

## **CHAPTER 1: INTRODUCTION**

### **Introduction**

Gemstone and Jewelry industry has played a significant role in Thailand's GDP for more than a decade. Although the export figures have been increasing but in a fluctuated and decreased growth rate (GIT, 2010; Hansarwek, 2008). For example, with the growth rate of 1.4% from 2001 to 2002; -8.1% from 2002 to 2003; 6.9% from 2004 to 2005; 6.6% from 2005 to 2006; and -20.48% from 2008 to 2009. It is noted that the Thai gemstones industry is facing the international trade impediments and the higher competition in the world market (Tantikul & Associates, 2006). For example, the lack of local raw materials, the lower labor costs of competing countries; and new tariff barriers such as the rule of origin for gemstones, the environmental protection measures and the consumer protection measures. Moreover, one of the innovative Thai gemstones, namely orange sapphire, has been accused of a deliberate fake in 2006. Thailand which is set to be the gemstones center of the world in 2014 (Wheat, 2010) has been challenging by the above situations.

The literature suggests several constructs when addressing the purchase of gemstones, however often shedding the light on the purchasing behavior and the attitudes of buyers (e.g. Akhter, 2009; Anckar & D'Incau, 2002; Chen, 2007; Gifford & Bernard, 2006;

Kishtwaria, Sharma, Sharma, & Rana, 2006; Ling, Piew, & Chai, 2010). Of these, researchers rarely adopt an organizational buyer as a buyer representative even though they have played a more explicit role in the world's gemstones trading volume, especially the higher purchasing volume. In addition, examinations of high involvement, complicated, and hence risky products (Laurent & Kapferer, 1985; Mitchell, 1999; Schiffman & Kanuk, 2009), such as gemstones as academic studies are limited. Therefore, this study explores the purchasing behavior and the attitudes of gemstone buyers based on an organizational buyer's perspective.

The purchasing behavior and the attitudes toward gemstone purchasing of organizational buyers in Thailand and in its major trading countries e.g. USA, European Union, Middle East, Japan and India (GIT, 2010) have not been clearly identified. Similarly, a comparison study between the purchasing behavior and the attitudes of Thai buyers and foreign buyers toward Thai gemstones purchasing which may entail the marketing strategy that help sellers to better capture buyer's needs in different market segment, remains lacking.

Previous studies tended to examine the purchasing behavior using a selectively single measurement/marketing strategy based on the components of four Ps: (the product, the price, the place and the promotion strategy (Kotler & Keller, 2009). For example, Munnukka (2008) used customer's price perception to study the buyer's purchasing

behavior when buying mobile communication services. Akhter (2009) adopted the price-value tradeoff strategy to study the purchase behavior of symphony ticket buyers. Adopting multiple measurements/marketing strategies consisting of the product strategy, the price strategy, and the place (distribution channel) strategy used by sellers, to investigate the buyer's purchase behavior, especially when buying high involvement, risky products such as gemstones, is deficient.

Use of the trust, the satisfaction and the purchase intention to measure the buyers' attitude such as in this research corroborates with prior studies. For example, Hou (2005) utilized customer satisfaction, trust and loyalty to develop an integrative consumer's behavioral attitude and intention model as the measure for his study. The study found relationships among those three dimensions of the consumer behavioral model when buying apparel products from retail stores. Wonglorsaichon (2002) used the trust and the relationship satisfaction between buyer and retailer to measure the buyer's attitude toward a purchase of automobile tire. However, use of these multiple measurements to explore the buyers' attitudes toward a purchase of higher involvement, higher risk products which have higher value and more complicated (Laurent & Kapferer, 1985; Mitchell, 1999; Schiffman & Kanuk, 2009) such as gemstones, was just a handful particularly in terms of academic studies.

It is also suggested that buyers from different demographic orientation (e.g. country of residence, age, and gender) were likely to perform dissimilar purchasing behavior such as “What to buy”, “Where to buy”; and they tended to perceive different level of attitudes such as satisfaction, trust, and purchase intention (Dmitrovic, Vida, & Reardon, 2009; Hou, 2005; Kishtwaria, Sharma, Sharma, & Rana, 2006; Kotler & Keller, 2009; North, De Vos, & Kotzé, 2003; Perner, 2000; Schiffman & Kanuk, 2009; Sharma, 2010; Van der Waladt, Rebello, & Brown, 2009; Wiedmann & Hennigs, 2007). Therefore, buyers from different demographic profile such as Thai buyers versus foreign buyers may react in a different way when conducting a purchase. Studying the differences in the buyer’s purchasing behavior and the buyer’s attitudes may entail the marketing strategies that better capture buyers’ needs in different market segments, and hence benefit sellers at the end. For example, increase sales.

Therefore, this research calls for an examination to explore the purchasing behavior and the attitudes of buyers, the differences between the purchasing behavior and the attitudes of Thai buyers and foreign buyers, and the relationship between the purchasing behavior and the attitudes of buyers using the above measurement variables when purchasing high involvement, high risk products such as Thai gemstones.

## **Research Problems and Research Objectives**

This study aims to answer three research questions:

- “What are the purchasing behavior and the attitudes of buyers toward Thai gemstones purchasing?”
- “Do the purchasing behavior and the attitudes of Thai buyers and foreign buyers toward Thai gemstones purchasing differ? and
- “Is there a relationship between the purchasing behavior and the attitudes of gemstone buyers toward Thai gemstones purchasing?”

Based on the above research questions, the research objectives are as follows:

- To determine the purchasing behavior and the attitudes of buyers toward Thai gemstones purchasing
- To determine the differences between the purchasing behavior and the attitudes (toward Thai gemstones purchasing) of Thai buyers and foreign buyers
- To determine the relationship between the purchasing behavior and the attitudes of buyers toward Thai gemstones purchasing

## Conceptual Framework

The proposed research objectives of this study entail the specific conceptual framework (see Figure 1) and a series of relevance hypotheses below:

H1a: Thai gemstone buyers and foreign gemstone buyers are significantly different in terms of their purchasing behavior toward the products purchased (e.g. gemstone characteristics)

H1b: Thai gemstone buyers and foreign gemstone buyers are significantly different in terms of their purchasing behavior toward the price purchased

H1c: Thai gemstone buyers and foreign gemstone buyers are significantly different in terms of their purchasing behavior toward the buying channels used

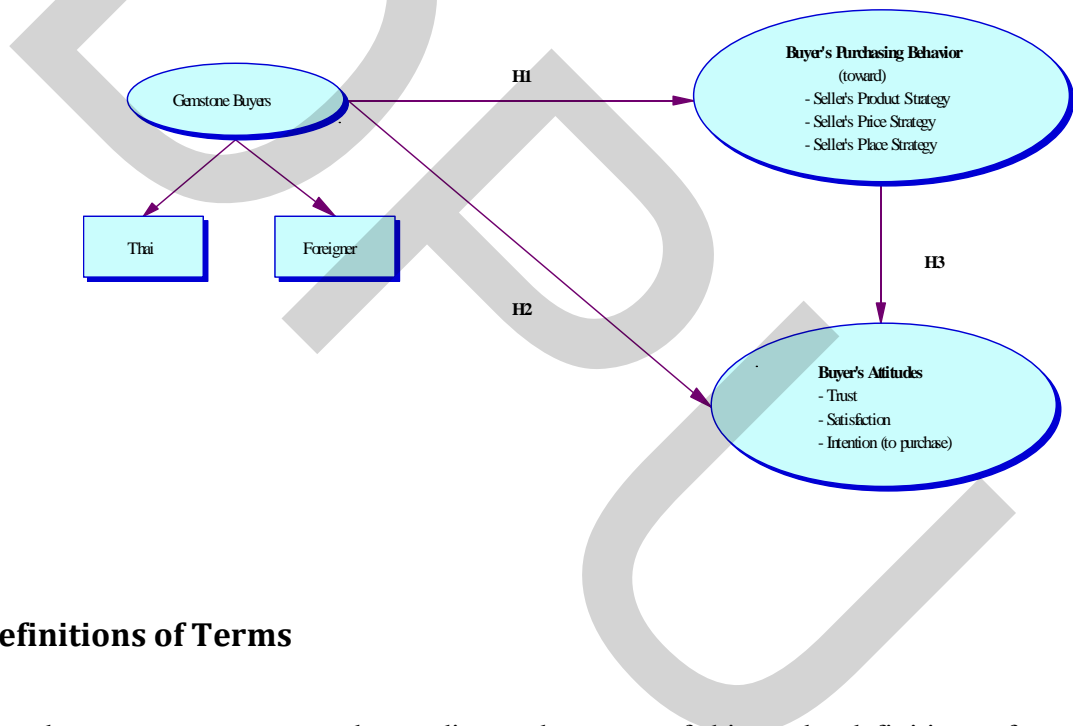
H2a: Thai gemstone buyers and foreign gemstone buyers are significantly different in terms of their attitudes toward the trust to purchase Thai gemstones

H2b: Thai gemstone buyers and foreign gemstone are significantly different in terms of their attitudes toward the satisfaction to purchase Thai gemstones

H2c: Thai gemstone buyers and foreign gemstone buyers are significantly different in terms of their attitudes toward the intention to purchase Thai gemstones

H3: The buyer's purchasing behavior (towards the product strategy, the price strategy and the place strategy used by the sellers) is positively related to the buyer's attitude (shown through the satisfaction, the trust and the purchase intention) towards Thai gemstone purchasing.

**Figure 1: Conceptual Framework of the Study**



## Definitions of Terms

In order to set a common understanding and a scope of this study, definitions of terms used in this research are provided below:

1. Thai gemstones: gemstones which have been trading (buying/selling) in Thailand

2. Organizational buyers: representatives of Thai companies and foreign companies who are responsible for gemstones purchasing
3. Buyer's purchasing behavior: the buyer's behavior toward the product strategy, the price strategy and the place strategy used by the seller
4. Buyer's attitudes: the satisfaction, the trust and the intention (to purchase) of buyers toward Thai gemstone purchasing

### **Significance of the Study**

The results of this study will provide new knowledge to both academic and practical arenas. Firstly, the findings are expected to help increase the organizational understandings toward the buyers' behavior and the buyer's attitudes toward Thai gemstones purchasing. Secondly, the results can be used to develop marketing strategies which help organizations to better capture the satisfaction, the trust, and the purchase intention of customers, and hence increase sales. Thirdly, the findings can be used to develop strategies which assist in boosting a trade volume of Thai gemstone and jewelry industry. Lastly, the results will give new insight into the purchasing behavior and the attitude of buyers who purchase risky products which have high value and more complicated such as gemstones, to the existing literature.

Next chapter will discuss the literature review that underlying this study.