Consumer's Ethnocentricity in Respect to Local and Foreign Brand Preference: An Empirical Research Study in Islamabad, Pakistan

Khubaib Azhar[1*] NainTara Sarfarz Raja[2]

1. MBA (1.5 Yrs.), Management Sciences Department, Foundation University Islamabad, Pakistan
2. Assistant Professor, Management Sciences Department, Foundation University Islamabad, Pakistan

* khubaibazhar@hotmail.com

Abstract

This study investigated the impact of consumer ethnocentricity of local and foreign brands preference. Data was collected from Islamabad and Rawalpindi respondents. By using convenient sampling, 300 questionnaires were floated and response rate was 84.3%. Regression and correlation was used to analyze the results. The local brands preference has significantly positive relationship with consumer ethnocentricity while foreign brands preference has significantly negative relationship. The results concluded that people preferred local brands as compare to foreign because of their economical and affordable prices. The major limitation of the study is time constraints that is why we collected the data from twin cities of Pakistan.

Keywords: Brands, Consumer ethnocentricity, Foreign, Local, Preference.

Introduction

In today's world every business is globalized and competition is cut throttle. Globalization is one of the basic issue extensively discussed by the researchers and marketers in the area of international business and marketing. Companies raised their standard of business because they have to compete with foreign market. Now a day's international trade becomes an integral part of the economy and that may help to measure the consumer needs and demands for local and international goods (Netemeyer et al., 1991). Growth of international trade and business, numerous range of goods and services from different national geneses are now available in many countries all around the globe. Countless studies related to perception of the consumer have been led describing how they perceived the product in certain country (Roth and Romeo, 1992). Phenomenon of Globalization regarding marketplaces speak about merging of ancient discrete and unconnected coast-to-coast markets joint into single enormous foreign market place and reduce boundaries between the nations trade make it possible to sell their goods and services worldwide (Hill, 2011).

Ethnocentricity is normally explained as ethnicity, group of people, similar social values who think that they are superior to other and considered that other are inferior to them. Barger (2004) explained ethnocentricity as people generally think themselves superior because they are judging other with respect to their culture. So, consumer ethnocentricity is defined as particular evaluation of foreign goods that may gauge over valued or under-valued with respect to home country's product. Kaynak and Kara (2002) explained that consumer ethnocentrism propensity occurs when consumer's tending towards native brands, causes like economic instability because of importing international products, and the harm done to countries economic growth due to preference of international brands. Martinez et al. (1998) explained that high ethnocentric customers have more biased decisions, in result they overvalue the domestic products as compared to foreign goods. Despite of country of origin, loyalty/ patriotism some of the consumer still prefer their countries goods more superior. According to Shimp and Sharma (1987) investigated that consumer generally preferred to purchase their countries local goods because it was morally appropriate.

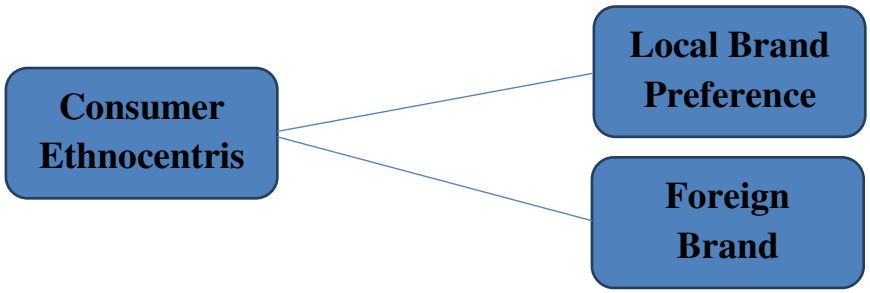
In today's cut throttle competition every business is struggling to chase the consumer need to attain maximum hold in the market. Due to technological advancement it becomes very easy for the companies to investigate the needs of customer and plan to produce the economy of scales production. Whereas, consumer decision is to purchase any product if affected by number of factors. These factors may be the quality, price and packaging, social status, desire of newness etc (Kim et al, 2008).

The objective of this study is to investigate the level of ethnocentric among the consumer that to what extent they prefer to buy local goods or foreign goods. This study was conducted on Islamabad and Rawalpindi respondents to investigate that to what extent ethnocentricity have influenced the consumer preferences, so that companies will pay attention that when and how much they import foreign goods and manufacture local goods.

The significance of this study is to examine the sound understanding of consumer behavior and their purchase intentions among foreign and domestic products. This study will help to generate the proper reason for the companies to make proper calculations that to what extent company needs to import foreign goods and how much they have to order for local goods. Furthermore, this research will help the academia for further researcher in this area or to expand the research by incorporating new variables in it. Whereas, result of the study will help the foreign product manufacturer to make products as per the Pakistani consumer needs to maximum share of the market.

Research Question
To what extent consumer ethnocentricity will affect the consumer preferences of local and foreign brands.

Literature Review
In-depth literature is reviewed in order to develop painstaking understanding of consumer's ethnocentrism in respect to local and foreign brand preference. The purpose of a review consumer ethnocentrism on local and foreign brands and exploring his influence on consumer's brand preference.
Purchase decision of consumer is very important tool to gauge the consumer needs and demands. According to Witt and Bruce (1972) these decisions are affected by set of people when the selection of brands between similar product. Another important part is country of origin for the company to form good brand image. Country of origin is explained as the product origin from where it comes from.
There are many researches that have been conducted in different time frame to explain the country of origin. Some studies have proposed significant positive relationship between products origin and consumer purchase intentions. According to Ghani, Salaria and Jan (2013) investigated that those products that are sourced from highly industrialized and developed countries are assessed more positively than the product from developing countries. CE is tightly linked with consumer patriotism plus nationalism and it has been verified that patriotism has substantial relationship between selection of local and imported goods.
Moreover, it is expected that CE choices are dependent on their choices (Daser and Meric, 1987; Forbes, 1985, Han, 1988). There are number of researches done on bond among country similarity and country source of influence (Lantz and Loeb, 1996; Johansson et al, 1985; Shimp and Sharma, 1987). One of the study investigated that countries who are similar to other country like politically, economically they are willing to purchase their goods (Lamb, 1981).Whereas, Wang and Lamb (1983) investigated that countries who have culturally related with USA they are positively biased to use the product.
Sharma et al (1995) explored in their research that cultural similarity is the one aspect that may affect the consumer ethnocentricity of purchasing international goods and services. Lantz and Loeb (1996) mentioned in their paper that consumers with high ethnocentricity as compared to individuals and low level consumer ethnocentricity have more auspicious approach towards using culturally similar goods and they made a major contribution by explaining the consumer ethnocentric approach through education and demographics wise.
Some studies constantly found that more ethnocentric countries are less likely to purchase or have less favorable attitude to buy foreign goods. There is still lack of evidence that whether the south Asian would make the same attitude while deciding to purchase domestic or foreign goods. Balabanis and Diamantopoulos (2011) propose that because of prestige and social status international brands obtain higher esteem scores than domestic brands. International brands are characteristically bigger than homegrown or domestic brands and therefore they are likewise probable to be observed as foremost and influential brands (Claudiu at al., 2008).
CETSCALE (Consumer Ethnocentric Tendencies Scale) developed by Shimp and Sharma (1987) made it easy to exactly measure the consumer ethnocentricity. This is a 17 item questionnaire measuring behavior and tendencies of consumers regarding brands both local and imported (kaynak & Kara, 2002). These 17 items instrument are series of Likert scale type sentences to measure the consumer's consistency towards local and foreign brands (Watson and Wright, 1999).
Theoretical Framework:



Hypothesis:
H1: Ethnocentrism influences local brand preference.
H2: Ethnocentrism influences foreign brand preference.
Methodology
An empirical study was intended to be conducted through a self-administered survey at the twin city of Pakistan. This study carried out to analyze the consumer ethnocentricity among local and foreign brand preferences. The data was taken from Islamabad and Rawalpindi respondents through questionnaire. This study applied on urban consumer's and single product category were selected (breakfast cereal's) to measure consumer ethnocentricity

for local and foreign brand preference. The brands within single product category selected effortlessly available in the retailers stores, superstores and wholesale market of Islamabad and Rawalpindi. A total of 4 cereal's brand (2 local; Fauji and Kisan, 2 foreign; Nestle and Kellogg's) of product category is selected for the study of interest.

The data was collected from the general public of Islamabad and Rawalpindi. Convenient sampling was used for data collection. A total of 300 questionnaires was distributed to the respondents of Islamabad and Rawalpindi. After the elimination of missing and erroneous questionnaires, a total of 253 questionnaires were considered in the evaluation. The response rate was 84.3%.

Questionnaire consist of three sections. First part consist of questions regarding demographics e.g., his age group, marital status, ethnicity, education level, occupation status and household income. Then the second section of questionnaire was designed to obtain information about consumer's preferred breakfast cereals and the measure item consist of usage of breakfast cereal, brand selection, and brand identity (local/foreign).The last section of questionnaire was adopted from Shimp and Sharma (1987) CETSCALE (Consumer Ethnocentrism Tendency Scale) was used to identify the consumer preference and consumer ethnocentric attributes. Total 10 questions about brand preferences and CETSACLE were asked from the respondents. Likert scale was used to gauge their view between 1 strongly disagree to 5 strongly agree. Data was collected through questionnaire so reliability test was used to check the questionnaire's reliability. Furthermore, regression and correlation were used to analyze the data and concluded the results.

Analysis and Discussion

A total of 253 working questionnaires were gained from the survey. Male respondents make up 49.5% (n=126) of total population while remaining 50.5% (n=127) respondents were females. Most of the respondents was married 77.8% (n=197) and remaining were single 22.1% (n=56). The age group of most respondents was above 30 years 33.9% (n=86), while age group 26-30 were 32.8% (n=83), 21-25 was 24.9% (n=63) and remaining age group 15-20 were 8.3% (n=21). Ethnically most of the respondents completed this survey are Punjabi 66% (n=167), and 20.5% (n=52) was Kashmiri, while remaining were Pathan 5.9% (n=15), Balochi 4.7% (n=12) and Sindhi 2.7% (n=7). While this survey taken in the urban population of Islamabad and Rawalpindi so most of the respondents were university graduate 59.6% (n=151), and undergraduate ratio is 34.3% (n=87) and only 5.9% (n=15) have other education. Due to urban characteristic half of the population belongs to public sector 50.1% (n=127), and 39.9% (n=101) were private sector employees, while remaining 4.3% (n=11) student, and 5.5% (n=14) were self-employed. In respect to monthly household income most of respondent's income 43.86% (n=111) were less than PKR 50,000/-, while more than PKR 50,000/- were 42.29% (n=107) and remaining have 13.83% (n=35) less than PKR 25,000/- monthly income.

In second section of the survey identify that total sample size of 253 respondent's use breakfast cereals and they prefer mostly local brands Fauji 57.32% (n=145), Kisan 7.90% (n=20), and remaining Nestlé's 25.69% (n=65) and Kellogg's 9.09% (n=23). So mostly respondents preferred local brand products 65.22% (n=165) and remaining 34.78% (n=88) prefer foreign brand products.

For conducting the research the adapted questionnaire was used. To operationalize the questionnaire the alpha was checked. There are three variables in the study and each has 10 questions. They all showed the reliability by having the values above 0.707 which is the standard of reliability (Carmines and Zeller, 1997). The consumer Ethnocentrism has the alpha value is calculated 0.722, local brand preference has 0.805 and foreign brand preference has the alpha reliability of 0.858 respectively. This reliability values shows the operationalization of the questionnaire adapted for this study in Pakistan showing the scale is highly reliable.

The correlation analysis was used to measure the relationship between consumer preferences regarding local and foreign brands. The results are mentioned in below table 1.

Correlations

		CE	LBP	FBP
CE	Pearson Correlation	1	.280**	.513**
	Sig. (2-tailed)		.000	.000
	N	253	253	253
LBP	Pearson Correlation	.280**	1	.350**
	Sig. (2-tailed)	.000		.000
	N	253	253	253
FBP	Pearson Correlation	.513**	.350**	1
	Sig. (2-tailed)	.000	.000	
	N	253	253	253

**. Correlation is significant at the 0.01 level (2-tailed).

The results of the research show that respondents of the study comprise those whose consumer ethnocentrism of local brand preference as well as foreign brand preference. They both get affected by the consumer ethnocentrism as having significant correlation values. All the values are statistically significant as above then 0.01. Furthermore, the high values of correlation depicting the high level of relationship among the consumer Ethnocentrism and LBP (local brand preferences) and FBP (Foreign Brand Preference). The values also showing the when the consumer selected the products the ethnocentrism effect it and this results can be generalize to all the population being significant relationship detected.
To check the hypothesized path regression was run once between the CE (consumer ethnocentrism) and LBP and second time with FBP. The two hypotheses were checked as a result. The table 2 showing the results of the first hypothesis that CE influenced the LBP.

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.760	.411		4.280	.000
	CE	.533	.115	.280	4.627	.000

a. Dependent Variable: LBP

According to the findings LBP have an affirmative and major relationship with the CE having the values of (β=.533, t=4.627, p=.000, R^2=0.079). This results lead towards the acceptance of the H1 hypothesis hence H1 accepted. This explains that consumer while purchasing the product get influenced by the CE and purchased the LB. the reason varied among the countries and regions. The attraction is due to nationality and also because of having more economical prices; the results supported the study of the Okechuku (1994) who also found that domestic brand purchased is influenced by CE.

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.610	.444		-1.372	.171
	CE	1.177	.124	.513	9.458	.000

a. Dependent Variable: FBP

The above table 3 showing the results of the CE influenced on the FBP (Foreign Brand Preference), the relationship checked in the H2. The FBP have a negative and significant relationship with the CE having the values of (β=.513, t=9.458, p=.000, R^2=0.263). This concluded that there is negative relation between the CE and the FBP therefore H2 is also acknowledged. The reason of selecting the imported brand is the quality being assisted with it. Secondly the availability of information also makes the customer to attract towards the imported brands represented latest technology. The free trade in the foreign village also facilitates the foreign products to offer the competitive prices.

Conclusion

The world is become a foreign village due to the accessibility and the environment has been changed to a extend that effected the consumer buying behavior and attitude. The consumer ethnocentrism is in the concept in the minds today for evaluating the consumer attitude. In the above study, the attitude of Pakistanis were studied and their tendencies toward the CE while product selection were evaluated. The study was conducted in the region of Islamabad and Rawalpindi.
Most of the respondents were qualified and salaried persons having earnings therefore results are considered quite natural. The general response of the public was that they do not pay attention while shopping that whether they are purchasing local or foreign brand. While other respond as they prefer local brands more except the high salaried class.
The basic factors that made the consumer to prefer the local brand is their economical and affordable prices. The other reasons included the easy availability of the local brands and their awareness regarding their features. The people do not bother or valued the sense of prestige while preferring local or domestic brand.

The reasons of preferring the foreign brand is mostly due to the perception of high quality associated with the foreign brand and second one is preferring the foreign product is related with the high status. The FB offering the competitive prices with the LB which attracts the consumer as well. However, the results also showing positive relationship between the LBP and the CE as respondents prefer the local brand also due to the attachment with the country. There is negative and significant relationship between the preference of the FBP and the CE basically due to the after effects of the 9/11 in Pakistan and drone attacks.

Mainly, CE has been chiefly seen in the consumers who preferred LB over FB. The finding is also supported by Okechuku (1994) who also concluded that nationalism is one of the major motives behind selecting the local brand. On the other hand the results also showed that the consumer are negatively influenced by consumer ethnocentricity while preferring imported goods and they do not affect their purchasing and preferring behavior. Therefore, the customer in Pakistan get influenced by the features of the product and due to the perception of high quality preferred to buy this foreign product.

In this study ethnocentric behavior has been predicted while purchasing the local brands. This study also suggests that CE is occupied in customer mind while purchasing any local brand so marketing should focus on it as well. While preferring the foreign product they are not bounded by CE mainly due to the availability of information and attraction towards the new technology also drives them. So quality and price of the product is much important.

This research has numbers of limitations because the selected product category is single, sample size is less and geographically limited. These limitations removed by applying factor analysis to determine what are the core reasons and their importance while selecting the products. The aim of this empirical research is to examine CE in respect to LBP and FBP, while future research might be to identify the CE effect on demographic profiles and their impact on the purchasing motive on local and foreign brands preferences.

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