CHAPTER 1

INTRODUCTION

This chapter gives an overview of the genesis of consumer ethnocentrism as a concept and highlights its relevance in the context of understanding the consumer behavior. The current trends prevalent in the Indian market have been discussed. Further, the section on justification for the study is followed by one on objectives of the study. Subsequently, the hypotheses formulated for the study are discussed followed by the expected benefits of the research.

1.1 Background

We are now living in a global economy (Armstrong & Kotler, 2000). The trend towards the globalization of markets is fueled by changes in consumer knowledge and behavior. The globalization of markets presents considerable challenges and opportunities for domestic and international marketers. The proliferation of cross-border trade by an increasing number of global firms suggests that intense competition will continue to grow in the international arena.

Levitt (1983) argued that globalization will create and lead to a common culture worldwide. Ohmae (1992) posited that borderless world shall expose consumers worldwide to a wider range of foreign brands than ever before. This escalation could be attributed to a multiplicity of factors: advances in communication, information, and transportation technologies; a shift toward market economies; privatization and deregulation in the emerging markets; emergence of the global consumer; availability of transnational media; and proliferation of global products (Townsend, Yeniyurt, Deligonul & Cavusgil, 2004).

With this current border-thinning global economy, consumers around the world have more buying choices (Jo, 1998). Freedom in trade policies has provided consumers
with more product choices from foreign countries than ever before (Terpstra & Sarathy, 1991). Due to the progressive globalization of markets, there is an increasing reliance on cross-cultural research. As a result, the volume of scholarly cross-cultural research has continued to grow, transporting alternate methodology issues to the forefront of consideration (Clarke, 2001). Marketing experts are more and more interested in cross-cultural analysis of the market and the characteristics of consumers influenced by both cultural and additional factors which differentiate one market from another (Cutura, 2006).

While advanced nations were the main engines of global economic growth over the last 50 years, the road ahead looks much different. It is well established that developed nations comprise an ever-shrinking part of the world’s economy (Wilson & Purushothaman, 2003). Developing and transition economies represent the next great opportunity for global growth (Klein, Ettenson & Krishnan, 2006). The savvy international marketer now seeks opportunities beyond advanced markets. With this shift comes the need for global managers to understand the attitude toward foreign goods among consumers in developing and transition economies as well.

For years consumer sentiment regarding foreign products as well as domestic products has been a topic of interest among researchers in both international business and consumer behavior (Schooler, 1965; Schooler & Wildt, 1968; Etzel & Walker, 1974; Bannister & Saunders, 1978; Bilkey & Nes, 1982). A concern for marketers is the development of measures that will be useful in assessing consumer attitudes and preferences for both domestic and foreign products (Netemeyer, Durvasula & Lichtenstein, 1991). International marketers will find it increasingly important to investigate the attitude and product preferences of their current overseas customers’ as well new prospects in this dynamic global marketplace. They require an expanding repertoire of tools and constructs to enable them to compete and position their goods more effectively. They have a growing need for cross-national constructs and measures that are reliable, valid and applicable across countries.
1.2 Consumer Ethnocentrism: An Overview

The feelings of consumers toward foreign products have been a subject of interest to researchers working in the areas of consumer behavior and international marketing for decades. Drawing from the sociological concept of ethnocentrism introduced by Sumner (1906), Shimp & Sharma (1987) proposed the term “consumer ethnocentrism” to represent the beliefs held by consumers about the appropriateness of purchasing foreign-made products. The more importance a person places on whether a product is made in his/her home country, the higher the ethnocentric tendency of that person exists. The implication is that knowledge of consumer ethnocentric tendencies could be used to help properly position products of foreign or domestic origin by customizing the marketing mix (Huddleston, Good & Stoel, 2001).

It has been suggested that consumer ethnocentricity is a personality trait affecting attitudes, intentions, preferences and purchase behavior with respect to imported vs. domestic product and service choices (Vida & Fairhurst, 1999). Herche (1994) suggests that there are consumer ethnocentric tendencies with regard to all of the marketing mix variables and these too affect decisions on acceptability of imported products. Hence, one of the considerations that marketer must address when attempting to offer goods or services in lands other than their own is the level of consumer ethnocentrism that exists.

Shankarmahesh (2006) explains that one of the most enduring forms of non-tariff barriers is that of consumer ethnocentric tendency (CET). It indicates a general proclivity of buyers to shun all imported products irrespective of price or quality considerations due to nationalistic reasons. CET can be “institutionalized in the form of an informal government procurement policy that unduly favors domestic companies” (Kotabe & Helsen, 1998) or can be prevalent as “a general societal tendency” (Shimp & Sharma, 1987). It has been a tough barrier for global marketers to overcome in many markets (Douglas & Craig, 1995; Cateora, 1996; Johansson, 1997). The concept of consumer ethnocentrism provides significant managerial implications within the international business context.
Ethnocentric consumers believe that purchasing imported products is wrong because it hurts the domestic economy, causes loss of jobs, and is generally unpatriotic (Shimp & Sharma, 1987). On the other hand, non-ethnocentric consumers see products from other countries as objects to be evaluated on their own merits without consideration of where they are made. The scale developed by Shimp & Sharma (1987) in the context of USA to measure consumer ethnocentrism is known as CETSCALE (Consumer Ethnocentric Tendency Scale). Both Shimp & Sharma (1987) and Netemeyer et al. (1991) suggested that further research would be necessary to validate the CETSCALE in other countries. This has been the purpose of the work of a number of researchers (e.g. Bailey & de Pineres, 1997; Durvasula, Andrews & Netemeyer, 1997; Good & Huddleston, 1995; Plank & Lindquist, 1999; Sharma, Shimp & Shin, 1995; Steenkamp & Baumgartner, 1998).

Although the concept of consumer ethnocentrism was introduced and used for the first time in studies on American consumers, neither consumer ethnocentrism nor CETSCALE are concepts limited to a single culture (Papadopoulos, Heslop & Beraes, 1990; Netemeyer et al., 1991; Ettensohn, 1993; Hult & Keillor, 1994; La Barre, 1994; Good & Huddleston, 1995; Sharma et al., 1995; Bailey & de Pineres, 1997; Durvasula et al., 1997; Ruyter, Birgelen, & Wetzels, 1998; Steenkamp & Baumgartner, 1998; Plank & Lindquist, 1999; Vida & Fairhurst, 1999; Luque-Martinez, Ibanez-Zapata & Barrico-García, 2000; Mohammad, Ahmed, Honeycutt & Tyebkhan, 2000; Balabanis, Diamantopoulos, Mueller & Melewar, 2001; Supphellen & Rittenburg, 2001; Ghose, 2001a, 2001b; Douglas & Nijssen, 2003; Cicic, Brkic & Praso-Krupalija, 2003; Bawa, 2004; David & Tapic, 2004; Upadhyay & Singh, 2006, Khan, Rizvi & Qaddus, 2007; Khan & Rizvi, 2008, etc.)

In today’s competitive global business environment, the success of a company outside of its borders rests on its ability to understand and meet customers’ needs (Czinkota, Ronkainen, & Moffett, 2000). This can be a challenge when dealing with the notion of consumer ethnocentrism, which underscores the belief that buying foreign made products is unpatriotic and can harm the domestic economy (Balabanis, Mueller & Melewar, 2002; Klein, 2002). If consumers are ethnocentric, and prefer to purchase domestic products or services over foreign ones, the route to persuade them to behave counter to their preferences may be difficult. Across
cultures, researchers have demonstrated that ethnocentrism is a global phenomenon, but there are differences in the degree of ethnocentrism expressed by consumers, depending on the country under study (Javalgi, Khare, Gross & Scherer, 2005). However, some researches have even suggested that consumer ethnocentrism is a phenomenon of the developed world (Okechuku, 1994; La Barre, 1994; Good & Huddleston, 1995; Durvasula et al., 1997; Vida & Fairhurst, 1999).

According to Wang & Chen (2004), consumers from a developed country tend to appreciate more favorably domestic products over imported ones. On the other hand, findings have been contrary with respect to developing countries, where consumers perceive foreign products (especially those originating from prestigious countries) as superior compared to their domestic counterparts (Chrysochooidis, Krystallis & Perreas, 2007). Consumers from less developed countries have repeatedly shown a marked preference for imported goods (Papadopoulos et al., 1990; La Barre, 1994; Agbonifoh & Eliminian, 1994; Mohammad et al., 2000; Klein et al., 2006). It is generally believed that consumers in less developed countries favor products and brands from more developed countries (Bailey & de Pineres, 1997; Batra, Venkatram, Alden, Steenkamp & Ramachander, 2004). However, research done by Li & Liu (1975) found that Americans (a developed country) were found to be less ethnocentric than their Chinese counterparts. Clarke, Shankarmahesh & Ford (2000) also found that Mexicans scored significantly higher on consumer ethnocentrism than either the French or American samples. A study on Turkish consumers (Kucukemiroglu, 1999) showed that they dislike buying foreign products because it hurts the economy and causes unemployment. Interestingly, Indian consumers too have exhibited tendencies favoring domestically manufactured goods (Batra et al., 2000; Bawa, 2004; Khan & Rizvi, 2008).

An important issue in international consumer research is that a reliable and valid measurement is necessary to obtain accurate information pertaining to consumer attitudes and evaluation of products in other nations. If the psychometric properties of a scale vary widely across countries, conclusions based on the scale may actually reflect artifacts due to unreliability and lack of validity (Davis, Douglas & Silk, 1981; Douglas & Craig, 1983; Parameswaran & Yapra, 1987). Despite repeated calls for rigorous evaluation of the psychometric properties of cross-national
measures (Davis et al., 1981; Douglas & Craig, 1983; Parameswaran & Yaprak, 1987), critical reviews suggest a lack of concern for the reliability and validity of such measures (Albaum & Peterson, 1984; Parameswaran & Yaprak, 1987). Because the quality of measurement can affect the accuracy and quality of cross-national decision making, establishing the psychometric properties of cross-national measures is important (Netemeyer et al., 1991).

One argument in favor of the universality of consumer ethnocentrism is that consumers in any macro economic context will differ in their beliefs and preferences: some consumers will feel that it is immoral and inappropriate to purchase foreign goods while others will not. Thus, while consumers in developing economies generally evaluate domestic goods more negatively than foreign goods, the CETSCALE should be able to predict these judgments (i.e. explain their variance) and predict purchase preferences, much as it does in advanced economies (Klein et al., 2006). Thus, there is a need to replicate such studies in emerging economies like India. Indeed there is no more fundamental requirement in science than that of replicability of findings (Epstein, 1980). “Research is not only a creative process, it is a discipline. Some concertos are best understood by being played more than once” (Easley, Madden & Dunn, 1994).

1.3 India: An Emerging Economy

The Asian continent provides some of the most attractive markets for growth-oriented firms. Investment opportunities in Asia are fabulous and that is where most of the business action will be in the 21st century (Rogers, 1998). The area includes many low-income but fast-growing population bases in Southeast Asia, as well as some of the most affluent markets in the world (Blackwell, Miniard & Engel, 2003). One such market is India.

India is a country of many cultural values and beliefs. She is a highly diversified country of many religions, regions and languages. It is the largest democracy in the world. The Indian consumer, like other Asian consumers, became more sophisticated and demanding (Hou, 1997). In the past five years, India has seen an influx of major foreign industries and products. This is primarily due to the
liberalization policy that was adopted by the Indian government in the 1990s. At the same time, advances in telecommunications (like direct television broadcasts from satellites) have provided the Indian consumer some exposure to foreign products via advertisements (Lamont, 1996). Another media that is quite rapidly gaining acceptance as a valuable marketing tool is the Internet.

In the early 1980s, the Indian government started operating several hundred new television relay transmitters. Before that time, only a handful of large metropolitan cities in India, primarily the state capitals, had a television station or a relay transmitter. After the expansion trend of the early 80s, most Indian consumers were exposed to at least some kind of advertisements via the television media. And as it has happened in almost all countries, television advertisements played a significant role in making the Indian consumer an informed consumer.

Beginning April 2001, the Indian government removed quantitative restrictions on most foreign products. Today, the Indian consumer is much more knowledgeable regarding different products and services, available to them, than they were fifteen years ago (Ghose, 2001b). The gradual trend towards liberalization of the Indian economy during the past decade has served as a major factor in its progressive shift towards a global economy and the entry of foreign brands. In fact the 1990s decade and beyond have been characterized by major structural changes in the Indian consumer market’s evolution, including those of increased competition, product availability in terms of both quality and quantity, as well as increased levels of awareness and propensity to consume.

A host of foreign branded goods are now easily available in the Indian market. The concomitant decrease in import duties of goods, has paved the way for entry of companies among others, from Germany, France, US, Korea, Japan, and China (Kinra, 2006). The main strategies of these companies have included strategic alliances with domestic Indian companies to provide Indian consumers greater variety with regard to foreign branded goods. Thus, foreign companies like Ford (US), General Motors (US), Hyundai (S. Korea) are present in the Indian car market, while TV brands range from LG (S. Korea), Sony (Japan), Samsung (S. Korea), to local brands such as Videocon and BPL. Similarly, the washing machine market is dominated by Whirlpool (US), and the refrigerator market by brands such as LG (S.
Korea), Godrej (India) and Voltas (India). Foreign brands in the Indian market have thus begun to compete for both market share and mind share, even while widening the range of brands under consideration.

As a country projected to become one of the largest markets in the world, India is attracting world-wide interest among marketers. Although poor by Western standards, the attractiveness of India is based on its infrastructure, well-developed legal systems, and large numbers of well-educated doctors, engineers, and others needed for growth of a thriving middle-class.

1.4 The Indian Middle Class

The middle-class is a key to understanding India's consumer markets and why firms such as McDonald's have setup their outlets (Reitman, 1993). Kinra (2006) posits that the rapidly growing urban middle and upper class consumer market constitutes an attractive market for branded consumer goods. Ghose (2001b) says that India has the world's largest middle class, estimated at 400 million.

The demand for consumer products has been growing at 12 percent per annum (India Market Demographics Report, 2002). While rising incomes and shifts in consumer tastes and preferences are evolving predictably as a trend, Indian consumers are faced with increasingly complex sets of choices across all categories of consumption (Business World, 2003). A middle-class family in India with a yearly income of about $1400 does not live in luxury but may be buying a TV, a radio, appliances such as an electric iron and clocks, and a respectable wardrobe of shoes, jewelry, and silk saris (Blackwell et al., 2003).

Batra et al. (2000) have dealt extensively on the possible reasons for the average Indian's fondness for foreign goods. These reasons include search for status symbols in the hierarchy-conscious Indian society, inferiority complex vis-à-vis the (erstwhile) foreign rulers, increased contact with the West, rising incomes, changing expectations, and cultural receptiveness to symbolism of brands. The Indians are generally perceived as clamoring for foreign brands (Varma, 1998). On the other hand, La Barre (1994) quoting the results of the Bozell-Gallup worldwide quality
poll had said: ‘India is an import receptive country but it has a healthy self image.’
The observations of Varma (1998) are also not supported by market experts like Santosh Desai (CEO, Future Brands, India) who have observed that Indians take pride in self-consciously calling themselves Indian (Kaushik, 2008).

Today, when the Indian consumer has greater and easier access to both foreign as well domestic goods, a measurement of consumer ethnocentrism among the middle-class in India should provide an idea of the extent to which consumers are likely to favor domestically-made products over their foreign competitors. In such a scenario, it would be worthwhile to examine the attitude of Indian consumers towards the purchase of foreign-made goods versus domestic products. Such an examination will help the foreign manufacturers to place their products in the Indian market, and for the Indian manufacturers to assess the seriousness of the threat from imports. The Indian as well as foreign firms that wish to relocate into India or out of India can assess the opportunities or threats of such an action and can find out the extent to which the Indian consumers differ from, or are similar to, the consumers in others parts of the world with respect to preference or aversion to foreign goods (Bawa, 2004).

1.5 Justification for Research

Herche (1994) has suggested that there are consumer ethnocentric tendencies with regard to all of the marketing mix variables and these affect decisions on acceptability of imported products. Hence, one of the considerations that marketers must address when attempting to offer goods or services in lands other than their own is the level of consumer ethnocentrism that exists (Lindquist, Vida, Plank & Fairhurst, 2001). But still, despite its strong theoretical underpinnings and powerful implications for marketing practitioners, this research stream has seen relatively little application as compared to the numerous ‘country-of- origin’ studies (Vida & Fairhurst, 1999).

In the light of the above, the present study is an attempt to gain deeper insights into ethnocentric tendencies related to purchasing of foreign-versus India-made products so that practical marketing implications can be drawn up. As suggested by Shimp &
Sharma (1987), the caveat that has been kept in mind is that the scale can at best be used as a measure of “tendency” rather than “attitude” because the latter term suggests a greater degree of object specificity than the CETSCALE is intended to capture. “Attitude” is used most appropriately in reference to the consumer’s feelings toward a specific object, such as a particular automobile model. “Tendency” captures the more general notion of a disposition to act in some consistent fashion toward foreign products in toto.

The study tries to explore whether the construct of consumer ethnocentrism, as measured by the CETSCALE, extends to developing economies where imports are likely to be preferred over domestic products. Marketers too have shown a growing interest in understanding the factors associated with consumer’s evaluation and selection of imported goods in developing countries. This not only helps them in resolving the globalization vs. localization conundrum (Levitt, 1983; Douglas & Wind, 1987; Onkvisit & Shaw, 1987; Kreutzer, 1988; Schnaars, 1991; Samiee & Roth, 1992) but also in formulating appropriate strategies to overcome resistance to foreign goods, if any (Upadhyay & Singh, 2006).

The need for the present study was also felt as there is dearth of literature on the subject in the context of developing nations. Only few empirical studies and that too based on very limited samples and few occupational groups have been reported in the context of countries like India, Bangladesh, China, Pakistan (Klein, Ettenson & Morris, 1998; Bandyopadhyay & Muhammad, 1999; Ghose, 2001b; Pereira, Chin-Chun & Kundu, 2002; Anwar, 2002; Bawa, 2004; Upadhyay & Singh, 2006; Khan et al., 2007; Khan & Rizvi, 2008). Of these, studies done by Ghose (2001b), Bawa (2004), Upadhyay & Singh (2006), and Khan & Rizvi (2008) have specifically focused on India.

As stated earlier, Shimp & Sharma (1987) and Netemeyer et al. (1991) suggested that further research would be necessary to validate the CETSCALE in other countries. Further, Douglas & Nijssen (2003) urged caution when using borrowed scales across borders without first testing their properties and their appropriateness in contexts different from the one in which the scale was developed. Accordingly, the dimensionality, reliability and validity of the CETSCALE have been examined in the context of India.
Another consideration was to test the CETSCALE on both student and non-student samples. The initial cross-validation research on the CETSCALE (Netemeyer et al., 1991) has relied on student samples. While popular and appropriate for academic marketing studies that focus on theory tests (Calder, Phillips & Tybout, 1982; Burnett & Dunne, 1986), the exclusive use of student samples may be problematic for an applied measure like the CETSCALE that is designed to help practicing marketers identify opportunities (and challenges) leading to effective decision making in international markets. In India, majority of researchers have primarily used the CETSCALE on student samples (Bawa, 2004; Upadhyay & Singh, 2006; Khan & Rizvi, 2008). However, Bawa (2004) took an additional group of material management professionals into consideration.

In the light of the above, the present study attempts to assess the applicability of the CETSCALE on seven occupational groups in India viz. MBA Students, Defence & Police Personnel, Engineers, Doctors, Managers, University Teachers and Management Teachers. The reported literature bears ample testimony to the fact that none of the previous empirical studies have tested the CETSCALE on these occupational groups except for students. The study also makes an attempt to measure the prevailing levels of ethnocentrism among these occupational groups in India.

One of the antecedents of consumer ethnocentrism mentioned and empirically tested in previous research are the demographic variables (Han, 1988; Wall, Heslop & Hofstra, 1988; Wall, Liefield & Heslop, 1989; McLain & Sternquist, 1991; Herche, 1992; Good & Huddleston, 1995; Sharma et al., 1995; Vida & Plassman 1998; Nijssen, Douglas & Bressers, 1999; Orth & Firbasova, 2002; Douglas & Nijssen, 2003). In this context, the researcher has tried to map the differences in the levels of ethnocentrism among the Indian respondents vis-à-vis demographic variables.

Studies have also used the CETSCALE to analyze the potential relationships between consumer ethnocentrism and consumer personality type (Marks & Tharp, 1990). But no study was found that had attempted to explore the relationship between consumer ethnocentrism and the Big Five Personality traits. An attempt has thus been made for the first time in India to explore the relationship between
consumer ethnocentrism and the Big Five Personality traits among the different occupational groups considered for the study.

It is to be noted that with its diversity in cultures, religions and geographic spread, India provides an ideal setting for any researcher to evaluate the extent to which demographic variables and personality traits are related to consumer ethnocentrism.

1.6 Research Objectives

The study broadly attempts to empirically investigate the level of consumer ethnocentrism prevalent among selected occupational groups in India. Keeping the same in mind, the following were the specific objectives of the study:

- To assess the unidimensionality of the CETSCALE in India across seven occupational groups, viz. MBA Students, Defence & Police Personnel, Engineers, Doctors, Managers, University Teachers and Management Teachers.

- To refine and suggest modified unidimensional scales based on the original CETSCALE for each of the aforesaid occupational groups.

- To assess the reliability and validity of the modified CETSCALEs for each of the occupational groups.

- To examine the relationship of consumer ethnocentrism with various socio-demographic variables.

- To examine the relationship of consumer ethnocentrism with Big-Five Personality traits.

- To compare the extent of consumer ethnocentrism prevailing in the occupational groups under study with that reported in other studies carried out in India and other parts of the world.
1.7 Hypotheses Formulated for the Study

Based on extensive literature survey, relevant hypotheses were generated for the purpose of achieving the objectives of the study. Hypothesis H01 attempts to assess the unidimensionality of the CETSCALE for each of the occupational groups. Hypothesis H02 and hypothesis H03 were generated to assess the internal consistency, construct reliability and convergent validity of the modified CETSCALES for each of the occupational groups.

Hypotheses H04 - H09 were aimed at exploring whether significant differences existed between the mean scores of ethnocentrism for various demographic variables vis-à-vis each occupational group. The different demographic variables considered were age categories, income categories, religious groups, socio-economic categories, educational qualifications and gender.

Hypothesis H10 was generated to explore the relationship between Big Five Personality traits and the level of ethnocentrism for each occupational group. Hypothesis H11 is related to the comparison of the levels of ethnocentrism prevalent in these occupational groups vis-à-vis the levels of ethnocentrism reported in studies conducted by researchers in other parts of the world as well as in India.

1.8 Benefits of the Study

The CETSCALE offers marketing managers a useful tool for better understanding how present and prospective customers (Shimp & Sharma, 1987; Ruyter et al., 1998; Javalgi et al., 2005) feel about purchasing foreign versus Indian-made products. The results obtained in the study can provide glimpses into the psyche of Indian consumer behavior displayed while purchasing a domestic or a foreign made product. The insights thus gained may also facilitate practitioners in re-engineering their offerings and dovetailing their marketing strategies. Thus, by understanding the role consumer ethnocentrism plays in influencing Indian consumers, Indian companies can decide on framework for market analysis; target market selection within different markets; insightful segmentation of markets at different levels; designing of marketing mix - particularly in identifying communication keys and
message graduation to feel a pulse of their consumers at the level of consumer ethnocentrism.

By understanding the true nature of consumer ethnocentrism in India, more insightful segmentation guidelines can also be evolved by foreign firms operating in India. This information will enable international marketing managers to better understand how their offerings will be perceived in an important segment of the global market i.e. India, and to strategically target and position their offerings accordingly. It can also help foreign firms in deciding on plant locations, product development, advertising campaigns, etc.