Leveraging on Consumer Ethnocentrism: A Potential Strategic Tool for Future Marketers

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Abstract
Current phenomena of globalization is changing the world economy at an accelerating pace as the domestic consumption basket of an average household now comprises of wide varieties of goods and services being marketed by companies located in different parts of the world. In this regard, it has become necessary to assess the consumer preferences for different types of domestic and foreign products. Industrial revolution followed by the phenomena of globalization and liberalization have not only led to the exponential growth of world trade but also played significant role in convergence of economic ideologies. Furthermore, technological innovations have created virtual character of markets offering a wide choice to make or buy decisions which maximizes consumer welfare. Keeping in view the pace of integration of world economies, the formal tariff barriers are likely to be reduced considerably but the informal tariff barriers will continue to have the wide scope in the international markets and as such ethnocentrism may play a crucial role in global market place. The present study is undertaken in Jammu and Kashmir state, India using multistage sampling method and is focused on to assess the ethnocentric tendencies of Indian consumers particularly the younger generation so as to suggest the measures for domestic and international marketers to widen their market base.

Keywords: Globalization, Economic Integration, Consumer Ethnocentrism, Markets.

Introduction
Globalization has homogenized world markets as it has allowed multinational companies (MNCs) to penetrate into domestic markets of different countries other than country of their origin. Increased availability of a wider range of international brands in various host countries has unleashed a fierce competition in the local markets which hitherto were under protective cover of restrictive trade policies of the local governments. Furthermore, technological innovations have created virtual character of markets offering a wide choice to make or buy decisions which maximizes consumer welfare. World Wide Web portals and relaxation of trade policies has enlarged the portfolio of goods and services by providing consumers with more foreign choices than ever before (Wang & Chen, 2004). The increased evincing interests shown by firms in markets across the globe as a result of dismantling of tariff and non-tariff trade barriers, the geographic segmentation of consumer markets is becoming irrelevant with each passing day. Multinational corporations are envisioning the emerging economies as vanguard of potential markets and are in the process of setting production and marketing bases in these budding economies to widen their consumer base. Organizations are facing stiff competition due to globalization, at the same time investment in foreign markets is increasing significantly (Weng & Chen, 2010). Recently, owing to the technical and communication developments, global marketing activities have increased astonishingly (Chung et al. 2011). In this regard, it has become necessary to assess the consumer preferences for different types of domestic and foreign products.

As a developing nation, India has taken her share from the metamorphosis of globalization, accelerating the imports of foreign goods thus integrating the national markets with global one. Due to these developments most consumers are confronted with a variety of products and companies from all over the world which compete against the domestic alternatives. For firms which increasingly operate at an international level it becomes necessary to examine how consumers react to these imported products compared to domestic ones in order to best plan their marketing strategies. As per World Bank report (2013), India holds a distinction of being world’s fastest growing nation on economic fronts, ranks among the top countries in terms of purchasing power parity based GDP, with a satisfactory and stable growth rate, having the world’s 2nd largest population and subsequently extensive consumer markets for all types of market offerings. India is likely to emerge as the fifth largest consumer market in the world by 2025 as per the study of McKinsey Global Institute (MGI, 2013). Rapid growth of Indian markets and presence of wide consumer base has drawn considerable attention from multinational corporations for making India a strong investment base. Out of top 500 multinational corporations, more than 200 are currently operating in India as per studies of IBEF (2013). While the markets are flooded by the products of foreign countries, there is also a surge of domestically manufactured goods decorating the retailer shelves (Jain & Jain, 2012), consequently creating a cut throat competition prompting firms to make the extra efforts to gain the customer acceptance. Now Indian consumers are not too much fascinated by the craze of foreign products which had dominated the marketing arena till eighties (Jain & Kaur, 2006). In the present day competitive markets across the globe, marketers should not rely only on price and quality alone as these
objective considerations will not be enough to guarantee success in gaining customer acceptance but rather marketers should give due weightage to the consumer behaviour patterns in addition to objective considerations (Fritsch, 2008).

Most of the studies on the consumer ethnocentrism have been undertaken in the developed countries like as UK, US, Germany and France (Usunier & Cestre, 2008 and Geyskens et al., 2013). However, developed nations constitutes the shrinking portion of the world economy, while more than 80 percent of world’s consumers live in emerging consumer markets and transitional economies (Steenkamp & Geyskens, 2012). Emerging economies like BRICS nations are experiencing rapid transition in economic landscapes. Apart from that there is significant difference between socio-economic, political and cultural factors prevailing in the developed and developing nations, thereby influencing consumer’s decisions about country of origin preferences. Hence, recognizing consumer ethnocentricity as an inherent attribute of the behavior, strategists need to have a substantial data input from emerging economies for leveraging the competitive advantage. This study will not only enrich the vast body of knowledge in consumer behavior and marketing in the transitional markets but will also provide the broad avenues for further research in the marketing field.

Literature Review
The concept of consumer ethnocentrism has been the centre of scholarly enquiry from the past few decades. The roots of the concept can be traced to the sociological concept of ethnocentrism introduced by Sumner in 1906 and has defined it as “the view of things in which one’s own group is the center of everything, and all others are scaled and rated with reference to it. Each group nourishes its own pride and vanity, boasts itself superior, exalts its own divinities, and looks with contempt on outsiders”. Among the members of a particular group, the ethnocentrism leads to an increase in group conformity and loyalty and highly depends upon the nature of social group, pride, prejudice and racial discrimination (Fritsch, 2008). Almost all previous researchers have relied heavily on the literature of ethnocentrism in exploring on the antecedents of the CET (Klein et al., 2006; Bawa, 2004; Shankarmahesh, 2006; Jain & Jain 2012). Lao (2011) argued that ethnocentrism is deep rooted universal phenomenon pertaining to intergroup relations while as Fritsch (2008) further emphasized that the concept of ethnocentrism is more connected to the learning and attitudes of the people. Thus, the concept of ethnocentrism is obviously related to the concepts of psychology. However, ethnocentrism can be discussed from the biological perspective as well. According to Dreu et al. (2012), human ethnocentrism is modulated by brain oxytocin. Brain oxytocin, also known as hormone of love (Stallen et al., 2012) is generated from the hypothalamus region of the human brain and makes collaborations among in-group members by making people trust each other. Hence this oxytocin hormone may create a feeling in the human mind to think of his/her own group as superior to other groups (Dreu et al., 2012).

Consumer ethnocentrism, as stated by Sharma et al. (1995) is defined as “the beliefs held by consumers about the appropriateness, indeed morality, of purchasing foreign-made products irrespective of the quality or price considerations, purely on nationalist feelings”. Literature has established the fact that consumer ethnocentrism is an important determinant of consumer’s preference and purchase of domestic vis-a-vis foreign products (Shimp & Sharma, 1987; Rawwas et al., 1996; Watson & Wright, 2000; Balabanis & Adamantios, 2004; Jain & Jain, 2012). As a result of nationalist and compassionate feelings towards their fellow men and artifacts, consumers with high ethnocentrism tend to emphasize positive aspects of their home country products and discount virtues of foreign products. On the other hand, less ethnocentric consumers tend to rely more on objective consideration, hence do not tend to be inherently biased against imported products. All consumers are not equally ethnocentric as levels of ethnocentrism is determined by a number of antecedents such as socio-psychological factors (conservatism, cultural openness, collectivism, world mindedness, animosity etc), demographic antecedents (age, gender, education), political and economic antecedents. The tabulated view of socio-economic antecedents, economic antecedents, political antecedents and demographic antecedents is attached as separate annexure. Knowledge of ethnocentric tendencies among consumers and variations therein across different nations can be of immense help to the international marketers in undertaking market segmentation relevant to their products and developing marketing strategies as per the requirements of those appropriate segments. Moreover, organizations need to have the extensive knowledge of the consumer ethnocentrism before they internationalize their ventures (Phau & Chan, 2003).

For the purpose of marketing implications, the concept of CET was formulated by Shimp and Sharma (1987) as ‘domain specific subject’ in consumer behaviour. (Sharma et al., 1995) and was described as the tendency of the consumers to distinguish between products of out-groups (made in foreign) and the in-groups (home country) purely on the nationalist reasons irrespective of the quality, price or desired features of the products concerned. The perception of losses to the domestic country in terms of wealth drain, loss of employment and heightened competition for domestic products thrusts a moral responsibility in favouring home made products (Balabanis et al., 2001; Watson & Wright, 2000; Bawa, 2004; Upadhayay & Singh, 2006; Geyskens et al., 2013). With the changing marketing scenario and the stiff competition among developing and
developed countries, the CET is becoming a ply card in the hands of marketers to influence the consumers from either side. The various elaborations on the specific properties of CET have been put forward by Sharma et al (1995). First, CET is not a specific attitude but the aggregation of general tendencies towards ‘in-group love’. Second, it has greater tendency of inelasticity with respect to other products or price tags. Third, it is a result of perceived concern of individuals for their own country as opposed to negative effects of imports for nation especially plight of nationals in respect of loss of employment.

Although various studies have been carried out to investigate consumer ethnocentrism along with its impact on the choices to take buying decisions, but these are essentially restricted to developed markets. At present there is scant empirical evidences about this phenomenon as the constructs are characterized by the vast inconsistency regarding their definitions and the scales. Furthermore, whatever studies have been conducted in Indian contexts, they suffer from serious drawbacks that either only a select demographic antecedents have been investigated or (e.g. Bawa, 2004; Jain, 2012) or the CET-antecedent relationship has not been fully examined (e.g., Jain & Jain, 2012).

Research Methodology
The present study’s focus is to assess the ethnocentric behaviour among the young generation of the population in the state of Jammu and Kashmir. The research framework followed in the present research is conclusive, descriptive and based on cross-sectional design. For the purpose of data collection, a structured questionnaire based on various dimensions of the study was used and modified as per the requirements of the population understudy. The instrument was pilot tested before administering on study sample. For assessment of consumer behaviour, it was appropriate to assess the product evaluation and purchase intention of the cellular mobile phones as the target group was expected to be well familiar with the product description and also keeping in view the sales record of the said products in the particular region, an overwhelming response will be sought. In addition to that the said products are expected to have a wide distribution throughout the region. Also the nature of the product is such that only the knowledgeable and tech-savy consumers were deemed fit for administering the research tool. For that purpose students undergoing university education in the state were decided to be the target population and accordingly higher educational institutions of the state were decided as sampling unit based on the fact that such institutions harbor the fully mature minds, which will just enter the decision making phase of the life.

Research Objectives
The research objectives stated set for the present study is:

1. To assess the influence of ethnocentrism on the consumer’s evaluation of domestic products
2. To assess the influence of ethnocentrism on the consumer’s intention to buy domestic products.

Research Hypotheses
Consumer ethnocentrism represents the economic reason to favor the home country products combined with the hostility towards foreign nations. Ethnocentric consumers evaluate domestic products favourably irrespective of quality and price considerations (Sharma et al., 1995). Although the influence of consumer ethnocentrism on consumer behavior has been studied by several authors, however the impact is not consistent across such studies. Shimp & Sharma (1987) and Balabanis & Diamantopoulos (2004) empirically proved that the relationship with attitudes towards domestic goods was much stronger than the one with foreign alternatives. Verlegh (2007) also contended that consumer ethnocentrism is significantly positively related with perceived quality of domestic goods as against foreign products. Thus, it can be assumed that consumer ethnocentrism will have a positive influence on the evaluation and purchase intention of domestic products. In line with the existing literature and above stated objectives, two hypotheses that have been formulated are:

Hypothesis I: Consumer ethnocentrism and consumer’s evaluation of domestic products are positively related.

Hypothesis II: Consumer ethnocentrism and consumer’s intention to buy domestic products are positively related.

Sampling and Data Collection
Sampling procedure begins with definition of target population and sampling frame followed by sampling approach and sample size. To fulfill the objective of the present research, both newly established and earliest established universities were considered for sampling purpose. It was deemed that earliest established universities which includes the University of Jammu and university of Kashmir includes the large student base spreading across the length and breadth of the state. Further, among the newly established universities both Central Universities of both Jammu and Kashmir were considered mainly on the argument that such institutions have wider exposure to the global phenomena and students across the country are registered in such institutions.
In order to collect the data from the respondents identified through the above mentioned sample frame, a multistage purposive sampling was used. Regarding the decision of the sample size, the average of the total sample size, which has been used in the similar type of studies, was taken into account. The average of the sample was worked out as 280 and after keeping into consideration the probability of improper responses and non-response factor the sample size was rounded off to 300 and it was decided to administer 150 questionnaires in each region of the state.

To serve the purpose of the study, the measurement scales of consumer ethnocentrism and the consumer’s evaluation of domestic products as well as consumer’s intention to buy domestic products were incorporated in the questionnaire.

The reliability of scales used in full length questionnaire along with their description is given below:

Table 1. Specifications and reliability of scales used in the questionnaire.

<table>
<thead>
<tr>
<th>Scale</th>
<th>N of Items</th>
<th>Cronbach's Alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumer Ethnocentrism (Shimp &amp; Sharma, 1987)</td>
<td>10</td>
<td>.861</td>
</tr>
<tr>
<td>Product Evaluation (Roth &amp; Romeo, 1992)</td>
<td>8</td>
<td>.708</td>
</tr>
<tr>
<td>Purchase Intention (Putrevu &amp; Lord, 1994)</td>
<td>5</td>
<td>.803</td>
</tr>
</tbody>
</table>

Data Screening and Analysis

Descriptive statistics of the responses were generated through SPSS 16.0. The response rate was found to be 98.3% and Exploratory Factor Analysis (EFA) was carried out for the purpose of establishing the uni-dimensionality of the study constructs.

Factor Analysis

For the purpose of testing the uni-dimensionality of various scales used in the questionnaire exploratory factor analysis was conducted. The principal component analysis with direct oblimin was performed. Direct oblimin (oblique rotation) has been chosen to allow factors to be correlated as the underlying factors are believed to be correlated to some extent in the present study and in many cases reveals the more meaningful theoretical factors (DeVellis, 2003).

In the present study all inter-item correlations are high and significant and, hence, considered fine. Furthermore, the determinants of the correlation matrices all exceed the recommended value of .00001 and therefore multi co-linearity is no problem for the present data. The KMO (Kaiser-Meyer-Olkin) statistic, which represents the ratio of the squared correlations between variables to the squared partial correlations between variables, yields results between .736 and .840 for most scales, which is regarded as quite adequate.

Bartlett’s test of sphericity tests the assumption that the original correlation matrix is an identity matrix, which means that the variables correlate only with themselves while all other correlation coefficients are close to zero. For the present data, Bartlett’s test is highly significant (p < .001) for all scales, which indicates that the correlation matrices do not resemble identity matrices and thus factor analyses are appropriate.

Finally, the principal component analyses reveal that all scales are uni-dimensional as each item of the respective scales under examination loads highly only on one single factor.

Testing of Hypothesis

So far as the above stated hypotheses are concerned, a positive relationship is expected between the said constructs with respect to evaluation and intention to buy domestic country products and for the purpose of experimenting the same, a bivariate correlation has been performed between variables.

Correlation Analysis

Regarding the hypothesis I, a positive correlation is expected between the two constructs. However, the results from the correlation is in contrary to the stated hypothesis as the r= -.064 at p<.01 and thus we can conclude that consumer ethnocentrism has a negative relationship with consumer’s evaluation of domestic product (mobile phone in the present case) and thus hypothesis I needs to be rejected.
Table 2: Results from the Correlation Analyses between Consumer Ethnocentrism and Consumer Behavior

<table>
<thead>
<tr>
<th>Variables</th>
<th>Expected Relationship</th>
<th>Correlation Coefficient</th>
<th>Sig.</th>
<th>Hypothesis Confirmed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumer Ethnocentrism – Domestic Product Evaluation (mobile phones from India)</td>
<td>+</td>
<td>$r = -.064$</td>
<td>P&lt;.05</td>
<td>Hyp 1: x</td>
</tr>
<tr>
<td>Consumer Ethnocentrism – Intention to Buy Domestic (mobile phones from India)</td>
<td>+</td>
<td>$r = -.103$</td>
<td>P&lt;.05</td>
<td>Hyp 2: x</td>
</tr>
</tbody>
</table>

Similarly, the expected relationship between consumer ethnocentrism and intention to buy domestic product was expected to be positive but empirically in this case a negative relationship was found ($r = -.103$), which although is statistically significant (p<.05) but going in negative direction. Thus, hypothesis that positive relationship between consumer ethnocentrism and consumer’s intention to buy domestic products is not supported in this study and needs to be rejected. The results of the correlation analysis for consumer ethnocentrism and consumer’s evaluation and his/her intention to buy mobile phones are depicted in Table 2 above.

Linear Regression Analysis Predicting the Evaluation of Domestic Products

The regression model investigating the relationship between consumer ethnocentrism and evaluation of domestic products (mobile phones made in India) has been performed wherein consumer ethnocentrism is treated as predictor (independent) variable and evaluation of domestic products represents the outcome variable. The regression equation’s b-values, their standard errors and standardized β coefficients are reported in Table below.

Table 3. Results of Regression analysis concerning relationship between consumer ethnocentrism and consumer behaviour

<table>
<thead>
<tr>
<th>Hypotheses</th>
<th>$R^2$</th>
<th>adj. $R^2$</th>
<th>ANOVA</th>
<th>Coefficients</th>
<th>Hyp. Conf.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>F-ratio</td>
<td>Sig</td>
<td>b-value</td>
<td>Std Error</td>
<td>$\beta$</td>
</tr>
<tr>
<td>Consumer Ethnocentrism–Product Evaluation</td>
<td>.004</td>
<td>.003</td>
<td>1.99</td>
<td>P&lt;.05</td>
<td>Const</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>-.081</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Consumer Ethnocentrism–Intention to buy</td>
<td>.011</td>
<td>.010</td>
<td>2.01</td>
<td>P&lt;.05</td>
<td>Const</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>-.008</td>
</tr>
</tbody>
</table>

The b-values of regression analysis indicate the degree to which a predictor contributes to the outcome when the effects of all other independent variables are kept constant (Field, 2005). As per the outcome of the data b-value of -.081 indicating that consumer ethnocentrism contributes insignificantly to the outcome.

As standardized β coefficients are measured in standard deviation units, they can be directly comparable and as such it provides a better insight into the importance of each independent variable in the model (Field, 2005). From the regression table it is clear that consumer ethnocentrism has not significant standardized β coefficient ($\beta = -.080$), and it can be argued that consumer ethnocentrism has a negative influence on the evaluation of domestic products (mobile phones in present case) and hypothesis I assuming that consumer ethnocentrism is having positive influence on consumers evaluation of domestic products is rejected.

With respected to the relation of consumer ethnocentrism and consumer’s intention to buy domestic products a negative correlation ($r = -.103$) was already established, indicating the negative impact on the intention to buy domestic products. The argument is further supported by the regression analysis as $\beta = -.008$, p<.05 (insignificant contribution), hence hypothesis II stands rejected.

Conclusion and Contribution

As already stated, consumer ethnocentrism represents tendency to favor domestic products over non-domestic products (Sharma & Sharma 1987) and as such it was expected to have a positive influence on evaluation of domestic products and consumer’s intention to buy domestic products. However, the present findings are not in line with the stated assumptions wherein the former has been found to negatively affect the evaluation of and willingness to buy domestic products. Although hypotheses for consumer ethnocentrism are bound to be rejected, the findings are not totally paradoxical with the previous research. For example, Durvasula et al. (1997) empirically proved product evaluations and preferences vary with respect to product type and country of origin.
As a consequence, the negative evaluation of the mobile phones made in India can be attributable to the consumers' perception that Indian companies use low-end technologies in these products and in many cases it was observed that consumers mistook the Indian products as Chinese products. Also since most of the mobile phones made in India come in low price ranges, respondents generally believe that in such goods price is an indication of quality, lower price indicates inferior quality. Further, it was a general belief among the respondents that mobile phones made in developed countries are more versatile, equipped with high technology and decorated with a bundle of features which are lacking in the similar products made in India.

The present study has both theoretical and practical contributions and the same has been objectively documented as:

- Knowledge of ethnocentric tendencies among consumers and variations therein across different nations can be of immense help to the international marketers in undertaking market segmentation relevant to their products and developing marketing strategies to best fit the appropriate segments.
- Consumer ethnocentrism could serve as potential ingredient for displaying a positive bias towards the home country which could subsequently lead to favorable evaluation of domestic country products.
- Consumer ethnocentrism, out of all proportions can be made to favour the domestic companies by institutionalizing it informally in the procurement policy of the government or widespread mainly as the tendencies of consumers to favour ‘home country’ products.
- For the domestic firms and the local governments home country bias offers the opportunity to launch buy domestic crusade with the motive of attempting purchasers to choose products originating in their own country.
- As a result of nationalist and compassionate feelings towards their fellow men and artifacts, consumers with high ethnocentrism tend to emphasis positive aspects of their home country products and discount virtues of foreign products.

**Future Research Directions**

Based on the present study, some future research directions which may be forwarded are:

- The replication of this research may be carried out in other emerging economies to validate the findings of this research. Since only one product category i.e. mobile phones have been used, it may be replicated to other product categories such as impulse oriented goods, repeat purchase products or services as most of the nations are proceeding towards service economy.
- In present research stimuli did not include any brand name as the measurements have focused on product level only. For future research studies, it will be advisable to take into consideration brand name, brand image, personality, awareness and brand equity that too with varied product categories before generalizing the results.
- In this study CET was assessed by using ‘Made in India’ labels. However, in contemporary global world manufacturing, design and assembly takes place in different nations, as such considering hybrid products may bring out new dimensions in the subject.
- In present study statements pertaining to intention to buy rather than actual buying behavior were assessed. Furthermore, only questionnaire method was adopted to collect the data from the respondents. However, keeping in view the nature of the study, observation method and in-depth interviews are recommended for full exploration of the subject.
- There is considerable scope of longitudinal studies in consumer ethnocentrism as the same has not been documented to a larger extent in India. Such studies could lead to the fully exploration of the subject of consumer ethnocentrism and reasons behind that.

**References**

Sage Publications


31) IBEF report on ‘Role of Manufacturing in employment generation in India’ 2014.