collecting data for our research from the shoppers there. 50 questionnaires were distributed to each of the universities and shopping malls in equal proportion to males and females.

We mainly classified our population according to gender. Frequency distribution and bar charts have been used to evaluate the results. In addition to this, the means of different factors that influence consumers' preferences of the local and global brands were used to determine which factors are considered the most by consumers when purchasing different brands.

## **11. Findings and Discussion**

### **11.1. Question 1:**

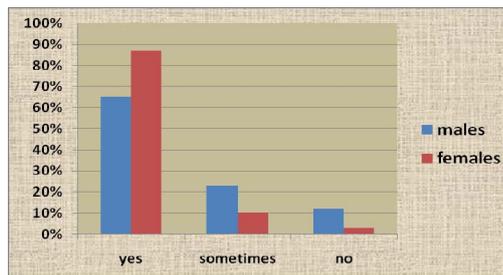
Do you use international brands products?



According to the data collected, 72.5% of the people used international brands of which 60 were male and 85 were females. 18.5% of the people questioned claimed to use international brands occasionally, whereas, 9.1% of the people claimed not to use global brands at all. As indicated in the pie charts above, 18.5% of the people who used the global brands sometimes included 28 males and 9 females, and those who did not use the global brands consisted of 12 males and 6 females.

### 11.2. Question 2

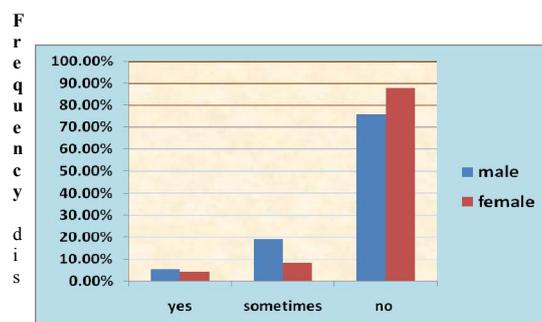
If an international brand and a national brand are priced same, would you prefer the international brand?



The purpose of this question was to evaluate and discover how important a factor such as price is in determining whether the consumers would go for the domestic brand or stick to the global one if both the products were in the same price range. The results found out that 76% of the consumers would go for the international brands whereas 24% would still purchase the domestic ones.

### 11.3. Question 3

Do you consider where a product is manufactured when purchasing it?

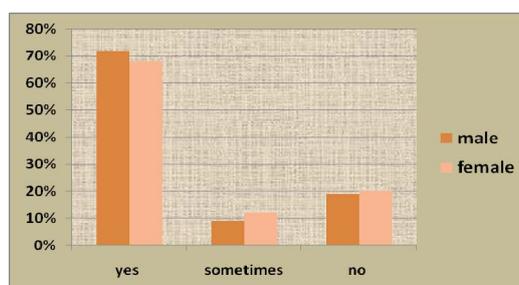


Responses

This question was asked to discover how much importance the youth lay on the country of origin as a factor when making a purchase. The results revealed far different results compared to what had been stated by the review of previous researches done. As indicated in the graph, the youth was found to be mainly ignorant of the country in which the brand was manufactured. Majority of the consumers (76% males and 88% females) did not consider it as significant a factor as to affect his or her purchase decision.

### 11.4. Question 4

It is said that people buy international products so that they can be accepted in a particular social group. Do you agree?



The results to these two questions confirmed the general perception that exists in our society, that is, the global are purchased as a status symbol. The youth mainly bought foreign branded products to be able to fit in a particular social group. This occurs largely because peer pressure tends to be high at this age, and most of the people find themselves being victims of inferiority complexes. The results to the first of these questions indicated that on average 75% of the youth (71 males and 79 females) purchased the international and local brands as a status symbol. These results were further enhanced by the results to the next question, which showed that 72% of the males and 68% of the females did, in fact, believe that the people purchased the international brands to be able to fit in a particular social group.

The table above compares the means of the different factors in influencing consumer preferences of the global brands over the local ones. The means, expressed in percentages, indicates that amongst all the factors, the quality of the branded product was considered the most important factor in shaping the consumers' purchase decision. The current trends and fashion were found to be just as important, but the price of the product was not found to be more important than the prevailing fashion and styles. The reason why 85% of the people decide to buy a particular brand was mainly because it was reflective of the ongoing fashion and there were only 5% people on average, who did not give importance to the ongoing fashion when purchasing a product. The results revealed that price was rated as the third most important factor in influencing consumer choice, whereas the quality of the product was considered the most significant, followed by the current trends and fashion.

Mean number of people ( in percentages)			
	Yes	Sometimes	No
<b>Price of the product</b>	76%	16.5%	7.5%
<b>Country of origin</b>	4.5%	13.5%	82%
<b>Quality of the product</b>	87.5%	7.5%	5%
<b>Status symbol</b>	75%	15.5%	9.5%
<b>Current fashion and trends</b>	85%	10%	5%
<b>Family and friends</b>	64.5%	17.55%	18%
<b>Ethnocentrism</b>	60%	20.5%	19.5%

Country of origin, as a factor in influencing consumers' choice of the brand was hardly a significant factor, since 82% of the people, on, average claimed that they did not consider which country a product is manufactured in when making purchase decisions. Only 4.5% people, on average, claimed that they do consider the country of origin when purchasing a brand. The ethnocentrism factor was considered by 60% of the people questioned. This indicates that most of the people believed that as a Pakistani we should buy our local brands rather than giving preference to the global brands, however, this was what they believed to be the ideal scenario. In practice, our people, especially the females were found to be extremely prone to the global brands. According to our findings, 78% of the females were not willing to even substitute the global brand with a domestic if the foreign brand is not available. The males, however, were not found to be that prone to the foreign brand.

The results also show that status symbol is also perceived to be a major factor in shaping consumer purchase decisions. The above table reveals that 75% of the people linked the branded product with their social status when actually purchasing it. The table provides a summary and ratings of the factors influencing consumer preferences of the national or international brand.

## 12.References

- [1] Balabanis, G., Diamantopoulos, A., Mueller, R. and Melewar, T.C. (2001), "The impact of Nationalism, patriotism and internationalism on consumer ethnocentric tendencies", *Journal of International Business Studies*, Volume 32, pp. 157-75.
- [2] Batra, R., Ramaswamy, V., Alden, D.L., Steenkamp, J.-B.E.M., Ramachander, S., 2000. Effects of Brand Local and Nonlocal Origin on Consumer Attitudes in Developing Countries. *Journal of Consumer Psychology* 9 (2), 83-95.
- [3] Bilkey, W.J. and Nes, E. (1982), "Country-of-origin effects on product evaluations", *Journal of International Business Studies*, Volume 13, pp. 89-99.
- [4] Crawford, J. and Lamb, C. (1981), "Source preferences for imported products", *Journal of Purchasing and Materials Management*, Volume 17, Winter, pp. 28-33.
- [5] De Mooij, M. (2004). *Consumer behavior and culture*. Thousand Oaks: Sage.
- [6] Elliott, G.R. and Camoron, R.C. (1994), "Consumer perception of product quality and the country of origin effect", *Journal of International Marketing*, Volume 2(2), pp. 49-62.
- [7] Han, C. M., 1989. Country Image: Country Image: Halo or Summary Construct? *Journal of Marketing Research*, 26(May), 222-229.
- [8] Hansen, T., 2005. Perspectives on consumer decision making: An integrated approach. *Journal of Consumer Behaviour* 4 (6), 420-437
- [9] Heslop, L.A. and Papadopoulos, N. (1993), "'But who knows where or when': reflections on the images of countries and their products", in Papadopoulos, L.A. and Heslop, N. (Eds), *Product-Country Images: Impact and Role in International Marketing*, *International Business Press*, New York, NY, pp. 39-75.
- [10] Heslop, L.A., Papadopolous, N. and Bourk, M. (1998), "An interregional and intercultural perspective on subcultural differences in product evaluations", *Canadian Journal of Administrative Sciences*, Volume 15(2), pp. 113-127.
- [11] Keller, K., (1998), "Strategic Brand Management", Prentice-Hall, New Jersey.
- [12] Kinra, N. (2006), "The effect of country-of-origin on foreign brand names in the Indian market", *Marketing Intelligence & Planning*, Volume 24 (1), pp.15-30.
- [13] 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*, Volume. 23, pp. 374-8.
- [14] Mazumdar, T., Papatla, P., 2000. An Investigation of Reference Price Segments. *Journal of Marketing Research (JMR)* 37 (2), 246-258.
- [15] Nagashima, A. (1970), "A Comparison of Japanese and U.S. Attitudes Towards Foreign Products", *Journal of Marketing*, Volume 34, January, pp. 68-74.
- [16] 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*, Volume 28, pp. 320-7.
- [17] Nguyen, T., Barrett, N., Miller, K., 2005. Perceived Brand Globalness: Antecedents and Out-come – The Case of Vietnamese Consumers. Proceedings of the 34th EMAC Conference, 24-27 Mai 2005, Università Commerciale Luigi Bocconi, Milan, Italy.
- [18] Shocker, A. D., Srivastava, R. K., & Ruekert, R. W. (1994): Challenges and opportunities facing brand management: an introduction to the special issue. *J. Marketing Res.*, 31(2), pp. 149-158.
- [19] Steenkamp, J-B., Batra, R., & Alden, D. L. (2003): How perceived brand globalness creates brand value. *J. Int. Bus. Stud.*, 34, pp. 53-65.
- [20] Summer, W.G. (1906), *Folkways: The Sociological Importance of usages, Manners, Customs, Mores and Morals*. New York: Ginn & Co.
- [21] Wang, C.K. and Lamb, C.W. (1983), "The impact of selected environmental forces on consumers willingness to buy foreign products", *Journal of the Academy of Marketing Science*, Volume 11(2), pp. 71-84.  
<http://amcy5.com/projects/marketing/amcy20.htm>