

Some Determinants Affecting Purchase Intention of Domestic Products at Local Markets in Tien Giang Province, Vietnam

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ABSTRACT. *Recently, some studies have shown that there are several major factors which influence customer's purchase intention. However, in the case of traditional markets in Vietnam selling domestic products, these have still not been examined with a specific focus on local markets in the villages. Therefore, this paper critically examines the modelling of some factors affecting consumer's purchase intention at local markets in Tien Giang province, Vietnam. The research data has been collected in local markets from a groups of 405 respondents. The author has applied Cronbach's Alpha test, Analysis and Factors Analysis (EFA), Confirmatory Factor Analysis (CFA) and Structural Equation Modelling (SEM) model to test and verify suggested models and hypotheses. The review of the authors model reveal some key factors that affect customers purchase intention are cultural sensitivity, consumer ethnocentrism, perceived value and consumer trends.*

Keywords: Local market, Vietnam, Domestic products, Purchase intention

1. **Introduction.** Vietnam's economy has shifted to a market economy with a globalisation trend, in particular Vietnam joining the World Trade Organization, the Comprehensive and Progress Agreement for Trans-Pacific Partnership (CPTTP) and the ASEAN Economic Community (AEC), etc. According to the tariff reduction schedule, almost all imported products in the agricultural sector have a 0% tariff rate from 2015, and the remainder 5% in 2018 (*Source: Ministry of Industry and Trade*). The trend of international economic integration and imported products, especially Chinese goods into Vietnam has led to more and more fierce competition with domestic goods. Therefore, some inefficient domestic industries will have to restructure or withdraw from the market. This is big issue that requires Vietnamese enterprises, especially small and medium enterprises, to develop strategies to improve the competitiveness of their products. In addition, small and medium enterprises in Vietnam have difficulty distribution networks, especially in rural markets. As a result, some domestic products have lost their market share, especially in rural areas, where Vietnamese products have not reached the consumers. The retail market in Vietnam has attracted foreign investors such as Aeon, Central Group, TCC Group (Thailand) and Auchan, or the acquisitions of Metro, BigC, Nguyen Kim. Currently, the retail and wholesale sector of Vietnam accounts for 14% of GDP (*Source: General Statistics Office of Vietnam*). This shows that the traditional rural retail markets still have potential for Vietnamese companies. With deep integration into the world economy, Vietnamese customers will have more choices of goods with better prices and quality. This has brought many opportunities but also brought many challenges for Vietnamese enterprises in a country with over 90 million people, of which Tien Giang's population is over 1.7 million people (*Tien Giang Statistical Office*).

Therefore, this study aims to identify some factors affecting purchase intention in the case of domestic products at local markets in Tien Giang province, Vietnam. From the perspective of consumers, local manufacturers are needed to meet the demands of their customers to provide the best qualified products as well as suitable services in order to satisfy consumer expectations

2. 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 behaviour based on an individual's attitudinal and normative beliefs. Individual intention is affected by two factors, attitude and subjective norm. Attitude is what the possible outcomes are, how good or bad, and how likely they are to occur. Subjective Norm is normative belief about whether each person approves or disapproves of the behaviour and motivation to do what each referenced person thinks is good for them. The literature is replete with research in which the theory of reasoned action and the theory of planned behaviour have been used to empirically evaluate the decision behaviour of individuals. However, there is a gap in the literature with regards to the possible applications of these theories to small businesses.

Theory of planned behaviour (*Ajzen, 1991*) is found to be well supported by empirical evidence. The intention to perform behaviours of different kinds can be predicted with high accuracy from attitudes toward the behaviour, subjective norms, and perceived behavioural control; these intentions, together with perceptions of behavioural control, account for considerable variance in actual behaviour. Attitudes, subjective norms and perceived behavioural control are shown to be related to appropriate sets of salient behavioural, normative and control beliefs about the behaviour, but the exact nature of these relationships is still uncertain. The limited available evidence concerning this question shows that the theory is predicting behaviour quite well in comparison to the ceiling imposed by behavioural reliability.

The author has based this study on the theoretical model of Nguyen Dinh Tho et al (2010) to identify factors influencing the consumption of domestic products at local markets in the case of Tien Giang province, Vietnam. The important factors influencing the buying behaviour of domestic goods are ethnocentrism (Herche, 1994, Klein & Ettenson, 1999, Nguyen Dinh Tho *et al.*, 2011), cultural sensitivity (Kamaruddin & Nguyen Dinh Tho and Nguyen Thi Mai Trang, 2011), and product judgement (Klein, 2002, Nguyen Dinh Tho et al, 2011).

2.1. Cultural sensitivity. Culture can be defined as the total of beliefs, values and customs that are formed by the learning process and it directs the consumer behaviour of the members of that society (Schiffman & Kanuk, 2000). Individuals in a society have different experiences and attitudes towards the values of different cultures and their culture (Nguyen Dinh Tho *et al.*, 2011). Members of a particular culture, if they have the opportunities to interact with members of another culture, find their prejudices against cultures other than their own are often reduced (Sharme *et al.*, 1995). This characteristic is expressed through cultural sensitivity, in other words, cultural sensitivity indicates the level of recognition and acceptance of the values of cultures other than one's own (Nguyen Dinh Tho *et al.*, 2011). The research results of Nguyen Dinh Tho *et al.*, (2011) show that cultural sensitivity is a factor influencing domestic purchase intentions. Consumer ethnocentrism is derived from the more general psychological concept of ethnocentrism. Therefore, the author has hypothesised H1 and H4 as follows:

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

H4: *Cultural sensitivity affects perceived value on domestic products (expectation +)*

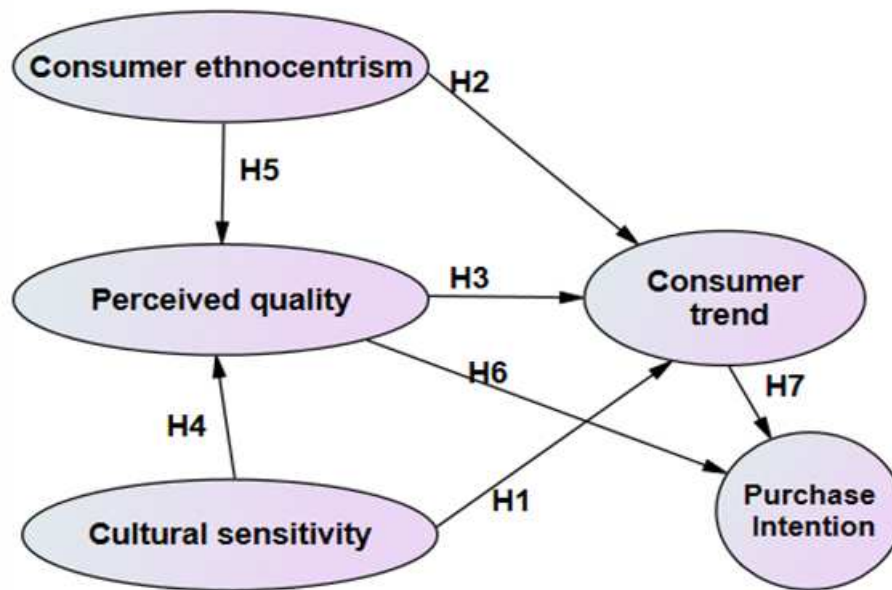


FIGURE 1. Model and hypotheses proposed by author

2.2. 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 is consistently found to be normal for an in-group and 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. For their part, Sharma, 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 behaviour is acceptable or unacceptable to the in-group. Moreover, they argue that consumer ethnocentrism is positively correlated to patriotic and conservative attitudes, but has a negative correlation with cultural openness. For their part, Sharma, Shimp, and Shim (1995) also 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 such a consumer will have generally unfavourable 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 behaviour 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 has hypothesized H2 and H5 as follows:

H2: *consumer ethnocentrism affects purchase intention on domestic product (expectation +)*

H5: *consumer ethnocentrism affects perceived quality on domestic product (expectation +)*

2.3. Perceived value. There is a relationship between perceived value, price quality and risk. Consumers may use price as an indicator of quality, this creates price-quality relationships. If price is used in the role it has a positive relationship with perceived value and intention (Monika Kukar, Nancy M, & Kent B, 2012, p. 65). Perceived value is the subjective feeling of consumers towards 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 value brings value to a consumer and it is an reason they purchase this product rather than another (Yoo *et. al.*, 2000). High perceived quality means consumers can recognize the difference and the superiority of the product due to various good experiences related to that brand (Yoo *et. al.*, 2000). As the result, if a particular domestic product is perceived to have a higher quality by consumers, they will express afondness for it due to the attributes which are more appealing to them. They will want to own 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, hypotheses H3 and H6 can be as follows:

H3: *The perceived value affects consumer trends on domestic product (expectation +)*

H6: *The perceived value affects purchase intention on domestic product (expectation +)*

2.4. Consumer trend. The consumer trend for health related products is increasing in demand (Dimitrova, Kaneva, & Gallucci, 2009). From a sociological point of view, researchers have suggested that consumers' concern for the environment has been the moral basis of some consumption practices (Shaw & Newholm, 2002). In earlier research on consumption, Baudrillard (1981) had proposed the theory of sign value. Here he proposed that, according to his sign theory, environmentally friendly consumption is a sign indicating morality and ethics in the social context. Personal values give an internal reference as to what is good, beneficial, important, valuable, excellent, desirable and helpful in observing consumer behaviour (Schwartz, 2003). According to Schwartz (2006), values are concepts or beliefs about desirable end-states or practices that rise above particular circumstances. They guide choice or the evaluation of purchasing behaviour and events and are considered by relative importance. The personal values of consumers serve as a focal point in many cognitive tasks, for example attitude formation or decision-making about a brand purchase. However, the empirical relationships between personal values and behaviours is generally low (Michael, 1984). Personal values are also recognized as important factors in environmentally friendly purchase decisions (Burgess, 1992), with several studies confirming the relationship between personal values and environmentally friendly purchase decisions (Lee, 2011; Van der Werff, Steg, & Keizer, 2013), and between personal values and sustainable ethical purchase decisions (Miroso *et. al.*, 2013). Consequently, personal values change due to increasing environmental concerns. It is increasingly important for businesses to understand consumer behaviour regarding environmental aspects (Fraj & Martinez, 2006). Therefore, the current study incorporates four dimensions of personal values, namely health consciousness, environmental consciousness, appearance consciousness, and the need for uniqueness which affect the purchase decision of buyers. Thus, the following hypothesis is proposed:

H7: *Consumer trend affects purchase intention on domestic products (expectation +)*

2.5. Purchase intention. According to TPB (Ajzen,1991), human behaviour is determined by intention and perceived behavioural control. Behaviour is influenced by the intention to perform the behaviour. According to Conner and Norman (2005), intention is the proxy determinants of behaviour. Intentions themselves are influenced by attitudes towards the behaviour, subjective norms and perceived control over the behaviour. The weight for each construct is determined empirically and varies across different behaviours. Consumers' buying decisions are very complex. Usually purchasing intentions are related to consumers' behaviour, perception and their attitude. Purchase behaviour is an important keypoint for consumers when considering and evaluating certain product (Keller, 2001). Ghosh (1990) stated that purchase intention is an effective tool for use in predicting the purchasing process. In addition, consumers will be disrupted by internal impulses and the external environment during the purchasing process. Their purchasing decision will be driven by the physiological motivation that stimulates their response and which bring them to the retail store to fulfil their need (Kim and Jin, 2001).

2.6. Methodology of the Research. Research process: This study has combined qualitative and quantitative research methods. Qualitative research has been conducted by interviewing 30 respondents in 02/2017. This was used to modify the observational variables that have been used to measure the research concepts. Quantitative research has been conducted through direct interviews with 405 consumers regarding domestic products at local markets in Tien Giang province, Vietnam, from 02/2017 to 05/2017 by available sampling using a detailed questionnaire to test the 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 the suggested models and hypotheses.

3. Results and Discussion.

3.1. Description of the research sample. Research process: Among 405 respondents, there were 102 females (25.2%), 303 males (74.8%); 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%) per month. Therefore, almost all respondents in the research are average customers with a limited income.

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.

3.2. Results analysis of scales' reliability. The results presented in Table No.1 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).

3.3. The results of EFA. The results of EFA presented in Table No.2 and Table No.3 show the suggested scales have satisfied the standard. EFA factors affecting the purchase decision are respectively extracted into 06 factors corresponding to observed variables with KMO of 0.870 (>0.6) and Sig. of 0.000 <0.05 . The EFA results are analysed by the Varimax rotation method.

3.4. Results of CFA. The CFA results presented in Figure No.2 shows that all scales meet the requirements for reliability, average variance extracted, convergent validity, discriminant validity and unidirectional.

TABLE 1. Results of the reliability analysis of research concepts

Variables	Cronbach's Alpha
Cultural sensitivity VH	
VH1: Product packaging in Vietnamese is easy to understand	0,864
VH2: Traditional Vietnamese food tastes familiar	
VH3: Religious factors affect my buying decision	
VH4: Festivals and fairs affect, buying decisions	
VH5: Family role always affects my shopping	
Consumer ethnocentrism TVC	
TVC1: The government needs to put some restrictions on imports (such as product quality requirements, consumer health, environmental protection in the country)	0,872
TVC2: Government should encourage the import of products that can not be produced in Vietnam	
TVC3: Domestic product brands will be selected over imported goods without a product brand	
TVC4: Domestic goods are of good quality and prices are more competitive than Chinese goods of the same type	
TVC5: I only buy foreign goods when these products made in Vietnam, lack of quality	
TVC6: I only buy foreign goods when they are not produced in the country	
Perceived Value GTCN	
GTCN1: I think that Vietnamese products are reasonably price	0,894
GTHN2: I think domestic products give me satisfaction and suit my needs	
GTHN3: I often choose to go to traditional markets not only to buy products but also to communicate with others	
GTHN4: At the market, I can negotiate prices with the seller	
GTCN5: Buying Vietnamese products at the market, I receive promotional gifts and regular discounts	
GTCN6: I feel Vietnamese products are safe for my health	
GTCN7: I feel domestic products are durable and easy to use	
Consumer trends XH	
XH1: I have the ability to buy products independently	0.829
XH2: I like shopping more for myself than for my family	
XH3: I always like the best products or services	
XH4: I always have a high demand to be connected to the Internet for shopping	
XH5: I am always interested in healthy products for myself and my family	
Purchase intention YDINH	
YDINH1 First I always think about the features and usefulness when buying products	0.893
YDINH2 Experience and the habit of using domestic products affect my purchase intention	
YDINH3 Personality and preferences affect my purchase intention	
YDINH4 I will continue to buy domestic products to meet my needs	
YDINH5 I often intend to buy items based on the recommendations of my family and friends	

(Source: author's survey data, 2017)

TABLE 2. EFA results of factors affecting purchase intention

(Source: Author' survey data, 2017)

Note. Coefficients measure figures $isq2/d.f.ratio < 5$ (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).

TABLE 3. EFA results of purchase intention on domestic products

Component Score Coefficient Matrix		
		Component
		1
Ydinh1		.241
Ydinh2		.229
Ydinh3		.237
Ydinh4		.247
Ydinh5		.239
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.851
Bartlett's Test of Sphericity	Approx. Chi-Square	1143.262
	df	10
	Sig	.000

(Source: Authors' survey data, 2017)

Note. Coefficients measure figures $isq2/d.f.ratio < 5$ (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).

TABLE 4. Test hypothesis results

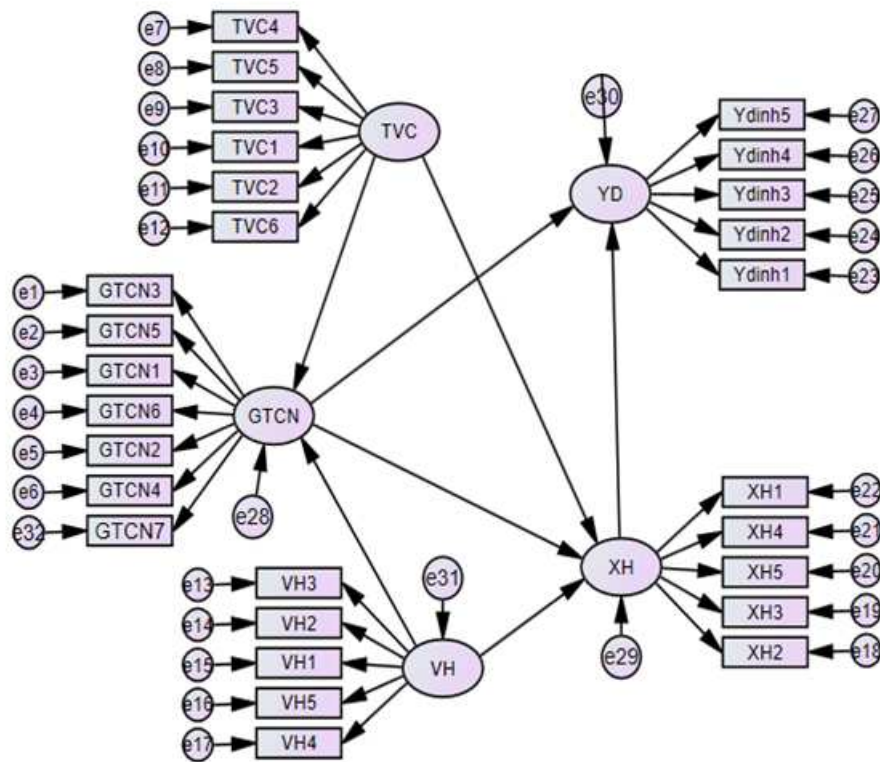
			Estimate	S.E.	C.R.	P	
GTCN	<=	VH	0,382	0,044	8,589	0.000	Supported H4
TVC	=>	GTCN	0.265	.071	6.523	0.001	Supported H5
GTCN	=>	XUHUONG	0.591	.020	4.104	0.000	Supported H3
TVC	=>	XUHUONG	0.183	.027	6.815	0.000	Supported H2
GTCN	=>	YDINH	0,520	0,081	6,398	0.003	Supported H6
XH	=>	YDINH	0,288	0,044	6,589	0.001	Supported H7
VH	=>	XUHUONG	0.209	.071	2.944	0.000	Supported H1

(Source: Author' survey data, 2017)

3.5. The results of the test hypotheses. The results of the test hypotheses presented in Table No.4 show that all hypotheses are acceptable at significance level of 0.05, the corresponding confidence level of 95% as follows:

3.6. Discussion and conclusion of the research. Discussion Purchase intention for domestic products (YDINH) is affected by perceived value (GTCN) and consumer trend (XUHUONG) as follows:

$$YDINH = 0.520 * GTCN + 0.288 * XUHUONG$$



Chi-square=643.715;df=343;CMIN/df=1.877;p=.000;
TLI=.944;CFI=.949;RMSEA=.047;

FIGURE 2. Results of study test
(Source: Author's survey data, 2017)

This implies that consumer's purchase intention for domestic goods at local markets in Tien Giang province is influenced by perceived value and consumption trend. The factors influencing consumer trends are cultural sensitivity (VH), consumer ethnocentrism (TVC), perceived value (GTCN) as follows:

$$\text{XUHUONG} = 0.591 \text{ GTCN} + 0.209 * \text{VH} + 0.183 * \text{TVC}$$

This means that:

(i) The results of the study show that perceived value plays the most important role in the purchase intention of customers at local markets with an estimate of $\beta = 0.591$. Further, it shows in which way the results of this study can support local businesses in adapting domestic products in accordance with consumers' opinions on quality and preference. It illustrates the perceived value of domestic products and its relationship to purchase intention. Detailed data shows customers at local markets thought that Vietnamese products have reasonable prices and suit their needs. In addition, they often choose markets not only to buy products but also to communicate with others, and they can negotiate prices with the seller at local markets. That is one of the reason why traditional markets in Vietnam are often crowded everyday even though other modern models such as supermarkets, shopping malls, etc. are available

(ii) Moreover, purchasing intentions at the local market are also led by Vietnamese culture and its subculture, etc. These have been influenced by cultural sensitivity as well as the social environment. By identifying and understanding the cultural sensitivity that influences their customers, businesses have the opportunity to develop a more efficient strategy, and a marketing message and advertising campaign that is more in line with the needs and ways of thinking of their target consumers. This is to better meet the needs of its customers and increase sales. Cultural sensitivity has an effect on purchase intention with estimate of $\beta = 0.209$.

(iii) As the results of the study shows, there is a relationship between consumer ethnocentrism and purchase intention toward foreign products in essential product categories in which domestic alternatives are more significant. It was hypothesised that consumer ethnocentrism would show less favourable purchase intention even toward products from culturally similar countries such as China when compared to domestic products. The author's results suggest that cultural similarity is an important consideration for highly ethnocentric consumers in the evaluation of foreign products. This factor has an effect on purchase intention with an estimate of $\beta = 0.183$;

4. Conclusion. The result of the author's model revealed that some influential factors that affect customers purchase intention are cultural sensitivity, consumer ethnocentrism, perceived value, consumer trend. There are many other challenges and opportunities for domestic companies to determine how to satisfy their customers and also their distributors' channel across markets. It has never been easy for any small and medium enterprises to handle their distribution system. In order to solve the profit / loss equation. These results might be launched in suitable marketing strategies from Vietnamese companies. This research has developed a link between some factors which are mentioned above.

However, with the limited time available, the author's knowledge and the limited study in local markets there might have been some points of views that were not included in analysing the whole picture of macro economic in Tien Giang province. The available sample method may not have been representative of the whole of the research targets. There could also be other factors which the author does not mention in this study.

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