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THE ROLE OF PRODUCT NATIONALITY IN PURCHASE BEHAVIOR

ABSTRACT

The article examines the impact of product nationality cues on consumer behavior and presents the results of two studies based on large-scale surveys of adult consumers from four countries of the South-East Europe: Croatia, Bosnia and Herzegovina, Serbia, and Montenegro. The results indicate that consumer ethnocentrism affects domestic purchase behavior both directly and indirectly through domestic product quality evaluation. Ethnic affiliation of consumers has a direct effect on both consumer ethnocentrism and on domestic purchase behavior. However, the findings on the role of identification to the nation and openness to other cultures as antecedents to consumer ethnocentrism and/or to domestic product quality evaluation were not consistent across countries and across studies, indicating a need for further research on the influence of affective processing mechanisms in consumption. Theoretical and managerial implications of both studies are discussed, together with some recommendations for public policy regarding the support of "buy domestic" campaigns.

JEL: M31, M38

Keywords: *country of origin, consumer ethnocentrism, purchase behavior, domestic product quality evaluation, cultural openness, national identity, ethnic affiliation, country branding campaigns*

1. INTRODUCTION

Understanding consumer behavior is a key to successful marketing and it is not surprising that decades of marketing research and practice have been devoted to unraveling complex behavioral patterns leading to purchase decisions. In today's globalized world, effortless segmentation schemes based on demographic and socioeconomic traits of consumers no longer suffice for uncovering relevant consumption patterns. Instead, marketers need to understand the processing mechanisms underlying consumer purchase behavior and their outcomes, and to use this knowledge in developing marketing programs.

International marketing research has identified country of origin as an important cue in purchasing and consumption. In the literature, inconsistent terminology has been used to describe this phenomenon, including country-of-origin product attribute or information cue, product source country, national origin of products/brands, product-country image and country-of origin effects. In our study we introduce the term "product nationality", which refers to the role that the national origin of products, brands, services and institutions (e.g., retailers) play in decision-making processes, and ultimately in consumer choice behavior.

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Product nationality serves, along with price, brand, manufacturer's reputation, as one of the extrinsic cues in consumer purchasing processes. Extrinsic cues become increasingly important when intrinsic information cues (e.g., taste, product design, performance, etc.) are unavailable and/or difficult to assess (Insch and McBride, 2004). Information related to product origin may communicate quality and value to consumers, and under certain conditions evoke emotional responses. Since product nationality influences consumer attitudes, purchase intentions and product choices, it represents an important variable to be considered in designing the marketing strategies of both domestic and foreign suppliers. Moreover, product nationality effects on consumption may have broader ramifications. Governments and industry associations all over the world often launch initiatives to provide marketing support to domestic companies in international markets by sponsoring programs to enhance the country's image, and in home markets by organizing "buy domestic" campaigns. In this context, research on product nationality issues may provide insights for formulating effective public policy.

Despite the many studies that have been done on the effects of product nationality on purchasing behavior, several issues remain unresolved: a) whether product nationality influences actual purchasing behavior as opposed to intended purchasing behavior (Liefeld, 2004); b) what phenomena (or their antecedents) result in purchasing biases for domestic vs. foreign goods (Balabanis et al, 2001; Suh and Kwon, 2002); and c) what underlying processing mechanisms cause purchasing choices to be based on product nationality (Laroche et al., 2005; Verlegh and Steenkamp, 1999; Vida and Reardon, 2008).

This research aims to address some of the gaps in the present knowledge by offering new insights into the dimensions and outcomes of product nationality cues. Our objective is to construct a holistic model of consumption behavior induced by product nationality, test it in several countries of South-East Europe, and thereby contribute to both theory development and marketing practice. Country-of-origin literature has often been criticized for a lack of generalizability (Peterson and Jolibert, 1995; Insch and McBride, 2004). The multi-country setting utilized in this research increases the external validity of our findings. The managerial implications of this work are highly relevant for international and domestic marketers interested in exploiting opportunities in this high-growth region. Moreover, our findings have implications for policy makers considering country-related branding campaigns, and/or for policy makers of transnational groupings such as the EU which, in the light of future enlargement plans, will face increasingly diverse cultural and ethnic consumer bases.

In the next sections we outline the conceptual bases of our research, describe research design, methodology and findings of our two empirical studies, and discuss the implications of the empirical validation of the proposed conceptual model.

2. Theoretical Background and Research Propositions

Product nationality issues have traditionally been investigated in the marketing literature in separate research streams, focusing on different aspects of the phenomenon. The mainstream is represented by the so-called country-of-origin (COO) research which has been extremely prolific. Papadopoulos and Heslop's (2002) analysis of over 750 studies published in the period between 1951 and 2001 reveals that national images are powerful stereotypes that influence consumer behavior in all types of markets, but the effects vary depending on the situation. Furthermore, product-country images appear to depend on consumers' general perceptions of products from a particular country, and also on their feelings towards the people of that country and the desired level of interaction with them. Two meta-analyses of COO research found that information on product origin affects consumers' perception of product quality, their attitudes and ultimately purchase intentions (Peterson and Jolibert,

1995; Verlegh and Steenkamp, 1999). Recent literature reviews support these findings (Bhaskaran and Sukumaran, 2007; Pharr, 2005).

Even though research indicates that factors underlying product-country image include the feelings that consumers develop with respect to the originating country and its people (Johansson, 1989), most COO studies adopt an information-processing perspective, which focuses on the evaluation of products on a cognitive level. These studies fail to answer the question why some consumers refuse to buy foreign products in general, or products from a specific foreign country or ethnic group, despite the fact that from the quality standpoint, the products are evaluated favorably on all other attributes. Moreover, product nationality can also provoke affective and/or normative responses related to consumer ideologies. In the last two decades, research on product nationality has attempted to address this issue by investigating the impact of product nationality on consumer choice behavior from an entirely different perspective, i.e., perspective of consumer ideologies (e.g., Quellet, 2007). Among these, studies on consumer ethnocentrism have played a central part.

The second research stream focuses on a different type of consumer motivations to buy or not to buy products of a certain origin. Consumer ethnocentrism was conceptualized in the late 1980's by Shimp and Sharma (1987) as an individual's tendency to view domestically manufactured products as superior, and the belief that it is unpatriotic to buy foreign-made products due to adverse effects such behavior may have on the domestic economy and employment. In an attempt to explain why and under what conditions the phenomenon evolves, Sharma et al. (1995) proposed and tested a model of consumer ethnocentrism antecedents and outcomes which has seen a number of international replications. As shown in a recent review of consumer ethnocentrism literature (Shankarmahesh, 2006), empirical work on outcomes supports a positive correlation between ethnocentrism and consumer preferences for domestic goods.

Following Shimp and Sharma's (1987) concept that consumer ethnocentrism is an important individual-level construct for the better understanding of product origin dynamics, we build the theoretical foundation for our research on both literature streams. COO and consumer ethnocentrism research both have the same objectives: to understand the processing mechanisms underlying consumer actions and to provide insight into circumstances and the degree to which products of a certain origin may be preferred. While COO research focuses on the cognitive dimension, consumer ethnocentrism research explains normative and affective dimensions of consumer choice behavior. Recent integrative reviews in the two fields indicate that these various dimensions are intertwined. Both Pharr (2005) and Shankarmahesh (2006) classify the COO effect as a mediator of the relationship between consumer ethnocentrism and its outcomes. Hence, we propose that consumer ethnocentrism (a normative dimension) influences purchase behavior in favor of domestic product (a conative dimension) both directly and indirectly, through domestic product quality evaluations (a cognitive dimension):

P1: Consumer ethnocentrism is positively related to domestic purchase behavior.
P2: Domestic product quality evaluation is positively related to domestic purchase behavior.
P3: Consumer ethnocentrism positively influences the evaluation of domestic product quality.

Consumer ethnocentrism arises from a wide range of socio-psychological, economic, political and demographic antecedents (Shankarmahesh, 2006). We focus on socio-psychological antecedents of consumer ethnocentrism which have generated some controversy in previous research. Researchers have identified several socio-psychological constructs that affect ethnocentrism: consumer openness to foreign cultures, patriotism, collectivism-individualism, conservatism, world-mindedness, internationalism, animosity, materialism, dogmatism, etc. (e.g., Altintas and Tokol, 2007; Balabanis et al., 2001; Rawwas

et al., 1996; Sharma et al., 1995). It is expected that the individuals generally exhibit (positive) feelings of identity and close attachment to their social group (relating to home nation, culture or ethnic group), but they might harbor feelings of separateness, opposition or even hatred towards the members of other cultures, nations, the world (Nijssen and Douglas, 2004). By reflecting the feelings of consumers, these antecedent constructs capture affective dimensions of consumer behavior. Even though they have typically been associated with consumer ethnocentrism, research shows that they may also influence product quality evaluations prompted by product nationality cues (Verlegh, 2007). We propose:

P4: Socio-psychological antecedents influence consumer ethnocentrism.

P5: Socio-psychological antecedents influence domestic product quality evaluation.

Whilst the role of consumer ethnic affiliation has rarely been considered in previous research on consumer ethnocentrism, consumer behaviour literature clearly demonstrates considerable impact of ethnicity on consumption behaviour, such as in product evaluation decisions, brand loyalty, consumer responses to advertising, decision-making styles and perceived risk (e.g., Brumbaugh and Grier, 2006; Burton, 2002; Shaffer and O'Hara, 1995). As for theoretical justification for inclusion of ethnic affiliation into our research, the original model by Sharma et al. (1995) provided some guidance. The authors argued there may be additional factors directly affecting or moderating the effect of ethnocentrism on its outcomes, such as "cultural similarity, historical associations between countries and present political-economic relations between countries" (p. 35). This theoretical guidance is supported by the findings of recent studies suggesting that the relationship between consumer ethnocentrism and purchase behavior is moderated by consumers' ethnic affiliation, which may be especially relevant in multi-ethnic countries. For example, in a study examining the impact of ethnocentrism on consumers' evaluation process and their willingness to buy domestic vs. imported products in Bosnia and Herzegovina, Cutura (2006) found that there are substantial differences among the three main ethnic groups with respect to their willingness to buy products originating from Croatia, Serbia and Western countries which can not be attributed to the differences in product quality evaluations based on the country of origin. In a study of English-speaking and French-speaking Canadians, Laroche et al. (2003) established significant buying preferences for products originating from "ethnically affiliated" countries. Zarkada-Fraser and Fraser (2002) arrived at a similar conclusion when studying retail patronage between Australians of different ethnic origin. Hence we posit:

P6: Ethnic affiliation moderates the relationship between consumer ethnocentrism and domestic purchase behavior.

3. Empirical Validation

The research propositions were tested using two studies conducted in four countries of southeastern Europe: Croatia, Bosnia and Herzegovina, Serbia, and Montenegro. The objective of the first study was to investigate the role of different processing mechanisms (normative, cognitive and affective) in formation of domestic purchase bias as suggested by Laroche et al. (2005) and Verlegh and Steenkamp (1999). The second study focused on a moderating role of ethnic affiliation in relationship between consumer ethnocentrism and domestic purchase behavior and thereby responded to Verlegh's (2007), Quellet's (2007) and Balabanis and Diamantopolous' (2004) calls for research which could better explain the purchase behavior of consumers with multiple identifications (to national or ethnic groups).

The choice of countries was prompted by their historical development, which provides a unique opportunity to test our conceptual framework not only in a cross-national, but also in a cross-cultural setting (Laroche et al., 2003). All of the countries under investigation are young economies, having achieved the status of independent states relatively recently. As a

result, at this point in time, ideology-based components may play a particularly important role in guiding consumer behavior. Both the military conflicts that accompanied the process of secession from the pre-1991 Yugoslavia and the processes of nation-building that followed thereafter may have accentuated consumers' nationalistic feelings and at the same time elevated their sense of national pride and identification with their nation. Even though all four country markets were parts of the same federal state until the early 1990's, cultural heterogeneity was largely preserved, and the different nations within Yugoslavia retained distinct ethnic affiliations (Boskovic, 2005; Jovic, 2001). While they are at the different levels of economic development, in the past few years, they have become high-growth economies, offering profitable investment opportunities to domestic and foreign investors (EBRD, 2007).

3.1. Research Methodology

Data were collected based on probability sampling in several cities of each country by asking respondents to participate in 15-minute personal interviews. Data collection was a part of government sponsored research project which ran in the period 2001-2004. The probability sampling was obtained utilizing a geographical area sampling methodology. Data collection (personal face-to-face interviews in local residents' households) was conducted in each country by the local market research agencies, contracted through the leading research agency in Slovenia, whereby ESOMAR research codes and guidelines were observed. Prior the actual data collection, the study instrument was pre-tested on convenience samples of consumers for its comprehensibility and length, after which changes were incorporated.

The samples included 1954 adult respondents in the first study (454 in Croatia, 600 in Serbia, 600 in Bosnia & Herzegovina, and 300 in Montenegro), and 580 respondents in the second study (167 were of Croatian, 150 of Serbian, and 263 of Bosniak ethnic origin; a self-determined measure was used to identify the respondent's ethnicity). Using a non-student sample yields a more realistic and diverse data set (Insch and McBride, 2004) and strengthens research implications.

Construct measures were derived from the existing literature and have been shown to be psychometrically sound in cross-cultural contexts. *Domestic purchase behavior* was operationalized as consumer purchase behavior in favor of domestic products/brands in that consumers intentionally take the time to identify the domestic origin of either products and brands or retail outlets that stock them, using Granzin and Olsen's (1998) scale of consumer helping behavior. *Consumer ethnocentrism* was measured by a reduced version of CETSCALE (Shimp and Sharma, 1987). *Domestic product quality evaluation* construct was conceptualized as consumer judgments of the attractiveness and quality of locally-(domestically) produced products, brands and services based on Parameswaran and Pisharodi's general product attributes scale (2002). *Openness to other cultures* was defined as the extent to which individuals enjoy contacts and information about other cultures, diverse cultural environments and people. The items were based on the cosmopolitan orientation scale by Yoon et al., (1996). The construct of *identification to the nation* expressed the extent to which individuals identify with the newly established nation state in the sense that they take pride in their nation, its history and ancestors. The items were derived from the NATID scale (Keillor et al., 1996). *Nationalism* construct refers to a person's view that one's country is superior and should be in some way dominant towards the out-groups and is based on Sampson and Smith's (1957) world-mindedness scale. Five-point, Likert-type scales (1 = strongly disagree to 5 = strongly agree) were utilized for the individual scales to measure the constructs. The survey instruments also contained a number of open-ended questions related to demographic variables, including ethnic affiliation.

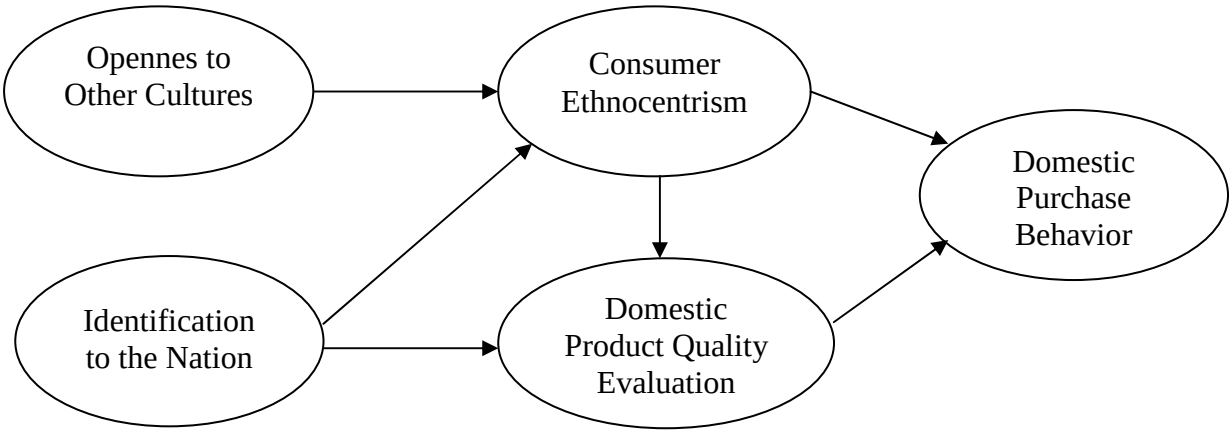
Data from both studies were analyzed using structural equation modeling (SEM). The first step in data analysis involved performing measure purification on each scale using factor analysis and reliability measures. The validity and unidimensionality of the scale was tested with confirmatory factor analysis. Once the construct reliability, convergent validity and discriminant validity were established, the structural model was evaluated in order to test the hypothesized relationships between constructs.

3.2. Study 1: The Role of Product Nationality in Predicting Domestic Purchase Behavior

The objective of the first study was to examine the effects of normative, cognitive, and affective processing mechanisms on purchase behavior in favor of domestic products. In our research propositions we hypothesized that consumer ethnocentrism positively affected domestic purchase behavior both directly and indirectly, through the formation of perceptions regarding the quality of domestic products. In view of the research setting, recently established nation states in post-war transitional economies, we included in the conceptual framework identification to the nation (as antecedent construct relating to the individual's social in-group) and openness to other cultures (as antecedent construct measuring the individual's attitude towards out-groups). The conceptual model is shown in Figure 1.

Figure 1

The Conceptual Model for Study 1



Source: The Authors

The final measurement model included five first-order reflective constructs and fifteen measured indicators. The structural model was evaluated separately for each of the four countries investigated. Overall, the model fit indicators were within commonly recommended limits for all country samples. The values of the chi-square test were statistically significant (the values for $\chi 2$ ranged from 159.1 to 269.5) but RMSEA revealed an acceptable fit (ranging from 0.046 to 0.062). The absolute and parsimonious measures of fit showed good conformance of the data with the models (GFI ranged from 0.94 to 0.95 and CFI from 0.96 to 0.98). The hypotheses were tested by examining the t-statistics and the direction of the relationships between the constructs. The results for all four country samples indicate that: a) consumer ethnocentrism and domestic product quality evaluation were positively related to domestic purchase behavior (the t-statistics ranged from 1.77 to 15.99; $p<0.05$), b) consumer

ethnocentrism was positively related to domestic product quality evaluation (with the t-statistics between 4.31 and 7.41; $p<0.05$), and c) openness to other cultures was negatively related to consumer ethnocentrism (the t-statistics ranged from -1.94 to -6.87; $p<0.05$). In contrast, it is somewhat unclear whether identification to the nation can be considered an antecedent to both consumer ethnocentrism and domestic product quality evaluation. A stronger identification to the nation translated into a higher level of consumer ethnocentrism in the Croatian, Serbian and Bosnian samples ($t_{Croatia}=5.99$, $t_{Serbia}=5.61$ and $t_{B\&H}=6.93$; $p<0.05$), but no support for this hypothesis was found in the Montenegrin sample ($t_{Montenegro}= -0.24$; $p>0.05$). At the same time, identification to the nation seems to affect product quality evaluation in the case of Montenegrin and Bosnian respondents only ($t_{Montenegro}=4.08$ and $t_{B\&H}=3.41$; $p<0.05$), but not in the case of Serbian or Croatian respondents ($t_{Serbia}=0.89$ and $t_{Croatia}=0.60$; $p>0.05$). Hence, across the four nations included in this research, we cannot unequivocally state that a stronger identification to the nation translates either into stronger consumer ethnocentrism or into a more favorable evaluation of the quality of domestic products.

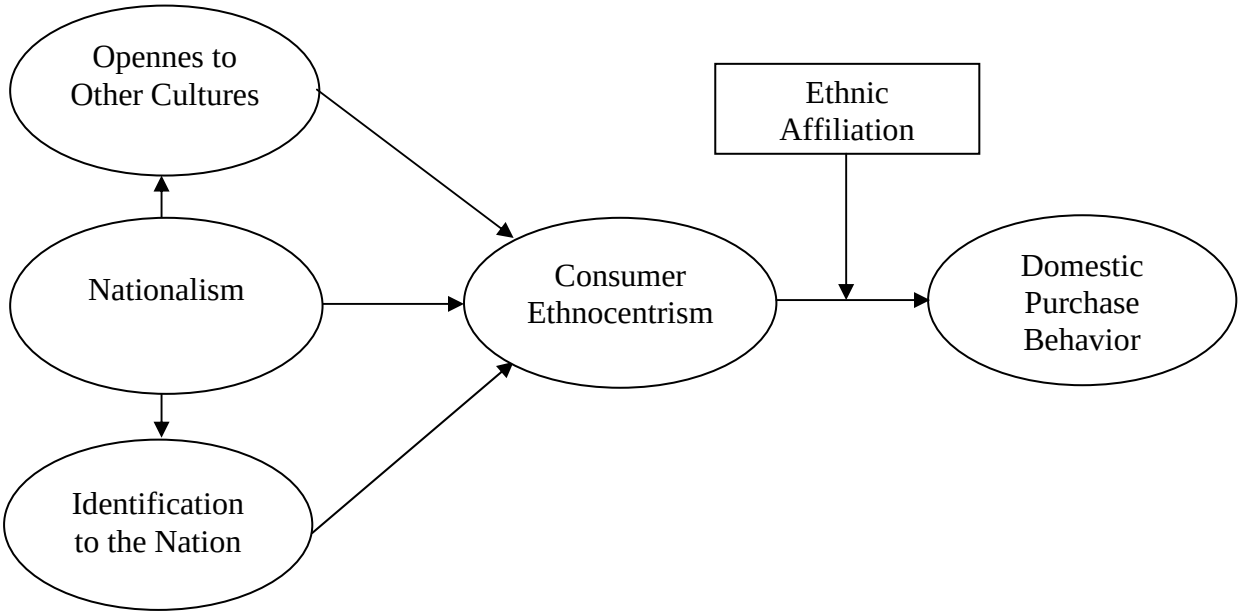
3.3. Study 2: The Role of Ethnic Affiliation in Domestic Consumption

One possible explanation for the inconsistent results of Study 1 across the countries may lie in the ethnic homogeneity of a particular country market, where identification to the ethnic group may have interfered with the identification to the nation construct, and its relationship to domestic product quality evaluation and consumer ethnocentrism. Pursuant to this, the objective of Study 2 was to more closely investigate the relationships between consumer ethnocentrism, its antecedents, and its outcomes, with a specific focus on ethnic affiliation within a single country. The multi-ethnic state of Bosnia and Herzegovina was believed to represent an ideal setting for such research.

In multi-ethnic countries the citizens often have dual allegiances, i.e., to the country and to an ethnic subgroup within that country (Roosens, 1995). Taking into account that the ethnic group identification may prevail over a person's identification to the nation, we incorporated identification to the nation and ethnic affiliation into the model as two distinct constructs. In contrast to Study 1, we omitted the construct measuring perceived quality of domestic products from the model, but included an additional out-group related antecedent, i.e., nationalism. In addition, we introduced linkages among the antecedent constructs. We predicted negative relationships between nationalism and the consumer's openness towards out-groups and between nationalism and the consumer's identification to the nation. We also hypothesized that the relationship between consumer ethnocentrism and the outcome construct of domestic purchase behavior would be moderated by the consumer's ethnic affiliation (Figure 2).

Figure 2

The Conceptual Model for Study 2



Source: The Authors

These hypotheses were again tested using structural equations modeling. A baseline model was first estimated using pooled data for all three ethnic groups, and then analyzed at the level of ethnic-group sub-samples. The fit indices indicated an excellent conformance of the model to the data (χ^2=103.4, d.f. 59; RMSEA=0.036; GFI=0.97; CFI=0.99). Among the relationships hypothesized in the baseline model, all were substantiated (the t-statistics in absolute terms ranged from 2.38 to 17.10) except the antecedent nature of the individual's openness towards other cultures in relation to consumer ethnocentrism (t=0.37).

In order to test the hypotheses related to the influence of ethnic affiliation, the sample was split into three groups reflecting the ethnic affiliation of citizens of Bosnia and Herzegovina (e.g., Bosniaks, Croats, and Serbs). The model where the parameters were constrained to equality between the three groups was compared against the two models where consumer ethnocentrism and domestic purchase behavior intercepts were released. The differences in χ^2 between the competing models were observed and the results showed that there were significant differences in the levels of consumer ethnocentrism and domestic purchase behavior among the three ethnic groups. Hence, we can infer that the relationship between consumer ethnocentrism and domestic purchase behavior is indeed mediated by the ethnic affiliation of the respondent.

4. Discussion of Findings

The results of both studies offer some new insights into the effects of product nationality in consumption behavior. Our empirical investigations revealed that normative and cognitive processing mechanisms, measured through consumer ethnocentrism and domestic

product quality evaluation, affect consumers' choice of domestic goods and/or institutions. Furthermore, the cognitive elements in consumer choice behavior are, in part, shaped through consumers' normative predispositions. This finding reinforces recent results regarding the relationships between consumer ethnocentrism, quality perceptions and purchase behavior (e.g., Hansen, 2005; Pharr, 2005; Verlegh, 2007). Thus, Propositions 1-3 in our conceptual framework were supported.

On the other hand, the role of affective processing mechanisms in consumer preference formation for domestic goods is less clear. For example, openness to other cultures significantly affected consumer ethnocentrism as hypothesized in all four country samples in Study 1, but when an additional out-group related antecedent construct, nationalism, was included in the model (Study 2), the link between openness to other cultures and consumer ethnocentrism became insignificant. Likewise, the influence of identification to the nation on consumer ethnocentrism and domestic product quality evaluation was inconsistent across our country samples. In Study 1, its effect on consumer ethnocentrism was significant in three out of four countries, and its effect on domestic product quality evaluation was significant in two countries only. Only in the Bosnia and Herzegovina sample did the identification to the nation affect both consumer ethnocentrism and appraisal of domestic product quality. Hence, only partial support could be found for Propositions 4 and 5. It seems that in countries such as Croatia and Serbia, which are ethnically relatively homogeneous, identification to the nation translates into consumer ethnocentrism, and positive perceptions regarding quality of domestic products are established only indirectly (through the ethnocentric tendencies of consumers). In Montenegro, identification to the nation influenced domestic purchase behavior only through product evaluations. At the time of data collection, Montenegro's independence was not yet finalized; hence our respondents may have experienced some ambiguity when responding to the wording "our country" which was utilized in most items measuring consumer ethnocentrism. Instead, their national pride directly transferred into favorable quality evaluation of domestic products. The affective construct "identification to the nation" thus directly influenced cognitive processing, without stimulating a normative response.

In the second study, focusing on Bosnia and Herzegovina, we measured ethnic affiliation separately from the identification to the nation construct. We found not only that ethnicity moderates the relationship between consumer ethnocentrism and consumption behavior (supporting Proposition 6), but also that socio-psychological antecedent constructs operate in a hierarchical manner. While openness to other cultures significantly affected consumer ethnocentrism as hypothesized in all four country samples in Study 1, when an additional antecedent construct, capturing an individual's predisposition toward other social groups – nationalism - was included in the model (Study 2), the link between openness to other cultures and consumer ethnocentrism became insignificant. It seems that nationalism tends to lessen positive feelings toward the out-groups (the link between the two constructs was negative and significant, as hypothesized), even more, it prevails over openness to other cultures. This finding may explain why some other recent cross-national studies (e.g., Balabanis et al., 2001; Suh and Kwon, 2002) failed to support the influence of the cultural openness construct on a person's ethnocentric sentiments.

5. Implications for Theory Development, Business Practice and Public Policy

In researching product nationality effects, we attempted to connect and reconcile two research streams, and thereby contribute to a more accurate and versatile understanding of consumer behavior. By incorporating dimensions which are typically examined in separate streams of research into a single conceptual framework, we believe we have captured

different facets of consumption as affected by product nationality. The findings of our studies attest that product nationality is an important determinant of purchase behavior, both by serving as a proxy for the product's quality and as a reflection of the consumer's ideology. Our empirical evaluation shows that consumer ethnocentrism, the focal consumer ideology construct in our research, not only directly influences purchase behavior, but also shapes the consumer's appraisal of the quality of domestic products and thereby indirectly affects consumption patterns. In addition, socio-psychological constructs proved to be important predictors of consumer ethnocentrism, their evaluation of domestic product quality, and the resulting purchase behavior. Hence, in debating which feature of a product (e.g., price, quality, origin, availability, etc.) ultimately determines consumer's choice, researchers and marketing managers should not underestimate the effect on consumer behavior of mechanisms based on ideology.

Product nationality issues have important implications for devising effective business strategies regarding market entry, market segmentation and market positioning. The use of the product nationality cue may facilitate either a defense of market position for domestic firms (by appealing to consumer ethnocentricity) or foreign market penetration for companies originating from countries which enjoy a favorable national image in specific target markets. It may also enable marketers to adopt premium pricing and product positioning strategies (Bhaskaran and Sukumaran, 2007). Our finding that product quality evaluations are shaped not only through cognitive, but also through normative processing mechanisms implies that brand strategies should be linked to market-specific ideology-based elements in order to appeal to target segments.

Our findings regarding the role of ethnic affiliation in purchase behavior indicate that not all consumers living in the same nation-state hold comparable beliefs about the morality and legitimacy of purchasing foreign goods. Zarkada-Frazer and Frazer (2002) arrived at a similar conclusion when studying the effects of consumer ethnocentrism on store patronage of foreign-owned supermarkets by "Greek-Australians" and "Australians" and found that citizenship - or nominal belonging to the nation - is not as good a differentiating characteristic as the person's association with an ethnic subgroup. Our research in Bosnia and Herzegovina suggest that Croatian and Serbian firms could try to entice members of Croatian and Serbian ethnic groups to buy their products by appealing to those consumers' identification with the Croatian and Serbian home-nation, respectively. However, further research is needed to study this issue.

Some implications of product nationality extend beyond the boundaries of individual firms. The liberalization of world trade is increasing competitive pressures on suppliers by expanding the selection of products and services available in international and local markets. Consumers are faced with a plethora of products/brands from all over the world, which favorably affects utility functions, but at the same time causes information overload and creates ambiguity about the quality of products. A growing body of evidence shows that globalization pressures may even lead to resistance in such forms as localism, neo-nationalism, racism and xenophobia (Altintas and Tokol, 2007; Belk, 1996; Quellet, 2007). These behaviors provide the basis for "buy domestic" campaigns directed at domestic consumers, usually by trying to evoke ethnocentric tendencies (e.g., by emphasizing the importance of keeping domestic jobs). Such campaigns can be traced far back, for instance in the US to the days of the American Revolution or in Australia to the 1920's (Verlegh, 2007).

In the past decade, the countries of South-East Europe included in our study have launched several initiatives which attempted to stimulate consumer ethnocentrism and emphasize the quality of domestic products and services. Our empirical research confirmed that consumer ethnocentrism has direct and indirect effects (through the evaluation of domestic product quality) on purchase behavior, therefore such a strategy seems justified.

However, the campaigns have met with varied success. In Serbia, the most recent campaign was launched in 2004 by the Ministry of Trade, Tourism and Services under the slogan "Buy domestic – rebuild Serbia" and was financed entirely through the sponsorship of major domestic producers and the media. Even though it was established that Serbians exhibited a strong domestic purchase bias for food products (but not for other product categories), the campaign had only a minor effect on purchase behavior (Nin, 2005). In Bosnia and Herzegovina, the role of domestic product promotion was assumed by a private association which also introduced the label "Domestic", awarded to Bosnian producers to clearly differentiate domestically produced goods from imports (Kupujmo i koristimo domaće, 2007). The association was dissolved at the end of 2007 due to the lack of support by the Bosnian government and domestic producers (SuperBosna.com, 2007). "Buy domestic" initiatives seem to be the most successful in Croatia, where the Chamber of Commerce has been running campaigns on an annual basis since 2003. The campaign started with a general appeal to buy domestic goods, but gradually shifted its focus to the underlying elements of consumer ethnocentrism, and finally to building awareness of "Croatian Quality". Consumer recall of the campaign and the overall support of the initiative among the consumers is relatively high. In a 2004 survey, 30 percent of the respondents claimed they had actually increased their purchases of domestic goods as a direct result of the campaign (Gfk, 2004). On the other hand, only 23 percent of respondents included Croatian origin of goods among the three most important determinants of purchase decisions. This result is consistent with research results from various countries, finding that consumers downplay the importance of product origin when asked about the importance of country of origin in their choice behavior. D'Astous and Ahmed (1999) attribute this outcome to the fact that the consumers themselves are unaware of the processing mechanisms underlying their decision-making process and are unable to assess the importance of various cues (including COO) when making purchase decisions.

6. Research Limitations and Conclusions

Some limitations should be kept in mind in evaluating the findings of our empirical research. Due to the exploratory nature of researching product nationality effects in this region, the domestic product quality evaluation and purchase behavior constructs were generalized across all possible products and services. In addition, in the interest of yielding generalizable findings, we focused on domestic purchase behavior only, and not on COO effects related to particular countries. In previous research, product category and specific foreign country-of-origin have been shown to have moderating effects on purchase behavior (e.g., Dmitrović and Vida, 2007; Velegh, 2007); these should be considered in future studies.

Future research should also reconsider the measurement issue and revisit the ability of socio-psychological constructs to predict consumer ethnocentrism, especially in the context of transitional countries which are simultaneously undergoing an economic transformation and a process of redefinition of national identity. The countries included in our research have all recently become independent states, some of them for the first time in their history. However, the political and economic transformation may also work in the opposite direction. As the EU enlargement proceeds, integration processes will become an important issue in this geographic region; the question whether and how the national identities of their citizens will evolve over time to gradually coexist with the EU identity represents a challenging issue for researchers to investigate.

The markets in South-East Europe still suffer from the customary maladies of transitional economies, such as variability in the quality of domestic products and services over time and across product categories. Consumer ethnocentrism influences quality perceptions of some consumer segments and thereby, to a certain extent, shields domestic

suppliers from foreign competition. At the same time, these economies are progressing at a fast pace and offer profitable investment and marketing opportunities to international companies who can find ways to circumvent normative-based prejudices against foreign suppliers. For example, the Slovenia-based retailer Mercator follows the strategy of offering 40 percent goods of local origin (Mercator, 2004) in each country market. When it entered the Serbian market in 2004, it endorsed the current government-run "buy domestic" campaign by designing and promoting a "Serbian basket" which included 30 products of Serbian origin at discounted prices (B92, 2004). This strategy is in line with Granzin's and Painter's (2001) recommendations that foreign suppliers should downplay the economic threat of imports. Other strategies of foreign suppliers include setting up production plants in local markets or developing local brands.

Despite some controversy and the mixed results of existing empirical research, product nationality issues are worth giving serious consideration. However, as Bhaskaran and Sukumaran (2007) caution, COO evaluations are highly contextual and dynamic. In order to use product nationality cues effectively and efficiently, marketing strategy planners should clearly identify the information cues that would generate positive COO evaluations in target markets. As in any other market, understanding the market dynamics and evolution of consumer behavior is of paramount importance for companies, governments and parastatal organizations wishing to achieve success with their marketing and sales activities in the South-East European markets.

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ULOGA PORIJEKLA PROIZVODA U KUPOVNOM PONAŠANJU POTROŠAČA

SAŽETAK

Rad istražuje utjecaj informacija o porijeklu proizvoda na ponašanje potrošača i prezentira rezultate dva istraživanja bazirana na velikim uzorcima odraslih potrošača iz četiri zemlje jugoistočne Europe: Hrvatske, Bosne i Hercegovine, Srbije i Crne Gore. Rezultati upućuju na to da potrošački etnocentrizam utječe na ponašanje domaćih potrošača kako izravno tako i neizravno putem ocjenjivanja kvalitete domaćih proizvoda. Etnička pripadnost potrošača ima izravan utjecaj na potrošački etnocentrizam i na ponašanje potrošača. Ipak, rezultati istraživanja uloge identifikacije s nacijom i otvorenosti drugim kulturama kao prethodnika potrošačkog etnocentrizma i/ili ocjene kvalitete domaćeg proizvoda nisu se pokazali konzistentnima u različitim zemljama i različitim istraživanjima, ukazujući tako na potrebu daljnjeg istraživanja utjecaja mehanizama emotivnog doživljaja u potrošnji. Raspravlja se o teorijskim i praktičnim implikacijama oba istraživanja te se iznosi nekoliko preporuka javnoj politici potpore kampanjama «kupujmo domaće».

JEL: M31, M38

***Ključne riječi**: zemlja porijekla, potrošački etnocentrizam, kupovno ponašanje, evaluacija kvalitete domaćih proizvoda, kulturna otvorenost, nacionalni identitet, etnička pripadnost, kampanje nacionalnog brandiranja*