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Chinese Products for Chinese People? Consumer Ethnocentrism in China

Abstract

Purpose: this study aims to examine Consumer Ethnocentrism (CE) in China and clarify whether CE impacted on Chinese consumers' product preferences between local and foreign products.

Design: street surveys and mall intercepts were conducted, 367 questionnaires were collected with 170 from Shenyang-Northern China and 197 from Shenzhen-Southern China.

Findings: CE is low in China, it poses no serious threat to foreign products. Consumers living in second tier Northern city like Shenyang have higher ethnocentric beliefs than those living in a first tier like Shenzhen in Southern China. CE's impact varies between product categories and availability of domestic alternative could be a key issue. Age and education level have significant moderating effects.

Research limitations/implications: it only collected from two Chinese cities, distribution pattern of CE data determined non-parametric data analysis methods were adopted.

Practical implications: regional differences in China matters, first tier Southern cities like Shenzhen could be less challenging destinations for foreign retailers. Targeting young and highly educated consumers could be more effective. Although CE level is low in China, a cautious approach beyond first tier cities is recommended, especially when facing competent local rivals.

Originality/value: it clarified that CE did affect product preferences amongst Chinese consumers, highlighted China's regional differences in terms of North-South divide and first and second tier cities. It also identified that availability of domestic alternative is a key factor that cannot be ignored. This study provided evidence to demonstrate that with unprecedented uncertainties on global free trade, there is no grassroots support for protectionism and isolationism in China.

Introduction

Since announcing the 'Opening Up' policy in 1978, China has experienced remarkable economic growth for over 30 years. This once isolated 'Middle Kingdom' has fast developed into one of the world's largest economies, manufacturing powerhouses and receipts of foreign direct investment. China surpassed the United States as the world's largest exporter of goods in 2009. Between 1993 and 2013, its exports have increased at an average annual growth rate of 17.6%, (Paul and Mas, 2016). The outcome of this economic transformation is that it lifted millions of ordinary Chinese citizens out of poverty. In 2015 China became the country with the largest middle class population in the world (The Telegraph, 2015). China also expanded into being the world's biggest consumer market in 2016, with its spending on luxury consumption accounting for 31% of global luxury sales (The Guardian, 2016). Vast amounts of foreign goods and services have entered into China. Apple's

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3 profits in China almost doubled to \$58.7 billion in 2015, making China's the second
4 biggest market after the Americas (Financial Times, 2016). However, the world's
5 economy continues to slowdown and a number of countries are starting to witness the
6 resurgence of protectionism rhetoric. The UK's decision to leave European Union and
7 Donald Trump wining the American presidency based on isolationist policies in 2016
8 are worrying signals that the global economy has entered into a new era of extremes
9 and uncertainties. There are also growing concerns of China's rise in nationalism
10 could pose a serious threat to foreign brands (Forbes, 2016). A recent survey by the
11 American Chamber of Commerce in China reported that foreign companies find
12 China has become less welcoming (Reuters, 2017). Has the disease of 'British jobs
13 for British workers' already transmitted into the calls of 'Chinese products for
14 Chinese people'?

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17 As previous studies provided contradicting findings, this study aims to examine CE in
18 China and clarify whether CE impacted on Chinese consumers' product preferences
19 between local and foreign products. It further investigates whether the effects of CE
20 vary between different regions in terms of North-South divide and first and second
21 tier cities. The impact of availability of domestic alternatives and demographic
22 variables will also been tested. This study contributes to the understanding of CE in
23 China during a period of unprecedented change and uncertainty. It will provide
24 evidence to clarify whether CE influences consumer product preferences in China. It
25 will help to determine whether the Chinese consumer market is still open for business
26 and pose no threat to foreign investment. The findings of study will also contribute to
27 the understanding of China's regional differences and help to identify whether
28 availability of domestic alternatives will be a key factor in Chinese consumers'
29 decision making.
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32 **Literature Review**

33
34 Shimp and Sharma (1987) proposed the concept of 'Consumer Ethnocentrism' (CE).
35 It was adopted from the general sociological concept of ethnocentrism. In general
36 ethnocentrism refers to the tendency of people to "view their own group as the center
37 of the universe, to interpret other social units from the perspective of their own group,
38 and to reject persons who are culturally dissimilar while blindly accepting those who
39 are culturally like themselves." (Shimp and Sharma, p.280, 1987) CE represents the
40 beliefs held by consumers about the appropriateness and morality of purchasing
41 foreign made products. Ethnocentric consumers believe buying foreign products is
42 wrong. It damages the domestic economy, causes job losses and is an unpatriotic
43 behaviour. In contrast, non-ethnocentric consumers consider foreign products should
44 be evaluated on their own merits without consideration as to where they come from.
45 Essentially it is a concept to determine whether purchasing foreign products are
46 acceptable. Ethnocentric consumers will evaluate domestic products more favourably
47 and it negatively affects willingness to buy foreign products. It is widely
48 acknowledged that CE will affect foreign products' acceptance and may lead to
49 preferences towards domestic products. Since the introduction of CE in 1987, the
50 impact of CE and its measurement scale – CETSCALE, has been tested and validated
51 in many countries. Hamin and Elliott (2006), Shankarmahesh (2006) and
52 Evanschitzky et al. (2008) provided detailed reviews on CE investigations across
53 different countries.
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Nationalism and Patriotism

Nationalism and Patriotism has been established as an integral part of ethnocentrism. Rawwas et al. (1996) 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 product because they believe that imported goods may damage their country's economy. Consumer nationalism leads to higher quality perception of domestic products and ultimately affects the purchase intention and action.

Balabanis et al. (2001) concluded that patriotism or nationalism's influence on consumer ethnocentrism varies from country to country and that demographic and cultural differences could explain the variations between countries. In Turkey, patriotism was the main motive for CE. It is because of the collectivist characteristics of Turkish societies, which place emphasis on group loyalty. In contrast, nationalism seems to be the main motivation 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. Greenbaum (2002) suggested that due to perceived damages to domestic industry and national interests, patriotic Korean consumers prefer not to buy imported cars. Lee et al. (2003) concluded that nationalism is the most dominant driver of American consumers' ethnocentric beliefs. Shankarmahesh (2006) firmly established patriotism as one of the Soci-psychological antecedents of CE. Vida and Reardon (2008) supported 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.

Affective measures like CE followed closely by patriotic attitudes are strong drivers of consumer purchase behaviours. It argued that patriotic consumers are not necessarily rational decision makers. They are willing to make sacrifices to support domestic industries. In some circumstances, they will purchase domestic products even if the product quality perception is low. Sharma (2011) further supported that due to patriotic beliefs ethnocentric consumers prefer to purchase local products to protect domestic economy. Kipnis et al. (2012) suggested that ethnocentric consumers hold strong favourable attitudes towards local-perceived brands. Tsai et al. (2013b) concluded that both Chinese and American consumers' CE beliefs were predominately driven by nationalism. Lee et al (2014) suggested that higher economic nationalism leads to a stronger preference for domestic products.

Worldmindedness and Cosmopolitanism

The general sociological concept of cosmopolitanism is commonly attributed to Merton (1957) who distinguished cosmopolitans from the locals. Rawwas et al. (1996) used the term 'worldmindedness' to explain cosmopolitanism 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. Roudometof (2005) concluded that cosmopolitanism represents a level of openness towards different cultures. Nijssen and Douglas (2008, 2011) suggested that consumer worldmindedness leads to favourable association with foreign products. Openness to other cultures and willingness to try products from

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3 other countries resulted in lower CE beliefs. Riefler and Diamantopoulos (2009)
4 argued that cosmopolitan consumers are openminded towards other cultures, have the
5 ability to appreciate diversity and often purchase products from different countries.
6 Cleveland et al (2011) suggested that cosmopolitans often favours wider and multi-
7 cultural perspectives, hold universal aspiration and are less likely to hold narrow
8 allegiance to a particular country. Cosmopolitans see themselves as global citizens,
9 therefore as Riefler et al (2012) concluded, they often reject ethnocentric bias towards
10 foreign products and adopt a global consumption pattern. Lee et al (2014) further
11 suggested that cosmopolitanism could lead to bias towards domestic products.
12

13 *CE and Chinese Consumers*

14
15 The effects of CE on Chinese consumers have been examined by several studies.
16 Wang and Chen (2004) argued unlike in developed countries, consumers in
17 developing countries might not consider domestic products as higher quality, but has
18 a higher product quality perception for foreign products. Furthermore, consumers in
19 developing countries like China often associate foreign products with symbolic
20 benefits and regard imported goods as social status symbols. Unlike in developed
21 countries the impact of CE is not as effective as in developing countries. It argued that
22 even ethnocentric Chinese consumers, might not have a preference for domestic
23 products. Foreign products have an advantage over domestic products, in terms of the
24 famous brand name and fashionable image. Wong et al. (2008) found no evidence of
25 CE impact on consumers' purchase intentions or product quality perceptions. It
26 concluded that for consumers with high levels of ethnocentrism, they have a more
27 positive assessment of local goods as compared to foreign goods, but the difference is
28 not statistically significant. Even among young Chinese consumers with higher levels
29 of CE there was no evidence to suggest a positive interaction for either quality
30 evaluation or purchase intentions. Overall, CE tendencies do not play an important
31 role in product evaluation and purchase amongst young Chinese consumers. Wong et
32 al. (2008) further suggested that the reason for non CE impact could be the hybrid
33 nature of the products. Young Chinese consumers could come to the conclusion that
34 many of the product components were manufactured in China, therefore, they might
35 not consider many products to be real foreign products. Some reasonable doubt could
36 be raised with the findings of Wong et al. (2008). The appropriateness of selecting
37 Chinese students to represent the whole young Chinese consumer is questionable.
38 Some of the Chinese students surveyed were overseas students studying in Australia.
39 It only surveyed Chinese students in one university in the North East region, which
40 raise further question about representativeness. Nonetheless, a further study by Oh
41 and Zhang (2010) concluded that CE did not negatively affect Chinese consumers'
42 evaluation of foreign products. Parker et al. (2011) produced similar results, it
43 suggested that Chinese consumers have a rather positive view of American products
44 and their CE levels were very low. However, it was conducted amongst 'economically
45 progressive Chinese college students', which means the sample could be highly
46 biased. Bi et al. (2012) also concluded they found no clear evidence of ethnocentric
47 behaviour amongst Chinese consumers and Tong and Li (2013) found that CE has no
48 significant impact on Chinese consumers' purchase intentions on both domestic and
49 foreign sportswear brands. Tsai et al. (2013a) also concluded that CE had no impact
50 on Chinese consumers' preference of domestic products.
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57 There are other studies that suggest a different view. Hsu and Nien (2008) concluded
58 that CE had a strong influence on preferences of domestic brands. Ethnocentric
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Shanghai respondents were very loyal to domestic brands. It suggested that consumers from different regions have different characteristics. Hsu and Nien (2008) further revealed that ethnocentric consumers in both locations were relatively older, with low education levels, and had less travel experiences. Wei et al. (2009) supported the findings of Hsu and Nien (2008) that CE affected Chinese consumers' product preferences, whereby geographic and demographic variables such as age, income, and education all influenced consumers' CE levels. Qing et al. (2012) and He and Wang (2015) both concluded that CE only affected purchase attitudes towards domestic products. They supported Wang and Chen (2004) that in a developing country like China, although consumers with high ethnocentric beliefs could reject foreign products on moral grounds, they do not necessarily perceive domestic products as higher quality than imports.

Research Methods

Sample and Data Collection

Potential shoppers in shopping districts and malls were randomly approached to participate in our street surveys. 'Mall intercept' is a well established technique which researchers would approach people in busy shopping districts or engage with shoppers inside a shopping mall. Previous consumer studies in China by Zhang (1996), Hu and Dickerson (1997), Zhou and Hui (2003), DeLong et al. (2004), Wu and DeLong (2006), Balestrini and Gamble (2006), and Chaney and Gamble (2008), all adopted the mall intercept technique.

The selection of research locations was determined by pragmatic and theoretical considerations. A shopping district with stores selling a range of mass market, mid-range and upper market brands was selected in both cities to distribute and collect questionnaires. The target number of completed questionnaires was 200 in each location that contains participants with a good spread in terms of gender, age group and education level.

City selection was determined by three main factors: first and second tier city comparison, North-South divide, and economic openness. Two of the biggest cities in China – Shenyang and Shenzhen were selected as the locations for data collection. Shenyang is the biggest city in the Northeast. Although it is considered as the political and economic capital of that region, it is still classified as a 'second tier city'. Shenzhen – the border city to Hong Kong in Southern China is considered as a 'first tier city'; one of the big four of Beijing, Shanghai, Guangzhou and Shenzhen. Both cities have transformed into modern and sophisticated consumer and retail landscapes under China's rapid economic development in the past 40 years. However, these two cities are different in many other perspectives. Shenyang is a traditional and historic city situated in the backward and once powerful Northern industry heartlands. Shenzhen is one of the youngest cities in China, it was a fishing village in 1978 when China announced its 'Opening Up' policy. One of the first beneficiaries of China's economic transformation it is now the manufacturing powerhouse, innovation centre and financial hub of Southern China with a population of 20 million. These two cities differ greatly in terms of economic openness, whilst Shenzhen harbours many foreign investments both in manufacturing and services industries, Shenyang is located in one of the more backward North-eastern provinces that still are dominated by oversized and underperforming state owned enterprises. Northern cities such as Tianjin and

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3 Qingdao were avoided, just like Shenzhen, they are coastal cities which are perceived
4 as more opened up than inland cities.

5 6 *Questionnaire Design*

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8 The questionnaire was first developed in English then translated into Chinese. The
9 translation from English into Chinese was initially conducted by the researcher as a
10 native Mandarin Chinese speaker and it was back translated by another colleague in
11 the same university. A pilot study amongst 6 Chinese postgraduate students studying
12 at the university was carried out, and based on the feedbacks a number of
13 modifications in terms of certain phrases of expressions and layout of the
14 questionnaire were made to avoid any potential confusions and inaccuracies. The
15 questionnaire was designed to be self-completed that the researcher would ask
16 participants to fill in and collect upon completion. It contains 3 sections, the first
17 section ask about general product preferences between Chinese and foreign products,
18 the second section test CE levels, and the final section collects demographic
19 information in terms of gender, age group and education level.
20
21

22 Balabanis and Diamantopoulos (2004), Chrysochoidis et al. (2007) and Evanschitzky
23 et al. (2008) emphasised the importance of testing the impact of CE on different
24 products. Watson and Wright (2000) suggested that the availability of domestic
25 alternative is a key factor in CE research. It concluded that CE's impact on product
26 preferences differs between categories with domestic alternatives and non-alterative.
27 The selection of product categories for this study was based on the levels of
28 availability of domestic alternatives. Grocery was selected as the product category
29 with high level of domestic alternatives, Laptop as the category with medium level of
30 alternatives and luxury goods as the low alterative category. Three of China's biggest
31 trading partners - United States, Europe and Japan were identified as the foreign
32 product origins.
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35 36 *Measurement*

37 The 17 items CETSCALE first developed by Shimp and Sharma (1987) was widely
38 accepted as the standard measurement scale of CE. It was adopted and validated in
39 subsequent CE studies across different countries as highlighted by Shankarmahesh
40 (2006). However, Upadhyay and Singh (2006) and Hsu and Nien (2008) questioned
41 whether the 1987 CETSCALE was outdated and further modifications may be
42 required. Sharma (2015) and Siamagka and Balabanis (2015) both proposed a new
43 measurement scale is needed. Balabanis and Diamantopoulos (2004) adjusted the 17
44 items CETSCALE into a 10 items scale. Reardon et al. (2005) used a reduced vision
45 of the CETSCALE in their cross-country investigation. Nijssen and Douglas (2008)
46 used a 'key five items' CETSCALE. Hsu and Nien (2008) adopted a reduced 10 items
47 CETSCALE.
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50 Based on the original CETSCALE, this study adopted a modified 6 item scale focused
51 on nationalistic and patriotic sentiments:
52

- 53 1, Chinese people should always buy Chinese-made products instead of imports.
 - 54 2, Only those products that are unavailable in China should be imported.
 - 55 3, Buying Chinese products is patriotic behaviour.
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3 4, A real Chinese should always buy Chinese made products.

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5 5, Curbs should be put on some imports to protect domestic industry.

6
7 6, We should purchase products manufactured in China instead of letting other countries get
8 rich off us.

9
10 A Cronbach's Alpha test of this 6 items modified CETSCALE was conducted to
11 check the internal consistency. The Cronbach's Alpha value of .850 suggests very
12 good internal consistency reliability for this modified CETSCALE.

13
14 Insert Table 1 Here:

15 16 17 18 **Results**

19 The aim was to collect 200 questionnaires in each city. In total, 367 valid
20 questionnaires were collected, 170 from Shenyang – Northern China and 197 from
21 Shenzhen- Southern China. Due to heavy rain in Shenyang, a number of
22 questionnaires were polluted and 30 were excluded from data analysis. Three
23 questionnaires from Shenzhen were incomplete therefore excluded from the sample.

24 25 *Sample Characteristics*

26
27 Insert Table 2 Here:

28
29 As the above table shows, the sample contains with a good spread of respondents in
30 terms of gender, age group and education levels. There are 46.3% male and 53.4%
31 female respondents. The two biggest age groups are 18-22 and 23-35 which are the
32 young, professional and dynamic consumer segments. There is a high concentration
33 of respondents with university education (HND or Degree Level), this is consistent
34 with the reports that there are huge increases in graduate student numbers (from 2.4
35 million in 2004 to 6.5 million in 2014 (The Statistic Portal, 2016)).

36 37 *Product Preferences*

38
39 Insert Table 3 Here:

40
41 The product preferences table shows 28.3% prefers Chinese products, 27.2% prefers
42 foreign products and the biggest group of Chinese consumers have no particular
43 preference between Chinese and foreign products. It suggests other factors such as
44 price and brand image could have major influences in terms of their product
45 preferences. Product categories appear to be one of these factors, as displayed in the
46 table, Chinese consumers' product preferences varied between product categories. In
47 the grocery category, the highest number of respondents indicated Chinese products
48 as the most preferred. US and Europe were preferred in respective laptop and luxury
49 goods categories. It also appears that as the level of availability of domestic
50 alternatives increase, so too does the likelihood of Chinese products being most
51 preferred .

52 53 *CE Levels & Impact on Product Preferences*

54
55 Insert Table 4 Here:

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2
3 Tables 3 displays the CE levels, it shows that as measured by the 7 points likert scale
4 1 as very strongly disagree and 7 as very strongly agree, ethnocentrism in China is
5 relatively low. The mean figures of all the 6 items scale ranges from 3.51 to 4.80
6 which indicates disagree and neutral in all of the statements.
7

8 Insert Table 5 Here:
9

10 The distribution pattern of CE data determines non-parametric data analysis tests
11 should be conducted. A Kruskal Wallis test confirms there are significant differences
12 in terms of CE levels between Chinese consumers indicated different product
13 preferences. Consumers favour Chinese products have a higher mean rank of 244.98
14 than those prefer foreign products with a mean rank of 138.40.
15

16 *Impact of Locations*
17

18 Insert Table 6 Here:
19

20 As displayed in the above table, although it seems there is merely 1 value difference
21 between the median of Northern and Southern Chinese consumers' CE levels, the
22 Man-Whitney U test confirms that the difference is statistically significant. It means
23 consumers living in Shenyang – Northern China have higher ethnocentric beliefs than
24 those living in Shenzhen-Southern China.
25

26 *Impact of Age Group & Education Levels*
27

28 Insert Table 7 Here:
29

30 Table 6 shows there are significant differences in terms of CE beliefs between
31 different Chinese consumer age groups. It shows that older consumers have higher
32 ethnocentric beliefs than the younger age groups.
33

34 Insert Table 8 Here:
35

36 As illustrated in table 7, there are significant differences in terms of CE beliefs
37 between consumers with different education levels. Higher educated consumer groups
38 have lower CE beliefs.
39

40 **Discussions**

41 *Low CE Beliefs*
42

43 This study discovered low levels of CE, mean scores ranging from 3.51 to 4.80,
44 measured by the 7 point Likert scale, which indicates 'disagree' or 'neutral' on all
45 ethnocentric statements. The results are largely consistent with previous studies.
46 Reported mean scores ranges from 2.61 to 4.79, (Wang and Chen 2004, Wong et al.,
47 2008, Wei et al., 2009, Oh and Zhang, 2010 and He and Wang, 2015). Although the
48 findings of this study support that the overall CE level is relatively low, ethnocentrism
49 did impact on Chinese consumer's product preference. Higher ethnocentric beliefs
50 lead to stronger preference for domestic products. This contradicts with the findings
51 of Wang and Chen (2004), Wong et al. (2008), Oh and Zhang (2010), Parker et al.
52 (2011), Bi et al. (2012), Bi et al. (2012), Tong and Li (2013) and Tsai et al. (2013),
53 that CE had no significant impact amongst Chinese consumers' product preference
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3 between domestic and foreign products. It provides further evidence to support that
4 ethnocentric Chinese consumers prefer domestic products, as concluded by Hsu and
5 Nien (2008), Wei et al. (2009) and He and Wang (2015). This study found no
6 evidence that CE driven Chinese consumers evaluate domestic products as better
7 quality than foreign products. Although they chose Chinese grocery products as the
8 most preferred, American and European products were indicated as the most preferred
9 in the respective laptop and luxury goods category. As tested in the modified
10 CETSCALE, it appears that nationalism and patriotism beliefs are the main drivers of
11 CE in China. This supports Wang and Chen (2004), Qing et al. (2012) and He and
12 Wang (2015) that in a developing country like China, consumers could reject foreign
13 products on moral and patriotic grounds but not due to lower product quality
14 evaluations.
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19 *Product Categories & Availability of Domestic Alternatives*

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21 The findings of this study supports Balabanis and Diamantopoulos (2004),
22 Chryssochoidis et al. (2007) and Evanschitzky et al. (2008) that CE's impact on
23 product preference varies between product categories. Only 1 out of the 3 product
24 categories tested suggested that domestic Chinese products as the most desired choice.
25 American and European products were most preferred in respective laptop and luxury
26 goods categories. It further highlighted the importance of availability of domestic
27 alternatives, as first suggested by Watson and Wright (2000) that CE's impact on
28 product preference could be very different between products with domestic alternative
29 and categories with non-local products available. It appears that as the level of
30 availability of domestic alternatives increases, the preference for domestic products
31 raised accordingly.
32
33

34 *Location, Age & Education Matters*

35
36 Location has a significant impact on CE in China. Consumers living in Shenyang –
37 Northern China have higher ethnocentric beliefs than those in Shenzhen – Southern
38 China. This is an area has not been extensively studied, especially in the CE
39 perspective. One possible explanation for this significant difference is the level of
40 economic openness and cosmopolitanism. Shenzhen, as one of the four first tier cities
41 in China was at the forefront of China's economic opening up. It was the first 'Special
42 Economic Zone' setup after 1978 to welcome foreign direct investment. As one of
43 China's youngest cosmopolitan cities, residents in Shenzhen have a level of openness
44 towards foreign products, new ideas and different cultures. By contrast, Shenyang
45 located in less developed Northern China is a more traditional city. It is plausible to
46 suggest that consumers living in Shenyang are more aware of the necessity to protect
47 local jobs and industries, therefore place greater importance on buying domestic
48 products. This is consistent with the findings of Riefler and Diamantopoulos (2009),
49 Nijssen and Douglas (2011), Cleveland et al (2011), Riefler et al (2012) and Lee et al
50 (2014), that openness to other culture and cosmopolitanism could lead consumers to
51 reject ethnocentric bias towards foreign products.
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Age is another significant factor. The older consumers have higher CE beliefs than younger generation. Older Chinese consumers seem to have more desire to buy Chinese products and recognising the necessity to protect the domestic industry. The younger generation appears to be more willing and open minded about foreign products. Education has the key influence on Chinese consumers' CE levels, the higher education level is, the lower score in CE. It seems that education played a role in nurturing cultural openness and curbing nationalistic and isolationistic sentiments. This is consistent with Wei et al. (2009) which concluded that age, income and education all influence Chinese consumers' level of CE and Wong et al. (2008) and Parker et al. (2011) that young Chinese consumers have low levels of ethnocentrism beliefs.

Managerial Implications

CE No Real Threat

The findings of this study suggest that CE is relatively low in China. It does not pose a serious threat to foreign business and investments. Unlike the recent events indicated in the United States and United Kingdom, protectionism and isolationism have no real grassroots support in China. This is also reflected in central government's political thinking, as the Chinese president–Xi Jinping reaffirmed China's commitment on opening up and globalisation during his speech at Davos – World Economic Forum, (The Economist, 2017) It is unlikely there will be widespread calls for boycotting foreign goods or imposing heavy tariffs and restrictions on imports. From a CE perspective China remains as a safe and lucrative consumer market for foreign companies. Whilst some businesses are considering moving operations and jobs outside UK after Brexit (The Guardian, 2017), there are no serious issues for retailers already operating or planning to enter China to change course based on concerns with nationalistic or isolationistic sentiments.

A Word of Caution

It should be noted that ethnocentric consumers do exist in China. They tend to be older, less educated and more likely to be living in areas such as Shenyang, and other less developed second, third tiers and inland smaller cities. In such places foreign brands need to be aware of the potential impact of ethnocentrism and exercise a degree of caution with their business operations. To illustrate, although the causes to their troubles are complex, it has been reported that Louis Vuitton expanded too fast in China, 20% of the brand's stores in China were anticipated to be closed by the end of 2016. After the initial store closures, Louis Vuitton still has 50 stores in China and some of them are located in inland cities, such as Harbin and Urumqi (Financial Times, 2015), but this case offers a note of caution for foreign brands in China when entering less developed locations.

First tier cities such as Shenzhen in Southern China, could by comparison be less challenging destinations for foreign brands. Hexter and Woetzel (2007) noted that in a survey conducted by the consultancy firm – McKinsey amongst six thousand households, consumers in China's third tier cities were more likely to stick with brands they know than buyers in first tier cities. If retailers are aiming to move beyond the first tier cities of Beijing, Shanghai, Guangzhou and Shenzhen, they need to take notice of the potential threats from competent local competitors. This study discovered that the availability of domestic alternative could be an issue. It seems

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3 when there are more domestic alternatives available, CE could be triggered to work as
4 a competitive advantage to the local rival. The change of landscape in the TV industry
5 could provide some evidence to this problem. It was dominated by Japanese brands
6 such as Panasonic and Toshiba in 1980s and 1990s, but now Chinese brands such as
7 Le TV, Hisense and TCL have taken a large percentage of the market share. Similar
8 stories are happening in the Smartphone market, it was reported that Apple iPhone's
9 market share has declined to 11% in 2016, with local Chinese brands such as Huawei
10 and OPPO gaining grounds, (Forbes, 2016).
11

12 Working with a reliable local partner could be a viable strategy to offset some of the
13 potential effects of CE, as the brand could be perceived as more Chinese than foreign.
14 Wong et al. (2008) concluded many young Chinese consumers considered hybrid
15 products that have component produced in China as not real foreign. Kipnis et al
16 (2012) suggested that ethnocentric consumers hold strong favourable attitudes
17 towards local-perceived brands. Localisation could prove to be a winning formula, as
18 the French retailer-Carrefour and Anglo-Dutch company-Unilever, both enjoyed long
19 term successes in China.
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21

22 **Limitations and Areas for Further Research**

23
24 This study has several limitations. It only collected data from two Chinese cities. A
25 wider geographic reach could provide a more comprehensive understanding on the
26 impact of CE on Chinese consumers and provide further knowledge on China's
27 regional differences. The distribution patterns of CE data also determine there are
28 issues with generalisation. However, a country with China's population and
29 complexities, it is always difficult, if not impossible, for a small research project with
30 the sufficient manpower, time and financial resources to conduct a truly representative
31 investigation.
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35 Since the financial crisis in 2008, there is a gradual increase in terms of protectionism
36 and isolationism around the world. Therefore, this study focused on the nationalism
37 and patriotism driven consumer ethnocentrism's impact on product preference, other
38 factors such as culture and identity as highlighted by Cleveland (2011) and Hu and
39 Wang (2015) were not included in this investigation. These relevant factors
40 influencing Chinese consumers' product preference and willingness to buy should be
41 examined by further studies.
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Table 1 Cronbach's Alpha Test

Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.850	.850	6

Table 2 Sample Characteristics

Sample Characteristics				Total:367
Location	Shenyang – Northern China 46.3%		Shenzhen – Southern China 53.7%	
Gender	Male 46.6%		Female 53.4%	
Age Group	18-22 34.6%	23-35 31.6%	36-50 22.1%	50+ 11.7%
Education Level	High School or Lower 23.2%	HND or Degree 66.5%	Masters or Above 10.3%	

Table 3 Product Preferences

Product Preferences							Total:367
General Product Preference	Chinese 28.3%		Foreign 27.2%		It Depends 40.2%		Don't Know 4.3%
Grocery High Level of Domestic Alternatives Most Preferred Order	China 53.1%	US 9.8%	Europe 8.4%	Japan 18.5%	Don't Know 9.0%	Other 1.2%	
	1	3	5	2	4	6	
Laptop Medium Level of Domestic Alternatives Most Preferred Order	China 21.1%	US 34.3%	Europe 3.0%	Japan 26.7%	Don't Know 12%	Other 2.9%	
	3	1	5	2	4	6	
Luxury Goods Low Level of Domestic Alternatives Most Preferred Order	China 6.8%	US 10.6%	Europe 56.4%	Japan 4.9%	Don't Know 19.4%	Other 1.9%	
	4	3	1	5	2	6	

Table 4 Consumer Ethnocentrism Levels

	N	Range	Minimum	Maximum	Mean	Std. Deviation
CE	367	37	5	42	23.57	6.403
1, Chinese people should always buy Chinese made products instead of imports.	367	6	1	7	3.67	1.419
2, Only those products that are unavailable in China should be imported.	367	7	0	7	3.51	1.412
3, Buying Chinese products are patriotic behaviour.	367	7	0	7	4.05	1.413
4, A real Chinese should always buy Chinese made products.	367	6	1	7	3.54	1.378
5, Curbs should be put on some imports to protect domestic industry.	367	7	0	7	4.80	1.431
6, We should purchase products manufactured in China instead of letting other countries get rich off us.	367	7	0	7	3.99	1.420

Impact 5 CE's Impact on General Product Preference

Ranks				Test Statistics ^{a,b}	
	General Product Preference	N	Mean Rank		CE
CE	Don't Know	16	253.31	Chi-square	64.976
	Chinese	104	244.98	df	3
	Foreign	100	138.40	Asymp. Sig.	.000
	It Depends	147	164.34	a. Kruskal Wallis Test	
	Total	367		b. Grouping Variable: General Product Preference	

Table 6 Impact of Locations on CE

CE			Test Statistics ^a	CE
Location	N	Median	Mann-Whitney U	
Shenyang - Northern China	170	23.00	Wilcoxon W	34020.500
Shenzhen - Southern China	197	22.00	Z	-2.202
Total	367	23.00	Asymp. Sig. (2-tailed)	.028

Table 7 Impact of Age Group

Ranks				Test Statistics ^{a,b}	
	Age group	N	Mean Rank		CE
CE	18-22	127	171.62	Chi-square	14.664
	23-35	116	174.85	df	3
	36-50	81	186.81	Asymp. Sig.	.002
	50+	43	239.94	a. Kruskal Wallis Test	
	Total	367		b. Grouping Variable: Age group	

Table 8 Impact of Education Level

Ranks				Test Statistics ^{a,b}	
	Education Level	N	Mean Rank		CE
CE	High School or Lower	85	227.00	Chi-square	25.763
	HND or Degree	244	175.78	df	3
	Masters or Above	38	135.33	Asymp. Sig.	.000
				a. Kruskal Wallis Test	
Total		367	b. Grouping Variable: Education Level		

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