Importance of Country of Origin for Macedonian Apparel Products

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Abstract   This paper examines the origin of concept of country, its impact on customer perception and the overall image of Macedonia apparel in one specific market. It presents findings of pre-survey interviews, as well as questionnaires distributed to a representative sample of Bulgaria consumers and intermediaries. The factor analyses underlined the basic factors affecting the overall perceived image of Macedonia apparel, provides evidence for the perceived image as well as the factors affecting it. In addition, the research explores the differences between customers and intermediaries on several dimensions. The overall findings from this research provide initial insights on customer behavior in the Bulgaria market and the image of Macedonia apparel.
Key words   Country of origin; Country image; Apparel; Product cues

1 Introduction

The Country of Origin (COO) phenomenon has been one of the crucial and most researched fields in international marketing since its appearance in 1960`s. Schooler (1965) is the first to examine COO effects on product evaluations, concluding that COO did indeed influence consumers' product perceptions and decision making abilities. Over the next decades COO issues have been widely developed in extensive settings, including the use of high valued tangible products.

With the rapid globalisation that blurred country borders, vanished trade barriers and encouraged the emergence of the modern market place, variety of global products became available, competition intensified and gained international character. On one side, increase of products available and the indistinguishable product attributes associated with them, customers have turned to the use of COO as a base for discrimination. On the other side, recognizing the opportunity of lower cost production in developing countries, many international companies have started offshore production and outsourcing in these countries.

Researchers (Cai et al., 2004; Thakor & Lavack, 2003) argues that there is a positive relationship between the quality of products and the development of countries. More precisely high developed countries are associated with high quality products; developed countries with medium quality products; while less developed countries are perceived as offering undesirable quality.

Country image is especially important for Macedonia, which relies heavily on exports. The clothing and apparel exports account for more than 40% of total exports in the country, out of which 87% are to EU countries primarily in: Germany, Greece, Italy, Bulgaria, Belgium and Spain (CPRM, 2006).

The purpose of this research is to investigate the image of Macedonia apparel in terms of quality and price; the purchasing intentions and the overall attitude towards Macedonia apparel, as well as to elaborate on the factors that might have lead to the creation of this image, and to analyze customer behaviour towards this category of products in a specific part of European market-Bulgaria.

2 Literature Review

The simplest and most prominent definition for Country of Origin is: made in. But the growth of multinational companies and the appearance of hybrid products have blurred the validity of the "made in" connotation, challenging and necessitating the need for a universally accepted definition: "overall perception that customers' form for a particular country and its products based on prior experience with products originating from that country", given by Roth and Romeo (1992).

Whether directly through personal experiences or due to stereotypical beliefs about countries, consumers tend to develop product–country images. These are images of quality of specific products marketed by firms associated with different countries (Heslop and Papadopoulos, 1993; Johansson and Thorelli, 1985). For example: Columbian coffee, Swiss watches, Japanese electronics and German automobiles. If the consumers hold a positive (negative) product–country image for a given product and country, this image could lead to a generalized positive (negative) evaluation and attitude towards all the brands of a product associated with that country. Such COO-based equity might even extend to other

product categories due to stereotypical bias.

Customers use COO in the product evaluation, where he/she bases their evaluation on various descriptive or information cues associated with the product. These informational cues are explained by Leclerc et al. (1994) as a group of informational stimuli available to customer's prior purchase. Such cues can be *Intrinsic* referring to the tangible or physical characteristics of the products; or *Extrinsic* referring to the intangible product traits (Figure 1). This model was presented by Fishbein and Ajzen (1975) in the Fishbenian model.
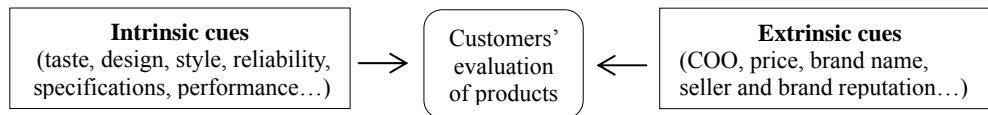

Figure 1   Cues Customers Use to Evaluate Products

Customers base their decisions solely on extrinsic cues in cases when knowledge of the product attributes is low or not very accurate. Given that some extrinsic cues such as warranties, brand and seller reputation, sourcing, location and country of manufacturing can be controlled by the firm (Zhang, 1996); COO can serve as a controllable extrinsic cue. Nevertheless, when other important attributes (i.e. quality, brand name and image) are unknown or not available, COO becomes a salient cue. Therefore, COO is a critical cue used in the process of acceptance/rejection of products in different world markets.

Knowing the importance and influence that COO plays on product perception and evaluation; and also the impact that it has on global branding, positioning and competing in international markets; COO should become an integral component of international marketing strategy. As Papadopoulos and Heslop state, as the level of globalization increases, the importance of the COO will increase too.

3 Methodology

In depth interviews with three senior marketing managers that have experience with Macedonian apparel products were conducted. Question were pre e-mailed and the interviews were semi-structured, consisting of fact based questions and questions asking interviewee opinion on several aspects. First, what is the opinion about the product attributes in general and the general preferences of the Bulgarian consumers. Second, what's the attitude towards Macedonia apparel. Lastly, what recommendations for improvement of the Macedonia apparel they can give.

After initial insights for the topic were gathered trough the interviews, the topic was further investigated trough the use of questionnaire. The target sample for the research consisted of two groups: customers and intermediaries. *Customer questionnaire* examined the specific country variables and product attributes originally proposed by Papadopoulos and Heslop (2002), More precisely, respondents were asked to evaluate their self-knowledge about the country and its people, perceived political and economical stability, their purchasing intentions and the ethnocentric tendencies, as well as the image assigned to Macedonia apparel. Hence, only 110 questionnaires were distributed, out of which 28 were incomplete, which makes a final total of 82 usable questionnaires (74.5%). *Intermediary's questionnaire* consisted of four sections using five point Likert Scale examining the familiarity with the country, views that intermediaries have for apparel made in Macedonia, marketing activities that Macedonia companies undertake, and background information were elicited. From the distributed questionnaires, 50 were returned, 120 were e-mailed upon the request of the representatives, while the other 30 refused to participate. From total questionnaires obtained, 55 were usable with total response rate of 27.5%.

The research covered diverse demographic, socio-economic and cultural mark-up in the areas of Sofia, Blagoev Grad and Plovdiv. Intermediaries included representatives from wholesalers, retailers, agents, manufacturers in Bulgaria that were part of the fashion fair "BGate" in Sofia. Purposive sampling was employed, for that reason participants were chosen based on the knowledge they can provide (Kinnera and Taylor, 1991). The questionnaires were distributed by using the drop off-pick up method, and collected at a more convenient time.

Having in mind the relatively large sample and complexity of the research, only completely answered questionnaires were considered as valid. The data collected was coded and analysed with the use of SPSS and several hypotheses were tested.

Potential factors affecting the image were explored by the use of common factor analyses of variance for both groups, with objective to identify basic underlining variables accounted for the correlations of the actual score, as well as to reduce the number of variables to a more manageable set.

The retrieved factors were tested for internal consistency with reliability analysis by calculating Cronbach`s alpha (α) coefficients. The data was processed into more meaningful results by the use of regression analysis, aiming to identify the significant variables to product image. In addition, several independent sample T-tests were undertaken, examining the potential differences between customers and intermediaries.

Based on the literature review and the main discussions, the following hypotheses were developed. Hypothesis 1: According to customers, the low quality of Macedonia apparel significantly contributes to the overall low image. Hypothesis 2: Intermediaries perception of medium quality apparel has led to an overall moderate image. Hypothesis 3: Customers do perceive quality of Macedonia apparel significantly lower than intermediaries. Hypothesis 4: Intermediaries do rate Macedonia apparel significantly better value for money than the customers. Hypothesis 5: Intermediaries do rate Macedonia apparel as significantly better compared to the rating assigned by customers.

4 Results

In order to investigate the image of Macedonia apparel products, several dimensions were examined, the results of which are presented in Table *1* and Table *2*. Consumers view Macedonia apparel as inexpensive and value for money (3.62 and 3.46 respectively) with moderate quality. More precisely, they claim that the quality of the fabrics is not good (2.74), does not retain its colours (3.04) and consequently the apparel does not last for a long time (2.95). Conversely, they claim that workmanship is not bad (3.38) and apparel has an attractive style and appearance, yet is not much fashionable (3.33).

The general image shared by customers is low price–low quality apparel, rather than value for money and satisfactory quality.

<table>
<tr><th colspan="3">Table 1   Product Ratings According to Intermediaries</th></tr>
<tr><th></th><th>Mean</th><th>Std. Deviation</th></tr>
<tr><td>Good fabric quality</td><td>3.44</td><td>0.66</td></tr>
<tr><td>Stability of colours</td><td>3.51</td><td>0.92</td></tr>
<tr><td>Workmanship</td><td>3.62</td><td>0.85</td></tr>
<tr><td>Durability</td><td>3.31</td><td>0.98</td></tr>
<tr><td>Attractive appearance</td><td>3.60</td><td>0.87</td></tr>
<tr><td>Inexpensive prices</td><td>3.65</td><td>0.80</td></tr>
<tr><td>Value for money</td><td>4.09</td><td>0.59</td></tr>
<tr><td>Recognizable brand names</td><td>2.15</td><td>0.95</td></tr>
<tr><td>Hard to find</td><td>2.58</td><td>1.26</td></tr>
<tr><td>Wide variety</td><td>3.55</td><td>0.72</td></tr>
<tr><td>Offers the benefits sought</td><td>3.25</td><td>0.89</td></tr>
<tr><td>Overall good product</td><td>3.44</td><td>0.83</td></tr>
</table>

<table>
<tr><th colspan="3">Table 2   Product Ratings According to Customers</th></tr>
<tr><th></th><th>Mean</th><th>Std. Deviation</th></tr>
<tr><td>Fabric quality is good</td><td>2.74</td><td>1.06</td></tr>
<tr><td>Clothing retains colours</td><td>3.04</td><td>0.92</td></tr>
<tr><td>Workmanship is good</td><td>3.38</td><td>0.94</td></tr>
<tr><td>Apparel last for long time</td><td>2.95</td><td>0.93</td></tr>
<tr><td>Fashionable style and appearance</td><td>3.33</td><td>0.94</td></tr>
<tr><td>Inexpensive prices</td><td>3.62</td><td>0.99</td></tr>
<tr><td>Value for money</td><td>3.46</td><td>0.96</td></tr>
</table>

In the same time intermediaries rate Macedonia apparel as high value for money (4.09) with attractive pricing (3.65) and medium quality. Fabric quality, stability of colours, workmanship, durability and appearance were rated in the range of 3.30 to 3.60. Yet intermediaries believe that there is wide variety of apparel available (3.55) which partially satisfies customer needs (3.25). On the contrary availability is limited (2.58) that might have lead to a modest overall product rating (3.44).

<table>
<tr><th colspan="4">Table 3   Factor Analysis for Customer Responses</th></tr>
<tr><th>Factor</th><th>Implies</th><th>α</th><th>Comments</th></tr>
<tr><td>F 1</td><td>Quality Integrity dimension</td><td>0.8315</td><td>Implying high reliability</td></tr>
<tr><td>F 2</td><td>Ethnocentric tendencies</td><td>0.8444</td><td>Was found to be reliable</td></tr>
<tr><td>F 3</td><td>Customer's purchasing behaviour</td><td>0.9435</td><td>Most reliable of all</td></tr>
<tr><td>F 4</td><td>Overall image of the apparel</td><td>0.6971</td><td>Crucial for the validity of the results</td></tr>
<tr><td>F 5</td><td>Price related dimensions</td><td>0.6425</td><td>Low internal consistency – disregarded</td></tr>
<tr><td>F 6</td><td>Political and economical stability</td><td>0.2409</td><td>Disregarded</td></tr>
<tr><td>F 7</td><td>Customer's desire for closer ties</td><td colspan="2">Comprised of only one element - dropped</td></tr>
</table>

4.1 Factor analysis for customer responses

Factor analysis for the 21 scales on which customers were examined converged into seven factors. The retrieved factors were tested for internal consistency with reliability analysis (Cronbach`s alpha). The majority of COO researchers (Sharma et al., 1995; Zhang, 1997) have used 0.7 as the cut off point for high reliability and internal consistency, therefore this analysis followed their example.

Factor analyses suggest that at least four different dimensions can be identified with the given set of variables and to test the hypothesis, the data was processed with regression analysis, at the 0.5 level of significance. The model passes the global test, and the independent variables (perceived quality; ethnocentric tendencies and purchasing intentions) explain 24% of overall variation in the image of Macedonia apparel. Other factors (brand knowledge and brand familiarity; experience with other products and brands from Macedonia; market presence; marketing integrity; price-value of the apparel; the prestige of the product; credibility of retailers/wholesalers as well as store location), might further influence the image. The general model equation is: $Y= 1.250 + 0.398 X_1 – 1.17 E\text{-}02 X_2 + 0.122 X_3.$

The perceived image is negatively related with the level of ethnocentrism, but positively related with perceived quality and purchasing behaviour. Yet, the analysis showed that only Factor 1 (X_1) has a significant relationship with the dependant variable (i.e. $\geq |\pm 1.96|$ and < 0.05 respectively). In the same time, the relatively high value of the ethnocentrism factor imply that the factor does not have a significant effect on overall image in Bulgaria. And Factor 3 was found to have a larger impact on the perceived image, but the low significance (0.1), suggest no clear evidence for the salience of its effect.

4.2 Factor analysis for intermediary responses

Intermediaries' perceptions, was examined on 22 variables and the results can be seen in the Table 4.

Table 4   Factor Analysis for Intermediary Responses

Factor	Implies	α	Comments
F 1	Perceived quality	0.7893	Reliable
F 2	Marketing variables	0.8149	Most reliable of all
F 3	Overall image of the apparel	0.7531	
F 4	Overall image of Macedonian products	0.7552	
F 5	Macedonia and its people	0.5241	Low internal reliability – disregarded
F 6	Price related product dimensions	0.6137	Low internal reliability – disregarded
F 7	Brand names		Comprised of only one element - dropped

From this it can be suggested that at least four different dimensions can be identified with the given set of variables, all of them having strong internal reliability. To examine which factors influence the image of apparel regression analysis was used. The model passes the global test, and the independent variables (perceived quality; marketing techniques and image of the country products) explain the overall variation of the image of apparel 13.3%. Other factors (incentives, the prestige assigned to the apparel, brand reputation, distributors' credibility, customer perception) may further affect the image. The regression equation is: $Y= 2.460 + 0.358 X_1 + 4.761 E\text{-}02 X_2 – 0.122 X_3.$

The results indicate that only integrated quality (X_1) is found to have a significant influence on the perceived image. Where the relationship between quality and image is a positive, suggesting that as quality increases, the image of Macedonia apparel will increase too. The Marketing Tactics factor (X_2), and the image of other products from the country (X_3), was not found to have a significant influence. Regression analysis indicates that quality is the crucial factor influencing product image.

4.3 Hypothesis tested

The first hypothesis aims to investigate whether the perception of low quality influences overall perceived basing on the customers. Regression analysis was undertaken at the 0.05 level of significance and the results indicates that the model is significant (Sig. 0.000), and has an adjusted R square of 27.5%. The general model is: $Y= 1.408 + 0.411 X_1.$ Where the model suggests a positive relationship between perceived quality and image, implying that if the quality increases, the image will also increase.

The second hypothesis investigates whether perceived apparel image for intermediaries is significantly affected by the associated perceived quality. Regression analyses indicated that the model is reliable, where the variations in perceived quality explain 14% of the apparel image. The regression equation is: $Y= 2.245 + 0.36 X_1,$ where perceived quality has a significant impact on the image of Macedonia apparel for intermediaries.

The third hypothesis aims to examine differences in the perception of quality exists among customers and intermediaries. The independent sample T-test shows significant differences in the

perceived quality based and intermediaries rated the quality of Macedonia apparel much higher on every dimension. Highest difference existing for quality of the garments and stability of colours.

Fourth hypothesis explores differences in terms of prices among intermediaries and customers and no significant difference was found. Both groups perceive Macedonia apparel as being inexpensive. and interviewees claim that Macedonia apparel has low prices, but cannot be classified as cheap.

The fifth hypothesis answers the different product-rating pattern between intermediaries and customers. Knowing that there are significant differences in perceived quality and prices an independent sample t-test was undertaken that confirmed the previously stated. Significant differences were found to exist for the perception of good overall product (Sig. 0.000), with higher rating by intermediaries.

Here we can conclude that intermediaries perceive Macedonia apparel as medium-quality, medium-priced one, seeing as normal for products coming from countries in their development (Papadopoulos & Heslop, 1993). Opposite, customers perceive apparel with lower quality and reasonable to low prices, which combined does not result in a high value for money, but rather in a perception of cheap products.

5 Conclusion

This study offers initial insights for consumer behaviour on the Bulgarian market, as well as the image of products originating from Macedonia on the same market. This research can help Macedonian managers to create more effective strategies for successful market entering and penetration.

Customers perceive Macedonia apparel as having overall satisfactory quality, associated with good workmanship and attractive appearance and the fabric quality is perceived as reasonably priced value for money. However, Macedonia marketers shell bear in mind that attractive pricing does not guarantee success of Macedonia apparel, but this the low rating and low brand recognition call for caution.

Bulgarian customers are reserved in their ethnocentric tendencies and tolerant towards imports, however, they indicate that they are not proud to owning and buying Macedonian apparel, resulting in low willingness to buy and low frequency of purchase. Knowing this and in the same time knowing the advantages, apparel producers shell focus good workmanship and lower prices, further stressing the value for money offering in their promotional appeals.

According to intermediaries, overall Macedonia apparel is moderately good, meaning that it is middle quality, reasonably priced, high value for money product. However, the low awareness of brand names and the unsatisfactory promotion represents a barrier for Macedonia producers. Therefore carefully choosing credible retailers/wholesalers, increasing the availability of the apparel, as well as aggressive promotion are crucial for achievement of greater awareness.

It can be suggested that in the transition from Cut-Make-Trim and Cut-Make to own product design, it might be wise step. They may produce locally, but brand the product in Bulgaria trough JV's that will increase acceptance and will enable Macedonia apparel producers to enter markets more successfully.

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