

CONSUMER ETHNOCENTRISM AND REFERENCE GROUP: CASE OF THAILAND

Suda Suwannapirom* and Nattavud Pimpa

Graduate School of Commerce, Burapha University, Bangsaen, Chonburi 20131, Thailand.

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ABSTRACT

Consumer ethnocentrism is an important marketing concept that is widely used to understand the potential in the international market. This study investigates the relationships among influencing factors from reference group and consumer ethnocentrism in the context of Thailand. It reveals strong positive relationships among various types of influencing factors on purchasing imported products. However, it also reveals negative relationships among consumer ethnocentrism and some influencing factors from both distant and proximal referents. This study concludes that peer influence and other distant referent influence operate most strongly in situations with weak familial communication, and socio-oriented familial communication patterns. In addition, people who appeared in mass media seem to play a relatively small role as information sources, perhaps because Thai consumers have learned to be sceptical of advertising or learned about ethnocentrism from various types of media.

Keywords: Consumer ethnocentrism, reference groups, Thailand, imported products.

INTRODUCTION

Today's customers have a variety of choices of products according to globalization that facilitates the international trade system. The relaxation of trade policies has provided consumers with more foreign product choices than ever before. Consequently, their attitudes toward products originating from foreign countries have been of interest to international business and consumer behavior researchers for decades. Previous studies on the country-of-origin effect (COE), most of

which have been conducted in developed countries, have found that consumers have a general preference for domestic over foreign merchandise, particularly when they lack information about the product (Bilkey and Nes, 1982; Damanpour, 1993; Elliott and Camoron, 1994). The reasons for this preference range from a risk-reducing bias toward merchandise made in developing countries to a patriotic bias against foreign products (Bilkey and Nes, 1982; Herche, 1992). The relationship between

* Corresponding author. E-mail address: suda@ex.mba.edu

country-of-origin and the quality image of imported products is especially strong when consumer ethnocentrism (CE) is involved (Agbonifoh and Elimimian, 1999; Shimp and Sharma, 1987).

The tendency of consumers to be ethnocentric represents their beliefs about the appropriateness and moral legitimacy of purchasing foreign products (Shimp and Sharma, 1987). Ethnocentric consumers prefer domestic goods because they believe that products from their own country are better than products from other countries (Klein et al., 1998). Moreover, a concern for morality leads consumers to purchase domestic products even though the quality is poorer than that of imports (Wall and Heslop, 1986). CE may play a significant role when people believe that their personal or national well-being is under threat from imports (Sharma et al., 1995; Shimp and Sharma, 1987). The more importance a consumer places on whether or not a product is made in his/her home country, the higher his/her ethnocentric tendency (Huddleston et al., 2001).

Research studies from the U.S.A. and other developed countries generally support the notion that highly ethnocentric consumers overestimate domestic products and underestimate imports. These consumers have a preference for, and feel a moral obligation to buy, domestic merchandise (Netemeyer et al., 1991; Sharma et al., 1995; Shimp and Sharma, 1987).

While CE may be regarded as a means to differentiate consumer groups who prefer domestic to foreign products (Huddleston et al., 2001), its influence on willingness to buy domestic products (WBD) is likely to vary between technologically/economically-developed and developing countries. Research shows that consumers in developed countries tend to perceive domestic products as being of higher quality than imported products (Damanpour, 1993; Dickerson, 1982; Elliott and Cameron, 1994; Herche, 1992), whereas the reverse is true for consumers in developing countries (Agbonifoh and Elimimian, 1999; Batra et al., 2000; Bow and Ford, 1993; Sklair, 1994). Given that consumers' evaluation of the quality of domestic/

imported products influences their purchase preferences, the impact of ethnocentrism on willingness to buy will be different between developing and developed countries. This discrepancy will be more pronounced when the import is related to conspicuous consumption (CC), as consumers in developing countries often regard foreign products as status symbols (Alden et al., 1999; Batra et al., 2000; Ger et al., 1993; Marcoux et al., 1997; Mason, 1981).

In particular, it is believed that the negative effect of CE on willingness to buy products imported from developed countries will interact with the positive effect of such imports' brand image. In other words, the functional (perceived product quality) and symbolic (CC) benefits that consumers expect from imported products will counteract the influence of their ethnocentrism.

For consumers in developed countries, research has consistently found that there is a preference for products manufactured in the home country (Bilkey and Nes, 1982; Samiee, 1994). In addition, some studies suggest that products from countries viewed as culturally similar to the home country, in comparison to products from countries that are viewed as culturally dissimilar, are preferred (Heslop et al., 1998; Wang and Lamb, 1983). One variable that may explain both of these relationships is consumer ethnocentrism - beliefs regarding the appropriateness of purchasing foreign-made products (Lantz and Loeb, 1996; Sharma et al., 1995). In a study that examined the relationship between consumer ethnocentrism and evaluations of foreign sourced products, Lantz and Loeb (1996) found that highly ethnocentric consumers have more favorable attitudes toward products from culturally similar countries. Yet, this finding, as well as most, if not all, of the research that has examined the country of origin effect, is only applicable to decision situations in which a domestic alternative is available. Regardless of the product category examined and the consumer population studied, the decision situation has always included a domestic alternative within the consideration set.

Due to the differences in levels of economic and technological development, values and attitudes toward consumption will also differ between developed and developing countries. This means that findings about CE and purchasing behavior in the former may not be generalizable to the latter, especially when considering the effects of interaction with product judgement (PJ) and/or CC. Despite this, so far little research on this issue has been conducted in developing countries. There is a particular lack of research looking at the variables which may moderate the relationship between CE and WBD in developing countries (Batra et al., 2000).

Conspicuous consumption and ethnocentrism

CC refers to consumers' desire to provide prominently visible evidence of their ability to afford luxury goods (Piron, 2000). Motivated by a desire to impress others with their ability to pay particularly high prices for prestigious products, conspicuous consumers may be inspired by the social rather than the economic or physiological utility of merchandise (Mason, 1981). CC is not confined to the leisure class but can be found in all social and economic groups from the richest to the poorest. By advertising their wealth, people who engage in CC thereby achieve greater social status (Bagwell and Bernheim, 1996; Basmann et al., 1988; Mason, 1981).

In a developed country, CE and CC are positively correlated in most situations since domestic products, compared to imports from developing countries, are associated with positive brand image and status. Ethnocentric consumers with CC values will, therefore, be more likely to buy domestic products. However, in a developing country, where imports generally carry symbolic meanings of high fashion and social status, CC may counteract the influence of ethnocentrism on the purchase of domestic products. On the one hand, ethnocentric consumers tend to believe that purchasing imports is unacceptable and are proud of their decision to buy domestic products, so they are more willing to do so. On the other hand,

conspicuous consumers tend to show off their wealth by purchasing imports (Ger et al., 1993). In the choice of domestic vs. imported, then, a consumer may be in a situation of conflict between two consumption values: ethnocentrism vs. CC. Research on Polish consumers has shown that demonstration of social status, as a dimension of CC, is related to preference for western products, whereas patriotism, a dimension of ethnocentrism, is related to preference for Polish products (Marcoux et al., 1997). As such, the tendency to buy domestic and reject imports may be negated by the fact that the latter are perceived as important and salient symbols of social status.

This study, therefore, attempts to investigate the moderating effects of PJ (in the forms of influencing factors from reference groups) and CC on this relationship in the context of a developing country, i.e., Thailand).

Research questions

- What is the level of consumer ethnocentrism of Thai consumers?
- What are the levels of influence from various reference groups on purchasing imported products?
- What is the pattern of correlations among consumer ethnocentrism and the influence from reference groups?

METHODOLOGY

Data collection

The sample for the study was drawn from consumers in three provincial areas in the east of Thailand, i.e., Chonburi, Rayong, and Chachoengsao. Researchers selected the east because of its economic growth and openness to imported products. These areas have been greatly influenced by western lifestyle due to its proximity to the sea port.

The total sample size was 411 consumers: 200 from Chonburi, 110 from Rayong, and 101 from Chachoengsao. In order to ensure the sample was representative, a stratified sampling plan was followed based on the population distribution in the districts of each city. The sample comprised

58.90 percent male and 41.10 percent female. In terms of age, 43.60 percent were between 30-39, 37.70 percent between 25 and 29, and 16.10 percent from 40 to 49. As far as educational level was concerned, 31.40 percent of the respondents had received a junior high education or below, 12.20 percent had graduated from graduate school and 56.40 percent from university.

Instrument and measurement

All influencing factors from reference groups variables were measured by 5-point scales ranging from 1 (Strongly disagree) to 5 (Strongly agree). For CC, it was measured by a 5-point scale ranging from 1 (Strongly disagree) to 5 (Strongly agree). CE was measured by a 17-item CETSCALE (Shimp and Sharma, 1987), which has been found to be inversely related to willingness to buy foreign products (Klein et al., 1998; Netemeyer et al., 1991; Sharma et al., 1995). In our Thai version, the term American in the original scale was changed into Thai, given the origins of the sample group. The Cronbach α obtained from this study was 0.80, indicating a high degree of internal consistency for all measures.

Both descriptive and inference statistical tools were used to analyze data. To examine correlation among factors, Pearson's correlation and regression analysis were used in the analysis.

RESULTS

Table 1 reveals the influence from various reference groups on purchasing imported products. The analysis indicates that, of all influencing factors from reference groups, friends exert the strongest influence on purchasing imported products ($M = 3.15$, $S.D. = .79$), followed by colleagues ($M = 2.98$, $S.D. = .75$) and sportsmen ($M = 2.81$, $S.D. = .98$).

Table 1. Influencing factors from reference groups

Influencing factor	Mean	S.D.
Family influence	2.74	.78
Friends influence	3.15	.79
Colleagues influence	2.98	.75
Actors/actresses influence	2.71	.94
Sportsmen influence	2.81	.98
Politicians influence	2.29	.91
Celebrities influence	2.53	1.03

Defining ethnocentrism groups

Respondents were categorized as having high levels of ethnocentrism if they scored in the top half of the Shimp and Sharma (1987) CETSCALE or as having low levels of ethnocentrism if they scored in the bottom half of the scale.

Respondents with high levels of consumer ethnocentrism were more likely to be female ($\chi^2 = 8.10$, $df = 1$, $p = 0.01$), older ($\chi^2 = 12.05$, $df = 4$, $p = 0.02$), well-educated ($\chi^2 = 16.20$, $df = 3$, $p = 0.001$), and less wealthy ($\chi^2 = 19.59$, $df = 3$, $p = 0.001$) than respondents with low levels of consumer ethnocentrism.

Correlation among consumer ethnocentrism and reference groups influence

In the analysis of correlation among influencing factors from reference groups and levels of ethnocentrism, it reveals strong positive relationships among the influence from friends and actors/actresses ($r = .71$, $p < .01$), influencing factors from politicians and celebrities ($r = .69$, $p < .01$), influencing factors from actors/actress and sportsmen ($r = .61$, $p < .01$), and with celebrities ($r = .66$, $p < .01$). Table 2 displays the correlation matrix among variables.

Table 2. Correlation matrix between CE and reference group influence

Ethno	Family	Friend	Colleague	Actor	Sport	Politicians	Celebrities
Ethno	1						
Family		-0.061					
Friend			.29**	1			
Colleague							
Actor							
Sport							
Politicians							
Celebrities							

**p < .01

The analysis also reveals weak negative relationships between ethnocentrism and influencing factors from friends in purchasing imported products ($r = -.15$, $p < .01$). In terms of correlation among factors influencing from reference groups and level of consumer ethnocentrism, no significant relationship is found in this study.

In analyzing relationships among variables (influencing factors from reference groups vs. consumer ethnocentrism), it is found that influencing factors from family ($\beta = -.03$, $p < .05$), friends ($\beta = -.16$, $p < .05$), and actors/actresses ($\beta = -.03$, $p < .05$) exerts negative relationship with level of consumer ethnocentrism of Thai consumers.

Variables	Values
Constant	3.67
Family	-.03
Friends	-.16
Colleagues	.08
Actors/actress	-.03
Sportsmen	.04
Politicians	.05
Celebrities	.04
R ²	.04
Adjusted R ²	.02
F	2.47
P	.01

It is also found in the analysis that influencing factors from reference groups correlate significantly with consumer ethnocentrism of Thai consumer ($F = 2.47, p < .01$), and the coefficient of determination is 4 per cent shared variance, which means there is moderately low overlap between consumer ethnocentrism and influencing factors from reference groups.

DISCUSSIONS AND CONCLUSIONS

The purpose of this paper was to provide an extension of the link between ethnocentrism and influencing factors from reference groups. It identifies reference groups into two groups: proximal (family/friends/colleagues) and distant (actors/actresses/sportsmen/politicians/celebrities) referents.

It is found that proximal referents have a stronger influence on consumer ethnocentrism than distant referents. This confirms that influence involves actions by family members, friends, and colleagues make a difference during the decision process. This study also confirms that reference group influence may lead to conformity, which can be defined as "a change in beliefs or actions as a reaction to real or imagined group pressure". This happens as the members of the group develop norms or informal rules that specify the ideal patterns of behavior and define the group's identity. To illustrate this, they suggest that much of the motivation to buy imported products in stead of local products for young consumers is due to peer pressure and to the alluring advertising images that convince many young people to try buying imported products.

This study suggests that young to middle age, Thai consumers learn goal-oriented or rational aspects of consumption from their parents and the symbolic meaning of goods from their peers and other proximal referents. There seems to be a positive relationship between CE and influencing factors from both distant and proximal referents.

One of the main findings has been that peer influence and other distant referent influence operates most strongly in situations with weak familial communication, socio-oriented familial communication patterns. In addition, people who appeared in mass media seem to play a relatively small role as information sources, perhaps because Thai consumers have learned to be sceptical of advertising or learned about ethnocentrism from various types of media.

More research is called for regarding overcoming CET and the liability of foreignness. Shimp and Sharma (1987) suggested that domestic marketing managers should take advantages of prevalent ethnocentric tendencies by promoting the "native" image so that international competitors can be held at bay. Even as small domestic companies can adopt this strategy, large domestic multinationals will have a problem. Pitching for nationalism in the home base and simultaneously fighting nationalism in foreign country segments can create inconsistencies in large domestic multinationals. Such tactics may not work in today's age of intensive communication between countries. More research is needed to explore the effectiveness or lack thereof of these strategies. Academics need to also examine whether communicating the international interdependence aspects at the micro-level is more effective in reducing CET than attempting to completely integrate the foreign company with the host country by presenting one's products as "native."

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มหาวิทยาลัยบูรพา
Burapha University