

INFLUENTIAL FACTORS ON CONSUMING DOMESTIC PRODUCTS AT LOCAL MARKET IN TIEN GIANG PROVINCE, VIETNAM

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ABSTRACT

The aim of this study is to analyze and verify some factors influence consumers' behavior related to essential product categories in Tien Giang province. The research data have been collected from groups of 405 respondents in 05 first-ranked markets, 21 second-ranked markets and 18 third-ranked markets located in Tien Giang province. Author has applied Cronbach's Alpha test, Analysis and Factors Analysis (EFA), Confirmatory Factor Analysis (CFA) and Structural Equation Modeling (SEM) model to test and verify suggested models and hypotheses. Briefly, model with four key factors are cultural sensitivity, consumer ethnocentrism, perceived quality, and consumer trend that affect customers' behavior.

Key words: local market; Vietnam; domestic products

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INTRODUCTION

Vietnam government has been strongly built up trading diplomat relationship into regional and international economic integration for more than 40 years. So far, the country has legalized trading agreement with 165 countries, bilateral trade agreement with 72 countries (*Industry and Trade Department, 2016*). Those trade agreements have been activated to achieve multiple benefits. It has been seen that Vietnam manufacturers keep fighting with their competitors for survival. They do not have many choices, they may run after their clients demand by importing instead of producing or they have to close down their business.

So, this study aims to identify some factors influencing on consuming domestic products behavior. From the perspective of consumers, local manufacturers are needed to measure the demand of their end-clients to provide appropriated products as well as services in order to satisfy the consumers' expectation.

LITERATURE REVIEW

The theory of reasoned action (*Ajzen&Fishbein, 1969, 1980*) provides a model that has potential benefits for predicting the intention to perform a behavior based on an individual's attitudinal and normative beliefs. Individual intention is affected by two factors as attitude and subjective norm. Attitude is what the possible outcomes, how they are good or bad, and how likely they are to occur. Subjective Norm is normative belief about whether each referent person approves or disapproves of the behavior and motivation to do what each referent person thinks is good for them. The literature is replete with research in which the theory of reasoned action and the theory of planned behavior have been used to empirically evaluate decision behavior of individuals. However, there is a gap in the literature with regards to the possible applications of these theories to small business.

Theory of planned behavior (Ajzen, 1991) is found to be well supported by empirical evidence. Intentions to perform behaviors of different kinds can be predicted with high accuracy from attitudes toward the behavior, subjective norms, and perceived behavioral control; and these intentions, together with perceptions of behavioral control, account for considerable variance in actual behavior. Attitudes, subjective norms, and perceived behavioral control are shown to be related to appropriate sets of salient behavioral, normative, and control beliefs about the behavior, but the exact nature of these relations is still uncertain. The limited available evidence concerning this question shows that the theory is predicting behavior quite well in comparison to the ceiling imposed by behavioral reliability. In this study, the author has based on theoretical model of Nguyen Dinh Tho and Nguyen Thi Mai Trang (2010) to identify influential factors on consuming domestic products at local markets in case of Tien Giang province, Vietnam. The important factor influencing the buying behavior of domestic goods is the ethnocentrism (Herche, 1994, Klein & Ettenson, 1999, Nguyen Dinh Tho and Nguyen Thi Mai Trang, 2011), cultural sensitivity (Kamaruddin & Nguyen Dinh Tho and Nguyen Thi Mai Trang, 2011), and the product judgement (Klein, 2002, Nguyen Dinh Tho and Nguyen Thi Mai Trang, 2011).

Consumption trend of domestic goods: According to the American Marketing Association, consumer behavior is the interaction between environmental stimulation and human perceptions. Through interaction, people change their behavior. According to Kotler & Levy (1969), consumer behavior is a specific behavior of an individual when making decisions to purchase, use and dispose of a product or service. Consumer behavior is a process that allows an individual or group of people to choose, purchase, use a product or service, satisfy their needs or desires "(Solomon Micheal, 1992).

Cultural sensitivity: Culture can be defined as the whole of beliefs, values and customs that are formed by the learning process and it directs the consumer behavior of the members of society (Schiffman & Kanuk, 2000). Individuals in a society have different experiences and attitudes towards the values of different cultures and their cultures (Nguyen DinhTho and Nguyen Thi Mai Trang, 2011). Members of a particular culture, if they have the opportunities to interact with members of another culture, their prejudices against cultures other than their own culture are often reduced (Sharme et al. a, 1995). This characteristic is expressed through cultural sensitivity, in other words, cultural sensitivity indicating the level of recognition and recognition of the values of cultures other than one's culture (Nguyen DinhTho and Nguyen Thi Mai Trang, 2011). The research results of Nguyen DinhTho and NguyenThi Mai Trang (2011) show that cultural sensitivity is a factor influencing domestic consumption behavior. Therefore, the author have hypothesized H1 as follows:

H1: cultural sensitivity affects consumer trend on domestic products(expectation +)

Consumer ethnocentrism is derived from the more general psychological concept of ethnocentrism.

Consumer ethnocentrism: Basically, ethnocentric individuals tend to view their group as superior to others. As such, they view other groups from the perspective of their own, and reject those that are different and accept those that are similar (Netemeyer et al., 1991; Shimp& Sharma, 1987). This, in turn, derives from earlier sociological theories of in-groups and out-groups (Shimp& Sharma, 1987). Ethnocentrism, it is consistently found, is normal for an in-group to an out-group (Jones, 1997; Ryan & Bogart, 1997). Consumer ethnocentrism specifically refers to

ethnocentric views held by consumers in one country, the in-group, towards products from another country, the out-group (Shimp & Sharma, 1987). Consumers may believe that it is not appropriate, and possibly even immoral, to buy products from other countries. Purchasing foreign products may be viewed as improper because it costs domestic jobs and hurts the economy.

Shimp and Sharma (1987) have noted that consumer ethnocentrism gives the individual a sense of identity, feelings of belonging, and, most importantly, an understanding of what purchase behavior is acceptable or unacceptable to the in-group. Moreover, they argue that consumer ethnocentrism is closely correlated to patriotism, politico-economic conservatism, and dogmatism. For their part, Sharma, Shimp, and Shin (1995) maintain that consumer ethnocentrism is positively correlated to patriotic and conservative attitudes, but has a negative correlation with cultural openness. Accordingly, a consumer who has a high ethnocentric tendency will be dogmatic and not open to foreign cultures, and as such consumer will have generally unfavorable attitudes toward foreign culture and products. As mentioned above, consumer ethnocentrism derives from the more general construct of ethnocentrism, which can be defined as people viewing their in-group as central, as possessing proper standards of behavior, and as offering protection against apparent threats from out-groups (Brislin 1993). Moreover, when the impact of consumers' ethnocentrism and perception of the country of origin on their attitude toward a certain product are considered simultaneously, consumer ethnocentrism is likely to offset the impact of the perception of the country-of-origin. Therefore, the author have hypothesized H1 as follows:

H2: consumer ethnocentrism affects consumer trend on domestic product (expectation +)

Perceived Quality

Perceived quality is the subjective feeling of consumers to the quality of a product (Zeithaml, 1988; Netemeyer et. al., 2004); it is the consumer's subjective feeling about the qualities that a product can bring to them (Tho et. al., 2011). Perceived quality brings value to consumer and it is reason they purchase this product rather than others (Yoo et. al., 2000). High perceived quality means consumers can recognize the difference and the superiority of the products due to plentiful amount of experiences related to that brand (Yoo et. al., 2000). As the result, if a particular domestic product is perceived to have higher quality by consumers, they will express fondness to it due to the attributes which are more appealing to them and will want to possess this products more than others (Tho et. al., 2011). Consumers will also have a preference of this product over other competing products (Zeithaml, 1988; Yoo et. al., 2000). Therefore, hypothesis H3 can be as follow:

H3: The perceived quality affects consumer trend on domestic product (expectation +)

In addition, research results of Nguyen DinhThoet al (2011) also showed that cultural sensitivity and consumer ethnocentrism also affect perceived quality. Thus, the authors hypothesize H4 and H5 as follows:

H4: Cultural sensitivity affects perceived quality(expectation +)

H5: Consumer ethno centrism affects the perceived quality(expectation +)

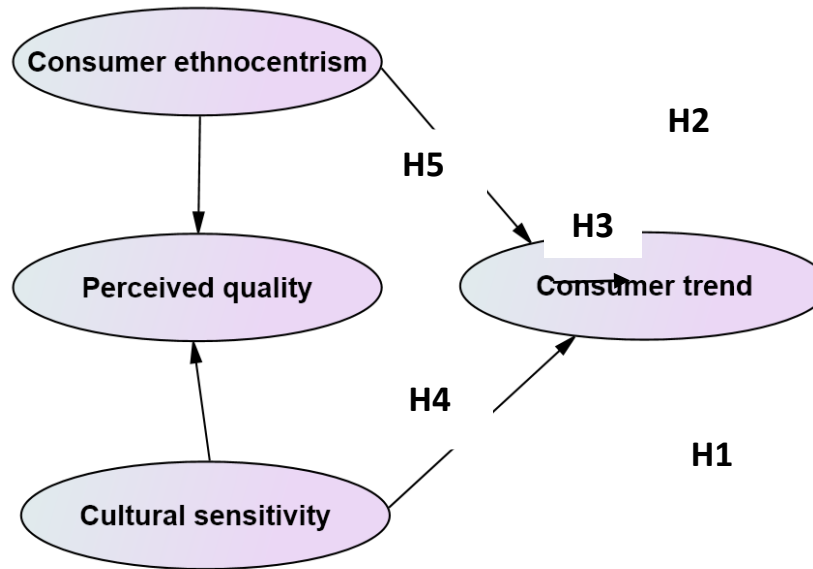


Figure 1. Models and hypotheses proposed by authors

Methodology of the Research

Research process: This study has been combined qualitative and quantitative research methods. Qualitative research method has been conducted by interviewing 10 exporters in 02/2016 to modify observational variables that have been used to measure research concepts.

Quantitative research has been conducted through direct interviews with 405 consumers at 05 first- ranked markets, 21 second-ranked markets and 18 third-ranked markets located in TienGiang province, Vietnam from 02/2017 to 05/2017 by convenient sampling using a detailed questionnaire to test model and research hypotheses.

Data processing techniques: Collected data was evaluated by means of Cronbach's Alpha reliability analysis, EFA, CFA, and SEM to test and verify suggested models and hypotheses.

RESULT AND DISCUSSION

Status of market operations in Tien Giang province: Until 06/2017, there are 176 markets consisting of 05 first- ranked markets (2.8%), 21 second-ranked markets (11.9%) and 152 third-ranked markets (85.3%) located in TienGiang province with more than a market per village on average. There are 24 urban markets, 152 rural markets, 03 fruit markets, 02 seafood wholesales and 01 floating market.

Table No 1. Statistics for local markets in TienGiang province

Unit: markets

| Place | | Ranking | | |
|-----------------------|-----|----------------------|-----------------------|----------------------|
| | | First-ranked markets | Second-ranked markets | Third-ranked markets |
| My Tho City | 14 | 2 | 1 | 11 |
| Go Cong Town | 13 | 1 | | 12 |
| ChauThanh District | 18 | | 4 | 14 |
| Cho Gao District | 20 | 1 | 2 | 17 |
| Cai Be District | 35 | | 5 | 30 |
| Tan Phuoc District | 6 | | 2 | 4 |
| Go Cong Dong District | 16 | | 2 | 14 |
| Go Cong Tay District | 18 | | 4 | 14 |
| Tan Phu Dong District | 7 | | | 7 |
| Cai Lay District | 17 | | | 17 |
| Cai Lay Town | 12 | 1 | 1 | 10 |
| Total | 176 | 5 | 21 | 150 |

(Source: Industry and Commerce Department of Tien Giang Province)

Description of research sample

Research process: Among 405 respondents, there are 102 females (25.2 %), 303 males (74.8 %) among total respondents; and 143 respondents earning less than 3 million VND per month (35.3%), 246 earning from 3 to less than 5 million VND (60.7%), 16 earning above 5 million VND (4 %). Therefore, almost respondents of research are average customers with limited income. Among 405 respondents, there are 100 respondents at first-ranked markets (24.7%), 210 respondents at second-ranked markets (51.9%) and 90 respondents at third-ranked markets (23.5%).

Data processing techniques: Collected data was evaluated by means of Cronbach's Alpha reliability analysis, EFA, CFA, and SEM to test and verify suggested models and hypotheses.

Results analysis of scales' reliability

The results presented in Table No.2 shows that in the observation variables have been used to measure research concepts in the reliability analysis of the scale via the Cronbach's Alpha coefficient (Cronbach's Alpha coefficient > 0.6 and correlation coefficient – total > 0.3 , Nunnally&Burnstein, 1994).

Table No.2 Results of the reliability analysis of research concepts

| | Cronbach's Alpha |
|-------------------------------------|-------------------------|
| Cultural sensitivity | 0.864 |
| Consumer ethnocentrism | 0.872 |
| Perceived quality | 0.833 |
| Consumer trend on domestic products | 0.839 |

(Source: author's survey data, 2017)

The results of EFA

The results of EFA presented in Table No.2 and Table No.3 show suggested scales have been satisfied the standard. EFA factors affecting the services' quality are respectively extracted into 04 factors corresponding to observe variables from 04 concepts with a total obtained variance of 63.880% at the Eigenvalue of 2.699. EFA satisfaction factor is extracted into 1 factor with an obtained variance of 67.463 % at the Eigenvalue of 2.699. The EFA results are analyzed by Varimax rotation method.

Table No.2 EFA results of factors affecting consumer trend on domestic products

| Variances | Components | | |
|----------------------|------------|--------|--------|
| | 1 | 2 | 3 |
| TVC4 | .764 | | |
| TVC5 | .764 | | |
| TVC3 | .762 | | |
| TVC1 | .748 | | |
| TVC2 | .738 | | |
| TVC6 | .736 | | |
| VH3 | | .807 | |
| VH1 | | .791 | |
| VH2 | | .780 | |
| VH4 | | .744 | |
| VH5 | | .739 | |
| QL1 | | | .791 |
| QL3 | | | .786 |
| QL2 | | | .759 |
| QL4 | | | .748 |
| Eigenvalue | 3.660 | 3.253 | 2.669 |
| % of variance | 24.401 | 21.688 | 17.791 |
| Cumulative % | 24.401 | 46.089 | 63.880 |
| KMO | | | 0.913 |

| | | | |
|------------------------|------------|--|----------|
| Bartlett's Test | Chi square | | 2719.111 |
| | df | | 105 |
| | Sig. | | 0.000 |

(Source: Authors' survey data, 2017)

Table No.4 EFA results of customer trend

| Variances | Component | |
|-----------------|------------|---------|
| | 1 | |
| TDHN2 | .836 | |
| TDHN1 | .834 | |
| TDHN3 | .810 | |
| TDHN4 | .805 | |
| Eigenvalue | 2.699 | |
| % of variance | 67.463 | |
| KMO | 0.818 | |
| Bartlett's Test | Chi square | 608.174 |
| | df | 6 |
| | Sig. | 0.000 |

(Source: Authors' survey data, 2017)

Results of CFA

The CFA results presented in Table No.5 and Figure No.2 show that all scales meet the requirements for reliability, average variance extracted, convergent validity, discriminant validity and unidirectional.

Table No.5 CFA results of factors

| Concept | Observed variables | Pc | Pvc | Convergence validity, discriminant validity and unidimensionality |
|-------------------------------------|--------------------|-------|-------|---|
| Cultural sensitivity | 6 | 0.872 | 0.532 | Acceptable |
| Consumer ethnocentrism | 5 | 0.864 | 0.560 | |
| Perceived quality | 4 | 0.834 | 0.558 | |
| Consumer trend on domestic products | 4 | 0.839 | 0.566 | |

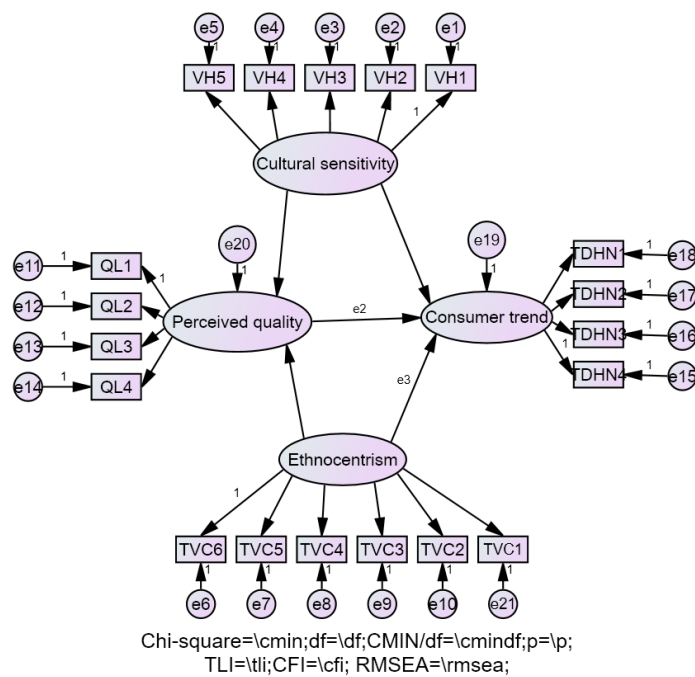


Figure No.2- Results of study test

(Source: Authors' survey data, 2017)

Note. Coefficients measure figures is χ^2/df ratio < 5 (Schumacker & Lomax, 2004), TLI > 0.90 (Hair et. al, 2006), CFI > 0.95 (Hu & Bentler, 1999), RMSEA < 0.07 (Hair et. al, 2006), p - value > 0.05 (Hair et. al, 2006).

The results of the test hypotheses

The results of the test hypotheses presented in Table No.6 show that all hypotheses are acceptable at significance level of 0.05, the corresponding confidence level of 95% as follows:

Table No.6 Test hypothesis test results

| | Estimate | S.E | C.R. | P | |
|---|----------|------|-------|-----|--------------|
| Perceived quality <= Cultural sensitivity | .377 | .053 | 7.132 | *** | Supported H4 |
| Perceived quality <= Consumer Ethnocentrism | .817 | .120 | 6.801 | *** | Supported H5 |
| Consumer trend <= Perceived quality | .378 | .074 | 5.091 | *** | Supported H2 |
| Consumer trend <= Ethnocentrism | .745 | .134 | 5.547 | *** | Supported H1 |
| Consumer trend <= Cultural sensitivity | .310 | .059 | 5.249 | *** | Supported H3 |

Discussion and conclusion of the research

Discussion

Consumer trend of domestic products (CT) is affected by perceived quality (PQ); Ethnocentrism (E); Cultural sensitivity (CS) as follows:

$$CT = 0.378 * PQ + 0.745 * E + 0.310 * CS$$

This means that:

(i) The results of the study show that the role perceived quality plays in consumer trend which has relationships between of domestic products and foreign products. Further, it is shown in which way the results of such a study can support local businesses in adapting domestic products in accordance with consumers' opinions on quality and preference. Perceived quality of domestic products and its

relationship to consumer trend. This factor has effect on consumer trend with estimate of β as 0.378;

(ii) As the results of study, there is the relationship between consumer ethnocentrism and consumer trend toward foreign products in essential product categories in which domestic alternatives are more significant. It was hypothesised that consumer ethnocentrism would have less favourable consumer trend toward products from culturally similar countries as China in comparison to domestic products. Author results suggest that cultural similarity is an important consideration for highly ethnocentric consumers in the evaluation of foreign products. This factor has the highest effect on consumer trend with estimate of β as 0.745;

(iii) A purchase decision is the result of each and every one of these factors. As the results of the study, consumers at the local market are led by his culture, his subculture, etc.. These things have been influenced by cultural sensitivity as well as their social environment. By identifying and understanding the cultural sensitivity that influence their customers, businesses have the opportunity to develop a strategy, a marketing message and advertising campaigns more efficient and more in line with the needs and ways of thinking of their target consumers to better meet the needs of its customers and increase sales. Cultural sensitivity has the effect on consumer trend with estimate of β as 0.310;

Conclusion

The study has been formulated multiple data sources. Author has developed those database based on primary and secondary sources. The province has many types of markets with various types of products from traditional craft villages to other products from other places. Market is a part of socio-economic Vietnamese life that has been reputed through history of agricultural economy. Those local

manufacturers might need to measure these factors to meet their consumers' inquiries. They may know consumers in 21-century have more than one option to decide which products they might decide to buy or not to buy. Many other customers have gained very much their rights and they know how to spend their money for what products have good stable quality. Consumers are to decide their needs, so manufactures need to keep them as loyal customers who might support local producers because of good quality and good services, not any other reasons. In the consumers' trend of global economic, many people tend to like using imported products they might believe in its quality and good reputation. This is another of factors related to local authority whose may need to maintain the preservation and development the cultural characteristics of a region by its policy. There are many other challenges for domestic producers how to satisfy their end-buyers and also their distributors' channel across markets. Because of herd mentality, sellers in the markets may promote products they receive premium commission manufactures rather than others. To solve the profit/loss math, this is never been easy for any small and medium manufactures to handle their distribution system. It might be launched in smart marketing strategies or trade protectionism for domestic manufacturers.

With limited time and author's knowledge, there might have some restricted point of views in analyzing the whole picture of macro economic. It also has other factors author does not mention in this study.

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