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Satisfaction: Comparison Analysis of the Newly
Emerging vs. Developed Country**

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Exploring Determinants of Country of Origin and Product Category on Perceived Value and Satisfaction: Comparison Analysis of the Newly Emerging vs. Developed Country

Abstract

While the sustainable growth of newly emerging economics is increasing, how customers perceive the product made in the newly emerging country remains an important consideration. The purpose of this study is to investigate determinants of the country of origin effects by comparing perception on made in the newly emerging and developed country. Study 1 and Study 2 examined determinants of the country of origin effects by considering the moderating role of the product categories based on i) utilitarian vs. hedonic and ii) the perceived degree of the risk. Study 1 applied the perceived acquisition value (PAV) and the perceived transaction value (PTV) to measure the country of origin effects, while Study 2 investigated the effects of the country of origin on customer satisfaction by controlling the effects of a covariate of attitude. This study applied empirical analyses that utilize the factorial Multivariate Analysis of Variance (factorial MANOVA) for study 1 and factorial Analysis of Covariance (factorial ANCOVA) for study 2. This study proposes a policy recommendation regarding which product categories should the manufacturing industries of those countries focus in effort to ensure the sustained growth of their economies. This study also provides a managerial implication in that the policy makers of these countries should investigate in minimizing the display of the country of origin information on these products to benefit from greater value added from manufacturing products from such categories, given the intersection between the products without country of origin information and the products from a developed country in study 2 indicating that the undetermined order of consumer satisfaction resulting from the country of origin effects.

Keywords: Country of Origin, Perceived Acquisition Value, Perceived Transaction Value, Product Category, Satisfaction.

I. Introduction

How customers perceive products and services made in newly developing countries

has been rarely examined among previous studies in the topic on country of origin effects. The newly developing countries coined as BRICS (O'Neill, 2001) are the emerging economics of Brazil, Russia, India, China, and its newest member, South Africa. These countries have experienced unprecedented growth on the aggregate level, even though the stagnant growth due to a series of economic crisis including the Global Financial Crisis in 2008. The success and the market trend in the newly emerging markets affect the economy of the developed countries, and vice versa. Given the close connection between newly developing and the developed countries, investigating whether the growth of the newly industrializing countries largely characterized by the BRICS countries is sustainable, could influence global market growth. For the countries around the world to sustain and accelerate their economic growth, it is imperative to analyze whether the unprecedented growth of the newly emerging markets is sustainable. Such study is critical given the devastation cause by the previous economic crisis. To pursue conduct such an analysis, it is imperative to examine the manufacturing sector of these developing countries. The Country of the Origin (COO) effect associated with the COO labeling of the product made in a developing country can determine the performance of its manufacturing sector. COO information has a direct effect on a consumer's purchasing decision communicating the perceived quality and value of the product through nationality bias and the made-in image.

The purpose of this study is to investigate determinants of the country of origin effects by comparing perception on made in the newly emerging and developed country. Study 1 and Study 2 investigates the determinants of COO effects, considering the moderating role of the product categories. Study 1 also examined COO effects in terms of their perceived price effects and perceived acquisition price (PAV) and the perceived transaction price (PTV). To identify which characteristics of a product impacts the COO

effect, the dependent variables of PAV and PTV are measured in four different product categories of whether a product is utilitarian or hedonic and the degree of perceived risk in a bivariate dimension. Study 2 investigates i) how COO groups influence the effectiveness of the product categories on the consumer satisfaction towards each product category, ii) the way in which product categories affect satisfaction, and iii) whether or not there are interaction effects between the COO groups and satisfaction.

II. Background of the Study

There are variations to the projections on the newly developing countries. Positivists (O'Neill, 2011) examine the impact on GDP, while pessimists emphasized risks such as the foreign exchange rate risk, non-normal distribution, difficulty of raising capital, poor corporate governance system, increased chance of bankruptcy, and government interventions. In addition to pursuing the production outsourced by the multinational corporations for the developed countries, these newly emerging markets have attempted to build and promote their own manufacturing sectors. As the manufacturing sector comprises a significant portion of their economy, these countries are trying to limit reliance of on foreign outsourcing to make themselves less susceptible to outside fluctuations. Ascertaining why the BRICS countries can maintain their high growth rate depends on the success of their manufacturing sector, not the extent of outsourcing and offshoring. A well-planned marketing strategy is crucial for the newly developing countries for the success of their manufacturing sector, as it is difficult to raise awareness about their products or services. The newly industrializing countries may not able to build customer confidence about the improved quality and the competitive price of their products. This would lead to loss of sales and weakening the economies of the developed countries, while their economic activities are tied to global value chains.

One of the most important factors in planning a marketing strategy as a part of the development policy for a country is COO information. Often referred as the COO effect, the information reflects the nationality bias associated with the country of origin labeling of a product or service. This is also known as made-in image, referring to the psychological effect of the country of origin labeling has on consumers' perceptions of and attitudes towards a product or service, which affects the purchasing decision. COO information plays a role in a firm's perceived value and quality in comparison to its competitors.

This study posits that a factor that must be taken into consideration is the product categories. This study classifies products as functional or emotional. Functional (i.e., utilitarian) goods are practical goods or necessities, while emotional (i.e., look-and-feel or hedonic) goods are usually luxury products that consumers purchasing because of the pleasure of doing so. The second factor in this study is the perceived risk level. Risk level directly influences the consumer's perceived value of a product and therefore the ultimate purchasing decision. There are several sources of perceived risk can come from different causes. In the context of the COO effects associated with the manufactured products from the newly emerging economies, whether the COO effect is uniform across all the product categories, or whether their made-in image or nationality bias differs based on the characteristics of a product. If the COO effects vary, it is possible to analyze the factors that impact a consumer's image biases associated with the COO information of a newly developing country. The results of such analysis would guide a policy strategy to market the countries' manufactured goods, as the perceptions of the COO information of a product directly influences consumers' purchasing decision.

III. Literature Review

Previous studies examined a consumer's choice behavior based on imperfect

information. Researches argue that consumers choose the option that provides the maximum utility and value by using the information related to the features under the assumption that people are rational being (Bettman, Johnson, & John, 1991; Ryu, Park, & Kwon, 2006).

3.1 Perceived Acquisition Value (PAV)

The acquisition value is defined as the net gains from acquiring a product or services (Dodds, Monroe, & Grewal, 1991) and as the perceived benefit from the reservation price of a product when compared to the actual sales price (Monroe & Chapman, 1987). However, when a consumer evaluates the value of a product, there is no evidence that the buyer considers the reservation price (Bearden, Kaicker, Borrero, & Urbany, 1992). Perceived acquisition price is in a trade-off between the benefits a consumer earns from the product and the financial payment a buyer had to make or sacrifice (Monroe, 1990). The perceived benefit of a product is related to the consumer's decision to purchase that product. When the buyer lacks much information about the quality of the product, there most of the consumers believe the price and the quality of the product are in a positive relationship (Monroe, 2012). The perceived benefits would outweigh the perceived sacrifice as the increasing price raises the perceived quality for the buyer, and the consumer would eventually gain a positive acquisition price of a product (Monroe, 2012).

3.2 Perceived Transaction Value (PTV)

Perceived transaction price is the psychological payoff a consumer gains from recognizing that the purchased price is lower than the sales price (Krishnamurthi, Mazumdar, & Raj, 1992) and the recognition of the psychological joy of a buyer upon accepting a price (Lichtenstein, Netemeyer, & Burton, 1990). It can also be identified as the psychological pleasure of accepting the economic conditions of a transaction on favorable terms, since a consumer who considers the financial terms recognizes the additional values from acquisition values (Lichtenstein, Netemeyer, & Burton, 1990). A buyer evaluates the value by comparing

the sales price and the internal reference price (Monroe & Chapman, 1987). As the buyer can perceive additional value beyond the acquisition price when comparing the financial terms of the sales price, the perceived transaction value can be viewed as the perception of psychological pleasure gained when a consumer takes a dominant position in the transaction process (Lichtenstein, Netemeyer, & Burton, 1990; Monroe & Chapman, 1987; Thaler, 1985). If a consumer exposed to the price promotion such as price comparison advertisements recognizes that the sales price is clearly reduced in the process, the buyer perceives the transaction price with high standards by comparing the reduced sales price gained from such process with the internal reference price (Dib & Alnazer, 2013).

3.3 Country of Origin (COO)

The COO image is the image of a country that comes to mind when a product made in that country is being evaluated (Jeon, Lee, & Lee, 2008; Park, 2001). Roth and Romeo (1992) argue that it is a comprehensive perception a consumer formulates towards a product from a specific country based on the perception towards the strength and the weakness of the products and the related marketing from that country. Martin and Eroglu (1993) define the phenomenon in terms of using COO information as an information cue in evaluating a product from a country. Previous studies (Schooler, 1965; Nagashima, 1970) on COO information equate the COO information of a product manufactured in a country with the image of the country itself. Since the manufacturing, design, and the technology come from the same country, COO is the manufacturing country, with no distinction between the brand country and the manufacturing country (Nagashima, 1970). Chao (1993) distinguishes Country of Origin from Country of Manufacture (COM). The COO is the country where the headquarters of the product or the brand marketed by the company is located, and the COO refers to a country where the manufacturing took place (Johansson, Douglas, & Nonaka, 1985). Bilkey and Nes (1982) argue that the effects that the COO information has on a

product varies by product category. Roth and Romeo (1992) emphasize that the image of COM may not coincide with the image of COO, noting that the image of the manufacturing country differs by the product category and the COO image.

3.4 Product Categories

A product can be categorized as utilitarian or hedonic based on the benefits that the consumer hopes to gain from it (Kivetz & Simonson, 2002a & b). Utilitarian products have more functional than emotional features, while hedonic products have more emotional features rather than the practical ones (Dhar & Wertenbroch, 2000). Utilitarian products provide functional, instrumental, and practical benefits that the consumer seeks, while hedonic products offer experiential benefits such as joy and pleasure (Okada, 2005). When examining the features that compose a product and categorizing them into the practical features and emotional features, the practical features reflect its nature and the functionality of the product, while hedonic products contain a symbolic feature that show to other people or that pertain emotional pleasure (Park & Mittal, 1985). The core criteria for a buyer purchasing a hedonic product are the extent to which product confers emotional pleasure and stimulates desire (Strahilevitz & Myers, 1998). Consumer's attitude towards the utilitarian products turns out to be positive as the weight on the practicality of a product become larger, while sometimes a consumer prefers a hedonic product as the weights on pleasure increases (Batra & Ahtola, 1991). The options given to the consumer affect the evaluation of a product's feature and the evaluation of those features affects the preference for that product (Dhar & Wertenbroch, 2000).

3.5 Perceived Risk

A consumer unconsciously conducts a decision-making process regarding what, when, where, and how when purchasing a product or service to satisfy one's needs, while

decision making is influenced by various risks due to the uncertainty of the aftermath of making such purchase decision. Bauer (1960) introduced the concept of risk in the arena of the consumer behavioral analysis and considered consumer behavior as risk-taking behavior. Peter and Ryan (1976) argue that the perceived risks at the final stage of the decision-making process prevent the consumer from purchasing a product, as it is closer to the concept of expected loss resulting from the purchase or the decision rather than the realization of the uncertainty towards the product. Although researchers disagree on the dimension of the perceived risk, the general categories of the perceived risk can be largely separated into several categories including financial, performance, physical, psychological, social, personal, privacy, source risks, and time loss (Lee, Kim, & Lee, 2000). Previous scholars (Jacoby & Kaplan, 1972; Festervand, Snyder, & Tsalikis, 1986; Darley & Smith, 1995; Jarvenpaa & Todd, 1996; McCorkle, 1990; Lim 2002).

III. Theoretical Background

The prospect theory of Von Neumann & Morgenstern (1947) assumes that people's utilities can be expressed as individual utility and that the individuals would make decisions that agree with the utility function to maximize their expected utility. The prospect theory of Kahneman and Tversky (1979) is a psychological and technical theory about decision making under the risks of reflecting the circumstantial effects like the format through which information is given and the circumstances related to the social dimension and issues. Perceived losses impact the purchase decision making process than perceived gains with greater magnitude (Kahneman & Tversky, 1979). In previous studies (Kalwani, Yim, Rinnie, & Sugita, 1990; Mayhew & Winer, 1992; Hardie, Johnson, & Fader, 1993), there is an asymmetrical price response in that the consumers perceive the losses to have a greater impact on the brand selection probability than gains. Lee and Won (1995) find an asymmetric

characteristic in consumer behavior towards the difference between the reference price and the market price by introducing the concepts of excessive price and acceptance price.

According to Krishnamurthi, Mazumdar, and Raj (1992), the brand loyal consumers do not show an asymmetric price response, but brand switchers do.

Adaptation-level theory is often used to explain the behavior of a consumer towards a price, with the assumption that a consumer evaluates an extrinsic cue based on an internal norm or the adaptation level generated from combining the present and the past experiences (Helson, 1964). Study 1 is explained by justification-based theory that claims that the consumers would make a purchase decision based on grounds that can rationalize their purchasing behavior (Okada, 2005). This means that the consumers perceive the value of a product that provides a well-reasoned justification (Shafir, Simonson, & Tversky, 1993). Therefore, a utilitarian product is preferred to a hedonic product (Kivetz & Simonson, 2002a). In other words, although a consumer may believe that a hedonic product would provide greater pleasure and benefits (O'Curry & Strahilevitz, 2001), the consumer is likely to purchase the utilitarian product because it is a necessary, not a luxury. Furthermore, the benefits from a hedonic product are not only abstract when compared to the benefits gained from a utilitarian product, but its intangible qualities make it harder to justify the purchase of a hedonic product (Batra & Ahtola, 1991).

Study 2 is supported by customer satisfaction theory that explains a consumer reaction according to how much his or her desires have been satisfied (Lavender & Oliver, 1996).

Consumer satisfaction is the consumer's recognition of the appropriateness or inappropriateness of the rewards compared with its cost (Howard & Sheth, 1969). Czepiel, Rosenberg and Akerele (1974) found that consumer satisfaction is a subjective evaluation of a consumer's satisfaction with a product or service. Consumer satisfaction is also effected by

the quality of a service or product, its price, the purchasing conditions, and the personal factors (Zeithaml & Bitner, 2000).

IV. Hypotheses Development

5.1 Study 1: Determinants of the COO Effects Measured in Perceived Values

5.1.1 COO Effects and Perceived Values

COO effects are an external cue that acts as a substitute indicator when a consumer with imperfect information is faced with a purchase decision (Berkman & Gilson, 1986; Dodds & Monroe, 1985; Erickson & Johansson, 1985; Han, 1989; Kim, Kim, Lee, & Lee, 2007; Zeithaml, 1988). Han (1989) argues that the COO effects take the forms of halo effects or summary effects in decision-making based on familiarity with a product. Roth and Romeo (1992) report that the Country of Manufacture (COM) image depends on COO image and product categories. Lee (2007) analyzed the effect of the country image on the evaluation of a product, finding that the evaluation on the quality of a product changes if assigned a different COO/COM labeling. Parameswaran and Pisharori (2002) demonstrate that COO effects display their influence through a parameter like the quality evaluation of the product, not by directly affecting the purchase decision.

Perceived values indicate an evaluation on the comprehensive benefits from the gains and the costs from the product from a consumer's perspective (Zeithaml, 1988). According to recent research, perceived value has been considered as an important outcome variable that measures the effects of the extrinsic cues on the COO effects (Cervino, Sanchez, & Cubillo, 2005; Hui & Zhou, 2002). The COO effects are measured and operationalized in terms of the perceived values of acquisition (PAV) and transaction (PTV) for the research model of this paper.

5.1.2 Effects of Product Categories on Perceived Values

While one sacrifices greater loss in future for a small pleasure at the moment, the other defers gratification (Khan, Dhar, & Wertenbroch, 2004; Wertenbroch, 1998). The distinction between the utilitarian and the hedonic products is interpreted only from the perspective of benefits (Okada, 2005). There has been increasing attention given to understanding changes in consumers' behavior based on contextual factors (Voss, Spangenberg, & Grohmann, 2003). Consumers use extrinsic cues to minimize perceived risks, the degree of the risk a consumer subjectively perceives in a decision-making situation (Bauer, 1960). Perceived risk is greater when purchasing a new product, an expensive product, or a product involving high technology (Lee & Hong, 2001). Agarwal and Teas (2001) found that the COO can reduce a product's perceived risks by asserting positive influences on the quality evaluation of a product from a country. Agarwal and Teas (2001) examined how to induce a customer to make a purchase from a certain company by recommending value enhancement and risk reduction. The perceived risks of a product from a newly industrializing country can be large, as there is less information about such products than there is about similar products manufactured in advanced country. Based on such context, the hypothesis developed the following hypothesis.

H1a~b: There is a significant difference among the effects of the four product categories on the perceived values of PAV and PTV.

5.2 Study 2: Determinants of Consumer Satisfaction

Study 2 expands the scope to transform the dependent variable in study 1 of the COO effect into an independent variable affecting consumer satisfaction, in addition to examining the effects of the product categories on the same outcome variable.

5.2.1 Effects of COO on Consumer Satisfaction

When a consumer makes a purchasing decision, the consumer requires appropriate

information on the product to set a standard, makes the ultimate decision by deducing the qualities of the product based on the available information (Koubaa, 2007). In this context, the COO effect influences the consumer's evaluation of a product by providing necessary information about its quality (Huber & MaCann, 1982). The effect of the COO affects a consumer's satisfaction with a product (Han, 1989) and shapes consumer's attitude (Johansson, Erickson, & Chao, 1984). This study hypothesizes the following.

H2: The degree of satisfaction significantly differs based on COO groups.

5.2.2 Effects of Product Categories on Consumer Satisfaction

Previous studies (Lillis & Narayana, 1974; Nagashima, 1970; Schooler, 1965) investigate the COO effects on a consumer's attitudes and satisfaction with different product categories. In addition, researchers claim that the consumers use COO information as evidence in perceiving and evaluating the quality of a product (Terpstra & Han, 1988), even with the halo effects for less familiar brands by shaping the attitudes and perceptions of a consumer (Han, 1990). With respect to the involvement of a product, the degree of knowledge about a product could also affect a consumer's deduction on the quality of hat product (Zaichkowsky, 1985). The purchase decision of the consumers depends on how well the COO matches product categories (Roth & Romeo, 1992). In conclusion, the Made-in-Image of a country not only influences the purchase decision making process but also the image of a brand and service by providing cues to establish the evaluation criteria and the perceived quality of a product in the purchase decision-making process. Based on the consideration, this study hypothesizes the following.

H3: The degree of satisfaction significantly differs based on product categories.

H4: There are interaction effects with COO and product categories.

V. Methodology

5.1 Development of Survey

The questionnaire is developed based on the research model of this study.

Questionnaire items were developed for respondents' levels of perceived acquisition value and perceived transaction value across four product categories: utilitarian and high risk, utilitarian and low risk, hedonic and high risk, and hedonic and low risk. Each item is divided into three COO groups of: 1) No information on COO, 2) a developed Country, and 3) a newly emerging country. In order to measure each questionnaire item, this study uses a five point Likert scale where 1 = *strongly disagree* and 5 = *strongly agree*.

The questions and items for survey are based on the previous studies. Particularly, the questions measuring risk were taken from Jung, Cho, and Lee (2014), the attitude questions were referenced from Yun and Cho (2014), the questions on satisfaction were developed based on studies (Deng, 2007; Wiberg, 2009), and the questions measuring the degree of how much a product is perceived as a utilitarian or a hedonic product are developed from the definition of each concept most widely recognized in the arena of marketing. The questions measuring the perceived acquisition value (PAV) and perceived transaction value (PTV) are modified from Kim, Kim, and Shin (2007). This study applied an equation of Acquisition Value = Benefits gained from purchasing a product – actual price of the product for the measurement of PAV (Kim, Kim, & Shin, 2007; Grewal, Gotlieb, & Marmorstein, 1994). This study also applied the equation of Transaction Value = Actual sales price of the product – internal reference price for the measurement of PTV (Grewal, Gotlieb, & Marmorstein, 1994; Lichtenstein, Netemeyer, & Burton, 1990) This study used a five-point Likert scale where 1 = *strongly disagree* and 5 = *strongly agree*.

To ensure that these measures accurately reflect the perceived values of a consumer, this study measures PAV and PTV in a set of three questions for each dependent variable and

utilizes a factor analysis to compress various answers measuring one concept into a single variable. This study uses a principal components analysis as the extraction method and Varimax rotation methods with Kaiser Normalization to elicit the most relevant data. The factors are extrapolated with the eigen values set to greater than 1.00. The tables summarize the results of factor analysis for each of the product categories.

To check reliability, Cronbach's alpha was calculated for each major concept to examine the construct reliability for each multi-item scale. Cronbach's alpha values are 0.947 for PAV and 0.950 for PTV of the utilitarian and high risk product category. For the utilitarian and low risk product category, the Cronbach's alpha values are 0.938 for PAV and 0.923 for PTV. Using the same methodology, the Cronbach's alpha values are 0.941 for PAV and .953 for PTV within the hedonic and high risk product category. Finally, the Cronbach's alpha values are 0.933 for PAV and 0.933 for the hedonic and low risk product category.

5.2 Data Collection

This study collected data online and offline. For online survey data collection, this study collaborated with a well-known research firm. An online link was sent through personal emails and social network service messages to ensure unbiased respondents. A pilot study was also conducted. Out of the 330 people who responded to the survey, 270 answered through an online channel, respondent rate of 18%. The reminder answered through an offline channel with a respondent rate of 72%.

5.3 Product Selection

This study selected a product for each category: 1) utilitarian, high-risk, 2) utilitarian, low-risk, 3) hedonic, high-risk, and 4) hedonic, low-risk. This paper uses the positions of product categories along key category characteristics from previous research (Kushwaha & Shankar, 2013, figure 1).

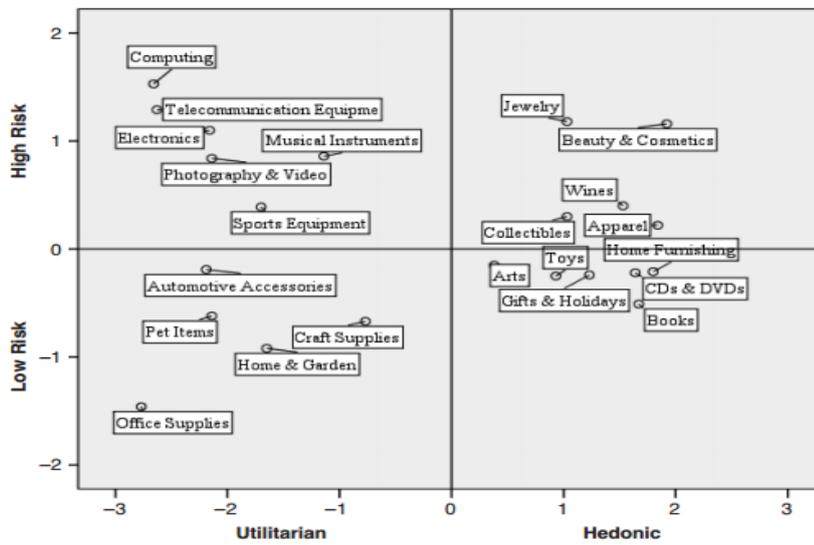


Figure 1. Positions of Product Categories Along Key Category Characteristics (Kushwaha & Shankar, 2013)

This paper considers the products that the respondents would be familiar with when put in an experimental survey in which they would make purchase decisions. The following products were chosen:

Product Category	Item Selection
Utilitarian, High Risk	Computing Equipment (Laptop)
Utilitarian, Low Risk	Office Supplies (Pen)
Hedonic, High Risk	Dress/Suit (Apparel)
Hedonic, Low Risk	T-shirt (Apparel)

Table 1. Product Selection for Each Product Category

The apparel category is assigned to two categories: hedonic, high risk and the hedonic, low risk. The risk score of the apparel category falls into middle range of 3.91, indicating possible divergence within the apparel category. This is accurate, since the apparel category can be subdivided into the high- and low-risk products. For instance, high-priced clothing items are considered high risk products because consumers worry about purchasing a garment that is unsatisfactory or the wrong size. Lower-priced clothing items are considered low-risk products. Hence, this article uses two risk categories of the apparel category in the hedonic section.

5.4 Country Selection

This study selects the United States as the representative of the developed countries and China as the representative of the newly emerging countries. The U.S. is the leader of the G7 countries, marking its striking presence even among the top economies in terms of the economic powers. China is chosen to represent the newly developing countries because it is considered the most successful of the BRICS countries. China compared with the U.S. since its economic development still focuses on manufacturing. Therefore, China is the most suitable of the BRICS for this study.

5.5 Justifications for the Controlled Variables

This paper controls for the brand names and features of a product in survey development. Although brand names and COO information are extrinsic cues, consumers tend to process the information based on the brand name which directly represents the product, while the COO information arguably has a greater effect on evaluating a bi-national product than brand names (Terpstra & Han, 1988). This study controls for brand name effects by leaving the brand names for all the products across all COO groups to eliminate the biases from brand names and to observe the COO effects only.

The survey is constructed to ensure that the respondents focus on the COO and the product category information by providing a neutral and general description of a product that can aid in formulating an appropriate level of favorability. The dependence on COO information in evaluating a product is reduced when specific information on a product is given that distinguishes one item from competing items in the same product category (Maheswaran, 1994). This study also provides product pictures that would generate a degree of desirability, as a picture with less than the standard degree of favorability or with negative association is given. The respondents may lose concentration and answer the questions

without the given information on COO and product categories, producing unreliable results (Na & Choi 2005). These controlling effects in survey construction are chosen through pre-consultation with the experts and based on the results of the pilot study.

VI. Data Analysis

Of the 300 respondents, 53% are female and 47% are male, 18.7% are 20-24 years old, 5.1% are 25-29 years old, 21.3% are 30-34 years old, 5.7% are 35-39 years old, 17.3% are 40-44 years old, 8.5% are 45-49 years old, 10.7% are 50-54 years old, 9.5% are 55-59 years old, and 3.2% are 60 years old or older. In regard to marital status, 52.3% are married and 45.7% are single. In terms of income, 11.7% of respondents have an annual household income of less than \$20,000, 23.8% have an annual household income between \$20,000 and \$40,000, 34.3% have an annual household income between \$40,000 and \$60,000, 18.2% have an annual household income between \$60,000 and \$80,000, 9.4% have an annual household income between \$80,000 and \$100,000, and 2.6% have an annual household income above \$100,000. In terms of education, 12.4% are enrolled at a university, 66.5% hold an undergraduate degree, and 8.3% are either enrolled at a graduate school or hold a graduate school or professional degree. This study applies factorial MANOVA for study1 and the factorial ANCOVA for study 2.

6.1 Study 1

This study applies factor analysis to compress the data. This study uses principal components analysis as the extraction method and Varimax rotation methods with Kaiser Normalization to induce emergence of the most relevant data. The factors are extrapolated with the eigen values set to greater than 1.00. Table 3 summarizes the results of factor analysis for each product category, in which each number under the components indicates a product category (1 = utilitarian & high risk; 2 = utilitarian & low risk; 3 = hedonic & high

risk; and 4 = hedonic & low risk products).

Items		Components			
Factors	Scale Items	1	2	3	4
Laptop PAV 2	I think I would be getting good value for the money I spend	.955			
Laptop PAV 3	I feel that acquiring it meets both my high quality and low price requirements	.951			
Laptop PAV 1	At the sale price, I feel I would be getting my money's worth	.948			
Pen PAV 2	I think I would be getting good value for the money I spend		.947		
Pen PAV 1	At the sale price, I feel I would be getting my money's worth		.945		
Pen PAV 3	I feel that acquiring it meets both my high quality and low price requirements		.939		
Dress/Suit PAV 2	I think I would be getting good value for the money I spend			.953	
Dress/Suit PAV 3	I feel that acquiring it meets both my high quality and low price requirements			.947	
Dress/Suit PAV 1	At the sale price, I feel I would be getting my money's worth			.938	
T-shirt PAV 2	I think I would be getting good value for the money I spend				.950
T-shirt PAV 1	At the sale price, I feel I would be getting my money's worth				.935
T-shirt PAV 3	I feel that acquiring it meets both my high quality and low price requirements				.933
Laptop PTV 3	I would get lots of pressure knowing that I would save money at this reduced sale price	.955			
Laptop PTV 2	Beyond the money I save, taking advantage of this price deal will give me a sense of joy	.955			
Laptop PTV 1	Taking advantage of a deal like this makes me feel good	.951			
Pen PTV 1	Taking advantage of a deal like this makes me feel good		.934		
Pen PTV 3	Beyond the money I save, taking advantage of this price deal will give me a sense of joy		.933		
Pen PTV 2	I would get lots of pressure knowing that I would save money at this reduced sale price		.926		
Dress/Suit PTV 3	Beyond the money I save, taking advantage of a deal will give me a sense of joy			.960	
Dress/Suit PTV 1	Taking advantage of a deal like this makes me feel good			.955	
Dress/Suit PTV 2	I would get lots of pressure knowing that I would save money at this reduced sale price			.954	
T-shirt PTV 1	Taking advantage of a price-deal like this makes me feel good				.941
T-shirt PTV 3	Beyond the money I save, taking advantage of this price deal will give me a sense of joy				.940
T-shirt PTV 2	I would get lots of pressure knowing that I would save money at this reduced sale price				.937

Table 3. Component Matrix: PAV and PTV Dimension for COO Effects

Using these factor scores as the dependent variables of PAV and PTV for each product category, factorial Multivariate Analysis of Variance (factorial MANOVA) method is

used to test the hypotheses. Table 4 provides the results of the factorial MANOVA for examining the determinants of the COO effects.

Hypothesis	Type of Effects	Dependent Variable	F	Sig.
H1a~b	Product Category	ln_PAV	218.195	.000***
		ln_PTV	230.143	.000***

***Significant at 0.01 level (F-test).

Table 4. Effects of Individual Product Categories on the COO Effects Measured in PAV and PTV

The results of the factorial MANOVA indicate a significant difference across the product categories and are significant at the 0.01 level with $F = 217.379$ for PAV and $F = 230.020$ for PTV. Based on these findings, hypotheses H1a and b are accepted, indicating difference across the product categories in terms of the PAV and the PTV. The finding indicates that the consumers perceive statistically different degrees of perceived values of acquisition and transaction across the four product categories. The results indicate that the differences across the product categories are significant, and vary in the following order: Utilitarian & High Risk > Hedonic & Low Risk > Utilitarian & Low Risk > Hedonic & High Risk for PAV and Utilitarian & High Risk > Hedonic & Low Risk > Utilitarian & Low Risk > Hedonic & High Risk for PTV. The result rejects the conventional notion that the newly emerging economies should focus on producing a utilitarian and low risk product, as it is perceived to have the second lowest acquisition and transaction values among the four product categories. Results of the main effects of COO and the product categories on PAV and PTV are shown in figure 2 and 3.

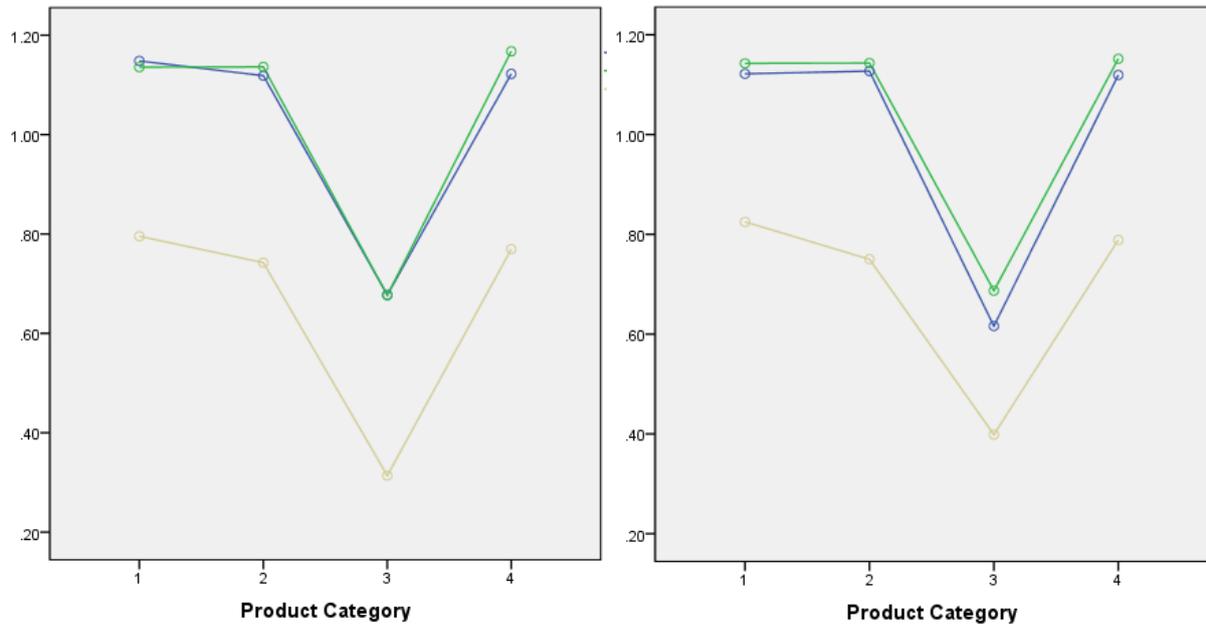


Figure 2 ~ 3. Effects of Individual Product Categories on the COO Effects Measured in PAV and PTV

Note 1: Each line on the graph represents a COO group, with blue representing no COO information, green representing the United States, and yellow representing China.

Note 2: Numbers along the horizontal axis represent the product categories, with 1 = utilitarian and high risk, 2 = utilitarian and low risk, 3 = hedonic and high risk and 4 = hedonic and low risk groups.

6.2 Study 2

Study 2 applied the factorial ANCOVA to examine the degree of satisfaction based on COO and product categories, while controlling for a covariate of attitude.

Hypothesis	Type of Effects	Dependent Variable	<i>F</i>	Sig.	Partial Eta Sq.
H3	COO	Satisfaction	75.259	.000***	.041
H4	Product Category	Satisfaction	35.999	.000***	.030
H5	Product Category * COO	Satisfaction	2.728	.012**	.005

Table 6. Effects of COO and Product Category on Satisfaction

As shown in Table 6, the results indicate a significant difference in satisfaction based on the COO groups and the product categories at the 0.01 significance level with $F = 77.257$ and $F = 36.390$. Based on these findings, hypotheses H3 and H4 are accepted, indicating difference among the COO groups and also across the product categories. The results also

confirm significance at the statistically significant level of 0.05, with $F = 2.723$ when the two terms of the COO groups and the product categories are joined as an interaction term.

Therefore, H5 is accepted. Results of the main effects of COO and the product categories on satisfaction are shown in Figure 4.

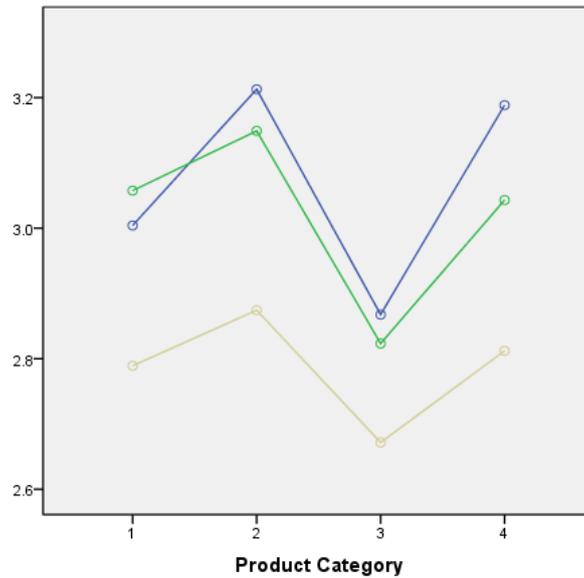


Figure 4. Effects of COO and Product Category on Satisfaction

Note 1: Each line on the graph represents a COO group, with blue representing no COO information, green representing the United States, and yellow representing China.

Note 2: Numbers along the horizontal axis represent the product categories, with 1 = utilitarian and high risk, 2 = utilitarian and low risk, 3 = hedonic and high risk and 4 = hedonic and low risk groups.

Table 7 summarizes the effects on satisfaction based on COO information and product category.

COO Information	The degree of Satisfaction
U.S.	the utilitarian and low risk > the utilitarian and high risk > the hedonic and low risk > the hedonic and high risk
Without COO Information	the utilitarian and low risk > the hedonic and low risk > the utilitarian and high risk > the hedonic and high risk
China	the utilitarian and low risk > the hedonic and low risk > the utilitarian and high risk > the hedonic and high risk

Table 7. Effects of Satisfaction based on COO and Product Category

VII. Conclusion

7.1 Findings

In study 1, this paper identifies the determinants of COO with the PAV and PTV across the four product categories chosen based on the product characteristics and the perceived risk levels. The results confirm that each product category influences the COO effects measured by PAV and PTV at the statistically significant level. Study 2 examines the effect of COO and the product categories on satisfaction, while controlling for a covariate of attitude. This study finds the significant effect of the COO and the product categories on satisfaction and interaction effect.

7.2 Policy Implication

From the policy implication scope, this study identifies which product categories the newly emerging industries should focus on to ensure sustainable growth. In contrary to the initial projections, the results show that, while controlling the effect from the COO information, the consumers respond with the highest perceived acquisition value and the highest perceived transaction value for the utilitarian and high risk products like a laptop computer and the hedonic and low risk products like a t-shirt, unlike the hypotheses that speculated the utilitarian and low risk group to rank first in terms of PAV and PTV. Hence, newly industrializing countries like China should produce utilitarian and high-risk products and the hedonic and low-risk products, both of which will reward the countries with the high returns and the most value added from the manufacturing process. These countries should avoid manufacturing hedonic and high risk products such as dresses and suits, while limiting the production of utilitarian and low-risk products like pens. The results indicate such a gap between the hedonic and high-risk products and other product categories in terms of the PAV and the PTV, in that these newly industrializing economics would not gain much from the value added from these products. While the results on the utilitarian and low-risk product remains rather moderate with its PAV and PTV ranking the second (after the utilitarian and

high-risk and the hedonic and low-risk products jointly ranking the first), the policy makers of these countries should invest their limited resources on the top-ranking product categories, as these countries often face the issue of resource restriction. By allocating resources to top-ranking product categories, the policy makers seek maximum returns on the country's investments.

7.3 Managerial Implication

The results provide managerial implication on product strategies to the newly developing countries to avoid failure by crossing the chasm of the COO effects. It is imperative for newly industrializing countries to invest in the more promising product categories: utilitarian and high-risk products and hedonic and low-risk products. This finding is highly significant because it points out the misguided policy of the newly developing countries are producing the utilitarian and low-risk products without empirically analyzing the consumers' perceptions of the value of other product categories.

In addition, this study provides guidelines on closing the gap between consumer satisfaction with U.S. and Chinese products. Satisfaction with U.S. products and the products with no COO information intersect, preventing the analysis results from investigating which COO group results in a higher degree of satisfaction. The results of study 2 also indicate that the respondents display greater satisfaction with three of the four product categories, except for the utilitarian and high-risk products. Such results indicate that the policy makers of the newly industrializing industries should formulate a managerial strategy that is conducive to fair competition between the two products. This study suggests that the newly emerging economies should pursue the strategy of multi-COO information, with its involvement in the assembly of a product.

7.4 Academic Implication

This research centers on newly industrializing economies. As the term itself is of recent origin, there has been little research on these countries, let alone analyses of the strategies for their sustainable growth. This study is the first to apply concepts of perceived acquisition value and perceived transaction value as an indicator of the COO effect.

7.5 Limitations and Future Research

This study controlled the brand effect of each product, while brand awareness is an information cue for decision making. Further research might consider the brand effect in addition to the COO effects. This study could be extended to conduct an analysis on all BRICS countries. The results would allow a comprehensive policy recommendation for the newly emerging countries.

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