Consumer Purchase Intention toward Products Made in Malaysia vs. Made in China: A Conceptual Paper

Sharon Lew, Zuraidah Sulaiman*

Faculty of Management, Universiti Teknologi Malaysia (UTM), 81310 Skudai, Johor, Malaysia

Abstract

This conceptual research paper is about Malaysians’ perceptions toward products made in Malaysia versus products made in China. Local products are generally perceived as being of lesser quality compared to others. It is now common for most products to have the label “Made in China”; unfortunately, products made in China are also not renowned for their quality. With this in mind, what would Malaysians’ choices be? Products made in China are often cheaper compared to locally made products, mainly due to China’s massive production industry. Apart from price, other factors that will be tested in this study are ethnocentrism and product quality (including aesthetics, performance and durability) that might affect consumers’ purchase decisions toward products made in China or Malaysia.

Keywords: Made in China product; made in Malaysia product; pricing; product quality; product aesthetics; product performance; product durability; ethnocentrism; purchase intention; country of origin.

1. Introduction

Malaysia is a developing country experiencing economic growth. This country is blessed with a convenient global location, enabling trade with surrounding countries. With the World Wide Web, the economy has grown at a much greater rate, with imports and exports of products of every kind at economies of scale. In this era of technology, communication and trade have few boundaries and almost anything is possible. However, Malaysian consumers often exhibit some inconsistent purchasing behaviour. Although Malaysians are proud that their country’s products

* Corresponding author. Tel.: +6-017-841-0849; fax: +6-07-561-0099.
E-mail address: zuraidahs@utm.my
are being exported overseas, they have a common perception that foreign-made products from advanced countries like America, are of higher quality compared to locally produced products (Garten, 2002). However, if local products are compared with products from less developed countries, Malaysians perceive local products as being of higher quality. Such perceptions arise from the country’s economy – if the product’s country of origin has a better economy compared to Malaysia, Malaysians presume that those products are better in quality; and vice versa.

China’s production is taking the world by storm – it is no doubt that the Republic of China is becoming the world’s manufacturing giant (Garten, 2002). China is full of opportunities with a vast amount of resources. The government has changed its policies and taxes to encourage foreign investors to invest in China. Ever since the Olympics in Beijing in 2008, the economic boom of China has only continued to rise. Even if a product is not wholly made in China, there will be parts of a product that are made in China. For example, a laptop could be assembled in Malaysia, but there will be parts, like the battery, that are made in China.

Consumers nowadays have many options of the same products, each with specific features to satisfy different preferences of each individual. What exactly influences consumers’ purchase decisions is what motivated the study of consumer behaviour; it is important to understand what consumers want in a product and what factors influence them to purchase a product.

1.1. Problem statement

There is a perception that Malaysians think products made in Malaysia cost cheaper due to their low quality (Bedi, 2009). This is a misconception as Malaysia makes products that are of equal quality and fit to be exported to many advanced countries. Consumers are simply used to seeing years of advertisements from branded companies and have built the belief that their products are better quality. Packaging made by branded companies also influences consumers into buying their product.

China is currently one of the leading manufacturers in the world (Sarwar, Azam, Haque, Sleman and Nikhashemi, 2013; Garten, 2002). Consumers perceive that products made in China are of lesser quality due to several safety issues that China manufacturing is facing. It is common news that some Chinese products contain unsafe substances, and yet consumers still buy a lot of products made in China on the assumption that they are safe. It is also not surprising when consumers continue to repurchase Chinese-made goods. For example, a phone charger could be faulty after years of use, and a consumer then buy a new one. Upon purchase of a phone charger, a consumer is given two options – the cheaper one (made in China) and the original one (assembled in Malaysia). The consumer would normally opt for the cheaper charger, knowing that the charger would get faulty again and will soon need to buy a new one in no time. These purchasing decisions are what keeps China growing and heading towards a competitive economy.

Prices of Chinese products in almost any industry can be at least 30% lower than local products (Engardio, Roberts, and Bremner, 2004). Local businessmen are forced to reduce their prices to match or risk losing customers. In America, 150 billion dollars worth of manufacturing jobs were lost to China in 2004 (Engardio, et al., 2004). Although this is a situation faced in America, no doubt Malaysia faces the same situation. Our economy relies heavily on Chinese-made goods. Many local businesses have declared bankruptcy or have diverted their business operations to importing goods from China to be able to compete in the market.

America was once able to survive these cheaper imports when Korea, Japan and Mexico made cheaper goods because Americans were still considered the best at making sophisticated goods like electrical and aeronautical engineering products (Engardio, et al., 2004). However, America faces a threat when China is able to compete with low labour costs in a high technology arena, including in a sophisticated industry like electronics engineering, with a large domestic market bringing massive volumes in production. Local companies in China are simply competing in any and every way that they can just to crowd the profit. This is how China is able to make low cost products (Engardio, et al., 2004).

It is now a common term to say “everything is made in China”. There is some truth to that phrase because Malaysia has been importing goods from there as well. Despite the fact that Malaysia exports goods, the country also imports goods and services. In 2011, Malaysia’s total imports was RM574.23 billion, and China contributed 13.2% to that amount (MATRADE, 2011). Chinese-made goods are so cheap that they begin to compete with local
products. Consumers who are price conscious would definitely opt for the cheaper goods. Malaysia therefore, has to compete in both price and quality of a product to win market share.

It is only logic to think that consumers nowadays prefer the cheaper option. However, would Malaysians consider buying local products first before buying Chinese-made goods? Would Malaysians decide on their purchases based on their level of ethnocentrism (i.e. morality and appropriateness of buying local products rather than foreign products)? Would Malaysian consumers consider the value in terms of the aesthetics quality, performance, and durability of the product rather than just the price? In this research, the authors want to study the effects of pricing, consumers’ ethnocentrism, product quality and their relationships on the purchase of local products in comparison to Chinese-made products. The type of product being investigated will reflect a low-involvement product that does not require much consideration upon purchase.

1.2. Purpose of study

This research aims to investigate Malaysians’ perceptions and ethnocentrism scale when buying local products. The products that will be tested in this study will be low-involvement products. The study also compares consumers’ perceptions of Malaysian-made products versus Chinese-made products. This research aims to study the relationship between the factors affecting purchase intentions of Malaysians.

2. Literature review

Consumer behaviour is the study of all processes involved when an individual or a group satisfy their needs and desires by selecting, purchasing, using, or disposing of products and services (Schiffman and Kanuk, 2007). The process itself is basically the simple idea of how people think before purchasing something to fulfil their needs and wants. Each individual has their own preferences when making purchases of a particular product. Consumers are greatly affected by their personality, social environment and the culture that they are part of. With the current situation of a world without borders, country of origin has begun to become an influencing factor in consumers’ purchasing behavior (Ghazali, Othman, Yahya, and Ibrahim, 2008).

2.1. Country of origin

The early definition of country of origin (COO) comes from the work of Nagashima (1970) that conceptualised COO as, “The picture, the reputation, the stereotype that businessmen and consumers attach to products of a specific country. This image is created by variables such as representative products, national characteristics, economic and political background, history, and traditions.” (p. 68)

Since then, many studies has proven how COO influenced the way people make purchase decisions. Previous research showed that consumers’ perceptions of products made in western countries (or more developed countries) are of better quality compared to those made in less developed (or developing) countries (Bilkey and Nes, 1982). Li and Wyer (1994) stated that purchasing decisions of high-involvement products are more elaborate, and thus the COO factor comes in; apart from other factors like price, quality, brand and appearance. Influence of COO should be higher when considering high-involvement products rather than for low-involvement products.

2.2. “Made in Malaysia” concept

The “Belilah Barangan Buatan Malaysia” (Buy Malaysian Goods) campaign was launched by Tun Dr. Mahathir Mohammad in the 1990s to boost Malaysia’s economy. Although this campaign has been in place for more than 15 years, its impact on buying Malaysian products is not prevalent among Malaysians. There is a perception that Malaysian goods are of lesser quality due to lack of advertising.

Research by Noor (2005) found that products made in Malaysia are of lesser quality because local manufacturers with an unknown brand do not consider the importance of quality. These local manufacturers do not own popular brands, and so they complement this by manufacturing products that are cheaper in price in order to compete in the
industry. Such production methods, emphasising on cost reduction, have severely affected product quality. In fact, some of these manufacturers do not comply with the Malaysian standards of quality and so they are not concerned with customer satisfaction upon using the products. Noor (2005) further stressed that it is consumers’ negative product experiences of these locally made products that has made Malaysians conclude that most products made in Malaysia are of lesser quality.

2.3. “Made in China” concept

Years ago, China was seen as a low-competition market with low-cost land (Luo, 2007). Other developing countries did not seem concerned with China’s economic progress and impact, until the Beijing Olympics in 2008. Since then, and even in the years leading up to 2008, China has also been preparing for an economic shift. China has been changing and improving its economic regulations to be more open to multinational companies and foreign trades. Everyone is now turning to China for their low wage rates, cheap resources and benefits given by the republic government to these foreign investors. Nonetheless, China faced a big crisis regarding its product quality. It was estimated that at least 10% of manufactured output had to be remade due to defects in the product’s quality (Green, 1990).

2.4. Pricing

Kotler (2011) defined price as the amount of money being charged (or in exchange) for a product or service. Keller (2008) stated that consumers often actively process price information based on their knowledge and experience of previous purchasing experiences. Although consumers may not be able to exactly recall product prices, they generally know the range of prices for a certain product category.

There are several strategies which use price to influence consumers’ purchasing decisions. Generally, there are three types of price promotion, including rebate, discounts and free options (Munger and Grewal, 2001). In research by Munger and Grewal (2001), the most preferred price promotion is discounts, followed by “free” items and, lastly, rebates.

The higher the price, the less likely it is that consumers will purchase a product or service (Kinney, Ridgway, and Monroe, 2012). This means that there is a negative relationship between high price and consumer purchase intention, given that all other factors remain constant. China’s prices for manufacturing products are at least 30% lower to manufactured goods made locally (Engardio et al., 2004). Most businessmen are forced to reduce their prices or risk losing their customers to Chinese manufacturers. Research was conducted by Sarwar et al. (2013) to investigate the effect of price and consumers’ perceptions in buying Chinese-made products. It was concluded that there is a positive relationship that exists between price and consumer’s perceptions towards buying Chinese products. Consumers are generally price-sensitive, and so China made products are perceived as more affordable as they are comparatively cheaper than any other country’s products. Due to China’s low price strategies, China managed to gain market share by targeting the middle- and lower-income groups. Based on the arguments above, this research will investigate the relationship between pricing and Malaysians’ purchase intentions toward products made in Malaysia and products made in China.

2.5. Ethnocentrism

Consumers are now exposed to choices from all around the world. Thus, it is questionable as to whether local consumers would still prefer local products compared to foreign brands. Shimp and Sharma (1987) defined consumer ethnocentrism as consumers’ belief in the appropriateness and morality in purchasing foreign goods and services. There are several reasons why consumers evaluate products from different countries with bias (Saffu and Scott, 2009). Highly ethnocentric consumers would consider products from their home country first, even though it is recognised that a foreign product is of higher quality. With this explanation, this research will investigate the relationship between level of Malaysian ethnocentrism and their purchase intentions toward products made in Malaysia and products made in China.
2.6. Product quality

According to Kotler (2011) and Keller (2008), quality is the entire features and characteristics of a product or service that are able to satisfy the stated or implied needs of the product or service. However, quality is a subjective issue whereby each individual defines it differently. There are eight dimensions of quality stated by Garvin (1984), namely, performance; features; reliability; conformance; durability; serviceability; aesthetics; and perceived quality. Although China is seen as a country producing lower quality goods (Sarwar et al., 2013), Malaysia is not doing well either.

There have been many cases to prove that Chinese-made goods are of lesser quality; among the obvious cases is food products (Zhang, Bai, Lohmar and Huang, 2010). As for Malaysian goods, research by Noor (2005) found that products made in Malaysia were of lesser quality because local manufacturers with an unknown brand did not consider the importance of quality, in order to compete with China in terms of price. With the review above, this research aims to discover the relationship between product quality (i.e. product aesthetics, performance, durability) and Malaysians’ purchase intentions toward products made in Malaysia and products made in China.

2.6.1. Product aesthetics

The appearance of a product can influence consumers’ purchase decisions (Creusen and Schoormans, 2005) because it affects the consumers’ initial judgment of the product. Product aesthetics communicate with consumers in terms of product functional characteristics and give consumers the quality impression. The preferred shape, colour and size play a role in influencing consumers. Consumers tend to buy typical category products (normal or common looking) for low-involvement products as these require less effort when making purchase decisions (Creusen and Schoormans, 2005).

2.6.2. Product performance

Performance is the product's response to the external actions in its working environment. (Prabhakar Murthy and Blischke, 2006). The performance of a product relies also on the constituent components of the product. Product performance is now linked to product innovativeness, due to firms often developing new products with better features, claiming better performance (Castillo and Aleman, 2009). High performance products (products that performed as expected or better) have proved to give higher consumer satisfaction (Carbonell, 2004).

2.6.3. Product durability

Durability of a product is defined as the measure of the product’s life usage (Prabhakar Murthy and Blischke, 2006). Durability reflects the life period of a physical product (Garvin, 1984). Research by Sarwar et al. (2013), to study consumers’ (Malaysians’) experiences in using Chinese-made goods, concluded that there is a positive relationship between product quality and consumers’ perceptions toward buying products made in China. This contradicts the general statement that Chinese-made goods are of lower quality (Sarwar et al., 2013). Based on the results of the research, Malaysians do prefer products made in China as they consider that the products are more durable.

Other research by Noor (2005) about the durability of Malaysian-made electrical goods found that in order to be able to compete with branded electrical companies, these local companies use a cheaper price strategy to compete in the market. In order to sell at a cheaper price, firms have to cut costs by using cheap resources and hence do not follow the required quality policy of the Malaysian Government. Although these products are tested by SIRIM Malaysia, the durability of the products is highly doubtful. Consumers who purchase these locally branded electrical items due to their price are not satisfied with the product upon usage as the product often begins to break down in a short period of time. Thus, local items have been branded as low quality because they are not durable compared with branded products from foreign countries.
2.7. Purchase intention

More often than not, consumers’ purchase intentions are highly influenced by word-of-mouth (Kenyon and Sen, 2012), regardless of whether it is positive or negative word-of-mouth being heard. For a consumer to make a purchase decision, they will go through a search process for a product (Horn and Salvendy, 2006). In this search process, the consumer will consider the price of the product, the aesthetics of the product, the features that lead to performance of the product, the durability of the product and also the country of origin of the product.

Price of a product also often affects consumers’ purchasing intentions because people are sensitive toward pricing (Allred et al., 2010). Price sensitivity builds on the premise whether or not buyers are willing to pay for a product by comparing the benefits that they will gain in exchange for money (Gerald and Woodside, 2009). What attracts consumers in the first place would also be the looks and design of the product (Creusen and Schoorman, 2005). Since all products from the same category often look similar, it is the appearance that consumers will judge in making their purchase decisions.

In making purchase decisions, consumers would also evaluate the product’s performance by assessing its additional features as well. Firms that include features that consumers do not expect, and yet find useful, would achieve higher market share in the industry (Brucks, 2000). If a consumer wants to buy a product, they tend to choose one that is durable, even if it costs more, because they assume that it will last longer and require less maintenance (Wu and Jang, 2013). Consumers choose durable items also because they want to exert less effort in the near future for maintenance or buying a new product.

The influence of country of origin on consumers’ purchasing behaviours is rather significant, now that globalisation makes the world a smaller place. The country’s image and information are data that consumers consider when buying a product. Even though the consumer may not have enough information on a particular product, the country of origin of the product gives the consumer the information of the country, judging it from whence it came, rather than the product itself (Rezvani, Dehkordi, Rahman, Fouladivanda and Eghtebasi, 2012).

3. Conceptual framework

3.1. Research questions

Based on the arguments in the literature review section above, this study aims to investigate the following research questions:

Research question 1: Do factors such as pricing, ethnocentrism and product quality (comprising aesthetics, performance and durability) affect Malaysians’ purchase intentions toward products made in Malaysia versus those made in China?

Research question 2: What is the factor that highly affects Malaysians’ purchase intentions toward products made in Malaysia versus products made in China?

Research question 3: Would Malaysians’ purchase intentions toward products made in Malaysia versus those made in China be different?

3.2. Research hypotheses and framework

Several factors (independent variables) will be investigated regarding their effects on Malaysians’ purchase intention (dependent variable). The independent variables that are to be tested in this research include pricing, ethnocentrism and product quality (aesthetics, performance and durability). The dependent variable is the purchase intention of Malaysians in considering products made in Malaysia or made in China. The hypotheses of this study are as follows:
H1a: There is a relationship between pricing and Malaysians’ purchase intentions toward products made in Malaysia.

H1b: There is a relationship between pricing and Malaysians’ purchase intentions toward products made in China.

H2a: There is a relationship between ethnocentrism and Malaysians’ purchase intentions toward products made in Malaysia.

H2b: There is a relationship between ethnocentrism and Malaysians’ purchase intentions toward products made in China.

H3a: There is a relationship between product quality (aesthetics, performance, durability) and Malaysians’ purchase intentions toward products made in Malaysia.

H3b: There is a relationship between product quality (aesthetics, performance, durability) and Malaysians’ purchase intentions toward products made in China.

H4: There is a difference between Malaysians’ purchase intentions toward products made in Malaysia versus products made in China.

The framework for this study is as follows:

![Conceptual framework](image-url)

Fig. 1. Conceptual framework
4. Methodology

In this research, to study consumer perceptions toward products made in Malaysia versus China, the independent variables are pricing, ethnocentrism and product quality, whereby product quality is further specified to aesthetics, performance and durability. The independent variable to be tested in this study is consumers’ purchase intention.

4.1. Research design

Conclusive research design will be used in this research. Specifically, this research uses a descriptive research method. This study uses descriptive research because the research questions are related to consumer perception – a type of market characteristic – toward products made in Malaysia versus those made in China. There are several factors to be investigated such as pricing, ethnocentrism and quality (including aesthetics, performance and durability) that affect consumers’ purchase intentions. Thus, descriptive research will be used to express this relationship. A cross-sectional design will be used to obtain respondents for this research.

The experiment will be conducted on consumers, face-to-face, in the field to study the relationship aforementioned and assess the proposed hypotheses outlined. During the experiment, consumers will be given a tangible item to compare and state their purchase intention; a simple question and answer session will follow. Consumers will be provided a questionnaire after seeing the tangible product, to assess their reasons for making their decisions. The product used in this experiment must be a low-involvement product to reduce the unwanted effects of the “country of origin” factor (i.e. toothbrush).

4.2. Data analysis

In this study, data will be analysed using Statistical Package for Social Science (SPSS) version 21.0. The descriptive analysis will be applied in analysing the demographical data of the respondents. The descriptive analysis may also be used to describe the hypothesis in a simple way. In this study, there are also several types of inferential analyses that will be applied, including correlation, multiple regression and t-test. The correlation and multiple regression analysis will be used to analyse the relationship between independent variables (pricing, ethnocentrism, and product quality) and the dependent variable (purchase intention). Also, a t-test will be used to analyse the difference between Malaysian purchase intentions of the two product groups – the made in Malaysia product vs. the made in China product.

5. Conclusion

This consumer behavior research plans to investigate Malaysians’ consumer perceptions toward products made in Malaysia versus China, by studying the effects of pricing, ethnocentrism, and product quality (i.e. aesthetics, performance and durability) on consumers’ purchase intention. This particular conceptual paper is the earliest article produced from the research. It highlights the problem statement that motivates the research, delineates the research questions and hypotheses to be tested, and reviews the literature relevant to the major areas in marketing, such as country-of-origin, ethnocentrism, pricing, and product quality. The “Made in Malaysia” and “Made in China” concepts are also discussed. Future articles to be generated from this research will discuss in greater details on the aspects of experiments methodology used, survey instruments and administration, descriptive and inferential results, as well as managerial implications of this research. Findings from this research will assist the local manufacturing industry to further improve their products and services in order to compete in the global market strategically.
References


