Consumer Reliance on Intrinsic and Extrinsic Cues in Product Evaluations: A Conjoint Approach

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Abstract

Based on conjoint analysis technique, this study investigates how consumers utilize intrinsic and extrinsic cues in determining the quality of a product. The focus is on the effects of consumer individual difference variables on the relative importance of such product cues. The results show that product familiarity, enduring involvement, and price-reliance schema have a significant influence on consumer utilization of extrinsic cues. The implications of the results are discussed.

Introduction

Consumers rely on various information "cues" or characteristics of products in their product evaluations (Peter and Olson 1987; Richardson, Dick, and Jain 1994; Schellinck 1983). In fact, a considerable amount of research in consumer behavior has been devoted to examining what information cue(s) consumers use most often when evaluating products. The research results have suggested that consumers often rely on the brand name (e.g., Dodds, Monroe, and Grewal 1991; Jacoby, Szybillo, and Busato-Schach 1977; Peterson and Jolibert 1976), the price (e.g., Dodds, et al. 1991; Wheatley, Chiu, and Goldman 1981; Woodside 1974), or the country-of-origin (e.g., Han and Terpstra 1988; Chao 1989a, 1989b) of the product being evaluated. However, one important limitation of such research paradigm is concerned with the conditions created by the methodology. Specifically, most past studies have used experimentations where subjects are given some product attributes and asked to evaluate the Since these experimentations involve the procedure of manipulating different levels of independent variables or product attributes in many cases, they have been quite restricted in terms of the number of variables included in the research.

Many past studies which examined the effects of product cues on product evaluations focused on a certain attribute(s), ignoring other cues that were available to consumers in reality. For example, some studies on the country-of-origin effects were criticized for examining a single cue, biasing results in favor of finding significant country-of-origin effects (see Bilkey and Nes 1982, and Ozsomer and Cavusgil 1991 for a review). Consequently, the results of such studies are very limited in generalizabil-

ity. To increase generalizability of research results, a critical issue is how to incorporate many product attributes in a study and create conditions that are closer to actual shopping situations.

This study uses conjoint analysis to investigate the extent to which consumers rely on product attributes in their product evaluations. Conjoint analysis has an advantage over an experimental approach in that it allows us to include a relatively large number of variables in a study. In this study, various levels of six product attributes are provided for respondents. The main purpose of the study is twofold: (1) to see if the findings of past studies that indicated significant positive effects of brand name, price, and country-of-origin on product evaluations still hold under such multi-cue situations, and (2) to determine consumers' individual differences in their reliance on product cues. In the following section, types of product cues as well as some individual differences in cue utilization are discussed in detail based on the existing literature.

Literature Review

Intrinsic versus Extrinsic Product Cues

Product cues or attributes are dichotomized as either intrinsic or extrinsic (Olson and Jacoby 1972; Olson 1977). Intrinsic cues are physical attributes of a product such as gas mileage and style of an automobile, whereas extrinsic cues are product-related, but not part of the physical product itself such as brand name, price, and country-of-origin.

Extrinsic cues, when compared to intrinsic cues, are more general and applicable to a wider range of products, whereas intrinsic cues are specific only to a particular product. For instance, IBM sells many computers with features different across different models. name, IBM, which is an extrinsic cue, is associated with all the computer models it sells, whereas some specific, intrinsic attributes such as memory size and processing speed are applied only to a particular model. Hence, it is believed that consumers are generally more familiar with extrinsic cues than intrinsic cues, and thus tend to rely more heavily on them when evaluating products. significant effects of extrinsic cues on product evaluations found in many past studies substantiate such belief (e.g., Dodds et al. 1991; Han and Terpstra 1988). However, the literature has also suggested that the extrinsic cue effects are not universal; they are moderated by consumer individual differences. In the following section, specific hypotheses are developed regarding individual differences in consumer reliance on extrinsic product attributes.

Individual Differences in Extrinsic Cue Utilization

Product Familiarity

Previous studies have demonstrated that brand name has a significant effect on product evaluations (e.g., Dodds, et al. 1991; Jacoby, Szybillo, and Busato-Schach 1977; Peterson and Jolibert 1976). This could be explained by the fact that consumers are generally more familiar with brand name than with intrinsic product cues. However, the literature has also indicated that the brand name effect is moderated by consumers' familiarity with or knowledge about the product category. Bettman and Park (1980), for example, found in their experiment that consumers who are more familiar with the product category tend to rely more on brand names in their product evaluation and choice processes. They explained their study results in terms of consumer knowledge structure; since product knowledge tends to be brand-based (e.g., advertising, point-of-purchase displays, usage experience, consumers with more knowledge are likely to use brands as the basis for their product evaluations. On the other hand, consumers who are less familiar with the product category would have to evaluate specific product attributes and integrate their evaluations to reach an overall judgment.

In a related vein, studies have found that consumers with more product knowledge, relative to those with less knowledge, rely more heavily on other extrinsic cues such as price (Rao and Monroe 1988) and country-of-origin (Han 1989). Thus, it is hypothesized that:

H1: Consumers who are more familiar with a product category, compared to those less familiar, will rely more heavily on extrinsic cues such as brand name, price, and country-of-origin, when evaluating a product.

Involvement

Involvement has been defined as a person's perceived relevance of an object based on his or her needs, values and interests (Zaichkowsky 1985). The construct, since pioneered by the Sherifs and their colleagues (Sherif and Hovland 1961; Sherif, Sherif, and Nebergall 1965), has received a substantial amount of attention due to its significant influence on consumer information processing and purchasing behavior. Researchers have identified two types of involvement: enduring and situational involvement (Bloch and Richins 1983; Celsi and Olson 1988; Houston and Rothschild 1978; Richins and Bloch 1986: Zaichkowsky 1985). Enduring involvement refers to the general personal relevance of a product category whereas situational involvement is transitory and is largely a function of short term changes in the consumer's immediate environment.

Consumers with high enduring involvement develop through past experiences general knowledge and beliefs about the associations between a product category and selfrelevant goals and values (Celsi and Olson 1988). For instance, computer hackers and tennis fans are likely to have high levels of enduring involvement with computer and tennis products, respectively. Enduring involvement and product category knowledge are distinct, but related constructs (Celsi, Chow, Olson, and Walker 1992). They are distinct in the sense that the former represents a type of knowledge about the perceived relationship between the product and self whereas the latter represents a person's expertise within a certain product domain. However, they are closely related because people with high levels of enduring involvement with a product category are likely to have high levels of expertise about that category. Hence, enduring involvement would affect consumer utilization of extrinsic cues the same way that product knowledge would. For example, a consumer who is highly involved with the computer category is likely to have developed a high level of expertise about the category, and thus would be able to judge the quality of a computer based simply on the brand name, price, and/or country label of the product. Therefore, it is expected that:

H2a: Consumers who have a higher level of enduring involvement with a product category, compared to those with a lower level, will rely more heavily on

extrinsic cues such as brand name, price, and country-of-origin, when evaluating a product.

Another type of involvement, situational involvement, is a function of specific stimuli or contingencies in the consumer's environment. The temperature, time of day, the presence of other people, or marketing promotion strategies such as coupons and rebates can increase situational involvement. Although situational involvement tends to be short-lived and changeable because the sources of the involvement vary across time and situations, it can have a substantial impact on consumer information processing. Lee (1994), for instance, demonstrated that when evaluating a product, highly involved consumers use "piecemeal processes" which entail an effortful elaboration upon specific product attribute information, whereas low involved consumers simply categorize the product on the basis of the brand name and make their evaluation on the basis of the category. In a similar vein, Celsi and Olson (1988) showed that highly involved consumers exerted more cognitive effort than low involved consumers in processing product information. These study findings lead to the following hypothesis:

H2b: When evaluating a product, consumers who are more involved with the evaluation situation, compared to those who are less involved, will rely more heavily on intrinsic product attribute(s).

Patriotism and Price-Reliance Schema

In addition to product familiarity and involvement which may affect consumer reliance on intrinsic versus extrinsic cues, past studies have identified some individual characteristics which are related to the utilization of One such characteristic is specific extrinsic cues. consumer patriotism (Han 1988) or consumer ethnocentricism (Shimp and Sharma 1987). Historically, American consumers regarded imported products as inferior to U.S.made counterparts. More recently, many U.S. consumers refused to purchase foreign-made goods for patriotic reasons, believing that foreign goods may hurt the economy and create unemployment in the U.S. (Han 1988; Shimp and Sharma 1987). When evaluating a product, patriotic consumers would spontaneously look for the country-of-origin information, and evaluate American products more favorably than imported ones. This leads to the following hypothesis:

H3: When evaluating a product, consumers who are more patriotic about their product choices, compared to those who are less patriotic, will rely more heavily on the country-of-origin cue.

Another personal characteristic which may influence the usage of an extrinsic product cue, or price in particular, is one's expectations about the relationship between the price and quality of a product. A considerable amount of research has been accumulated under the rubric of priceperceived quality relationship, indicating that consumers sometimes believe "they get what they pay for" and use price as an indicator of product quality (see Monroe 1990 and Monroe and Dodds 1988 for a review). It should be noted that consumer reliance on price is not a general rule. Rather, it depends on various individual and situational factors (e.g., Etgar and Malhotra 1981; Peterson and Wilson 1985; Biswas and Blair 1991). Peterson and Wilson (1985) have suggested that over time and through experiences, some consumers develop for certain product categories a "price-reliance schema" or an expectation that "the higher the price, the better the quality." They have found that consumers with a strong price-reliance schema are more likely to prefer higher-priced products, which implies that they perceive a positive relationship between price and product quality.

H4: When evaluating a product, consumers who have a stronger price-reliance schema, compared to those who have a weaker schema, will rely more heavily on the price cue.

Method

Pretests

Since subjects for this study were students, it was important to select product classes that were relatively well-known to the subject population. A pretest was conducted to choose appropriate product categories for the study. Ninety-four students enrolled in business courses at a large midwestern university completed a questionnaire asking about their level of familiarity with several product classes. It was found that athletic shoes and T.V. sets were the ones that they were most familiar with.

Another pretest was conducted with 82 students to determine important intrinsic cues and their levels as well as extrinsic cue levels for the two product categories. It was found that the intrinsic cues the subjects considered relatively important in selecting a pair of athletic shoes were style, sole cushion, and durability. For T.V. sets, subjects considered important picture quality, sound quality, and the availability of a remote control. Brand names and countries-of-origin were also determined that were associated with either favorable or unfavorable image. The pretest results showed that *Nike* was seen as the best and *Converse*, the worst brand name in the

athletic shoe category; the U.K. was regarded as the best, and Mexico, the worst country that would manufacture athletic shoes. The results also revealed that *Sony* was perceived to be the best and *Emerson*, the worst brand name in the T.V. set category; Germany was perceived to be the best and Taiwan, the worst country that would manufacture T.V. sets. Upper and lower price limits were also determined for each product category.

Stimulus Design

As stated earlier, conjoint measurement was employed in this study to examine consumers' trade-off among different product attributes when they evaluate a product. Table 1 shows the attributes and levels used in the conjoint study. As can be seen, each product category is described by six pieces of attribute information, three of which are extrinsic cues (i.e., brand name, price, and country-oforigin) and three are intrinsic. In this case, sixty four profiles were necessary to estimate each respondent's utility for each level of the product attributes. Having a respondent evaluate sixty four product alternatives would be almost impossible. However, by using a fractional

factorial design, we could significantly reduce the number of alternatives from sixty four to sixteen while maintaining the ability to estimate the utility. Specifically, we used a symmetrical compromise design which allowed us to estimate all the main effects and some lower level interaction effects (Addelman 1962; Green, Carroll, and Carmone 1978; Green, Helsen, and Shandler 1988). In addition, as in conventional conjoint analysis, price was treated as an independent attribute which does not covary with improvements in each of the nonprice attributes.

Data Collection

A total of 229 students enrolled in business courses participated in the experiment for additional credit. They were randomly assigned to one of the two product conditions; 115 subjects answered questions concerning athletic shoes, and 114 answered T.V. set questions. In the first half of the questionnaire, subjects were asked to read the descriptions of sixteen alternatives of either athletic shoes or T.V sets and provide their evaluations on 9-point bipolar scales ranging from -4 = "very bad" to +4 = "very good." In the second half, they were asked to answer

Table 1 Attributes and Levels Used in Conjoint Study								
	Athleti	c Shoes	<u>T.V.</u>	Sets				
Α.	Brand	name	Α.	Brand name				
	1.	Converse		1.	Emerson			
	2.	Nike		2.	Sony			
B.	Price	4'	B.	Price				
	1.	\$29.95		1.	\$199.95			
	2.	\$84.99		2.	\$879.95			
C.	Count	ry-of-origin	C	Count	ry-of-origin			
	1.	Mexico		1.	Taiwan			
	2.	U.K.		2.	Germany			
D.	Style		D.	Pictur	e quality			
	1.	relatively old style		1.	relatively poor picture qualit			
	2.	modern style		. 2.	high definition with sharp pictures			
E.	Sole	cushion	E.	Sound	l quality			
	1.	sole without air-cushion		1.	relatively poor sound quality			
	2.	air-cushioned sole		2.	hi-fi stereo sound system			
F.	Durab	F.	Availa	ability of a remote control				
	1.	lasts only one year on the average		1.	no remote control			
	2.	lasts 2 years on the average		2.	multi-function remote contro			

questions regarding their individual characteristics such as product familiarity, enduring and situational involvement, patriotism, and price-reliance schema. These questions were developed on the basis of the existing research literature and are presented in the Appendix.

Results

Regression Analyses

One of the objectives of this study was to determine what types of product information in general consumers use when evaluating a product. This objective was achieved by a series of multiple regression analyses with perceived product quality as a dependent measure and six intrinsic and extrinsic cues as independent variables. The results are summarized in Table 2. As can be seen, the overall regression model was highly significant (F =421.86, p < .001), with 41% of the variance in perceived product quality explained by those independent variables. All the six product attributes provided in the study had significant effects on the overall perception of product quality. Interestingly, price had a negative impact on perceived product quality. Regression analyses were also conducted for each product category, which revealed a few differences from the overall regression results: price did not have a significant influence on perceived quality for the athletic shoe category while country-of-origin did not reach significance in the T.V. set category.

Correlation Analyses

The main goal of this study was to identify individual difference factors in consumer reliance on product cues. and thus test the research hypotheses developed and discussed earlier. This goal was accomplished by the following analysis procedure. First, multiple regression analyses were performed for each subject with perceived product quality as a dependent measure and six product attributes as independent variables. These analyses produced beta coefficients, which could be interpreted as the degree of each subject's reliance on each product cue in product evaluations. Second, Pearson correlations were obtained between the beta coefficients and the individual difference variables. Since the measures of the individual difference variables showed high reliability (see Appendix for Cronbach alphas), simple averages of the measures Table 3 presents the correlations between reliance on extrinsic cues and individual difference factors.

First, the results indicate that product familiarity was highly correlated with reliance on brand name and country-of-origin (r = .26 and .15; p < .001 and p < .05, respectively). Thus, Hypothesis 1 was partially supported. Second, the correlations between enduring involvement and reliance on brand name and price were significantly greater than zero (r = .13 and .14; p < .05 and p < .05, respectively), a partial support for Hypothesis 2a. Third, situational involvement was not correlated with reliance of

Table 2 Regression Results: Product Quality								
	Overall (N = 229) coeff. t-value	Athletic Shoes (n = 115) coeff. t-value	T.V. Sets (<i>n</i> = 114) coeff. t-value					
Brand Name Price Country-of-origin Style [Picture quality] Sole cushion [Sound quality] Durability [Remote control]	.36 6.00***23 -2.18* .17 2.81** 1.88 31.79*** 1.69 28.45*** 1.52 25.71***	.51 6.51***0227 .20 2.58** .78 9.88*** 1.10 13.92*** 1.95 24.65***	.19 2.71**24 -3.26** .13 1.77 2.99 41.59*** 2.27 31.58*** 1.09 15.17***					
R^2 F -statistic	.41 421.86***	.34 158.08***	.60 496.73***					

Table 3								
Correlation	Matrix							

	Extrinsic Cue			Intrinsic Cue			Individual Difference Variable					
	A	В	C	D —	Е	F	G	Н	I	J	K	
A	1.00	08	.00	21**	29***	10	.26***	.13*	.07	.00	.10	
В		1.00	.13	09	02	07	.12	.14*	.02	.06	.26**	
C			1.00	.05	.05	06	.15*	.05	.11	.03	.00	
D				1.00	.63***	30***	26***	12	01	08	18**	
E					1.00	11	20 ^{**}	08	03	14*	10	
F						1.00	.08	07	.17*	.05	.00	
G							1.00	.63***	.30***	.01	.23**	
H								1.00	.22***	05	.21**	
I									1.00	02	.00	
J										1.00	.04	
K											1.00	

p < .05; ** p < .01; *** p < .001

Where: A = reliance on brand name; B = reliance on price; C = reliance on country-of-origin; D = reliance on the first intrinsic attribute (style for athletic shoes; picture quality for TV sets); E = reliance on the second intrinsic attribute (sole cushion for athletic shoes; sound quality for TV sets); F = reliance on the third intrinsic attribute (durability for athletic shoes; availability of remote control for TV sets); G = product familiarity; H = enduring involvement; I = situational involvement; I = patriotism; I = price reliance schema.

any extrinsic cues presented in the study. Rather, it was strongly correlated with an intrinsic attribute, confirming Hypothesis 2b ($r=.17,\ p<.05$). Fourth, the results did not indicate any significant correlation between patriotism and reliance on country-of-origin. Thus, Hypothesis 3 was not confirmed. Finally, as expected, the correlation between price-reliance schema and subjects' dependence on price information was significantly above zero ($r=.26,\ p<.001$), supporting Hypothesis 4.

Discussion

The results of this study are generally consistent with the hypotheses as well as the findings of previous studies. It has been demonstrated that consumers with different price schema, knowledge, and involvement levels rely on different types of product attributes. This study has provided a stronger test of the hypotheses compared to typical experimental studies because it incorporated more product cues and allowed subjects to evaluate many different alternatives. This is quite similar to actual shopping situations.

However, special attention has to be paid to the findings that are not consistent with previous studies. First, price had a negative influence on overall perception of product quality. This confirms that the relationship between price and perceived product quality is not universally positive. Depending on the product category and the product evaluation situation, the relationship can turn out to be otherwise. Second, product familiarity was not strongly correlated with consumer reliance on price. This implies that just because a consumer is generally familiar with a product, it does not necessarily mean that s/he would rely heavily on price in evaluating the product; the consumer has to have the belief that price is an indicator of product quality. This was confirmed in this study by a significantly high correlation between price schema and subjects' reliance on price information. Finally, consumer reliance on country-of-origin information was not highly correlated with enduring involvement nor patriotism. A possible explanation for this would be that the effect of country-oforigin information might depend upon what product is being evaluated. Future research should examine more product categories and explore product differences in country label effects.

The results of this study have significant implications for segmentation and positioning strategies. The study has demonstrated that several consumer individual characteristics give rise to differences in cue reliance. This suggests that marketers segment their markets on the basis of such consumer characteristics and manipulate product cues differently for different segments to position their products. For instance, one of the findings of the study was that consumers with a stronger price-reliance schema used price more heavily than those with a weaker schema. A company could measure the strength of the price-reliance schema of the buyers and classify them on the basis of the schema strength. The company could further use the price of its product as a major positioning tool for the stronger schema segment.

Suggestions for Future Research

The study results should be tempered by several limitations. Future research should find ways to overcome these limitations. First, as mentioned earlier, only two product categories were examined in the study. Future studies should incorporate more products and investigate the generalizability of the present results. Second, since the study used conjoint analysis, all the hypotheses were tested based on correlational measures. Thus, the results should be interpreted with the caveat that they do not suggest any causal relationships among variables. overall results at this stage can serve as the bases for future investigation with more rigorous methodologies. Third, as explained earlier, by using a fractional factorial design, the number of conditions was substantially reduced in the study from sixty four to sixteen. However, it is speculated that evaluating sixteen alternatives might still have been too onerous for some subjects, and such a fatigue factor might have affected the results. Future research should find some procedure to simplify the evaluations tasks for subjects.

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Appendix Summary of Measures

Overall Product Quality^a:

The overall quality of this particular pair of athletic shoes [T.V. set] seems to be (very bad; very good) Product Familiarity^a: Cronbach alpha = .95

Compared to most people, I consider myself to be ...

- a. extremely unfamiliar with athletic shoes [T.V. sets]; extremely familiar with athletic shoes [T.V. sets]
- b. a complete novice about athletic shoes [T.V. sets]; an expert in athletic shoes [T.V. sets]
- c. one who has no experience of purchasing athletic shoes [T.V. sets]; one who has considerable experience of purchasing athletic shoes [T.V. sets]

Enduring Involvement^a: Cronbach alpha = .94

Athletic shoes [T.V. sets] to me and my personal life are ...

- a. extremely unimportant; extremely important
- b. extremely useless; extremely useful
- c. extremely irrelevant; extremely relevant

Situational Involvement^a: Cronbach alpha = .86

When evaluating the athletic shoes [T.V. set] described in previous pages, I was ...

- a. extremely careless; extremely careful
- b. not-at-all attentive; extremely attentive
- c. extremely bored, extremely interested

$Patriotism^{b}$: Cronbach alpha = .87

- a. American people should always buy American-made products instead of imports.
- b. It is not right to purchase foreign products, because it puts Americans out of jobs.
- c. We should buy from foreign countries only those products that we cannot obtain within our own country.

Price-Reliance Schema^b: Cronbach alpha = .78

- a. For athletic shoes [T.V. sets], the higher the price, the better the quality.
- b. For athletic shoes [T.V. sets], I get what I pay for.
- c. I can tell the quality of a pair of athletic shoes [T.V. set] just by looking at the price.

^a Measured on 9-point bipolar scales ranging from -4 to +4.

Measured on 9-point Likert scales ranging from -4 = "strongly disagree" to +4 = "strongly agree."