



# THE ROLES OF COUNTRY OF ORIGIN CELLULAR PHONE BRAND PREFERENCE

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## Abstract

The competition for Indonesian cellular phone market share is growingly fiercer. The local brands enjoyed short-term moments of popularity, taken later by Chinese counterparts. Though they blew local brands, they could be seen as coming from the same region. Intrigued by issue of identity, the study attempts to explore the role of country of origin, price, and innovation. Country of origin is represented by examination of country of origin's identity concern effect on country of origin consideration. Price is represented by examination of perceived price effect and brand preference. Innovation is represented by examination of challenging innovation effect on brand preference. It is also interested in examining the moderating roles of perceived price and challenging innovation on the effect of country of origin consideration on brand preference. It attempts to relate social identity theory to self expansion theory to arrive at brand preference. It would perform content and face validity for new constructs. It applies Malhotra's formula for sample size. New constructs and complex model justifies PLS tool application for data analysis. The results should be that all hypothesized relationships significant, except that of country of origin's identity concern on country of origin consideration. Perceived price and challenging innovation should have moderating roles on country of origin consideration effect on brand preference. It shows that local brands really make Indonesian people proud, but benefits comes first to consider in technology-related product purchasing.

**Keywords:** Identity Concern; Consideration; Challenging Innovation; Price Innovation; Brand Preference.

## I. INTRODUCTION

Indonesia is one of large markets in Asia. Some vendors scramble to dominate Indonesian cellular phone market. From 2019-2020 around five vendors have been setting strong foothold. According to IDC data in (third quarter of) 2019, the dominant cellular phones consist of Oppo, Vivo, Samsung, Realme, Huawei, and Apple. It seems that Indonesia cellular phone market is besieged by Chinese vendors. Though offering high-tech products, Apple only holds fifth position in the list. According to IDC Quarterly Mobile Phone Shipment report, four from five Smartphone brands in Indonesia are Chinese based.

Local brands grapple to maintain their superiority in domestic market. Two big local brands include Advan and Evercross, while Polytron, Axioo, Mito, sifone, HiCore, SPC Mobile and HiMax have been left behind. According to IDC report on third quarter of 2017, Advan held third position of 5 top, above China based Vivo and Xiaomi. However, on third quarter of 2019, the condition has changed; this position was taken by Realme. Not only Advan lost some of its share market, Evercross also got hit. According to Counterpoint research, on first quarter of 2015, Evercross managed to hold second position, while Andromax Smartfren on fifth position. The shift from 3G to 4G changed the condition, where Evercross lost its grip in top five lists. In 2010, Nexian gained popularity, with 40% market share growth. Though on third quarter of 2013 according to IDC report, Andromax held second position after Samsung, above two international vendors that are Blackberry and Nokia. The dawn of 4G era, Evercross and Andromax stepped into their eclipse.

The glorious time of local brands could implant pride feeling among local people. With the loss of local brands in the top five, and the emergence of several Chinese brands that offer comparative sophistication, the Asian brands could fill the absence, fulfilling the need of pride. For that purpose, the present study develops the construct country of origins' identity



concern to refer condition where people take into account on identity of country of origin of the products they purchase. The study goes further by exploring its effect on country of origin consideration. Several researches have shown the effect of country of origin on purchase decision. The present study is attracted to the exploration of country of origin consideration effect on brand preference, as indicating that Indonesian cellular phone market has been war field between many brand of Asia and US brands. As several research has shown the effect of perceived price on purchase decision, and in this case brand preference, the effect of challenging sophistication, this study develops, and on brand preference is still vacant. However perceived quality resembles it, the term refers to capability to offer state-of-the art technology with low price, close to non-Chinese giants offer with high price such as Apple. Another novelty of the study is exploration of moderating roles played by perceived price and challenging sophistication on the relationship between country of origin consideration and brand preference.

## II. LITERATURE REVIEW AND HYPOTHESES

Early definition of country of origin related this to “made in” concept. Some scholars referred it as place of product development, assembling, design and manufacture (Samin et al. 2012; Sevanandee and Damar-Ladkoo. 2018). Consumers usually rely on country of origin to evaluate product quality when other information is absent (Lusk et al. 2006). Sevanandee and Damar-Ladkoo (2018), showed country of origin evaluation enables for comparison of the products. In the words of Elliott and Cameron (1994) regarding Country of Origin Effect, that it is “any influence, positive or negative that Country of origin effect might have on the consumer choice and behavior towards a product.”

It was first introduced by Tajfel. He said that social identity is derived from individual’s knowledge regarding membership in a certain social entity, from which he attaches value and emotional feeling. They receive pride, and provide care and involvement in return (1982). According to Billig et al. (1991), social identity involves the feeling of relatedness, care and pride among members of a certain social group, who even are not necessarily bound by personal relation shame interest, or mutual recognition (1990).

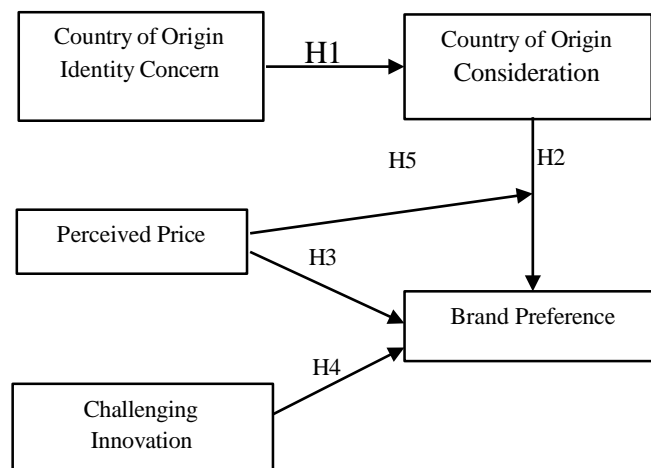
Within the context of country of origin context, membership becomes unnecessary. It is so as every individual has country identity already. However, characteristics of social identity covering attachment of value, care, and positive image maintenance. Billig et al. (1990), members does not necessarily have personal relationship, mutual recognition or even explicit awareness of membership since what they have done is within boundary of recommending, complementing, being confidence in applying products for private and public affairs, and defending any defamation. Moreover, globalization enables people to communicate without face to face meeting and walls of building. Thus, it can said that the nature of relationship in country of origin context is fluid in nature, or even temporary as several attractive entities change position of domination in every point of time depending on the extent of innovation, business strategy, and fit between what offer and people needs.

Any individual has self-expansion motive for the purpose of continuous growth, development and progress. People make self-expansion by attempting to get resources, knowledge and insight, and identity of others that support them to achieve their purpose or meaning of life (Aron et al, 2007; Aronet al, 2005).

Self-expansion does not only involve the inclusion of human, but also brand and organization. In other cases, it signifies widening of self to include objects that are outside of the self, meaning that self is outsider. Some studies have attempted to relate this theory to destination for example (Lee, 2012), to fandom (Patwardhan and Balasubramanian, 2011). The self-expansion to object outside individuals does not mean leaving the prior

identity and embracing new identity completely. Self-expansion in this study could denote to concern on something that is previously outside the individual.

Perceptual and Actual Experience with the products during shopping and application always conjures up the thought of country of origin's identity. However, this thought is much influenced by individual's personal and subjective prior knowledge of country of origin's identity in political, social or economic perspective. It is much disconnected to quality and high performance of the products. There is a clear reluctance among consumers to relate the products to their country of origin's identity to provide room for personal and subjective evaluation that usually takes time, several trials of serial product application, and comparisons. The influence from scholarly review, the bulk of people where individuals interact offline and online, as well as peers. People would start seeing country of origin's identity in relation to products they have been applying when they have found a fit between the products and their needs to their continual improvements and innovation, plus justification from subjective norms. The conceptual framework in this research is presented in the following Figure 1:



**Figure 1.** Conceptual Framework

Based on the conceptual framework explained in the previous explanation, the hypotheses formulated in this research are:

**Country of origin identity concern does not significantly affect country of origin consideration**

Some studies have shown relationship between country of origin and consumer affection. Country of origin is commonly being used to indicate the product quality in case of lack of information (Lusk et al. 2006). Sevanandee and Damar-Ladkoo (2018), argued that the purpose of country of origin consideration is to make comparisons to other similar products. It is especially so when there are many global brands to turn to (Bandyopadhyay, 2014). Yunus and Rashid (2016), confirmed the influence of country of origin on consumer purchase intention for mobile phone brand in China.

H<sub>1</sub>. Country of origin identity concern does not significantly affect country of origin consideration

**Country of origin consideration has a significant effect on brand preference**

Several studies have shown relationship between perceived price and brand preference. Lee (2012) founded the relation between price and its impact on purchase decision. Affordability and perceived price fairness makes products worth buying. They also implant the sense of

opportunity that consumers should not miss during campaign time. People with limited finance should have price sensitivity, and this would affect their purchase behavior. Affordable price would enable for the purchase and lead to closer relationship. The sense of gratitude would lead to social exchange that drives the relationship closer between product brands and consumers.

H<sub>2</sub>. Country of origin consideration has a significant effect on brand preference

### **Perceived price has a significant effect on brand preference**

Challenging innovation always engenders curiosity, desire to compare, and offer alternative application that widens consumer choices. It also enriches consumer experience in cellular phone application in other related aspects of communication. Sometimes, the existence of challenging innovation could be complementary to earlier innovation. This type of innovation also widens the availability of high-tech gadgets, pressing the competition and price down as a consequence, not to mention their already cheaper price offer. It also allows the race of competition in innovation to the benefit of consumers. Relationship between consumers and the products could tighten on the basis of social exchange, where the existence of high-tech gadgets support the progress and life quality of society, and people make a special affective bond to them.

H<sub>3</sub>. Perceived price has a significant effect on brand preference

### **Challenging innovation has a significant effect on brand preference**

Perceived price strengthens the effect of Country of origin consideration on brand preference. Affordability has its own compelling attractiveness. The capability of offering qualified products with cheaper price strengthens the association of Country of origin and brand preference. When people aware that the price for high tech gadgets is lower than competitors then Country of origin consideration they make would have a stronger effect on brand preference. Some Country of origins is internationally well-known of offering products with cheaper prices, while others with higher prices. For consumers who favor cheaper products, continuous offer of cheaper products should strengthen the relationship.

H<sub>4</sub>. Challenging innovation has a significant effect on brand preference

**Perceived price significantly moderates the effect of country of origin consideration on brand preference** Some countries are also well-known of products with challenging innovations. It refers to innovation that comes later after the earlier innovation, but it does not necessarily mean similarity, but can mean alternative innovation that enriches choices consumers can take. It also could have more varied functions with simpler ways. This challenging innovation should strengthen the effect of Country of origin consideration on brand preference. This innovation provides justification to action of checking products' Country of origin that can lead to brand preference.

H<sub>5</sub>. Perceived price significantly moderates the effect of country of origin consideration on brand preference

## **III. METHODOLOGY**

The research setting is some stores that sell cellular phones of several brands. They are grouped under China, Korea and United State as international Country of origin most consumers have been familiar about Some new constructs such as Country of origin identity concern, Country of origin consideration and challenging innovation necessitate content and face validity, which involves interviews with some experts (expert judgment) and consultation with several respondents respectively. For it will conduct Kaiser-Meyer-Olkin (KMO) Test for Sampling Adequacy. Questionnaire distribution should cover 40 consumers for pre-test. Its sample size follows Kahle and Malhotra's formula (1994) that dictates the



minimal sample size number is 10 times of indicators of all variables involved in the research model.

The application of SmartPLS for data analysis is based on several reasons. First, the research model is rather complex as it involves moderation analyses. The existence of new constructs in research model renders predictive nature of research (Chin, 2010). The study will run confirmatory analysis (CFA) and path analysis to confirm validity and reliability of researches instruments (Hair et al. 2011). It will also conduct T-test to find out t-stat values for moderation test.

#### **IV. RESULTS AND DISCUSSION**

The study conceives that Country of origin's identity concern should have an insignificant effect on country of origin consideration. It is due to fact that country of origin consideration commonly results from country image or reputation. The study conceives that country of origin consideration indeed has a significant effect on brand preference. However, since technological mastery and innovative innovation that grip consumers' attention seem to continuously shift from country to country, country of origin consideration is not a steady signal of product quality that prompts individuals to make purchase decision. Beside, many factors that could lead to brand preference such as persistent satisfaction, reliable service, supporting equipment and spare parts availability, and others. For Asian consumers of developing countries, price could have influence. Price could indicate luxury or state-of-the-art innovation that could last long, that competitors seem not able to emulate in the near future. In this case, premium price should not be any constraint. Apple's products are good example. In another case, affordability is a compelling attraction to most Asian consumers, especially those in Indonesia. Pride of possessing expensive gadget could be meaningful, but functionality and job or task supporting are immediate needs to fulfill. It means that people with focused needs commonly set aside luxury or the newest innovation, and enjoy lower price as the consequence, though higher priced gadgets offer more functions and social value. To them, cheaper products that have already fulfilled their immediate need suffice their necessities in office and social affairs, and more luxurious and expensive products do not attract their attention.

Challenging sophistication referring to innovation that is alternative counterweight to state of the art innovations made by established companies. People would not resist any improvement in technological advancement even thought it come later or after the earlier innovation. It is important that everyone has a gadget that can connect to each other, in order to support work, school affair or business that is characteristic of digital society. Simply put, challenging sophistication contributes to widespread of high tech gadget application without which economic and social progresses are possible. The more individuals in a certain society have gadget, the more integrated they will be into progress, as society and government steps into two directions of controlling and being controlled. In the time of digital era, all services by public and private entities are processed within online platform, and all members of the society should get used to that kind of business.

Challenging sophistication also enables for widespread high tech gadget application through cheaper price. Original innovation usually makes the products genuine, possessing authenticity, but offered in premium price. Organizations that pioneer the innovation do not intend to lower the price, as it signals their class and quality. It is also due to the design that makes the innovation last longer in the logic that it would take longer time for competitors to challenge their innovations. Higher price makes the products only could be accessed by higher-end of consumers. Lower price makes all level of people could purchase the products. Middle and lower ends of consumers usually apply perceived price to evaluate gadgets to purchase.



Country backgrounds of organizations that pioneer original innovation and of those that make comparable innovation are recognizable, both worth credit on their own way. Thus, challenging innovation should moderate the effect of Country of origin consideration on brand preference. People appreciate the contribution of certain organization through their comparable sophistication. Perceived price should also moderate the effect for two reasons. First, cheaper price allows for widespread application. Second, cheaper price is not related to lower sophistication.

Brand preference as antecedent and consequence could bring different results in the research model. Being antecedent, it could provide a powerful effect to Country of origins' identity concern, which in turn enables for a significant relationship between identity concern and Country of origin consideration. Being it as consequence, the brand does not have attractiveness that command attention to identity of Country of origin. In model case of brand preference as antecedent, the study could prove relationship between identity and Country of origin consideration. Identity is formed and starts to drive attention when people recognize its persistent quality, contribution to social progress, and support to economic advancement. The international success and glory of Asian brands make some of Indonesian people makes self-expansion to have region-wide concern, as wide as Asia, especially when Asian countries and Indonesia share the same region.

Attention people attach to a certain country can be a base for a closer relationship. But this relationship does not require actual membership as anybody has already had their own country membership. It usually take the form of recommendation, review, choices, or defending with proofs when to face unfair criticism.

The challenging innovation and cheaper price could strengthen the effect of Country of origin consideration on brand preference. They could work together to exert bigger effect on the relationship. Actually they are related, since challenging innovation would result in cheaper price.

### **Future Research**

Future research could explore country of origin identity concern as a consequence of brand preference. Research on the effect of preference over certain products both on country of origin identity concern and country of origin consideration is so far absent in management literature, and the results could meaningfully expand our knowledge. Moderating or mediating variable that could significantly improve the effect of country of origin identity concern on country of origin consideration is also worth exploration. The same thing also holds to relationship between brand preference and country of origin identity concern as a consequence, instead of antecedent in research model. When the relationship should be proven significant, it also be expected that country of origin identity concern has a significant effect on Country of origin consideration.

Demographical factors should be taken account on to determine its possible effect on Country of origin issues. Ethnocentrism or other centism that is related wider geographical regions could play part, together with demographical factors. Research in other areas is essential to prove generality. Qualitative research could deepen our knowledge regarding country of origin issue in the mind of consumers.

### **V. CONCLUSIONS**

The study has attempted to relate identity and self-expansion theories. Continuous success made by Asian cellular phone manufacturers besieging Indonesian market with numerous Asian cellular products raises astonishment. Self-expansion shifts individual's inspiration source to grow to wider geography. The shift from tendency to make relation from



organization to country where the organization belongs is also rare to occur. Usually, people make identification to organization. Relation to Country of origins' identity in this study refers to mental state as contrary to active and actual relationship-making. Concern on attraction to identity of country of origin is related to magnitude and persistence in continuous innovation. Attraction of Korea as Samsung country of origin could be derived from the fact that Samsung has a worldwide reach. Its cellular products have been in largest world market share list, not to mention its other product lines that most countries welcome. The same story could be told to Apple, with international consumers that attach most staunch loyalty in the history. However, we should be cautious that this mental relationship to another country only manifests in the time of choice. It is also conspicuous in recommendation, preference making, and review. The shift or discontinuance of relationship could occur in any point of time. It could be due to plummeting product performance, loss in market dominance in the form of reduced market share, product withdrawal, and loss on international reputation. Beside, any individual already has national identity that cannot be replaced by another alternative. In whatsoever condition, national identity requires active defense, involvement and participation to the extent that no other identity types could match. Further study is essential for comparing the role of self expansion that enables the shift of identification from one object to another in the case of organization, corporation, humans and country.

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