# Nataša Renko, PhD

Full professor Faculty of Economics and Business University of Zagreb E-mail: nrenko@efzg.hr

# Biljana Crnjak Karanović, PhD

Full professor
Faculty of Economics and Business
University of Split
E-mail: biljana.crnjak-karanovic@efst.hr

## Matea Matić, PhD

Assistant
Department of Economics and Business Economics
University od Dubrovnik
E-mail: matea.matic@unidu.hr

# INFLUENCE OF CONSUMER ETHNOCENTRISM ON PURCHASE INTENTIONS: CASE OF CROATIA

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#### Abstract

In this paper the authors examine the effects of consumer ethnocentrism on purchase intentions towards domestic and foreign products, and also provides useful information on marketing implications derived from the obtained results. The purpose of this study is to determine the impact of consumers' ethnocentric tendencies on purchase intentions towards domestically produced goods and products from former Yugoslavia and European Union in a developing country such as Croatia. The research instrument was a questionnaire and the data were collected through personal interviews using the representative sample of 1000 respondents. Factor analysis and Spearman correlation coefficient were used to test the research hypothesis. It was determined that consumers' ethnocentric

tendencies play a significant role in predicting purchase intentions towards domestically produced goods and products from former Yugoslavia and European Union in Croatian market. Results indicate that consumer's ethnocentric tendency positively related to intention to purchase local products and negatively related to products from former Yugoslavia and European Union.

Keywords: ethnocentrism, consumer ethnocentrism, purchase intention, Cetscale, Croatia

### 1. INTRODUCTION

Research on the concept of consumer ethnocentrism is increasing and it became crucial in the process of understanding consumer behavior in the global market. Consumer ethnocentrism is a result of care and affection for own country and fear of adverse consequences because of high rates of import of foreign products that could cause serious problems for local economy development. Baughn and Yaprak, (1996) have showed that consumers purchase intentions and decisions were perceived as a moral reward and at the same time they enjoy a psychological goal, and finally a sense of achievement of avoiding any contact with another, different culture or country.

The purpose of this study is to determine the impact of consumers' ethnocentric tendencies on purchase intentions towards domestic products as well as the intensity of ethnocentric tendencies towards products of European countries and the countries of former Yugoslavia. The selection of countries was made on the basis of geographical proximity, cultural similarities, common history and mutual competitiveness.

The objectives of this study are twofold:

- 1. to identify whether consumers ethnocentric tendencies of Croatian respondents have impact on their purchase intentions and
- 2. to examine reliability and validity of Cetscale, which was used in measuring ethnocentric tendencies of Croatian consumers.

As for the impact of consumer ethnocentrism on consumers' perception towards domestic products, the results of this study revealed that consumer ethnocentrism is a good predictor of purchase intentions. The results of this research will provide valuable guidance for domestic companies that will allow them to adjust their strategic action in their home country such as Croatia.

In order to meet the stated research objectives and systematically present this empirical work, the paper was structured as follows. First, existing knowledge of consumer ethnocentrism was reviewed, serving as a basis for hypotheses construction. Methodology research included research instrument, research hypotheses and sample characteristics. Finally, in the last part of this paper, findings of research were presented as well as conclusions, limitations and suggestions for future research.

## 2. LITERATURE REVIEW

The concept of consumer ethnocentrism has been derived from the general concept of ethnocentrism, which was first introduced in 1906 by sociologist William Sumner. In the early eighties, Crawford and Lamb (1981) showed that buying foreign products can cause high emotional involvement especially when it comes to national security or loss of jobs. That argument offered the concept of ethnocentrism beyond psychological and social frameworks, and was recognized in the field of marketing as one of the dynamic factors in consumer purchasing choices.

Consumer ethnocentrism is defined as "the beliefs held by consumers about the appropriateness, indeed morality of purchasing foreign-made product and the loyalty of consumers to the products manufactured in their home country." (Shimp and Sharma, 1987, str. 280). Consumer ethnocentrism has a direct and negative impact on consumers' purchase intention towards foreign products. These imply that the high ethnocentric tendencies lead to unfavorable attitude towards lower purchase intentions for foreign products. According to Shimp and Sharma (1987), consumers refuse to buy foreign products because they consider that they are harmful to the national economy and cause unemployment.

Herche (1992) found that consumer ethnocentrism can predict consumers' preferences to buy domestically produced goods instead of foreign and that the ethnocentric tendencies are better predictors of purchase behavior than demographic or marketing mix variables. The construct of consumers' ethnocentrism relies on the presumption that the consumers' patriotic emotions will have significant effects on attitudes and purchase intentions. Therefore, Shoham and Brenečić (2003) reported that consumer ethnocentrism had a significant impact on consumers' intentions to purchase domestically produced goods. Many other studies have examined the impact of consumer ethnocentric tendencies on purchase intentions. (Yelkur et.al, 2006; Chryssochoidis et al.; 2007; Nguyen, et al., 2008; Evanschitzky, et al., 2008; Ranjbairn, et al.; 2011) However, the results have been different depending on the characteristics of consumers and countries. Only recently, in the former Yugoslavia several studies have been conducted that have examined the impact consumers' ethnocentric tendencies on purchasing behavior. (Vida, Damian, 2000; Ljubić, et al., 2002;

Kesić, et al., 2004.; Kesić, et al., 2005; Reardon, et al., 2005; Čutura, 2006; Dmitrović, Vida, 2007; Dmitrović, et al.; 2009).

Literature suggested that consumers' ethnocentric tendencies depend on the degree of the development of a country. The original concept of consumer ethnocentrism has emerged in developed countries where consumers generally positively evaluated the quality of domestic products (Herche, 1992; Elliot, Cameron., 1994; Ahmed et al., 2004). Recent research (Supphellen, Gronhaug, 2003; Reardon, et al., 2005; Klein, et al., 2006) have shown that the same concept is applicable in the context of developing countries. Kaynak and Kara (2002) have noted that significant population growth and increasing purchasing power of consumers in such developing countries offer market opportunities to foreign companies whose domestic markets have already reach maturity. However, several studies (Bailey, Pineres, 1997; Ger, et al., 1999; Burgess, Harris, 1999; Batra, et al., Ramaswamy et al., 2000; Balabanis, Diamantopoulos, 2004) conducted in developing countries have confirmed the existence of negative ethnocentric tendency of consumers or favoring of foreign products. However, recent research in Central and Eastern Europe have confirmed the growth of the ethnocentric tendency as a result of low culture of openness and limited cosmopolitanism (Vida, Fairhurst, 1999; Hamin and Elliot, 2006; Vida, Reardon, 2008).

The measurement of consumer ethnocentrism was made possible with the development of the Consumer Ethnocentrism Tendency Scale (Cetscale). In study, Shimp and Sharma (1987) were the first to develop an effective instrument for measuring the ethnocentric tendencies of consumers purchase decision. Through work, they proved that consumer ethnocentrism can measure, explain and provide answers to why and to what extent consumers prefer domestic products instead of foreign. They characterized the scale as a measure of "tendencies" rather than "attitudes" because it also includes the explanation of consumer decisions to buy "the most appropriate product". It can be concluded that Cetscale is a successful predictor of consumers' beliefs, attitudes, purchase intentions and decision. This scale has been widely used to measure consumer ethnocentrism tendencies in many studies within developed and in the developing countries (Luque-Martinez, et al., 2000; Kaynak, Kara, 2002; Chryssochoidis et al., 2007; Yeong et al., 2007, Wong et al., 2008, Vassella, et al., 2011; Ranjbarian, et al., 2011; Teo, et al. Mohamad, Ramayah, 2011) Although other scales have subsequently been suggested and tested, Cetscale has become the most commonly used instrument for measuring consumer ethnocentrism (Chryssochoidis, et.al., 2007)

Finally, the consumer ethnocentrism must be considered as an influential factor that is used in understanding consumer purchase behavior in order to determine the purchase intentions.

## 3. RESEARCH METODOLOGY

### 3.1. Research instrument

The instrument of quantitative research was a highly structured questionnaire with five-point Likert type of scale (1 = completely disagree, 5 = strongly agree) where respondents express their degree of agreement or no agreement for the statements. The mentioned scale is theoretically considered as the best solution for questionnaires because it most accurately reflects the attitude of the individual respondents. (Zelenika, 2000, page 3). The first part of questionnaire consisted of Cetscale with a total of 17 statements that will define the degree or intensity of ethnocentric tendencies of Croatian consumers. In the second part of the questionnaire, a total of nine statements were used to determine the purchase intention of Croatian consumers towards domestically produced goods and products from the countries of former Yugoslavia and from the European Union. The third part of the questionnaire summarized basic demographic characteristics, including age, gender, education and household monthly income that will be presented in the paper as the sample characteristics.

## 3.2. Research hypotheses

Based on scientific problems and research objectives the following basic hypotheses are proposed:

- H1-Consumer ethnocentrism is positively related to consumers' intentions to purchase domestically produced goods.
- H2- Consumer ethnocentrism is negatively related to consumers' intentions to purchase products from the countries of former Yugoslavia and the European Union.

To test these hypotheses, the statistical methods as Factor analysis and Spearman correlation coefficient were used with a help of SPSS 17.

# 3.3. Sample characteristics

Analysis of general characteristics of the sample will be presented in Table1. The basic demographic characteristics of the respondents were age, gender, education and household income.

Table 1 Sample structure

| Characteristics              | N (out of total of 1000 respondents) | Percentage (%) |
|------------------------------|--------------------------------------|----------------|
| Age:                         |                                      |                |
| 15-24                        | 156                                  | 15,6           |
| 25-34                        | 188                                  | 18,8           |
| 35-44                        | 168                                  | 16,8           |
| 45-54                        | 143                                  | 14,3           |
| 55-65                        | 167                                  | 16,7           |
| 65-                          | 178                                  | 17,8           |
| Gender:                      |                                      |                |
| Male                         | 481                                  | 48,1           |
| Female                       | 519                                  | 51,9           |
| Education:                   |                                      |                |
| Elementary school or less    | 232                                  | 23,2           |
| Secondary /qualified workers | 228                                  | 22,8           |
| College /Highly qualified    | 388                                  | 38,8           |
| workers                      |                                      | 30,0           |
| University                   | 145                                  | 14,5           |
| Master                       | 3                                    | 0,3            |
| PhD.                         | 2                                    | 0,2            |
| I do not know/Refuse to      | 2                                    | 0,2            |
| answer                       | 2                                    | 0,2            |
| Household income (kn):       |                                      |                |
| Without incomes or to 1000   | 24                                   | 2,4            |
| 1001-3000                    | 126                                  | 12,6           |
| 3001-5000                    | 164                                  | 16,4           |
| 5001-7000                    | 134                                  | 13,4           |
| 7001-9000                    | 103                                  | 10,3           |
| 9001-11000                   | 73                                   | 7,3            |
| 11001-13000                  | 36                                   | 3,6            |
| 13001-15000                  | 16                                   | 1,6            |
| 15001-                       | 33                                   | 3,3            |
| I do not know/Refuse to      | 291                                  | 29,1           |
| answer                       |                                      | ,-             |

Source: Research findings (N=1000)

A professional market research agency (Ipsos Puls) in Croatia collected the data on the field for the purpose of this study. Stratified and a random sample of the 1000 Croatian consumers was used. The empirical study was carried out in 2010 by direct contact between interviewers and respondents using the "face to face" interviews. Collected data was statistically analyzed using computer software package for processing qualitative and quantitative data - SPSS 17. (Statistical Programme for Social Sciences).

## 4. DATA ANALYSIS AND RESEARCH RESULTS

The first step eliminated missing values, outliers and determined normality of distribution for purpose of further processing and analysis in order to obtain relevant data. For this reasons a sample of 1000 respondents was reduced to a total of 848 valid questionnaires. To determine the internal consistency of Cetscale, Cronbach's alpha coefficient was used. The table 2 shows the coefficient Cronbach's alpha.

Reliability of Cetscale

Table 2

| Number of variable | Cronbach's Alpha |
|--------------------|------------------|
| 17                 | ,963             |

Source: Research findings (N=848)

Results showed a high coefficient of Cronbach's alpha (0.963) that indicates a high reliability of Cetscale. The construct validity is examined through confirmatory factor analysis. The result of the statistical tests Kaiser-Meyer-Olkin is very high (KMO= 0.971) and Bartlett test of sphericity was statistically significant ( $\alpha \le 0.05$ ) and suggested that this variable was suitable for the factor analysis. The following table shows the number of the extracted factor.

Table 3
Total Variance Explained for Cetscale

|       | Initial eigenvalues |          | nitial eigenvalues Rotation Sums of Squared Loadings |        | red Loadings |            |
|-------|---------------------|----------|--|--------|--------------|------------|
| Items | Total               | Variance | Cumulative   | Total  | Variance     | Cumulative |
|       |                     | %        | %  |        | %            | %          |
| 1     | 10.754              | 63,257   | 63,257   | 10.754 | 63,257       | 63,257     |
| 2     | 1,269               | 7,465    | 70,721   | 1,269  | 7,465        | 70,721     |
| 3     | ,594                | 3,497    | 74,218   |        |              |            |
| 4     | ,519                | 3,052    | 77,270   |        |              |            |
| 5     | ,483                | 2,840    | 80,110   |        |              |            |
| 6     | ,428                | 2,517    | 82,627   |        |              |            |
| 7     | ,351                | 2,066    | 84,694   |        |              |            |
| 8     | ,336                | 1,976    | 86,670   |        |              |            |
| 9     | ,319                | 1,877    | 88,547   |        |              |            |
| 10    | ,296                | 1,742    | 90,289   |        |              |            |
| 11    | ,274                | 1,611    | 91,900   |        |              |            |
| 12    | ,271                | 1,592    | 93,493   |        |              |            |
| 13    | ,258                | 1,519    | 95,012   |        |              |            |
| 14    | ,241                | 1,416    | 96,428   |        |              |            |
| 15    | ,220                | 1,296    | 97,724   |        |              |            |
| 16    | ,200                | 1,179    | 98,903   |        |              |            |
| 17    | ,187                | 1,097    | 100,000  |        |              |            |

Extraction Method: Method Principal Component Analysis

Source: Research findings (N=848)

The first factor explains 63,257 % of the total variability and the second factor explains 7,465 %. Due to the simplicity of the results obtained by factor analysis for further processing, Varimax rotation method has not been used. Lateral dimensions of the involvement of the sample takes almost perfect form, where all the manifested variables show significant loading on Factor 1 (> 0.7) thus indicating the excellent properties of convergent and discriminant validity. Namely, the matrix of unrotated factor structure achieves the goal of data reduction. The result of one factor followed an explanation with 63% of the Total Variance, and one solution is considered the best choice. Because of interpretation, factor 1, is named consumer ethnocentrism.

# 4.1. Correlation analysis between consumer's ethnocentric tendency and purchase intentions towards domestically produced goods

To determine the internal consistency of measurement scale, calculation of the Cronbach's Alpha coefficient was used. The following table shows the coefficient Cronbach's Alpha.

Table 4
Reliability of purchase intentions scale towards domestically product

| Number of variable | Cronbach's Alpha |
|--------------------|------------------|
| 3                  | ,916             |

*Source: Research findings (N=848)* 

The scale used to measure consumers' intention to purchase domestically product exhibited a high level of reliability ( $\alpha$ =0,916). To determine the relation consumer's ethnocentric tendency and purchase intentions towards domestically produced goods a Spearman's correlation coefficient was used. The next table shows the results of correlation analysis conducted to test H1 hypothesis.

Table 5

Correlation analysis between consumer ethnocentrism and purchase intentions towards domestically produced goods

| Sperman's rho | I would feel guilty if I did not buy a Croatian products | I always buy a<br>Croatian products | Whenever possible I buy Croatian products |
|---------------|--|-------------------------------------|---|
| Consumer      | ,172**   | ,158**                              | ,157**                                    |
| ethnocentrism | ,000   | ,000,                               | ,000,                                     |

<sup>\*\*</sup> Correlation is significant at 0,01

Source: Research findings (N=848)

Correlation analysis indicated a statistically significant but weak relationship between consumer ethnocentrism and purchase intentions towards domestically produced goods. Croatian consumers expressed a degree of domestic preference. Based on these findings conclusion is that hypothesis H1 is confirmed. However due to a lower correlation coefficient there is a possibility of the preferences towards foreign products.

# 4.2. Correlation analysis between consumer's ethnocentric tendency and purchase intentions towards products from countries of former Yugoslavia and European Union

Results showed a high coefficient of Cronbach's alpha for scales purchase intentions towards products from countries of former Yugoslavia (0,923) and purchase intentions towards products from countries of the European Union (0,866) that indicates a high reliability level. The following table shows the coefficient Cronbach's alpha.

Table 6
Reliability of purchase intentions scale towards products from countries
of former Yugoslavia

| Number of variable | Cronbach's Alpha |  |
|--------------------|------------------|--|
| 3                  | ,923             |  |

*Source: Research findings (N=848)* 

Table 7

# Reliability of purchase intentions scale towards products from countries of the European Union

| Number of variable | Cronbach's Alpha |
|--------------------|------------------|
| 3                  | ,866             |

Source: Research findings (N=848)

In order to prove H2 hypothesis, Spearman's correlation coefficient was used. The following table shows results of correlation analyses between consumer's ethnocentric tendency and purchase intention towards products from the countries of former Yugoslavia.

Table 8

Correlation analysis between consumer ethnocentrism and purchase intentions towards products from the countries of former Yugoslavia

| Sperman's rho | I would feel guilty if I<br>will buy a products<br>from countries of<br>former Yugoslavia | I would never buy a<br>products from<br>countries of former<br>Yugoslavia | Whenever possible I avoid buying a products from countries of former Yugoslavia |
|---------------|---|---|---|
| Consumer      | ,427**  | ,422**  | ,509**  |
| ethnocentrism | ,000  | ,000  | ,000,   |

<sup>\*\*</sup> Correlation is significant at 0,01

*Source: Research findings (N=848)* 

The above findings suggest that a positive, statistically significant and moderately strong relation exists between consumer ethnocentrism and intention to purchase products from the countries of former Yugoslavia.

Table 9 shows the results of correlation analyses between consumer's ethnocentric tendency and purchase intentions of Croatian consumers towards products from countries of European Union.

Table 9

Correlation analysis between consumer ethnocentrism and purchase intentions towards products of European Union

| Sperman's rho             | I would feel guilty<br>if I will buy a<br>products from EU<br>countries | products from EU | Whenever possible I avoid buying a products from EU countries |
|---------------------------|---|------------------|---|
| Consumer<br>ethnocentrism | ,447**  | ,465**           | ,471**  |
| Cumocentrism              | ,000  | ,000             | ,000  |

<sup>\*\*</sup> Correlation is significant at 0,01

*Source: Research findings (N=848)* 

Obtained results show that consumer ethnocentrism significantly impact on the purchase intentions towards products from EU countries. Values of correlation coefficient showed the positive but moderately strong relation between consumer's ethnocentric tendency and purchase intentions towards products from the countries of European Union. Therefore, based on the results in table 8 and 9, the hypothesis H2 is completely confirmed.

# 5. CONCLUSION, LIMITATIONS AND SUGGESTIONS FOR FUTURE RESEARCH

The main focus of this study was to investigate the existence of consumer ethnocentrism and its impact on consumers purchase intentions in a developing country such as Croatia. Results indicate three statistically significant correlations between consumer's ethnocentric tendency and purchase intentions towards domestic products. Although correlation coefficients were low, the results imply that consumers were likely to prefer domestic product over foreign products. Therefore, hypothesis H1 is confirmed.

There is a need to emphasize that the lower coefficient indicates that this would not be the only purchasing choice as this study does not take into consideration other factors that may present a significant clarification of this result and therefore it is also the main limitation of the research. The research results show that the consumers' ethnocentric tendencies have a significant, moderately strong impact on purchase intention towards foreign products. In this regard, the correlation coefficients have a positive direction, which leads to the rejection of Croatian consumers when buying products from countries of former Yugoslavia or European Union. Accordingly, hypothesis H2 is confirmed. Based on previous discussions, it can be seen that Croatian consumers will prefer domestic products and avoid buying products from countries of former Yugoslavia and EU.

The attitudes of the consumer towards domestic products have been, for many years, a subject of the consumer behavior research. This study determined that consumer ethnocentrism affect consumers' purchase intentions and by measuring the consumer ethnocentric tendencies managers can create a database that will be fruitfully incorporated into marketing strategy development.

The study thus contributes to research regarding the generalisibility of this scale (CETSCALE) in developing economies such as Croatia. In general, it can be concluded that Croatian consumers showed a weak but significant preference towards domestically produced goods, on the other hand, it is evident that there are moderately strong ethnocentric tendencies towards products from countries of former Yugoslavia and EU. The study reveals that consumer ethnocentrism generally plays an important role in determining the purchase intentions of Croatian consumers towards foreign products. Although consumer ethnocentrism is generally a result in developed countries, according to survey results of this paper, the presence of that concept is clearly shown in Croatia.

Recognize and identify different patterns of consumer behavior in a particular country, region or a specific area of crucial importance when marketers are entering that market. Croatia is a country that has unique cultural values and traditions, interesting geographical position and history. Therefore, Croatia is interesting choice in identifying consumer ethnocentric tendencies that affect consumer behavior. The findings of this research have implications for marketers

who want to preserve domestically produced goods against foreign competition as well as marketers who want to introduce foreign products into Croatian market. The marketers need to understand consumers' ethnocentric tendencies in order to develop effective marketing strategies within and outside national boundaries. Furthermore, the results of research would also provide marketers to design and customize their own strategic activities in domestic market.

In future studies it is possible to consider a number of additional factors that also represent a limitation of this study but can significantly affect the formation of ethnocentric consumers' behavior. By including factors such as price, quality, availability and type of products would create a valuable database that defines the different ethnocentric tendencies of Croatian consumers that will contribute to better understand the purchase decisions of consumers in Croatia. Furthermore, it would be interesting to compare the results of this research with the potential results of future research to determine the impact of consumer ethnocentric tendency towards purchase intention in a varied level of economic development. Finally, it would be interesting to conduct research discussed in terms of a positive climate in the country and the economy in order to monitor the development process of the issue this paper is dealing with. Future research should focus on specific cross-cultural research including variety of countries selected for the purpose of identifying the impact of ethnocentric tendencies in different cultural, social and political environment. Additionally, future researchers on consumer ethnocentrism are called to search further and deeper in order to get a more complete picture about the effect of consumer ethnocentrism and generally consumer behavior in certain countries.

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# Prof. dr. sc. Nataša Renko

Redoviti profesor Ekonomski fakultet Sveučilište u Zagrebu E-mail: nrenko@efzg.hr

# Prof. dr. sc. Biljana Crnjak Karanović

Redoviti profesor Ekonomski fakultet Sveučilište u Splitu

E-mail: biljana.crnjak-karanovic@efst.hr

## Dr. sc. Matea Matić

Asistent Odjel za ekonomiju i poslovnu ekonomiju Sveučilište u Dubrovniku E-mail: matea.matic@unidu.hr

# UTJECAJ POTROŠAČKOG ETNOCENTRIZMA NA NAMJERU KUPOVINE: SLUČAJ HRVATSKE

### Sažetak

U ovom radu autori istražuju utjecaj potrošačkog etnocentrizma na namjeru kupovine domaćih i stranih proizvoda u svrhu pružanja korisnih informacija za potrebe marketinških implikacija, dobivenih ovim rezultatima istraživanja. Svrha ovoga istraživanja je utvrditi utjecaj tendencija potrošačkog etnocentrizma na namjeru kupovine hrvatskih proizvoda i proizvoda bivše Jugoslavije i EU-a. Instrument istraživanja bio je anketni upitnik. Podaci za potrebe ovoga istraživanja prikupljeni su metodom osobnog intervjua na reprezentativnom uzorku od 1000 ispitanika u Hrvatskoj. U svrhu testiranja hipoteza koristilo se Faktorskom analizom i Spearmanovim koeficijentom korelacije. Utvrđeno je da je tendencija potrošačkog etnocentrizma značajan prediktor u namjeri kupovine hrvatskih proizvoda i proizvoda bivše Jugoslavije i EU. Rezultati ukazuju da je tendencija potrošačkog etnocentrizma pozitivno povezana s namjerom kupovine domaćih proizvoda, a negativno s namjerom kupovine proizvoda zemalja bivše Jugoslavije i EU-a. Rezultati ovog istraživanja mogu poslužiti kao polazište odlučivanja hrvatskim poduzećima o razvoju poslovanja na domaćem tržištu.

Ključne riječi: etnocentrizam, potrošački etnocentrizam, namjera kupovine, Cetscale, Hrvatska.

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