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# Ours are always the best? A study of consumer ethnocentrism amongst urban adult Chinese consumers

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## Abstract

*This study aims to test urban adult Chinese consumers' level of consumer ethnocentrism and examining the moderating effects of location, age group and education levels. It collected 367 questionnaires in Shenyang- Northern China and Shenzhen – Southern China. The findings suggested urban adult Chinese consumers have relative low level of ethnocentrism beliefs. There is no strong negative bias towards foreign products, which means they do not evaluate foreign products negatively. Consumers living in Northern China have stronger ethnocentrism beliefs than those living in Southern China. Older generation holds stronger ethnocentric views than the younger generation and education plays a major role. More educated consumers are more likely to be more open minded about foreign products and services. Generally speaking, strident protectionism or calls for blanket bans or boycott of foreign goods are unlikely to occur in China. CE does not pose a serious threat to foreign products.*

*Keywords: Consumer Ethnocentrism, Chinese Consumers, Product Preferences*

## 1.0 INTRODUCTION

Since opened its door in 1978, China has experienced unprecedented economic growth for 30 years. This once isolated 'Middle Kingdom' has actively intergraded with the world economy and fast developed into one of the world's largest economy, manufacturing powerhouse and receipts of foreign direct investment. The outcome of this economic transformation is that it lifted millions of ordinary Chinese citizens out of poverty. In 2015 China has overtook the US as the country has the largest middle class population in the world (Telegraph. 2015). China is expected to become the biggest consumer market in 2016 (Bloomberg, 2016), and Chinese consumers are already the biggest spenders in luxury consumption, accounts for 31% of global luxury sales (Guardian, 2016). Vast amount of foreign goods and services have entered into China. However, as the world's economy continues to slowdown and various countries starting to witness the resurgence of protectionism rhetoric, it is not beyond the realms of possibilities that China could start to become less welcoming to foreign products. Will the disease of 'British jobs for British workers' infect the calls for 'Chinese products for Chinese people'? This study investigates the level of consumer ethnocentrism amongst urban adult Chinese consumers to determine whether there are negative biases towards foreign products. It also seeks to understand the moderating effects of location, age group and education level on consumer ethnocentrism.

## 2.0 LITERATURE REVIEW

### 2.1 Consumer ethnocentrism defined

Shimp and Sharma (1987) proposed the concept of 'Consumer Ethnocentrism' (CE). The term CE was adopted from the general sociological concept of ethnocentrism. In general the concept of ethnocentrism refers to the tendency of people to "view their own group as the center of the universe, to interpret other social units from the perspective of their own group, and to reject persons who are culturally dissimilar while blindly accepting those who are culturally like themselves." (Shimp and Sharma, p.280, 1987) CE represents the beliefs held by consumers about the appropriateness and morality of purchasing foreign made products. Ethnocentric consumers believe buying foreign products is wrong. It damages the domestic economy, causes job losses and is an unpatriotic behaviour. In contrast, non-ethnocentric consumers consider foreign products should be evaluated on their own merits without consideration as to where they come from. Essentially, it is a concept to determine whether foreign products are acceptable or unacceptable.

Since the introduction of CE in 1987, the CE's measurement scale – CETSCALE, has been tested and validated in many countries. Hamlin and Elliott (2006), Evanschitzky et al. (2008) and Shankarmahesh, (2006) provided detailed

reviews on CE investigations across different countries. It is widely acknowledged that CE will affect foreign products' acceptance and may lead to domestic consumption.

## **2.2 CE, Nationalism and Worldmindedness**

Rawwas et al. (1996) conducted a study to investigate whether nationalism affects consumers' product quality perception, and to determine whether consumer ideologies and COO work together to influence product quality perceptions. It constructed two sides of consumer ideologies, nationalism and worldmindedness. Rawwas et al. (1996) adopted Han and Terpstra (1988) description of consumer nationalism, which refers to nationalism as a sentiment of supreme consumer loyalty towards a nation-state, having significant effects on attitude and purchase intentions. Consumer nationalists are willing to make sacrifices to purchase a domestic brand because they believe that imported goods may damage their country's economy. It adopted the other side of consumer ideology of 'worldmindedness' from Sampson and Smith (1957) and Skinner (1988), that 'worldminded' consumers are those who favour a 'world view of the problems of humanity and whose primary reference group is human kind', rather than Americans, Germans, Japanese, etc. It concluded that consumer ideologies work together with COO cues to influence consumers' product quality perceptions. Consumer nationalism leads to higher quality perception of domestic products and ultimately affects the purchase intention and purchase action. On the other hand, consumer worldmindedness leads to higher quality perceptions for foreign products.

Balabanis et al. (2001) examined the relationship between 'nationalism', 'patriotism', 'internationalism' and CE. It was tested on consumers in Turkey and Czech Republic. It attempted to distinguish between 'nationalism' and 'patriotism', and used the term 'internationalism' rather than 'worldmindedness'. It argues 'patriotism' is a lower level, more gentle sentiment compared with nationalism. While patriotism is also related to some of the behaviours associated with nationalistic attitudes, patriots are more moderate and do not indulge in the extremities of nationalists. Both 'patriotism' and 'nationalism' promote the protection of national interests and identify, however, that patriotism is more gentle and rational and nationalism is irrational and more extreme. It concluded that neither patriotism nor nationalism has a consistent influence on consumer ethnocentrism. The effects vary from country to country. It believes demographic and cultural differences could explain the variations between countries. In Turkey, patriotism was the main motive for CE. It suggested that it is because of the collectivist characteristics of Turkish societies, which place emphasis on group loyalty. In contrast, nationalism seems to be the main drive for CE in the Czech Republic. Feelings of superiority and dominance seem to find a more fertile ground in the Czech Republic, and translated this into consumer ethnocentrism. It found no evidence of internationalism influences Turkey and Czech consumers' empathy towards other nations.

The impact of consumer worldmindedness on CE was further tested by Nijssen and Douglas (2008). The findings of this study are consistent with Rawwas et al. (1996) that consumer worldmindedness leads to favourable association with foreign stores. It seemed that consumer worldmindedness often results in lower level of CE beliefs. A follow up investigation by Nijssen and Douglas (2011) further confirmed consumer worldmindedness' moderating effect on CE. Consumer worldmindedness has a positive impact on foreign and global consumer culture positioning and a negative impact on local consumer culture positioning. Openness to other cultures and lifestyles and willingness to adapt and try products from other countries and cultures affected consumers' CE levels. Nijssen and Douglas (2011) further emphasised that exposures to other cultures and international travel experiences, together with consumer worldmindedness significantly affected consumers' CE beliefs.

## **2.3 Rational, Affective or Normative Choice?**

Vida and Reardon (2008) investigated the notion of domestic consumption, whether it is a rational, affective or normative choice? It described domestic consumption as buyers deliberately identify and select domestic products and brands. It classified product evaluation as a cognitive process, social and personal norms as normative, symbolic and emotional values as the affective dimension. The finding of this study was somewhat in line with the conclusion of Rawwas et al. (1996) that, there is a positive relationship between product quality perception and domestic consumption. It means that patriot consumers tend to rate domestic products as having higher quality than imported ones, which consequently leads to the purchase intention of domestic products. However, the most interesting finding of this study is that, all the three dimensional effects: perceptions of relative product quality, patriotism and CE, all exert a direct and significant impact on consumers' preference of domestic and foreign consumption. It effectively means cognitive, normative and affective affects all affected consumer preference. The previous studies were based on the concept that consumers are rational decision makers, therefore cognitive measures such as product quality, should play a major role in consumer preference. However, Vida and Reardon (2008) concluded that, affective measures like CE followed closely by patriotic attitudes tend to be much stronger drivers of consumer purchase intentions. It clearly suggest that patriotic consumers are not rational decision makers. For them, the necessity of supporting domestic products and industries drive them to make sacrifices, in some circumstances, they will purchase domestic products even if their product quality perception is low.

## **2.4 CE and Chinese Consumers**

The effects of CE on Chinese consumers were examined by several studies. Wang and Chen (2004) suggested that unlike in developed countries, the impact of CE is not as effective as in developing countries like China. It argued that even ethnocentric Chinese consumers, might not have a preference on domestic products. Foreign products have an advantage over domestic products, in terms of the famous brand name and fashionable image. Wong et al. (2008) concluded that for consumers with high levels of ethnocentrism, they have a more positive assessment of local goods as compare to foreign goods, but the difference is not statistically significant. Even young Chinese consumers with higher levels of CE, there was no evidence of suggesting a positive interaction for either quality evaluation or purchase intentions. Overall, it concluded CE tendencies do not play an important role in high involvement product evaluation and purchase amongst young Chinese consumers. Wong et al. (2008) further pointed out, the reason for non CE impact, could be the hybrid nature of the products. Young Chinese consumers could come to the conclusion that many of the product components were manufactured in China, therefore, they might not consider many products to be real foreign products. A further study by Oh and Zhang (2010) concluded that CE did not negatively affect Chinese consumers' evaluation of foreign products. A recent study by Parker et al. (2011) produced similar results, it suggested that Chinese consumers have a rather positive view of American products and their CE levels were very low.

Hsu and Nien (2008) concluded that CE had a strong influence on preferences of domestic brands. It suggested consumers from different regions have different characteristics. It also revealed that ethnocentric consumers in both locations were relatively older, with low education levels, and had less travel experiences. A further study by Wei et al. (2009) supported the findings of Hsu and Nien (2008) that CE affected Chinese consumers' preferences and geographic variables and demographic variables such as age, income, and education all influenced consumers' CE levels.

Nonetheless, despite these disagreements, all above studies revealed there are no particularly strong CE beliefs amongst Chinese consumers. The CETSCALE all scored low to moderate level of CE. Wang and Chen (2004) indicated a moderate level of CE, with an average mean of 4.38. Although Wong et al. (2008) concluded the young Chinese consumers have low level of CE, the CE score was slightly higher than Wang and Chen (2004), with an average mean of 4.79. Wei et al. (2009) indicated moderate levels of CE amongst Chinese consumers which the mean scores range from 3.66 to 4.02. Oh and Zhang (2010) confirmed Chinese consumers have low levels of nationalism with a relative low average mean score of 3.35. Parker et al. (2011) suggested Chinese consumers' CE levels are low, the mean scores ranges from 2.61 to 3.18. However, it should be noted that this study adopted the 5 point likert scale, instead of standard 7 point scale.

### **3.0 RESEARCH METHODS**

#### **3.1 Street Survey**

This study adopted a street survey strategy that approached random shoppers in two of largest cities in China. It developed a questionnaire to test the CE levels of urban adult Chinese consumers. Perspective shoppers were approached in these two cities' busiest shopping districts to participate in the survey. Also known as mall intercept, it is a well established technique that is widely used in consumer research.

#### **3.2 Measurement Scale**

The CETSCALE developed by Shimp and Sharma (1987) contains 17 statements to test American consumers' attitudes towards foreign products and willingness to purchase domestic goods. It has been tested and validated in many countries. Nonetheless, CETSCALE has been adapted and modified to suit different research settings. Whilst conducting a CE investigation into Turkish consumers, Kaynak and Kara (2002) adopted a 5 point likert scale instead of a 7 point scale. Balabanis and Diamantopoulos (2004) carried out a study of UK consumers' attitudes towards foreign and domestic products, it adjusted the 17 items CETSCALE into a 10 items scale. Reardon et al. (2005) also used a reduced version of the CETSCALE in their cross-country investigation. Nijssen and Douglas (2008) used a 'key five items' CETSCALE instead of the original 17 items scale. Hsu and Nien (2008) examined CE tendencies amongst Chinese societies by adopting a reduced 10 items CETSCALE. Due to the street survey nature, too many questions could hinder participation and some statements in the scale are repetitive, this study modified the CETSCALE into 5 items.

#### **3.3 Locations, Age Groups and Education Levels**

The street surveys were conducted in two Chinese cities – Shenyang in Northern China and Shenzhen in Southern China to compare regional differences. Demographic information such as gender, age groups and education levels were collected to test the moderating effects on CE.

### **4.0 RESULTS & DISCUSSIONS**

A Cronbach's alpha coefficient reliability test of CETSCALE was conducted to check the 6 items CETSCALE's internal consistency. Cronbach's Alpha value of .850 suggests very good internal consistency reliability for the

CETSCALE. This qualifies the modified 6 items CETSCALE as a valid and consistent measurement scale to test the level of CE beliefs.

#### **4.1 Low CE Levels**

The results indicated CE beliefs amongst UACC are low, with a total Mean score of  $M=23.57$  and Stand Deviation  $SD=6.40$ . For the 6 items statements that made up the CETSCALE, mean values range from 3.51 to 4.80 and standard deviation range from 1.38 to 1.42. The values are calculated on the 7 items Likert scale (1=very strongly disagree, 2=strongly disagree, 3=disagree, 4=Neutral, 5= agree, 6=strongly agree and 7= very strongly agree). Mean scores range from 3.51 to 4.80 indicates UACC holds low to average level of CE beliefs.

This current study unveiled low to average levels of CE, suggests UACC holds moderate levels of ethnocentrism beliefs. The results are largely consistent with previous studies. The levels of CE beliefs vary between different examinations. It should be noted there is inconsistency with the interpretations of CE levels and Hsu and Nien (2008) appeared to omit CETSCALE mean figures from its study, which is standard practice in the original Shimp and Sharma (1987) study and principally followed in CE research. Wang and Chen (2004) indicated a moderate level of CE, with an average mean of 4.38. Although Wong et al. (2008) concluded that young Chinese consumers have a low level of CE, the CE score was slightly higher than Wang and Chen (2004), with an average mean of 4.79. Wei et al. (2009) indicated moderate levels of CE amongst Chinese consumers in which the mean scores range from 3.66 to 4.02.

#### **4.2 Clear North- South Divide**

The Man-Whitney U test discovered there was a significant difference in terms of CE levels between consumers living and Shenyang-Northern China and Shenzhen-Southern China. The results suggested UACC living in Shenyang – Northern China have stronger CE beliefs than those living in Shenzhen – Southern China.

#### **4.3 Age Differences & Education Matters**

The Kruskal-Wallis test suggests there are statistically significant differences between different age groups and the strength of their CE beliefs. The results suggest that as UACC's age increases, their levels of CE beliefs raised as well, which means the senior citizens hold a stronger negative bias towards foreign products than the younger generation. Older generations particularly the above 50 years old group are less willing to accept products imported from another country. This means younger consumers are more open minded about foreign products and have less desire to purchase domestic products. Older generations are more aware of the need to protect China's domestic industry. The Kruskal-Wallis test also confirmed there were significant differences between different education levels. The results suggested that the higher education level UACC receive, the lower the CE beliefs they hold. It suggests educational level plays a role in UACC's CE beliefs, higher educated consumers are more open minded about imports and the use of foreign products. This is consistent with Wei et al. (2009) which concluded that age, income and education all influence consumers' level of CE. It supports the findings of Wong et al. (2008) and Parker et al. (2011) that young Chinese consumers have low levels of ethnocentrism beliefs.

### **5.0 MANGERIAL IMPLICATIONS**

It is clear that ethnocentrism beliefs are not particularly strong amongst UACC which means there is no strong negative bias towards foreign products. This means it is unlikely for UACC to consider the purchase of foreign products as completely inappropriate or immoral behaviour, which are typical beliefs held by high ethnocentrism consumers, suggested by Shimp and Sharma (1987) in the original CE study. For low or moderate ethnocentrism consumers, their evaluations of foreign products are more likely to be based on merits rather than driven by ethnocentrism beliefs. Generally speaking, strident protectionism or calls for blanket bans or boycott of foreign goods are unlikely to occur in China. CE does not pose a serious threat to foreign products. These Chinese consumers' openness towards foreign products seem to reflect Rawwas et al. (1996) view of consumer worldmindedness, instead of highly ethnocentric consumers, worldminded consumers favour a world view of the problems of humanity and their primary reference group is humankind, rather than different nationalities. Companies have significant investments or are considering entering into the Chinese market should not worry about extreme protectionism beliefs to harm their ambitions.

There seems to be a clear North-South divide in terms of CE beliefs, potential investor should consider Southern China, especially coastal areas as their first stage of expansion, as consumers living there are more likely to be open minded about foreign products and services. It also means local Chinese companies are less able to use nationalist beliefs to harm foreign competitors. For a large consumer market such as China, the internal complexities and difference could not be ignored. Younger and more educated groups of urban adult Chinese consumers could be the ideal targets for any new entrants into the China market. Contrasting to the older generations, they are more open minded and more likely to judge products based on quality, design and other intrinsic features, but not dismissing foreign goods due to ethnocentric beliefs.

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