

Investigating the Influential Factors on Purchase Intention the ‘Gray Market’ Goods in South-East of Iran

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Abstract

One of the main challenges that many of the international markets activists confront, is the phenomenon of ‘gray market’. Regarding the necessity of knowing and controlling this kind of market, the present study has tried to discuss and examine those factors that affects on consumers tendency toward purchasing gray market goods in the south-eastern of Iran. The chosen method of research for this study is a descriptive one based on field survey. The society that has been looked through involved a group of 502 consumers from the south-eastern cities of Iran, chosen randomly. This study is based on structural equations model and for examining the relations between variables and testing hypotheses, after collecting data and information through questionnaires, the AMOS18 and SPSS17 software programs have been used. The results of research indicate that variables such as: price consciousness, perceived risk, perceived value and inference of ‘price-quality’ through attitude, all influence on the consumer’s purchase intention. Besides, the variables like consumption dependency, status consumption and social expenses have direct effects on this attitude.

Key words: Gray market; Consumer’s behavior; Iran

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INTRODUCTION

With a glance at the results of searching browsers in websites it can be observed that many of the popular products of great companies enter the market outside the networks, branches and legal channels of distribution. In the field of business, this special form of market is known as the ‘gray market’ (parallel import) which has a considerable share in trading (Myers, 1992, Soleimani, 2010). Up to now, studies have investigated different aspects including: economic (Li, Robles, 2007, Thompson, 2009, Raff, Schmitt, 2007, Raimondos-Møller, Schmitt, 2010), brand (Eagle et al, 2003) and consumer’s viewpoint of this phenomenon (Huang et al, 2004. Thomas et al, 2006. Huang et al, 2008). Yet, the kind of looking at this form of market among experts and researchers differs. Although some of them believed that it will damage legal channels of distribution, the producers and sometimes the economy of the countries (Alberts, 1992, Prince, 2000, Li, Maskus, 2006) others are on this viewpoint that such kind of market not only causes a balance in prices and the welfare of the consumers but also helps the introduction of new goods by the entrepreneurs (Raff, Schmitt, 2007, Lim et al, 2001). Meanwhile, the consumer plays an even more important role in making demand for the development of this market. So the study of the consumer’s behavior and influential factors on the process of buying from this kind of market can manifest a more vivid and plain perspective of this phenomenon before our eyes. In fact, decision-making process is under the influence of two groups of factors including controllable and uncontrollable ones. Among

the most significant of these factors are cultural, social and teaming factors; personal and psychological ones, and finally factors of situation and those related to the marketing mix (Foxall, Yani de-Soriano, 2005). Huang and his colleagues for the first time have considered the condition of the gray market from the viewpoint of the demand and consumers by making a standard for the assessment of consumers' tendencies. In their study, the effect of some variables such as risk, price awareness and the inference or preference of price-quality on consumer's attitude and finally their interest in buying gray market goods in Taiwan were examined. (Huang et al 2004). In Iran, with a view to the high import tariffs (Farzanegan, 2009) and lack of respecting the rights of the mental ownership beside the growth of cross-border markets have caused the noticeable growth of the gray market. Considering the need for controlling and understanding this market and its various aspects and problems, this research tried to present a series of strategies and treatments for encountering and eliminating the mal effects of this market on the economic and comparative condition of the legal importers, sales agents and the foreign and home producers by using the results gained from empirical evidences and the analysis of influential factors on the consumer's desire to buy from gray market. On the other side, the awareness of governmental officials, the import companies and the agencies of the great and well-known companies of the condition of consumer's desire toward purchasing from the illegal channels can be very important and help them to manage and decide about the way of distribution.

1. THEORETICAL BACKGROUND

1.1 The Gray Market

The gray market signifies the distribution of labeled goods by the unauthorized dealers (Bucklin, 1993, Eagle et al, 2003). There are two kinds of home-made and import goods in the gray market. The distribution channels for both kinds of goods are called "parallel channels" where exists at least one unofficial deliverer in the distribution channels (Berman, 1996). One of the important matters regarding this kind of market is its effectiveness on the value and credit of the brand. Since this market presents goods with weak after-sales services and also because of many consumers mistrust in the quality of the gray market's goods, it gets a lower mark and reliability compared to the distributed goods by the authorized distributors. From another side, this market will provide suitable circumstances for the brand influence and increasing its share (Chen, 2007). The attenuations and the low price of durable import goods with technical features which are sold in the gray market, affects considerably the price of the similar goods in the market and increase competition in such a way that the producers themselves are forced to reduce their own goods price (Thompson, 2009). Ac-

ording to Li and Maskus (2006), the main factor in the formation of legality of the parallel imports is the inland undermining of the mental ownership rights.

1.2 Attitude

The study of the consumer's attitude of the products, services, propaganda, different commercial names and his reaction toward them is something that attracts the attention of merchandising. Different factors such as price, kind of packaging, the appearance of each product, how to promote and the way of distributing are all influential in the attitude formation (Ranjbaran et al, 2007). The perspective can be defined as a complicated state of emotions, desires, beliefs, prejudices and tendencies which make some sort of acceptance and readiness in person's behavior due to his various experiences. The attitudes can be regarded as: readiness for a particular response to a person, thing or a situation. One of the attitude characteristics is that it is not very lasting during time and is subject to change because of the information aggregation (Javadein, 2009).

1.3 Perceived Risk

For the first time, Bauer entered the concept of 'understanding from risk' to the consumer's behavior researches. He stated that the consumer's behavior is notably related to risk, to the extent that any sort of action and behavior on his part might be followed by unpleasant outcomes (Littler, Melanthiou, 2006). Mitchel and Harris (2005) took into account two different levels for risk assessment: the level of brand and the choice of stock. The effectively positive features including: the variety of goods, reasonable price, cleanness and attractiveness of the stock, the reputation of the presented brands, acceleration in payment, the quality of the products, the spatial accessibility, dimension and arrangement of goods, and negative features including: the few number and low variety of goods beside high prices were taken into consideration. The availability of information, its source and reliability along with consumer's concern about health are the effective factors about the risk related to new goods (Martinez-Poveda et al, 2009).

H1: Consumer's perceived risk affects through attitude on purchase intention

1.4 Price Consciousness

Price consciousness is applied to a degree in which the consumers concentrate on paying lower prices, thus seeking to find low price is one of the common behaviors to gain benefits; (Jin, Sternquist, 2003), benefits such as better price for the good or an attempt to support business attractiveness. What is expected here is those consumers' interest with the consciousness of high price in having greater tendency to find attenuations or lower prices compared to others (Alford, Biswas, 2002). The product's price or service is determined based on the value of palpable and impalpable factors within it. The impalpable factors are not related to the physical combination of the

product, like prestige, beauty and newness of the product. Instead, the palpable factors are directly related to the physical combination of the product including function, stability and the condition of being economic. The price represents the understanding of both salesman and customer of the product's value, and can be said that it is the observable element of the product that will result in the product purchasing or not purchasing. It directly influences the margin of the acquired benefit (Che, 2008). Kukar-Kinney et al (2007) study showed that price consciousness is a key feature for the consumers and has a reciprocal influence with all features of price proportionate and is related to the consumer's knowledge of the merchandise or the stock level.

H2: The consumer's price consciousness affects through attitude on purchase intention

1.5 Perceived Value

The importance of the perceived value has been discussed in different writings in recent years and various concepts and meanings have been presented to signify it. Among the suggested concepts we can point to: the consumer's desirability, the acquired advantages related to that lost one, the worth, quality and the psychological price (Lee et al, 2007). The perceived value, especially the economic one has a highly positive effect on the consumer's satisfaction. Within the framework of the perceived value, the attention to and emphasizing economic values such as price and quality which are considered as some combination of it can have many advantages for them, therefore they should be thought about before compiling merchandising strategies (Iniesta-Bonillo, Sa'nchez-Fernandez 2009). Ang et al (2001) in their study found that those consumers who have more value awareness are of a better standpoint about gray market goods than those with lower value awareness.

H3: The consumer's value consciousness affects through attitude on purchase intention

1.6 Price-Quality Inference

Through considering special ranges of price, the consumers expect that higher price is a benchmark for better quality. When the information about one good's characteristics is lost, the consumers are usually forced to refer to other clues about the product's features in order to compensate the lack of this lost information (Estelami, De Maeyer, 2004). Ding et al believe that the lasting goods may not probably reflect these conditions and about those goods which are much in demand and are purchased repeatedly the condition is the same. As a result, even in some cases the consumers hesitate about the quality of two exactly similar goods. For this reason many of the consumers consider price as sign for discerning quality and in the case that they could find a positive relation between these two after purchasing, they would apply it as a rule in their future purchases of the similar groups of goods (Ding et al,

2010). Researchers indicate that most of the time, the customer think about high price as a sign of quality, however it either may not be true (Vlaev et al,2009) or decrease during time(Volckner,Hofmann,2007).

H4: The consumer's price-quality inference affects through attitude on purchase intention

1.7 Social Cost

This matter that many of the gray market goods are launched through unauthorized channels and in most cases it is done without the producer's planning and awareness, not only it damages companies but also the consumers won't receive proper services. Yet, by the growth and expansion of this kind of market and an increase in the number of demands, many forged and smuggled kinds of these goods enter the market and finally purchasing counterfeit goods causes the illegal activities to be increased (Delender, 2000).

H5: The consumers with concerns related to the more social expenses have fewer tendencies to buy the gray market goods

1.8 Status Consumption

Some researchers' opinion is that the status consumers are a favored target market in the view of these products' marketers because of their desire to pay more money for goods that bring them social esteem and prestige (Clark et al, 2007). Such sort of consumption pertains to both materialism and social comparison. This, and in the case that the consumers who seek social esteem emphasize on social comparisons, the promotion can be influential (Heaney et al, 2005). This group of consumers is much more interested in paying more for reaching a higher position in the society (Goldsmith et al 2010).

H6: Consumers with status attitude are more interested in buying gray market's goods

The personal impression is the reflection of what people thought of themselves as individuals or through their communications. It also points to the individual's way of thinking, feelings and activities in his relation with others (Huang, 2009). Like the individualism-collectivism variable, the dependency/ independency also consider the individual's relation with the group or the society (Sun et al, 2009). The youngsters who are influenced by the western culture have a great readiness to change the consuming values and regarding their tendency toward self-sufficiency, they seek idealism, modernity, entertainment and loyalty in their decision-making manners. They emphasize their uniqueness and independency through searching high-class, new and well-known products (Hahn, Kean, 2009). However, the relation between individualism and collectivism is very complicated and the features related to each of these two do not necessarily signify different cultural dimensions (Millan, Reynolds, 2011).

H7: The consumers' dependency affects positively on their tendency to buy from gray market

Based on what was mentioned the conceptual

model of the study comes as the following:

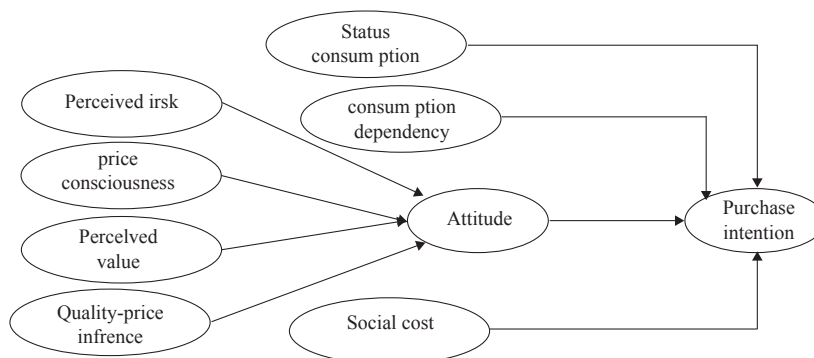


Figure 1
Research Framework

2. METHODOLOGY

This study is based on structural equations and the instrument used for gathering information is questionnaire. Because such a survey needs rather much information, field survey and a self-managed questionnaire have been used for the first data gathering. The consumers who were interested in answering and participating in this study completed the questionnaire. A total number of 502 valid questionnaires were received to be used for the analysis. In this study, for examining variables such as purchase intention, price consciousness, perceived risk, attitude and quality-price inference, the Huang et al (2004) questionnaire, perceived value Lichtenstein et al (1990) and for examining status consumption variables, social expenses and consumption dependency Huang's questionnaire (2009) were used. In order to determine the reliability of the Cronbach's alpha method has been applied. Regarding each of variable reliability and the reliability of the total Cronbach's alpha coefficient for the whole questionnaire reached 0.924. Table 1 has given the Cronbach's alpha coefficient values for each factor separately.

Table 1
Cronbach's Alpha Coefficients

Variable	Cronbach's alpha coefficient
Social cost	0.87
Perceived risk	0.82
attitude	0.82
Purchase intention	0.78
Consumption dependency	0.82
Status consumption	0.86
Perceived Value	0.79
Price consciousness	0.80
Price-quality inference	0.81

3. STRUCTURAL EQUATION MODELING (SEM) RESULTS

In the present research on account of the essence of the hypothesis and kind of the variable, the following statistic tests were used. This survey has applied the available methods in descriptive statistics like absolute frequency tables and the mean in examining and comparing collected information from the questionnaires; and in inferential statistics section, one-sample T-test, pairs-sample T-test and the variance analysis (ANOVA). At last, for the analysis and the application of these tests the SPSS17, and for factorial analysis and the structural equation modeling the Amos18 software programs were used. Table 2 shows the results of the factors' mean test in the society.

Table 2
The Results of the Factors' Mean Test

Factor	mean	DF	significant	S.D
Perceived risk	3.98	501	0.000	0.98
Price consciousness	3.78	501	0.000	0.78
Attitude	4.00	501	0.000	1.00
Social cost	3.52	501	0.000	0.52
Perceived value	3.72	501	0.000	0.72
Price-quality inference	3.56	501	0.000	0.56
Consumption dependency	3.66	501	0.000	0.66
Purchase intention	3.98	501	0.000	0.98
Status consumption	3.78	501	0.000	0.78

Since the Sig. value of all nine factors is zero, and also regarding the reliability level of 0/95, it can be concluded that the factors mean is on an acceptable and satisfactory level. In order to specify how much the indices are acceptable for the measurement models, first we need to analyze all of the measurement models one by one. Taking such a method, nine models of the measurement related to the variables are tested separately. The total indices of the model fitting have been brought for the measurement models (supporting factorial models) in table3.

Table 3
Total Indices of the Model Fitting

FACTOR	DF	CMIN	P	CMIN/DF	GFI	RMR	CFI	RMSEA
Price-quality inference	2	5.675	0.059	2.838	0.977	0.015	0.981	0.047
Perceived value	2	1.669	0.059	0.834	0.992	0.010	1	0
Attitude	0	0.000			1	0	1	0.039
Social cost	2	2.732	0.155	1.866	0.983	0.019	0.968	0.049
Perceived risk	2	1.509	0.470	0.755	0.993	0.012	1	0
Price consciousness	2	0.040	0.98	0.02	1	0.002	1	0
Status consumption	9	10.575	0.306	1.175	0.971	0.025	0.991	0.040
Purchase intention	2	0.000			1	0	1	0.034
Consumption dependency	2	0.542	0.736	0.271	0.998	0.01	1	0

Since P-value for all of the models is greater than 0.05, it can be deduced that the value of Chi-square (CMIN) is suitable for the measurement models. As seen in the table, the value of CMIN/DF for some of the models is less than 1, and considering merely this index we cannot say that the given models do not have appropriate fitting. The GFI index for the measurement models is greater than 0.95 which signifies data's favorable fitting of the model. RMR for the same models is less than 0.05 which is a low value and shows paltry error of the models and their acceptable fitting. CFI value for the models is greater than 0.95 which means that the data properly support the models. The value of this index for the models is less than 0.05, a sign of appropriate fitting by the data. After examining and verifying the models in the first step, the second step includes and uses structural equations suggested by Anderson and Gerbing (1988) for theories testing through course analysis. Table 4 has presented total indices of the course analysis fitting.

Table 4
Total Indices of the Course Analysis Fitting

Index	Value
DF	26
CMIN	63.403
P	0.067
CMIN/DF	2/438
GFI	0.962
RMR	0.028
CFI	0.974
RMSEA	0.038

Table 5
Structural Model Results

			coefficient	C.R	P	Result
Perceived risk	→	attitude	-0.68	-10.76	0.000	Supported*
Price consciousness	→	attitude	0.27	3.25	0.000	Supported*
Perceived value	→	attitude	-0.51	-6.23	0.000	Supported*
Price-quality inference	→	attitude	0.31	3.64	0.000	Supported*
Social cost	→	Purchase intention	-0.26	-3.13	0.000	Supported*
Status consumption	→	Purchase intention	0.38	4.36	0.000	Supported*
Consumption dependency	→	Purchase intention	0.28	3.21	0.000	Supported*
attitude	→	Purchase intention	0.29	3.47	0.000	Supported*

* P< 0.05

The P- value for the mentioned model is greater than 0.05, according to which it can be concluded that the CMIN value is acceptable for the model. The value of CMIN/DF is 2/438 which is proper and satisfactory. GFI for the research model is 0.962 which shows that there is not a considerable difference between variance matrix and the reproduced co-variance, or between the observed variance matrix and co-variance. And this shows a good fitting of the model. RMR for the above model is a less value of 0.028 which represents model's low error rate and thus its acceptable fitting. The CFI value for the model is 0.974 and proper, so it can be said that the model is distancing from an independent model and approaching a saturated model (Ghasemi 2010). The value of RMSEA is 0.038 which is favorable like other indices. Based on what have been mentioned so far we reach at this result that the total indices point to the suitable fitting of the model by the data, or putting in another words, the gathered data support the model nicely. After surveying and supporting the model, two minor indices of 'critical value' and 'P' were chosen for the theories' meaningfulness test. The critical value is the value which is gained through division of regression weight estimation by the standard error. According to the level of meaningfulness, 0.05 of critical value should be more than 1.96. Less value than this make the related parameter in the model as insignificant (Chao, 1997), also values less than 0.05 for P signify that there is a meaningful difference in the calculated value for regression weights with zero value in the reliability level of 0.95. The theories along with regression coefficients and the values of minor indices related to each hypothesis have been brought in table 5.

The standardized regression coefficient for H1 is -0.20 (this value is gained from the multiplication of regression coefficient value of the relation between perceived risk and attitude, in the regression coefficient of the relation between attitude and purchase intention). With a view to the P-value related to these regression coefficients which is smaller than 0.05 for the present model and based on the available information, there is not any reason to reject H1, at 0.95% level. The standardized regression coefficient for H2 is 0.0783 (this value is achieved through multiplication of regression coefficient value related to the price consciousness and attitude from one side in the regression coefficient of the relation of attitude on purchase intention). The value of P here is again less than 0.05, so H2 with a high certainty is supported. The standardized regression for H3 is -0.1479, acquired by the multiplication of regression coefficient value of the relation between value consciousness and attitude in the regression coefficient of attitude's effect on purchase intention. The P-value being smaller than 0.05, consequently resulted in the acceptability of H3. For H4 the standardized regression coefficient is 0.0899 (this value is gained through the regression coefficient of price-quality inference relation with attitude multiplied by the regression coefficient of the attitude relation purchase intention). Again P-value smaller than 0.05, emphasizes that H4 is not to be rejected, at 0.95% level. Regarding H5, the standardized regression coefficient is -0.26, and in addition to another two values of C.R. = 3.13 and $P < 0.05$, this hypothesis, is supported with high reliability. H6 regression coefficient is 0.38. The critical value of 4.36 for this hypothesis is greater than 1.96 which supports it. Moreover, P-value is zero and smaller than 0.05, therefore with the available information there is no reason at 0.95% level, to reject this hypothesis. The impact coefficient for the H7 as the last one includes a value of 0.28, and as it is observed in the table, the critical value for this hypothesis which is 3.21 is greater than 1.96, also the value of $P=0$ finally brings up that based on the information and the intended model this hypothesis cannot be rejected.

4. CONCLUSION

Considering the significance of 'gray market' issue from the consumer's point of view, this research investigated the effective factors on consumers' tendency to purchase from this market. Factors such as price consciousness, perceived risk, quality-price inference, perceived value, consumption state (status consumption), attitude, social expenses and dependency in consumption on the consumer's desire to buy gray market goods were tested. The results achieved from modeling structural equations which were used for testing theories showed that these factors with their influence on the consumers' attitude aroused highly their desire to purchase gray market goods. What

became clear from the consequences was that the first theory of the study which presented the effectiveness of the perceived risk on tendency toward purchasing through attitude has been supported. The perceived risk due to the limitation of this market for serving proper after-sales services and because of the probable availability of counterfeit kinds of goods affects the consumers' attitude and this is similar to the results taken from Huang et al (2004) study. Since many of these market goods are new, the perceived risk might be due to consumers' unawareness about these goods features. In this case Martinez-Poveda et al (2009) reached the same result. Chen (2007) believed that the low quality of the after sales services in this market, many of the consumers tolerate a high risk and this is something that supports the results of this study. The consumers' consciousness of the market prices and the notable differences compared to that of gray market can give consumers more motives to be attracted in the gray market goods. What Huang et al (2004) reached at about the consumer's attitude of this market goods was that the price consciousness has not had any influence on their attitude while in this survey price has got a positive and significant effect. The standardized regression coefficient for H3, is -0.1479 beside a $p < 0.05$ value for these regression coefficients it can be concluded that this hypothesis with 0.95 certainty is supported. On the other side, observing the significant influence of the perceived value on attitude, the result is on the same direction with the study of Ang et al (2001). The affirmation of H4 has some similarities with what Estelami, De Maeyer (2007) have done regarding the effect of the product group on the price consciousness for the lasting consumer goods. The study of the researchers indicated that the use of quality-price factor has a significant but weak effect on the consumer's price consciousness. Huang et al (2004) reached at the same outcome about the effectiveness of this factor. However, the study that Volckner, Hofmann (2007) have done on the quality-price relation showed that the influence of price-quality has gradually decreased. H5 support represents this fact that emphasizing the probable mal effects of this market on the economic condition of the country can function as a strong preventive factor. The results from analyzing H6 signify that those consumers with status consumption tendency and attitude are more interested to be customers of the gray market. Clark et al (2007) in their study which investigated the behavior of two kinds of consumer found that the status consumers in the market atmosphere in order to improve their own social status in their group are aroused through purchasing status goods. On the other side, since the majority of the brands available in the gray market are familiar ones, this hypothesis accords with the results of Goldsmith et al (2010) study. So the status consumers are always searching brands which improve their social status. The last hypothesis has investigated the effectiveness of the consumers' dependency on their desire

to buying. As this hypothesis was supported it can be said that in a society like Iran which is placed among the collective-based societies, the relations between people in the society or in the family can be one of the influencing factors on their purchases. The results of this hypothesis harmonize with what Millan and Reynolds (2011) have done in their survey among the consumers of the Western Europe. Ahluwalia (2008) also showed in his study that the characteristic of dependency can cause an extraordinary ability for detecting the relations between motives which consequently the probability of the perceived proportion and the development of the brand will increase. This finally will result in the acceptance of the brand. This issue means the effectiveness of people dependency in a society on the facility of brand acceptance and its introduction.

5. PRACTICAL IMPLEMENTATION

(1) According to what was mentioned and the effectiveness of price consciousness, aggressive confrontation is one of the basic ways to eliminate the local gray market performances quickly through balancing prices. The most common kind of aggressive confrontation is a temporary reduction of chosen prices. In this strategy false middlemen who are financially powerful and effective can recognize the mediators of the gray market and confront them. The key to the success of this strategy depends effectively on the middlemen ability in tolerating low price for reducing this market's activities.

(2) Regarding the effectiveness of the perceived risk (-0.20) the distribution channels' informing about the probable risks available in this market and their emphasis on proper after-sales services can balance the influences of the gray market to some extent and provide a healthier atmosphere compared to this market for the consumers.

(3) Another action that the producers can do is, not losing sight of their own distribution channels in the target markets.

(4) Additionally, the marketers can adopt influential strategies to control the trend of this market by paying their attention to the effectiveness of the status consumption condition (0.38) and to the dependency of the consumer's purchasing behavior to the others as a cultural issue by considering the regression coefficient of (0.28). For example the recognition of reference groups or emphasis on controlling consumerism in the society can be regarded as a treatment. Another noteworthy point is the necessity of informing the consumers of the probable effects of this market in the long time.

6. THE FUTURE STUDIES AND LIMITATIONS

With the attention to the necessity of knowing and introducing this issue more, besides rising the awareness of

the officials, producers and consumers, and because of its relation to the economic matters it is suggested that:

(1) In the future studies researchers discuss the issue from more various points of view.

(2) By the development of the researching domain there must be an attempt so that this subject is introduced and known more in the society especially among the scientific gatherings.

(3) In the future investigations the effect of other variables such as economic and cultural ones on the behavior of gray market consumers is taken into consideration.

(4) The selection of different products and the examination of this market's influence on them can be studied as a separate research domain.

Among the limitations that this study faced we can point to using questionnaire to collect data. Another issue worthy of notice was the limited spatial area of the study.

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