

## **CHAPTER 2: LITERATURE REVIEW AND DEVELOPMENT OF HYPOTHESIS**

This study examines two major constructs, which are the purchasing behavior and the attitudes of buyers using a high involvement product which has high value and more complicated (Laurent & Kapferer, 1985; Mitchell, 1999; Schiffman & Kanuk, 2009) such as Thai gemstones.

### **Gemstones and Thailand**

Product categories are inherently associated with level of involvement. It is defined as “... consumers engage in a range of information-processing activity, from extensive to limited problem solving, depending on the relevance of the purchase” (Schiffman; Bednall, O’Cass, Paladino, & Kanuk, 2005, p.625-626). It is suggested that high involvement products tend to be high in value and complicated (Laurent & Kapferer, 1985; Mitchell, 1999), for example, automobile (Srinivasan & Ratchford, 1991), television (Mitchell, 1999), organic food (Gifford & Bernard, 2006), and gemstones (Pongyilar & Pongwichai, 2008; Tiangsoongnern, 2007; Ward, Girardi, & Tiangsoongnern, 2007). In particular, gemstones are considered as higher involvement than general consumer products, because of their higher value and more complicated characteristics which usually require an experienced person to accurately assess their

value (Buncharoen, 2009; Hughes, 1997; ICA, 2001; Porncharern, 2007; Weinburg, 2001).

Previous studies tend to examine consumer purchase of low involvement products which are low value and less complicated. For example, convenient goods (e.g. deodorant, headache pill, coffee, apparel) (Kim & Lennon, 2000; Mitchell, 1999) and fast food (i.e. Kentucky fried chicken) (Roseman & Kurzynske, 2006). Some prior researches have investigated consumer purchase of higher involvement, intangible products (services) such as mobile communication (Munnukka, 2008) and classy symphony orchestra concert (Akhter, 2009). However, recent studies, which exploring buyer's purchasing behavior and buyer's attitudes using high involvement products such as gemstone are limited.

While gemstone trading has emerged in every corner of the world, Thailand can be considered as the fair representation of gemstone trading centers, a population frame in this study. Gemstone and Jewelry industry has played a significant role in Thailand's GDP for more than a decade. Although the export figures has been increasing but in a swing and decreased growth rate (GIT, 2010; Hansarwek, 2008). For example, with the growth rate of -5.2% from 2000 to 2001; 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, the Thai gemstones has been involving with scandal accusations, for example, one of the innovative Thai gemstones, namely padparacha (orange sapphire), has been accused of a deliberate fake in 2006. These hindered Thailand's goal which is set to be one of the world gemstones centers (Wheat, 2010). Findings of studies that explore factors underlying the buyer's purchasing behavior of Thai gemstone might help to address the above situations.

Furthermore, organizational buyers are rarely adopted to be representative of gemstone buyers even though they have played a more explicit role in the world's gemstones trading volume, especially the higher purchasing volume than consumers' (Buncharoen, 2009; GIT, 2010; Porncharern, 2007; Tiangsoongnern, 2007). In addition, academic studies that investigate, high involvement, risky products such as gemstones as a unit of analysis, are limited. Therefore, this study explores the purchasing behavior and the attitudes of gemstone buyers based on an organizational perspective.

## **Purchasing Behavior**

An extensive understanding of consumer behaviour, how and why buyers purchase (or don't purchase) products and services is the key to business success (Neal, Quester, & Hawkins, 2000). Consumer behaviour theories suggest two major issues influencing buyer's purchase behaviour – external factors and internal factors (Kotler & Keller, 2009; Schiffman & Kanuk, 2009). In the study of external factors which have influences on consumer's purchasing behaviour in recent times, traditional marketing mix strategies used by the seller, the four Ps strategies: the product, the price, the place (distribution channel), and the promotion (Kotler & Keller, 2009), have been used as a measure. For example, Berstell (2006) adopted the specific focus of the four Ps: product development, placement and distribution channel selection, promotional program design and pricing to identify the key drivers (new segmentation bases) of customer purchase.

The literature suggests different practices when implementing the concept of four Ps strategies to examine buyer's purchasing behavior. Some previous studies used a selectively single measurement/strategy from the components of four Ps. For instance, Munnukka (2008) explored a buyer's purchasing behavior of mobile communication services in Finland by using only a single measure, a buyer's perception toward seller's use of the price strategy. Akhter (2009) adopted the price-value tradeoff strategy to examine a buyer's purchase behavior of high involvement services (Schiffman & Kanuk, 2009) which have high value and more complicated (Laurent & Kapferer, 1985; Mitchell,

1999) such as major symphony ticket. Other prior research employed the particular set of marketing strategies developed from the four Ps. For example, Stack (2009) developed the novel set of marketing mix strategies model (people, personal, place, price, product and promotion) to study the decision to enroll at the study university of undergraduate and postgraduate students. Chen (2007) used buyer's perception toward seller's use of the extended traditional four Ps: price, store image, advertising spending, distribution intensity and price deals, to describe purchase behavior of shoppers at hypermarket stores in Taiwan. Such the diverse usage of the four Ps strategies to examine buyer's purchasing behavior suggested that development of the particular set of marketing strategies varied based on the specific objectives of each study.

Therefore, in order to answer the research question and the research objectives (see chapter 1), this study develops the particular set of marketing strategies / measurements, comprising the product strategy, the price strategy, and the place (distribution channel) strategy used by sellers to define the purchasing behavior of buyers. That was, the current study attempted to explore the "What to buy", "Where to buy", and "How to buy" questions regarding buyers' purchasing behavior (Kotler & Keller, 2009; Schiffman & Kanuk, 2009).

Moreover, it can be seen that findings of previous studies tended to be drawn from investigating high involvement products and intangible services (Schiffman & Kanuk,

2009) which have high value and complicated (Mitchell, 1999) such as television (Srinivasan & Ratchford, 1991), organic food (Gifford & Bernard, 2006), mobile communication services (Munnukka, 2008), classy symphony orchestra concert (Akhter, 2009), program and course enrolment at the university (Stack, 2009), luxury brand products (Wiedmann & Hennigs, 2007); and low involvement products such as purchasing consumer goods at hypermarkets (Chen, 2007), apparel products (Hou, 2005; Kim & Lennon, 2000; North, De Vos, & Kotzé, 2003). Research exploring high involvement, risky products, such as gemstones is lacking. This emphasizes the need to conduct this study.

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 “How to buy (Dmitrovic, Vida, & Reardon, 2009; Kotler & Keller, 2009; North, De Vos, & Kotzé, 2003; Perner, 2000; Schiffman & Kanuk, 2009; Sharma, 2010). Therefore, buyers from different demographic orientation e.g. Thai buyers versus foreign buyers may react in a different way when conducting a purchase. Studying the differences in a buyer’s purchasing behavior may entail the marketing strategies that better reach customers, and hence benefit sellers at the end.

Based on the abovementioned, this study proposes three sub-hypotheses to determine the differences in the purchasing behavior of Thai and foreign gemstone buyers as 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

## **Attitudes**

In addition to the external factors that influence buyer purchase behaviour, the psychological or internal factors do play a role in customer mind (Kotler & Keller, 2009; Schiffman & Kanuk, 2009). These factors comprise motivation, learning, self-personality, perception and attitudes. Previous studies have prevalently used these psychological theories, for example the attitudes, to explore the satisfaction, the trust and the purchase intention of buyers. For example, Wonglorsaichon (2002) utilized the trust and the relationship satisfaction between buyer and retailer to measure the buyer's attitudes toward a purchase of automobile tire. Hou (2005) employed the satisfaction, the trust and the loyalty to determine buyer's behavioral attitude and intention when buying

apparel products from retail stores. The study found relationships among those three theories.

Use of the specific set of attitude model: trust, the satisfaction and the purchase intention to explore buyers' attitudes such as in this research corroborates with prior studies. Nevertheless, their findings tend to be drawn from investigating the purchase of low involvement products which have low value and less complicated (Mitchell, 1999), such as apparel (Hou, 2005; Kim & Lennon, 2000; North, De Vos, & Kotzé, 2003); and high involvement product such as automobile (Srinivasan & Ratchford, 1991), automobile tire (Wonglorsaichon, 2002), and luxury brand products (Wiedmann & Hennigs, 2007). The existence of such relationship when purchasing high involvement products such as gemstones, have not been clarified. Furthermore, gemstones which are typically difficult to brand and tend to be infrequent purchases, implies a greater role of the trust in the purchasing processes.

Similar to a discussion in the Purchasing Behavior section, buyers from different demographic orientation (e.g. country of residence, age, and gender) tended to perceive different level of attitudes (e.g. satisfaction, trust and intention to purchase) towards purchasing particular products or services (Erffmeyer, Keillor, & LeClair, 1999; Hou, 2005; Kishtwaria, Sharma, Sharma, & Rana, 2006; Kotler & Keller, 2009; Schiffman & Kanuk, 2009; Van der Waladt, Rebello, & Brown, 2009; Wiedmann & Hennigs, 2007).

Therefore, buyers from different demographic profile e.g. Thai buyers versus foreign buyers may perceive dissimilar attitudes toward particular products such as gemstones.

Hence, this research proposes three sub-hypotheses to determine the differences in the attitudes (measured by the trust, the satisfaction, and the purchase intention) of Thai buyers and foreign buyers when purchasing gemstones as follows:

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

## **Purchasing Behavior and Attitudes**

Psychological theory, such as consumer attitudes, is suggested as one of the variables that has an influence on buyer's purchasing behavior (Kotler & Keller, 2009; Schiffman & Kanuk, 2009). For example, Stack (2009) found a relationship between purchasing behavior of students (toward the particular model of marketing strategy: people, personal,

place, price, product and promotion used by the university) and decision to enroll at the study university.

However, examination of the relationship between the buyer's purchasing behavior and buyer's the attitude measured by the above measurement sets when purchasing the high involvement products which have high value and complicated (Laurent & Kapferer, 1985; Mitchell, 1999) such as gemstone, is lacking. Hence, this study proposes the following hypothesis:

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 attitudes (shown through the satisfaction, the trust and the purchase intention) towards Thai gemstone purchasing.

Next chapter will address the research methodology of the study.