

The Country-of-Origin Effect on Perceptions of Imported and Domestic Products in a Developing Country

Dr. Rooma Roshnee Ramsaran

School of Business and Law
Higher Education Division
Central Queensland University
Bruce Highway QLD 4702
Australia

Abstract

Developing countries are being flooded with foreign products as a consequence of globalization and free trade. This study investigates country-of-origin effects on the perceptions, attitudes and behavior of consumers in Mauritius with respect to products imported from twelve developing and developed countries. This is an important study that investigates whether country of origin biases consumer decision making and purchase of products. It has managerial implications for companies who need to understand the COO perceptions of the population from developing countries. A structured questionnaire was administered to 204 respondents over two months. Analysis of the data show that a developed COO product was associated with quality, design, branding, packaging, status, and value for money, whereas products from a developing COO scored well only on price and value for money. The managerial implications of these findings for exporters and importers are discussed, and directions of further research suggested.

Keywords: Import-export; country-of-origin; consumer attitudes; shopping behavior; developing countries

1. Introduction

Mauritius is a country located in the Indian Ocean to the east of Africa, with a small developing economy, 1.4 million inhabitants and few natural resources. The gradual trend towards liberalization of the Mauritian economy, especially since the 1990s (Vandemoortele and Bird, 2010) has been a major factor in its progressive shift toward a global economy and a market open to foreign brands. Imports come from many countries across the world, particularly from Europe and Asia, as a result of trade agreements and the reduction of trade barriers (Center for International Trade, 2015) and the globalizing influence of such associations as the World Trade Organization (Kinra, 2006). There is currently a lack of concrete information on consumers' attitudes; preferences and marketplace behavior with respect to foreign products in competition with domestic alternatives in developing countries in general (Chao, 1993, 1998; Lee, Suh and Moon, 2001; Peterson and Jolibert, 1995; Saffu and Scott, 2009). The study reported here therefore analyzed data gathered from consumers in Mauritius, as a contribution to the very limited research literature relating to attitudes to countries of origin among consumers in developing countries. Its conclusions should be helpful to both local and foreign companies in their formulation of marketing strategies by offering a better understanding of how foreign brands are likely to be perceived in relation to domestic products and those originating from other countries competing in this market. The findings will also contribute the body of knowledge relevant to country of origin available to local manufacturers, importers and prospective investors, as an input to their trade and investment strategies.

2. Literature Review

Among the many factors that are believed to influence consumers' perceptions of products, the effect of country of origin (COO) has been studied since the 1960s and has attracted growing attention over the years (Al-Sulaiti and Baker, 1998; Heslop, Papadopoulos and Bourk, 1998; Verlegh, Jan-Benedict and Steenkamp, 1999; Kaynak, Kucukerimoglu and Hyder, 2000; Knight and Calantone, 2000; Piron, 2000; Kaynak and Kara, 2002; Inch and McBride, 2004; Laroche et al., 2005).

Miller (2011) reports that around one-quarter of consumers make purchase decisions on the basis of COO information. The term COO has been defined in several ways in the literature. Wang and Lamb (1983), state that the effects due to country of origin are intangible barriers to entry into new markets, in the form of a negative consumer bias toward imported products. Studies by Bilkey and Nes (1982), Cattin, Jolibert and Lohnes (1982), Han and Terpstra (1988), Lee and Schaninger (1996), and Papadopoulos (1993) have treated a product's country of origin as "the country of manufacture or assembly". In the view of Johansson, Douglas and Nonaka (1985) and Özsomer and Cavusgil (1991), it is the country in which the corporate headquarters of the company marketing the product or brand is located. It has been shown that, when consumers are aware of a country of origin, it influences their evaluation not just of generic product categories but also of specific brands (Bilkey and Nes, 1982; Johansson and Nebezahl, 1986; Magnusson, Westjohn and Zdravković, 2011). Peterson and Jolibert (1995) found that favorable perceptions of a country led to favourable perceptions of the attributes of products associated with it, and influenced consumers' evaluations of their performance. Bilkey and Nes (1982) and Cordell (1992) remarked on a tendency for products originating in emerging economies to be evaluated negatively. While COO-influenced product reputations will vary from country to country, consumers tend to generalize their attitudes and opinions across the range products from a given country, on the basis of their familiarity with them, and their personal experiences of the quality, design, branding, packaging, price, status and value for money (Patterson and Tai, 1991, Zafar et al. 2012).

While consumers in developed countries consumers tend to evaluate imported products by reference to alternatives originating in their own country, the situation is often reversed in developing countries, where local products are evaluated against imported equivalents. Research studies have consistently found that Western consumers prefer products originating in the home country (Bilkey and Nes, 1982; Rierison, 1967; Samiee, 1994; Verlegh, Jan-Benedict and Steenkamp, 1997). The criterion for preference may in some cases be that the COO is viewed as culturally similar but is not necessarily the consumer's own country (Crawford and Lamb, 1981; Heslop, Papadopoulos and Bourk, 1998). Past studies have also shown that, in general, consumers evaluate brands associated with advanced countries positively and those from less developed countries negatively (Cui and Liu, 2001; Yong, 1996). Yong (1996) notes that this kind of evaluation occurs when a consumer who does not yet know the product and lacks experience of foreign products uses COO as a surrogate base for his or her product evaluation. Douglas and Isherwood (1979) found that products and brands often serve such non-utilitarian functions as symbolic acquisition and the communication of social distinctions, particularly status. That is an especially important phenomenon in the context of developing countries, where interpersonal relationships are of prime importance (Ger, Belk and Lascu, 1993) and both income disparity and status mobility are high (Belk, 1988; Kottak, 1990).

Several explanations for the high salience of status and foreign origin can be identified. First, in developing countries, imports are usually more expensive than local alternatives, which makes them more desirable to those for whom reference groups are a significant influence on consumption choices (Bearden and Etzel, 1982). Second, typical consumers in those countries are less affluent than their counterparts in more developed economies, which can engender a natural sense of insecurity and inferiority. Their response is often to seek to emulate apparently glamorous Western consumption patterns and lifestyles, by acquiring the brands they are exposed to by television and movies. Third, as Hannerz (1990) observed, the desire to exhibit cosmopolitanism in an increasingly interconnected world is an important motive behind the consumption of foreign-made world brand by consumers in less developed countries. Fourth, Venkatesh and Swamy (1994) and Lysonski (2014) have argued more generally that consumers in developing countries aspire to participate in the global consumer community, through access to products from all over the world. Many do not have the power to do so, however, and can therefore only yearn for those aspirational foreign brands. Because acquisition of them is a source of great status, one consequence of this phenomenon can be a loss of confidence and pride in local culture and products, and even a disdain for the products themselves (Ger and Belk, 1996). A number of significant contemporary studies have begun to question the tenets of the abundant literature relating to the COO effect. Specifically, they question the importance of the country of origin of a product or brand, and suggest that past studies have exaggerated the effect that perception of the COO has on consumers' product judgements and choice behavior (Samiee, Shimp and Sharma, 2005; Samiee, 2010). In the opinion of Usunier (2006) and Usunier and Cestre (2008), COO research has become irrelevant to marketing practice. The findings of a survey by Liefeld (2004) somewhat confirms that judgment. Only 7% of a large sample of Canadian and American shoppers knew the origin of a product they had just bought, either by checking it at the time or by prior knowledge.

The remainder seemed to have no interest in knowing, and barely 4% guessed it correctly. Of those who did know the COO, no more than a third was willing to concede that it “possibly might have played a role” in their buying decision. The study reported in this paper found, by contrast, that 59% of Mauritian shoppers either always or at least occasionally checked the origin of a product they were thinking of buying. Many other empirical studies confirm that consumers are not aware of the COO, even of popular brands (Balabanis and Diamantopoulos, 2008) or that they “find such information relatively unimportant and thus unworthy of retention in memory” (Samiee, Shimp and Sharma, 2005, p. 392). Based on this review of the relevant literature, the following hypothesis is developed.

Hypothesis: Do Mauritian consumers have a more favorable opinion on average on products originating from developed countries than from developing countries?

3. Methodology

The research objective of this study was to examine, for the first time, the attitudes of consumers in Mauritius toward products perceived to be of domestic or foreign origin and thereby to contribute to the literature of country-of-origin effects: a topic that has recently polarized opinion among researchers. The research sample consisted of 500 consumers, who answered a structured questionnaire over a two-month period. The majority of questionnaires (300) were distributed by 150 students at the University of Mauritius, who returned them in class between one and two weeks later. The recipients were immediate family members, other relatives, associates or neighbors, who shopped at supermarkets and/or hypermarkets. The sampling quota directed them to select one male and one female respondent, over 18 years of age. A further 175 questionnaires were completed in face-to-face interviews conducted by a research assistant at supermarkets and hypermarkets throughout the island. The remaining 25 were administered in telephone interviews with individuals in the Mauritius Telecom directory, dialed at random. Their answers were entered directly into SPSS.

The aim of this three-part data collection strategy was to ensure that respondents representative of the different areas of Mauritius would be captured in the sample. The number of usable questionnaires obtained by the three processes was 204: a response rate of 40.8%. Table 1 shows the demographic profile of the resulting sample, which is an acceptable match to the demographic profile of the general population of Mauritius except for a slight over-representation of urban dwellers. The design of the research questionnaire was guided by a thorough review of similar studies reported in the literature, and refined by a series of in-depth and expert interviews with Mauritian consumers, manufacturers, entrepreneurs and professionals engaged in domestic and foreign trade, who shared their feelings about the country of origin of consumer goods. It consisted of three parts. Section A established where respondents did their shopping and what kinds of product they preferred to buy. Section B measured their attitudes and behavior with respect to COO in a number of ways. Questions first established how often a respondent checked for the origin on product labels, and whether or not they consciously sought out Mauritian-made products in the process. How important COO was to them was measured by a seven-point scale anchored at ‘not at all’ and ‘very’. Moving from the general to the specific, respondents rated 13 countries of origin of products that were also manufactured domestically on a seven-point scale from ‘very poor’ to ‘excellent’. Those countries were Mauritius itself plus Australia, China, Egypt, France, India, Indonesia, Madagascar, Malaysia, New Zealand, Singapore, South Africa and the United Kingdom. The product categories were food, household cleaning, personal care, clothing, footwear, dairy, and jewelry; the product attributes were quality, design, branding, packaging, price, status and value-for-money. Section C gathered demographic data: age, marital status, region, ethnic group, occupational status, education, monthly household income and monthly expenditure on grocery shopping. The questionnaire was developed in English and pilot-tested by ten Mauritian consumers for its clarity, comprehensibility and consistency. Minor adjustments and improvements were made in response to their feedback.

4. Analysis and Results

4.1 Sample Profile

The demographic description of the sample given in Table 1 shows that the gender balance of respondents conforms well to the normal proportions of a general population. Table 1 also shows that almost three quarters of all respondents did their general shopping at supermarkets and almost two thirds at hypermarkets; more than a third patronised speciality stores.

The proliferation of supermarkets and hypermarkets offering a wider range of facilities and acting as a one-stop shop may explain the high preference of respondents for these shopping locations. Not included in Table 1 is the percentage of respondents who answered that they did at least some of their shopping ‘abroad’ (41%) or “on the internet” (31%). Likewise, the questionnaire found that 55% preferred to buy local manufacturers’ products, if the option was available. Reliability tests were performed on relevant variables using Cronbach’s coefficient alpha. All the items exhibited well over the 0.70 reliability level suggested by Nunally (1977) as a minimum score for acceptable reliability and this indicated high internal reliability of the scales of these factors.

4.2 The Importance of COO

Table 2 shows that well over half of all respondents deliberately consulted product labeling in order to establish the country of origin, either ‘always’ (27%) or ‘often’ (32%); only 8% ‘never’ did. These findings suggest that COO is an important factor in consumers’ choices among brands in the Mauritian marketplace, a conclusion supported by the respondents’ answers to a question asking how important it was to them. The average of their responses on a seven-point scale from 1 = not at all important to 7 = very important was 5.1, indicating that they thought it to be fairly important. However, as many as 91% of respondents claimed not to attach any special significance to a made-in-Mauritius label when buying consumer goods. Barely 10% ‘always’ or ‘often’ sought out the locally made option. It can be inferred that, though COO definitely matters, home-country origin is not a priority in the purchasing behavior of these consumers.

4.3 Rating and Ranking the Countries of Origin

Table 3 presents the mean evaluations of products originating from twelve foreign countries, and from Mauritius itself, on a seven-point scale between 1 = very poor and 7 = excellent). Those exporting countries are divided into developed and developing, and arranged in rank order within each sub-group. The table further compares those scores with the percentage of respondents who identified a given country as having ‘the best image’, in overall terms. The rank order of those results is broadly but not exactly consistent with that of the ratings for the perceptions of the quality of their products. It can be seen that products originating from developed countries were generally more highly rated than those from developing countries: the mean average scores are respectively 5.76 and 4.17 highest rated as countries of origin were the UK and France, the only two to achieve mean scores between six and seven. They were rated as having the best overall product-image by roughly 40% and 20% of respondents respectively, a very considerable distance ahead of the third-ranked country, Australia. Malaysia led the developing countries, achieving a mean rating of 4.39 for the perceived quality of its products. It was nominated as ‘best’ by more respondents than any other and was ahead of the least highly-rated developed country, New Zealand.

4.4 COO Effect by Product Attributes

Table 4 displays the results of inviting respondents to score the thirteen countries, including Mauritius, in terms of seven separate product attributes: quality, design, branding, packaging, price, status, and value for money. The seven-point response scale was anchored at 1 = very poor and 7 = excellent. With respect to one attribute, price, it is immediately noticeable that these Mauritian consumers perceived products imported from the other developing countries, numbered 2 to 7 in the Table, to be more affordable than imports from developed countries. Indian and Chinese imports were rated the lowest-priced; those from Indonesia, Egypt and Madagascar were seen to be comparatively higher-priced. It is equally evident that the developed countries, numbered from 8 to 13 are generally believed to be superior as countries of origin in terms of all six of the remaining attributes of their products. Table 5 compares the mean ratings of products of domestic Mauritian origin with the average for all developing countries, in respect of the same seven product attributes using paired samples t-tests. The data show that the mean differences were not significant in the case of five of those seven. In short, products originating from other developing countries were neither any better nor any worse than those from Mauritius in delivering satisfaction through quality, design, branding, packaging and status. Price and value for money were the two attributes for which respondents felt that products imported from other developing countries had a significant competitive advantage. Products imported from developed countries scored significantly higher on every product attribute except price, including value for money. This finding confirms an observable general trend, which can be attributed to the influence of the increase in advertising of foreign products in Mauritian media and the access of consumers to satellite television. In fact, the marked prevalence of foreign brands in the markets of all developing countries reflects advertising images, which play on the promise of social status and acceptability.

It is an especially likely explanation in the context of Mauritius, where economic transition is rapid, income disparities are high and social mobility magnifies the tendency to claim differential status through conspicuous consumption. Thus, price was the only attribute to offer a competitive advantage to developing countries in general and Mauritius in particular, with the important proviso that it was offset by a perception of inferiority where the other six were concerned. The hypothesis of this study asks whether consumers in Mauritius have a more favourable opinion on products originating from developed countries than developing countries. To answer it, ANOVA was applied to the questionnaire responses of an acceptably representative sample of Mauritians. This method of analysis is generally accepted as appropriate when the behaviours or judgements of the same individuals over a variety of conditions are the subject of interest. The within-subjects factors were the thirteen countries of origin and one of the seven products attributes that the questionnaire had invited respondents to consider. Table 6 shows the outcome of comparing individuals' overall mean product ratings with their ratings for a particular country's product. On that basis, the answer to the hypothesis is that COO exercised a significant effect on perceptions of products originating in seven developing and six developed countries. The data also provide convincing evidence for significant differences among different product categories and from one country to another.

5. Discussion

The Mauritian respondents in this study perceived imported products and brands to be superior to domestic those originating in the home country. Eleven of the twelve countries-of-origin specified in the research questionnaire were universally rated above the mid-point of a seven-point scale from very poor to excellent with respect to seven separate brand attributes. The exception was Madagascar, which scored above 3.5 on two attributes only: price and value for money. Several past studies have shown that consumers in developing countries generally seek to emulate Western consumption practices and lifestyles and therefore prefer to purchase brands of foreign origin (Peterson and Jolibert, 1995; Supphellen, Magne and Rittenburg, 2001). The investigation reported here found that a great majority of Mauritian consumers attached no special significance to a made-in-Mauritius label when shopping for consumer products. On the contrary, these respondents perceived brands from developed countries to be superior in terms of six of the seven specified product attributes: quality, design, branding, packaging, status, value for money. Home-country brands competed in the respondents' minds only on price. Even so, the clear preference was to spend more in order to enjoy the quality and the prestige associated with a foreign COO. Within the range of above-average ratings given to the attributes of imported products, those originating in the six developed countries scored higher than the alternatives from the other six developed countries. Domestic Mauritian brands could match or better the latter with respect to every attribute, but lagged significantly behind the former. Respondents nevertheless preferred to buy the developing countries' products because they were normally less expensive and thereby offered value for money. The paradoxical finding of this study was thus that, when it came to foreign products from developed countries, local consumers were prepared to pay more for the quality and prestige they offered; yet when it came to foreign products from developing countries, they were more willing to pay the low prices on offer than to buy an available home-country alternative.

6. Theoretical and Managerial Implications

The previous section has shown that the inhabitants of one developing country rate brands from developed countries more highly than home-country equivalents in term of quality, design, branding, packaging, status, and value for money. They also rate products originating in other developed countries more favourably on the twin attributes of price and value for money. These findings support the considerable literature discussing the importance of the COO and its influence on consumer attitudes and behaviour (for example: Kabadayi and Lerman, 2011; Magnusson, Westjohn and Zdravković, 2011) and contradict the empirically-based assertions of Samiee, Shimp and Sharma(2005), Samiee (2010), Usunier (2006), and Usunier and Cestre (2007) that the COO is not in fact so important. The gap between the two schools of thought maybe attributable to some extent to the differences between consumers in developed and developing countries. Almost 60 % of the sample of Mauritian consumers in the current study, for example, either always or occasionally checked the COO of products they were considering buying. It is thus important that marketing strategists concerned with both importing and exporting take full account of the extent to which consumer attitudes towards a specific product or brand can be substantially changed, for better or for worse, by the COO image attached to it. Intelligent exploitation of that effect in international marketing can be an effective competitive tool for the differentiation of the brand (Khan and Bamber, 2007).

It needs to be recognized, however, that the country of origin of a product may become an ambiguous and therefore less relevant attribute, in an operating environment characterized today by globalization, multinational production, export branding strategies, increasing regulation of international trade regulations, and the reduced role of COO labelling within the rules of the World Trade Organization (Lysonski and Durvasula, 2013; Samiee, 2010; Usunier, 2006). Nevertheless, the evidence of the research study reported here suggests the conclusion that the perceived COO, regardless of its accuracy, remains highly relevant to marketing practice. Consumers' reaction to a perceived country of origin can be managed to some extent by promotional strategies and campaigns. Exporters can use an acknowledged COO as a cue, providing explicit information on their product labels and packaging, presuming that it is possible to tell a positive story and that consumers will trust this signal of product quality (Lusk et al., 2006). Specifically, exporters whose home countries evoke generally favourable associations can communicate those by use of its name, flag, coat of arms, emblems, and official or unofficial icons and symbols in labelling, packaging and promotion (Niss, 1996). Exporters based in countries with less favourable images, rather than simply avoiding the issue of their COO, could form strategic alliances with partners in more favourably endowed countries. Adopting their partner's technology, operations and production processes, they could promote the fact as reassurance to customers of the quality of the product (Ahmed et al., 2004). It is a theoretical limitation of this study that the findings can be generalized only to the product categories assessed and, to a lesser extent, are limited to one case-in-point of a developing country. Replication in other countries and other multinational environments is therefore recommended. The managerial implications will probably be of relevance to all domestic manufacturers and exporters-importers, but may not be applicable across all industries. At the level of methodological detail, an even more representative sample of Mauritian consumers would have permitted greater confidence in the external validity of the results.

7. References

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Table 1: Demographic Profile of the Sample (n = 204)

Attribute	%
Gender	
Male	49
Female	51
Age	
18-29	28
30-39	24
40-49	21
50-59	23.5
60 and over	3.5
Marital status	
Single	23
Married without children	8
Married with children	62.5
Widowed/divorced/separated	6.5
Region	
Urban	62
Rural	38
Ethnic group	
Hindu	50
Muslim	25
Chinese	15
Other	10
Occupational status	
Clerical/factory worker/other blue collar	17.5
Administrative/managerial/professional/executive	45.5
Retired/Student/Housewife	18.5
Self-Employed	11
Others	7.5
Education	
Primary	8.5
Secondary	30.5
Diploma	17
Undergraduate degree	27
Postgraduate degree	17
Monthly household income before taxes	
Below 10,000 Mauritius rupees	11.5
10,001 to 20,000	35
20,001 to 30,000	27
30,001 to 40,000	16.5
Above 40,000	10
Monthly expenditure on grocery shopping	
Below 5,000 Mauritius rupees	23
5,001 to 10,000	28.5
10,001 to 15,000	25
15,001 to 20,000	13
Above 20,000	10.5

Note: The Mauritius rupee was equivalent to US\$ 0.33 or €0.025 at the time of writing.

Table 2: Importance of Country-of-Origin

	Look for COO on product label (%)	Look for 'Made in Mauritius' label (%)
Never	7.8	33.8
Occasionally	33.3	56.9
Often	31.9	7.4
Always	27.0	2.0
<i>Total</i>	<i>100</i>	<i>100</i>

Table 3: Perceptions of COO and Country Image

Developing countries	Perception of COO			Best image? (%)
	Mean	SD	Rank	
Malaysia	4.39	1.332	1	3.4
Indonesia	4.37	1.304	2	1.5
Egypt	4.33	1.199	3	2.5
Mauritius	4.25	1.396	4	1.5
China	4.25	1.455	5	2.9
India	4.20	1.276	6	1.5
Madagascar	3.44	1.298	7	0
Average mean score	4.17			
Developed countries	Perception of COO			Best image? (%)
	Mean	SD	Rank	
United Kingdom	6.12	1.205	1	39.7
France	6.09	1.068	2	21.6
Australia	5.75	1.125	3	9.3
New Zealand	5.74	1.055	4	2.0
Singapore	5.43	1.173	5	7.0
South Africa	5.42	1.129	6	7.4
Average mean score	5.76			

Table 4: Mean Ratings of Countries by Product Attributes

		Quality	Design	Branding	Packaging	Price	Status	Value for money
1	Mauritius	4.16	4.33	4.18	4.22	4.36	3.93	4.04
2	India	4.19	4.48	4.09	3.86	5.37	3.77	4.73
3	China	4.41	4.52	4.32	4.17	5.32	4.04	4.81
4	Malaysia	4.43	4.26	4.20	4.47	5.05	4.09	4.74
5	Madagascar	3.27	3.25	3.17	3.52	4.27	3.16	3.94
6	Egypt	4.60	4.40	4.18	4.49	4.54	4.34	4.53
7	Indonesia	4.55	4.48	4.32	4.35	4.77	4.23	4.45
8	Singapore	5.44	5.46	5.21	5.25	4.45	5.20	5.06
9	France	6.11	5.95	5.99	5.85	4.15	6.13	5.44
10	UK	6.23	6.05	6.05	6.02	4.09	6.07	5.45
11	South Africa	5.59	5.37	5.38	5.23	4.62	5.33	5.25
12	Australia	6.02	5.57	5.53	5.63	4.79	5.67	5.33
13	New Zealand	5.62	5.46	5.23	5.30	4.64	5.24	5.20

Table 5: Comparison of Mean Ratings for Mauritius and all Developing Countries, by Product Attribute

Product attributes	Mauritius	All developing countries	t Value	Sig.	Developed countries	t Value	Sig.
Quality	4.16	4.24	- 0.84	NS	5.83	- 17.71	0.05
Design	4.33	4.23	1.02	NS	5.64	- 14.51	0.05
Branding	4.18	4.05	1.64	NS	5.57	- 15.28	0.05
Packaging	4.22	4.15	0.80	NS	5.54	- 12.31	0.05
Price	4.36	4.87	- 4.96	0.05	4.47	- 1.11	NS
Status	3.93	3.93	0.00	NS	5.61	- 13.66	0.05
Value for money	4.04	4.54	- 4.78	0.05	5.29	- 11.25	0.05

NOTES:

Rating scale: 1 = 'very poor' to 7 = 'excellent'.

Differences were significant at $p \leq 0.05$; NS = not significant

Table 6: Summary of Analysis of Variance for Two Factors

Source	Sum of squares	df	Mean square	F	Significance of F
Within Subjects	56.440	176	0.321		
Product quality x COO	42.854	21	2.041	6.364	0.000