



**FACTORS AFFECTING THE INTENTION TO
PURCHASE FOREIGN PRODUCTS (IMPORTED
PRODUCTS): A STUDY FROM BANGLADESHI
CONSUMERS PERSPECTIVE**

BY

NAILA ANWAR CHOWDHURY

**A dissertation submitted in fulfilment of the requirement for
the degree of Master of Science in Marketing**

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ABSTRACT

In today's globally connected marketplace, dramatic increase in cross border trade and distribution of products beyond national boundaries have undoubtedly widened the availability of foreign products across the world at large. Therefore, in order to survive in this modern, competitive marketplace it has become important to understand what affects the intention of purchasing foreign products of consumers from different countries. Taking this into account, the research at hand has been crafted with the ultimate objective of unveiling the factors that are affecting consumers' intention of buying foreign products, giving special attention to Bangladeshi consumers. In order to do so, this study has greatly relied on the framework that has been derived from prior literature. In addition, for this empirical study data had been collected through the employment of a self-structured questionnaire from a total of 260 (n=260) Bangladeshi consumers residing in the two major cities of the country, Dhaka and Chittagong, as these cities have the widest availability of foreign products. The data collected from the respective respondents have been analyzed through the means of Statistical Package for Social Sciences (SPSS) and Analysis of Moment Structure (AMOS) software. At the initial stage, statistical analyses, particularly Descriptive Analysis as well as Exploratory Factor Analysis (EFA) were conducted through SPSS, after which Measurement Model and Structural Equation Modeling (SEM) were run by using AMOS. Findings have demonstrated that, in accordance to prior studies, brand image and quality of foreign product carry significant positive effects on purchasing intention, and on the other hand religiosity leaves a significant negative effect on purchase intention of foreign products. Furthermore, findings have also disclosed that country of origin image carries a significant positive effect on brand image and ethnocentrism carries a negative effect on quality of foreign product in purchase intention of foreign products. The findings derived from the study will facilitate marketers in the creation of effective marketing strategies, and at the same time they will also be valuable to academicians as well as consumers at large.

ملخص البحث

إن الزيادة الكبيرة في التجارة العالمية وتوزيع المنتجات خارج الحدود الوطنية أدت إلى توفر المنتجات الأجنبية في جميع دول العالم على السواء. ولذلك؛ أصبح من المهم فهم العوامل المؤثرة على نية شراء المنتجات الأجنبية من قبل المستهلكين الذين يقيمون في بلدان مختلفة من أجل البقاء والاستمرار في هذه السوق التنافسية. ومع الأخذ بهذا الاعتبار، فإن هذه الدراسة تهدف إلى الكشف عن العوامل التي تؤثر على نية المستهلكين عند شراء المنتجات الأجنبية في دولة بنجلاديش. ومن أجل القيام بذلك، فقد اعتمدت هذه الدراسة بشكل كبير على الإطار النظري للدراسات السابقة في هذا المجال، بالإضافة الاستبيانات الميدانية التي تم جمعها من (260) مستهلكاً من المقيمين في اثنين من المدن الرئيسية المهمة في البلاد وهما دكا و شيتاغونغ، حيث تتوفر المنتجات الأجنبية في المدينتين بشكل واسع. وقد تم تحليل البيانات التي تم جمعها من المستطلعين من خلال استخدام برنامج الحزمة الإحصائية للعلوم الاجتماعية (SPSS) وباستخدام برنامج (AMOS). وقد أجريت التحليلات الوصفية في المرحلة الأولى باستخدام (SPSS)، وبعد ذلك تم تشغيل عامل الاستكشاف (EFA). ثم تم استخدام موديل المقياس للعوامل و نموذج المعادلة الهيكلية (SEM) باستخدام برنامج (AMOS). وقد أظهرت النتائج أنه وفقاً للدراسات السابقة أن العلامة التجارية وجودة المنتج الأجنبي يحمل أثراً إيجابياً على نية المستهلكين في شراء المنتجات الأجنبية، وعلى العكس من ذلك فإن العامل الديني يحمل أثراً سلبياً على نية المستهلكين في شراء المنتجات الأجنبية. وعلاوة على ذلك فإن نتائج الدراسة تبين أيضاً أن بلد المنشأ يحمل أثراً و دلالة إحصائية إيجابية على العلامة التجارية وعلى النقيض من ذلك فإن المركزية العرقية تحمل أثراً سلبياً على نية المستهلكين المحليين لشراء المنتجات. لذلك فإن النتائج المستخلصة من هذه الدراسة سوف تسهل خلق استراتيجيات تسويقية فعالة، وفي نفس الوقت ستكون هذه النتائج قيمة لاستخدامهما من قبل الأكاديميين والمستهلكين بشكل عام.

APPROVAL PAGE

I certify that I have supervised and read this study and that in my opinion it conforms to acceptable standards of scholarly presentation and is fully adequate, in scope and quality, as a dissertation for the degree of Master of Science in Marketing.

.....
A.K.M. Ahasanul Haque
Supervisor

I certify that I have read this study and that in my opinion it conforms to acceptable standards of scholarly presentation and is fully adequate, in scope and quality, as a dissertation for the degree of Master of Science in Marketing.

.....
Muhammad Tahir Jan
Examiner

This dissertation was submitted to the Department of Accounting and is accepted as a fulfilment of the requirement for the degree of Master of Science in Marketing.

.....
Suhaimi Mohd. Sharif
Head, Department of Business
Administration

This dissertation was submitted to the Kulliyah of Economics and Management Sciences and is accepted as a fulfilment of the requirement for the degree of Master of Science in Marketing.

.....
Nik Nazli Nik Ahmad
Dean, Kulliyah of Economics
and Management Sciences

DECLARATION

I hereby declare that this dissertation is the result of my own investigations, except where otherwise stated. I also declare that it has not been previously or concurrently submitted as a whole for any other degrees at IIUM or other institutions.

Naila Anwar Chowdhury

Signature

Date

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Date

*This dissertation is dedicated to my parents, Mohammed Rafiqul Anwar Chowdhury
and Zakia Khanam.*

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LIST OF ABBREVIATIONS

SPSS	Statistical Package for the Social Sciences
AMOS	Analysis of Moment Structure
EFA	Exploratory Factor Analysis
CFA	Confirmatory Factor Analysis
SEM	Structural Equation Modeling
MI	Modification Indices
AVE	Average Variance Extracted
CR	Construct Reliability
CFI	Comparative Fix Index
RMSEA	Root Mean Square Error of Approximation
df	Degree of Freedom
GFI	Goodness-Of-Fit Indices
et al.	(<i>et alia</i>): and others
e.g.	(<i>exempligratia</i>): for example

CHAPTER ONE

INTRODUCTION

1.1 INTRODUCTION

Consumer behaviour has greatly evolved over the past decades as understanding how consumers behave has become an essential criterion and a necessity for businesses to survive in the competitive marketplace (Blackwell et al., 2006). In today's consumer oriented marketplace a thorough understanding of what affects consumers purchase of products is very important for companies to sell their products in a particular market (s) (Abunaser, 2007). Companies are competing with each other to gain new consumers in every product category. Thus, in recent time companies are not only focusing on the domestic markets rather they are also going international in order to expand their customer base. So, selling products to foreign consumers living in different countries has become a strategy that is widely undertaken by companies. This is because, in today's competitive business environment expansion beyond national boundaries has undoubtedly become a necessity for companies to succeed in the long run (Abunaser, 2007). Therefore, nowadays many companies are spreading their wings beyond their national boundaries and expanding internationally. As a matter of fact, international expansion and distribution of products beyond national borders is a result of the emergence of two important phenomena namely, globalization and the falling of trade barriers through the establishment of different kinds of international organizations and associations.

Globalization has indeed created a boundaryless world. It has restructured the appearance of the business environment through its numerous infrastructural

improvements in different fields particularly, transportation and information technology (Kaynak and Kara, 2002, Essousi, 2007). It has opened the doors for companies to enter different foreign countries by minimizing the distance between countries and blessing companies with the opportunity to go beyond their domestic boundaries to serve and fulfil the needs and wants of the culturally diversified groups of consumers scattered across different parts of the globe.

In addition, distribution of products among countries has further increased with the creation of different international bodies of organizations as well as associations. For instance, the establishments of WTO, EU, NAFTA, ASEAN and SAARC have ameliorated trade among countries located at different parts of the globe through the reduction of trade barriers. The creation of World Trade Organization (WTO) in the year 1995 is a milestone in the arena of international trade which has been improving international trade through liberalizing trade barriers among the member countries (Czinkota and Ronkainen, 2007). Furthermore, the creation of other associations and unions such as the European Union (EU), North American Free Trade Agreement (NAFTA), South Asian Association for Regional Cooperation (SAARC), (Hodgetts et al., 2006), and the Association of Southeast Asian Nations (ASEAN) (Cateora and Graham, 2007) have been created to enhance trade among member countries in different regions of the world through the removal of trade barriers. As a result of these phenomena, in current time goods produced in one country can easily be transferred and sold in another country.

International expansion especially holds true for companies from developed countries. It can be seen that nowadays many companies from the developed countries are entering the developing countries. This is because the domestic markets of the developed countries are already saturated (Kaynak and Kara, 2002) therefore, in order

to sell their products and extend their customer base many of these companies are moving into the markets of the developing countries that have high demand for products from developed countries (Batra et al., 2000; Essousi 2007).

As a result of this, nowadays consumers residing in the developing countries are not restricted to buy local products only. Rather, they have a wide range of foreign products to choose from than ever before (Kaynak and Kara, 2002; Essousi, 2007). The local markets are permeated with abundant of foreign products providing consumers with the opportunity of choosing from a broad variety (Kaynak and Kara, 2002).

Therefore, in today's globally connected marketplace, studying what affects consumers intention of purchasing these foreign products has evolved as a topic of much importance. Studies have been conducted in different regions of the world with the interest of understanding what actually affects consumers purchase intention of foreign products (Mostofa, 2010; Haque et al., 2011; Li et al., 2012). According to Shirin and Kambiz (2012) studying what affects consumers intention of purchasing products is important since intention is the pre-purchase stage on the basis of which consumers not only examine products, but to a greater extent they also decide whether they want to continue with purchasing the product or not. Therefore, in understanding consumers ultimate purchase it is first important to understand what drives consumers' intention of purchasing the products. An understanding of what affects consumers' intention of purchasing products will enable marketers to understand consumers better and develop appropriate strategies in order to successfully sell their products in a particular market (s).

1.2 FOREIGN PRODUCTS IN BANGLADESH

Bangladesh is a South Asian country located between two neighbouring countries, India and Burma. Bangladesh is one of the highly populated countries in the region consisting of a population of 155 million (World Bank, 2013). After achieving its independence, majority of the industries in the country were owned by the public sector (Kaynak et al., 2000). However, from the 1980s, the government began to support private ownership and opened the doors of different sectors of the country's economy to domestic along with foreign investments (Kaynak et al., 2000).

Throughout the years, the country has also been involved in international trade. In the year 1985 the country became an active member of SAARC. Bangladesh also became a member of WTO by joining in the year 1995 (WTO). This has further opened the doors for the country to engage in international trade in terms of import and export. The country's membership and participation in such organizations and associations increased its involvement in international trade. In the international market, the country is renowned for exporting readymade garments and it has been rated as one of the largest exporters of readymade garments in the world (Nuruzzaman and Haque, 2009). On the import side, over the past years the country has been actively importing foreign products from different countries, specifically for the consumer market (Chittagong Chamber of Commerce, 2012).

1.3 PROBLEM STATEMENT

Business environment of today's modern time has become very competitive, and this in turn has paved the way for companies to expand internationally in order to increase profit and broaden their customer base. Therefore, as the distribution of foreign products is ameliorating as a result of this phenomenon, consumers residing in

different countries around the world are also blessed with the option of choosing from a broad variety of foreign products. However, it must be noted that despite the fact that this phenomenon has proved to be advantages for both marketers as well as consumers, it is not without its disadvantages. With so many options to choose from, consumers go through a critical process and face a difficult situation in making their choices in the event of purchasing foreign products. In other words, when purchasing foreign products consumers suffer from a feeling of indecisiveness due to the fact that their intentions of purchasing these products are driven by different factors (Banopadhaye et al., 2011). This is because consumers from different countries are distinct from each other not only culturally (Sohail and Sahin, 2010), but as well as economically and also demographically (Essousi, 2007). Under such circumstances, studies conducted in the context of one country cannot be easily generalized in the context of another country (Sohail and Sahin, 2010). Thus, it has been suggested by Li et al. (2012) that in order to thoroughly understand which factors are affecting consumers intention of purchasing foreign products, it is important to conduct research in the context of different countries as consumers residing in different countries are unique in their own ways.

Therefore, it has become important to undertake further investigations for identifying which factors are affecting the purchase intention of foreign products of consumers living in different countries. This is because consumers residing in different countries of the world are distinct from each other. Henceforth, in the event of buying imported products factors that may affect consumers from one country may not necessarily affect consumers from another country in a similar manner. They may have different reasons for buying these products.

Hence, conducting studies on this topic in the setting of different countries will enable marketers to understand on the basis of which factor (s) consumers from different countries make their choice of foreign products. At the same time, it will facilitate them in developing appropriate marketing strategies and activities in order to successfully continue selling their products in different countries of the world.

Therefore, studies focusing on this issue have been undertaken in different regions of the world. However, literature provides evidence that there is a scarcity of researches on this issue regarding Bangladesh. To the best of the researcher's knowledge factors affecting Bangladeshi consumers' intention of purchasing foreign products remain unexplored. The study at hand particularly focuses on this country as it that has been neglected in academic literature.

1.4 OBJECTIVES OF THE STUDY

The general objective of this study is to unveil the factors that may affect Bangladeshi consumers' intentions to purchase foreign products. The specific objectives are:

1. To investigate the effect of religiosity, brand image and foreign product quality on Bangladeshi consumers purchase intention of foreign products.
2. To determine the effect of country of origin image on brand image in Bangladeshi consumers purchase intention of foreign products.
3. To determine the effect of ethnocentrism on foreign product quality perception in Bangladeshi consumers purchase intention of foreign products.
4. To provide needful recommendations for marketers and practitioners for formulating effective marketing strategies for selling their products in the Bangladeshi market.

1.5 RESEARCH QUESTIONS

1. What are the effects of religiosity, brand image and foreign product quality on Bangladeshi consumers purchase intention of foreign products?
2. What is the effect of country of origin image on brand image in Bangladeshi consumers purchase intention of foreign products?
3. What is the effect of ethnocentrism on foreign product quality perception in Bangladeshi consumers purchase intention of foreign products?

1.6 SIGNIFICANCE OF THE STUDY

The significance of this particular study can be visualized from various angles. The significance of the current study can be categorized into different groups. Particularly, the study aspires to be significant for academicians, consumers and marketers.

First and foremost, one of the main significance of the study is that it focuses on Bangladeshi consumers purchase intention of foreign products. Literature demonstrated that over the past years studies focusing on consumers purchase intention of foreign products have been conducted in different parts of world as there has been an increase in cross border trade among countries as a result of globalization and trade liberalization. This phenomenon has in turn caught researchers and academicians attention and increased their interest in studying what actually affects consumers' intention of purchasing foreign products. Therefore, consumers' intention of purchasing foreign products has been studied in the setting of different foreign countries. However, even though the topic has gained much attention in different parts of the world, and much is known in academic literature about how consumers from different countries choose to purchase foreign products and what affects their intention of purchasing these products but, very little is known about Bangladeshi

consumers and what drives their purchase intention of foreign products. Thus, the major contribution of the proposed study is that it is conducted particularly focusing on Bangladesh as there is emptiness in literature on this topic. Therefore, this study can be considered important as it is hoped that it will be a significant addition to literature about Bangladeshi consumers purchase intention of foreign products. At the same time, this research will also be beneficial for future researchers as they will be able to use the findings as supporting materials that will help them conduct more research in the context of Bangladesh.

Furthermore, the proposed study is also important because the findings of this study will help consumers in resolving the indecisiveness they experience in purchasing foreign products by providing them with a clear picture about which factors they actually take into consideration when purchasing foreign product. At the same time, it will also highlight the key factors that are affecting their intention of purchasing foreign products. Therefore, the result of the study will be significant to consumers as it will help them in understanding their own behaviour toward purchasing foreign products and facilitate them in making better choices.

The study will be important from an economic perspective as well. This is because as there is a high demand for foreign products in the developing countries, it is vital for local producers to understand how different factors affect local consumers' intention of buying foreign products in order to competitive effectively. The findings generated from the current study will help local producers in understanding how different factors drive Bangladeshi consumers' intention when it comes to buying imported products. This in turn will help local producers to become more efficient in the long run, as well as enable local products to compete more effectively with foreign products.

Additionally, this study is also important as it will help marketers in formulating needful strategies to remain competitive in the Bangladeshi market. As a result of escalation in competition among firms, rise in consumers' purchasing power along with the falling of trade barriers it has become a necessity for companies to expand beyond their national boundaries. In order to remain profitable in such a business environment it has become a challenge for marketers to understand consumers residing in different countries and develop appropriate marketing strategies for the different markets (Czinkota and Ronkainen, 2007). Therefore, it is of great necessity for marketing managers to understand consumers' from different countries (Czinkota and Ronkainen, 2007) in order to create strategies that will help them remain competitive (Catero and Graham, 2002). Therefore, it is believed that the findings of this study will be beneficial to marketing managers as it will provide them with insights and information about which factors affect consumers purchase intention of foreign products, and it will enable them to understand what encourages as well as what discourages consumers in purchasing foreign products.

1.7 ORGANIZATION OF THE DISSERTATION

Chapter one of the dissertation provided an overview about the background of the study and explained what the proposed study is all about. It also described the problem this study hopes to solve, stated the objectives the study aspires to accomplish, listed the research questions it seeks to answer and lastly explained the significance of the study. *Chapter two* of the dissertation consists of all the literatures that have been reviewed for the proposed study. It comprises of reviews of literature specifically on consumers purchase intention pertaining to foreign products. It identifies the important variables that are affecting consumer purchase intention of

foreign products and includes reviews of past literature on each of the variables. Lastly, this chapter encompasses the proposed model that has been derived from the literature review and presents the hypotheses. *Chapter three* provides a description of the methodology that has been employed for the study. Particularly, it consists of the research method of the study, the size of the sample, research instrument that has been used, data collection method as well as the method that has been used for analysing the data. *Chapter four* includes analysis and interpretation of data collected through the research instrument. *Chapter five* is the last chapter of the study. It includes the findings of the study along with a discussion about the findings. Additionally, this chapter explains the managerial implications as well as the limitations of this study and concludes by providing suggestions for future research.

1.8 SUMMARY OF CHAPTER ONE

The current chapter provided a synopsis of what this study is all about. At the initial stage this chapter basically provided a general idea about the study at hand. Later on, it talked about Bangladesh and particularly provided an overview about the country's involvement in international trade and foreign products in the Bangladeshi market. Afterwards, the chapter proceeded by highlighting the problem that gave rise to this particular study. Next, the research objectives as well as the research questions were listed. Finally, the chapter came to an end by explaining the significance of the study. The next chapter strictly concentrates on all the relevant literatures that have been reviewed. At the same time, it also presents the proposed model of the study at hand and lastly, lists the hypotheses.