THE EFFECT OF CONSUMER ETHNOCENTRISM ON PERCEIVED DOMESTIC PRODUCT QUALITY AND PURCHASE INTENTIONS AMONG YOUNG CONSUMERS IN JAKARTA, INDONESIA

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ABSTRACT

The purpose of this study is to investigate the effects of consumer ethnocentrism on perceived domestic product quality, the effects of consumer ethnocentrism on domestic product purchase intentions, and the effects of perceived domestic product quality on domestic product purchase intentions especially in Indonesia domestic market. The measurement model is examined using a data set of 110 young customers in Jakarta, Capital of Indonesia, and tested via structural equation modeling and the study confirms all hypotheses.

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Keywords: Indonesia market, Young consumers, Consumer ethnocentrism, Product quality, Purchase intentions.

Contribution/ Originality

The paper's primary contribution is finding that consumer ethnocentrism among the young consumers in Jakarta, Indonesia has influence on perceived domestic product quality and purchase intentions.

1. INTRODUCTION

Today, Indonesia is to meet the ASEAN Economic Community 2015. To manifest a single market and production base making ASEAN and to manifest an ASEAN single market and production base that shall comprise five core elements as in ASEAN (2008), Indonesian domestic products and services, investments, capital and skilled-labours should ready to compete with other ASEAN countries and in global competition even in domestic market itself in Indonesia. It is great opportunity for Indonesia if Indonesian consumers itself have good perceived domestic product and domestic purchase intentions, because Indonesian market is not just in Indonesia as a big market, but also other ASEAN countries and out of ASEAN. But it will be threat for Indonesia if...
Indonesian consumers itself have not good perceived and purchase intentions for domestic product, but instead, they tend have perceived foreign product and purchase foreign product intentions.

In consumer ethnocentrism studies, perceived domestic product quality and purchase intentions is influenced by consumer ethnocentrism. Study of Parts and Vida (2013) confirmed that consumer ethnocentrism has a direct and positive effect on perceived domestic product quality and domestic product purchase intentions, and a direct and positive effect of perceived domestic product quality on domestic product purchase intentions. But WU Jianlin et al. (2010) said that previous researches about consumer ethnocentrism show that in developing countries, consumers tend to believe that products made by local producers are not as good as imported producers. So the ASEAN Economic Community 2015 will be both opportunity and threat for products or services and skilled labour of Indonesia.

Today, many Indonesian young consumers show their interest on many foreign cultural (Korean pop and drama), Korean or Japanese or Thai or Singaporean or Malaysian or Western foods, life styles and products. All of that influenced them through traveling and network tools, like cellular phone, blackberry, social media and Internet, TV program etc. It means that Indonesian products and labour should ready to compete in our own country. So will especially Indonesia domestic product and services and skilled-labours can get competitive advantage in domestic market it self? It is interesting question to be studied.

This study is to prove: (1) is there effect of consumer ethnocentrism on perceived domestic product quality and domestic product purchase intentions? And (2) is there effect of perceived domestic product quality on domestic product purchase intentions? If they are proven has positive and significant effects, so when be found high level of ethnocentrism among Indonesian consumers, the ASEAN Economic Community 2015 will be opportunity for Indonesian domestic product in the competition, especially in domestic market, but if be found low of ethnocentrism among Indonesia people, it will be threat for Indonesian domestic product in the regional and global competition.

2. LITERATURE REVIEW
2.1. The Effect of Consumer Ethnocentrism on Perceived Domestic Product Quality

Strehlau et al. (2012) said, “Consumer ethnocentrism is a very traditional theme in literature dealing with international management, especially in the marketing area.” Parts and Vida (2013) said, “The first signs of ethnocentrism in consumer behavior literature can be identified at the beginning of 1970s, but the conception was still totally socio-psychological” and CETSCALE instrument was developed by Shimp and Sharma (1987) to measure consumer ethnocentric tendencies.

Mooij (2004, in Strehlau et al., 2012) defines ethnocentrism as a preference for products and brands from ones own country to the products and brands of other countries. Matsumoto (1996, in Strehlau et al., 2012) defines the term as being the “tendency to see the world through ones own cultural filters.” Shimp and Sharma (1987) as in (Strehlau et al., 2012) defined “ethnocentrism as an individual tendency to see products manufactured domestically as being superior and as the
belief that it is not very patriotic and even immoral to buy foreign products because of the consequences that this generates for the economy and employment.”

In the definition of consumer ethnocentrism above can be seen logical thinking that consumer ethnocentrism has a significant influence on perceived domestic product quality. In consumer ethnocentrism studies, they put nationalism and patriotism as two of antecedents of consumer ethnocentrism. CETSCALE measurement scale that be developed by Shimp and Sharma (1987) also show that to save domestic jobs, nationalism, domestic economy growth etc. are several of construct variables of consumer ethnocentrism. So, Indonesian consumers who ethnocentric will say, “It is not right to purchase foreign products, because it puts Indonesian out of jobs.” They also will say, “A real Indonesian should always buy Indonesian-made products.” They will say, “We should purchase products manufactured in Indonesia instead of letting other countries get rich off us.” They will say, “Indonesian should not buy foreign products, because this hurts Indonesian business and causes unemployment.” And they will say, “Indonesian consumers who purchase products made in other countries are responsible for putting their fellow Indonesian out of work.” So consumer ethnocentrism will have significant and positively effect on perceived domestic product quality.

A number of studies find that consumer ethnocentrism has positive correlation on domestic product quality. Acharya and Elliott (2003) find that there are correlations between consumer ethnocentrism and perceived quality, and choice, of domestically assembled and designed products are positive. Hamin and Elliott (2006) find there is the relationship between consumer ethnocentrism and product quality perceptions for both tangible goods and intangible services in Indonesia. Huddleston et al. (2001) find that Polish consumers will perceive the product quality to be significantly different based on country of origin. WU Jianlin et al. (2010) do study and the data for this study were collected in Hefei city which locates in middle area of China and they find consumer ethnocentrism has a positive impact on the attitude toward domestic products. Parts and Vida (2013) find directly and positively effect of consumer ethnocentrism on domestic product quality. Huddleston et al. (2001) also find directly and positively effect of consumer ethnocentrism on Polish consumers’ perceptions of domestic product quality. Klein (2002) did study about how U.S. consumer views toward Japan and Japanese products and found directly and positively effect of consumer ethnocentrism on domestic product quality. Verlegh (2007) found directly and positively effect of consumer ethnocentrism on domestic product quality which be based on empirical studies conducted in Netherlands and in USA. Wong et al. (2008) find influence of consumer ethnocentrism on domestic product quality among young Chinese. Yelkur et al. (2006) also found directly and positively effect of consumer ethnocentrism on domestic product quality. Based above study can be formed the first of research hypothesis as the following:

H1= Consumer ethnocentrism has a direct and positive effect on domestic product quality.

2.2. The Effect of Consumer Ethnocentrism on Domestic Product Purchase Intentions

Consumer ethnocentrism is not just has effect on perceived product quality, but it will also influence product purchase intentions. If Indonesian consumers have strong ethnocentrism they will prefer to buy domestic product. But instead, if they have weak ethnocentrism, may be they will
prefer to buy foreign product because they think foreign product better than domestic product in quality.

Numbers of studies show that consumer ethnocentrism has positive and significant effect on domestic product purchase intentions. According to Parts and Vida (2013) the effect of consumer ethnocentrism on domestic product purchase intentions has been examined in various studies, namely by Funk et al. (2009), Good and Huddleston (1995), Güneren and Öztüren (2008), Huddleston et al. (2001), Saffu et al. (2010), Sharma et al. (1995), and Yelkur et al. (2006). According to Parts and Vida (2013) the positive and direct effect of ethnocentrism on domestic purchase intentions has been researched and confirmed by Güneren and Öztüren (2008), and Saffu et al. (2010), and Sharma et al. (1995). And Parts and Vida (2013) their selves find positive and direct effects of consumer ethnocentrism on domestic product purchase intentions.

Güneren and Öztüren (2008) investigate any variation in ethnocentric tendency levels of the consumers when their purchase intentions on the products from different countries of origin are considered and find highly ethnocentric respondents are most likely to purchase domestic products (Güneren and Öztüren, 2008). Saffu et al. (2010) collected data from 211 non-students at shopping malls in Banská Bystrica (non-student group) and from 209 students at the University of Matej Bela, Banská Bystrica (student group) in Slovakia and found significant influence the role of the government and industry in encouraging Slovakians to buy local products. The non student consumers to be less ethnocentric than the student group are found. The attitudinal statements of both groups toward Slovakian products are generally similar (Saffu et al., 2010). Hamin and Elliott (2006) find there is the relationship between consumer ethnocentrism and purchase intentions in Indonesia. Based above study can be formed the second of research hypothesis as the following:

H2= Consumer ethnocentrism is directly and positively related to domestic product purchase intentions.

2.3. The Effect of Perceived Domestic Product Quality on Domestic Product Purchase Intentions

Product quality has correlation with purchase intentions. Consumers will have purchase intentions without not to attention product quality. Good perceived product quality will encourage customers to buy it. So if Indonesian consumers see that domestic product is better in quality if it is compared with foreign products, they will have domestic product purchase intentions. But instead, if Indonesian consumers feel foreign product better than domestic product in quality, may be they will choose to buy foreign products.

According to Parts and Vida (2013) domestic product quality has been found to be a vital factor influencing domestic product purchase intentions in study by Hui and Zhou (2002) and Pecotich and Rosenthal (2001). Hui and Zhou (2002) find the effect of perceived product value on purchase intention (Hui and Zhou, 2002). Pecotich and Rosenthal (2001), as in Parts and Vida (2013) find that consumer ethnocentrism has effect on product quality evaluations. WU Jianlin et al. (2010) find a positive correlation between product attitude and purchase intention. Based above study can be formed the third of research hypothesis as the following:
H3= Perceived domestic product quality has a direct and positive effect on domestic product purchase intentions.

Three hypotheses above form this research model as the Figure 2.1.

3. METHOD
3.1. Research Setting Sample
This research design is quantitative. This study uses 110 samples from young consumers in Jakarta. This samples been taken from among students at two prestigious universitis in Jakarta. They are samples of potentially young consumers. It can be seen from their life style and buying behavior as young consumers from middle and high class.

3.2. Variables and their Measurement
The measurement scales that be used in this study are Consumer Ethnocentrism scale by Shimp and Sharma (1987) as in (Parts and Vida, 2013), and Domestic Product Quality scale by Klein et al. (1998) as in (Parts and Vida, 2013), and Domestic Product Purchase Intentions scale by Balabanis and Diamantopoulos (2004) as in (Parts and Vida, 2013). To measure this variable, I asked respondents to indicate their level of agreement using 7-point Likert-type scale, ranging from strongly disagree to strongly agree.

3.3. Validity and Reliability
This research adopted the 2-step approach for structural model equation modeling in which measurement model is first confirmed before a test on structural modeling is performed. The measurement properties of the measurement constructs were assessed by confirmatory factor analysis (CFA). Upon acceptance of the validity and reliability of the constructs, each construct was averaged from its indicators to form a single-indicator construct. The CFAs indicate acceptable levels of fit and significant loadings of all measurement items on their respective latent construct. In general, the results demonstrate adequate level of fit, and all items loading are greater than cut-off point of 0.40 suggested by Nunnaly and Bernstein (1994) as in (Leung et al., 2005). A set of goodness-of-fit indices GFI, AGFI, CFI, and TLI > 0.90, RMSEA between 0.05 to 0.08 and...
4. RESULTS AND DISCUSS

4.1. Confirmatory Factor Analysis (CFA): Measurement Model

The validity of each of the scales was tested with confirmatory factor analysis (CFA). The CFAs indicate acceptable levels of fit and significant loading of all measurement items on their respective latent construct. In general, the results demonstrate adequate levels of fit, and all item loadings are greater than the cut-off point of 0.40 suggested by Nunnaly and Bernstein (1994) as in (Leung et al., 2005) and Table 4.1. shows that all indicators has loading factors > 0.40.

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<tr>
<th>Table 4.1. Standardized Regression Weights</th>
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<tr>
<td>CE5  &lt;--- Consumer Ethnocentrism</td>
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<td>CE4  &lt;--- Consumer Ethnocentrism</td>
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<tr>
<td>CE3  &lt;--- Consumer Ethnocentrism</td>
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<td>CE2  &lt;--- Consumer Ethnocentrism</td>
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<tr>
<td>CE1  &lt;--- Consumer Ethnocentrism</td>
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<tr>
<td>PQ1  &lt;--- Domestic Product Quality</td>
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<td>PQ2  &lt;--- Domestic Product Quality</td>
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<td>PQ3  &lt;--- Domestic Product Quality</td>
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<tr>
<td>INT3 &lt;--- Domestic Product Purchase Intentions</td>
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<td>INT2 &lt;--- Domestic Product Purchase Intentions</td>
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<td>INT1 &lt;--- Domestic Product Purchase Intentions</td>
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The final measurement model included three latent constructs and 11 indicators used to measure them. According to Haryono and Wardoyo (2012) there is a tendency that Chi-Square value will always be significant. Therefore, if the value of Chi-Square significant then it is advisable to ignore it and look other goodness fit measurement. The fit statistics of the model indicate a very good fit to the data with RMSEA of 0.063 (between 0.05 to 0.08) and other indices well over 0.90 (GFI = 0.909, CFI = 0.939, TLI = 0.918) and CMIN/DF of 1.438 < 2. AGFI of 0.854 is marginal fit because it is > 0.80 and < 0.90.

4.2. Test of Hypotheses

The three hypotheses based on Figure 2.1 and the structural model was simultaneously tested using maximum likelihood estimation in AMOS 21. Consumer ethnocentrism was taken as an exogenous construct, perceived domestic product quality and domestic purchase intentions were taken as an endogenous constructs. The results offer support for the hypothesized model relationships. Hypotheses were tested using t-statistics from the structural model. And this study finds the positive and significantly effect of consumer ethnocentrism on domestic product quality with its value 58. It is showed on regression weights that the probability of getting a critical ratio as large as 3.659 in absolute value is less than 0.001. In other words, the regression weight for consumer ethnocentrism in the prediction of domestic product quality is significantly different from zero at the 0.001 level (two-tailed). This study also finds the positive and significantly effect of
consumer ethnocentrism on domestic purchase intentions with its value 65. It is showed on regression weights that the probability of getting a critical ratio as large as 3.204 in absolute value is 0.001. In other words, the regression weight for consumer ethnocentrism in the prediction of domestic purchase intentions is significantly different from zero at the 0.001 level (two-tailed). This study also finds the positive and significantly effect of domestic product quality on domestic purchase intentions with its value 54. It is showed on regression weights that the probability of getting a critical ratio as large as 2.179 in absolute value is 0.029. In other words, the regression weight for domestic product quality in the prediction of domestic purchase intentions is significantly different from zero at the 0.05 level (two-tailed). This findings show that all of three hypotheses is supported (see Regression Weights Table 4.2).

Table 4.2. Regression Weights: (Group number 1 - Default model)

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<th>Estimate</th>
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<tr>
<td>Domestic Product Quality</td>
<td>&lt;---</td>
<td>.581</td>
<td>.159</td>
<td>3.659</td>
</tr>
<tr>
<td>Domestic Product</td>
<td>&lt;---</td>
<td>.647</td>
<td>.202</td>
<td>3.204</td>
</tr>
<tr>
<td>Purchase Intentions</td>
<td>&lt;---</td>
<td>.539</td>
<td>.247</td>
<td>2.179</td>
</tr>
<tr>
<td>Domestic Product</td>
<td>&lt;---</td>
<td>.647</td>
<td>.202</td>
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<td>Purchase Intentions</td>
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This findings support Parts and Vida (2013), Huddleston et al. (2001), Klein (2002), Verlegh (2007), Wong et al. (2008), Yelkur et al. (2006) who found that consumer ethnocentrism has a direct and positive effect on domestic product quality. It is also support the research findings of Parts and Vida (2013) and Güneren and Özturen (2008) who found that consumer ethnocentrism is directly and positively related to domestic product purchase intentions. And it support Parts and Vida (2013) and Hui and Zhou (2002), and Pecotich and Rosenthal (2001) who found that domestic product quality has a direct and positive effect on domestic product purchase intentions.

Now how is level of ethnocentrism attitude of Indonesia consumers? Frequencies of Descriptive Statistics by SPSS show low level of consumer ethnocentrism of the respondents. Frequencies of first item of Consumer Ethnocentrism variables construct with apply Likert-scale ranging from 7- absolutely agree to 1 absolutely disagree show ranging 1 is 12 or 10.9 percent; ranging 2 is 37 or 33.6 percent; ranging 3 is 49 or 44.5 percent; ranging 4 is 8 or 7.3 percent; ranging 5 is 3 or 2.7 percent; and ranging 6 is 1 or .9 percent. It shows low agreement of the respondents on this statement: “Indonesians should not buy foreign products because this hurts Indonesian business and causes unemployment.” It shows low level of ethnocentrism of the young consumers.

Frequencies of second item of Consumer Ethnocentrism variables construct show that ranging 1 is 12 or 10.9 percent; ranging 2 is 45 or 40.9 percent; ranging 3 is 46 or 41.8 percent; ranging 4 is 5 or 4.5 percent; ranging 5 is 1 or .9 percent; and ranging 6 is 1 or .9 percent. It shows low agreement of the respondents on this statement: “Indonesian consumers who purchase products made in other countries are responsible for putting their fellow Indonesians out of work.” It also shows low level of ethnocentrism of the young consumers.
Frequencies of third item of Consumer Ethnocentrism variables construct show that ranging 1 is 10 or 9.1 percent; ranging 2 is 46 or 41.8 percent; ranging 3 is 44 or 40.0 percent; ranging 4 is 10 or 9.1 percent. It shows low agreement of the respondents on this statement: “A real Indonesian should always buy Indonesian-made products.” It also shows low level of ethnocentrism of the young consumers.

Frequencies of fourth item of Consumer Ethnocentrism variables construct show that ranging 1 is 24 or 21.8 percent; ranging 2 is 37 or 33.6 percent; ranging 3 is 38 or 34.5; ranging 4 is 10 or 9.1 percent; and ranging 5 is 1 or .9 percent. It shows low agreement of the respondents on this statement: “It is not right to purchase foreign products because it puts Indonesians out of jobs.” It shows low level of ethnocentrism of the young consumers.

Frequencies of fifth item of Consumer Ethnocentrism variables construct show that ranging 1 is 3 or 2.7 percent; ranging 2 is 53 or 48.2 percent; ranging 3 is 40 or 36.4 percent; ranging 4 is 13 or 11.8 percent; and ranging 6 is 1 or .9 percent. It shows low agreement of the respondents on this statement: “We should buy from foreign countries only those products that we cannot obtain within our own country.” It shows low level of ethnocentrism of the young consumers.

Frequencies of descriptive statistics also show low level of the respondents’ perception on domestic product quality. Frequencies of first item of Domestic Product Quality variables construct with apply Likert-scale ranging from 7- absolutely agree to 1 absolutely disagree show ranging 1 is 4 or 3.6 percent; ranging 2 is 40 or 36.4 percent; ranging 3 is 47 or 42.7 percent; ranging 4 is 18 or 16.4 percent; and ranging 5 is 1 or .9 percent. It shows low agreement of the respondents on this statement: “Domestic product quality is good.” Frequencies of second item of Domestic Product Quality variables construct show that ranging 1 is 7 or 6.4 percent; ranging 2 is 46 or 41.8 percent; ranging 3 is 47 or 42.7 percent; ranging 4 is 9 or 8.2 percent; and ranging 5 is 1 or .9 percent. It shows low agreement of the respondents on this statement: “Domestic product quality is reliable.”

Frequencies of third item of Domestic Product Quality variables construct show that ranging 1 is 4 or 3.6 percent; ranging 2 is 53 or 48.2 percent; ranging 3 is 40 or 36.4 percent; ranging 4 is 12 or 10.9 percent; and ranging 5 is 1 or .9 percent. It shows low agreement of the respondents on this statement: “Indonesians has ability to produce quality product.”

And frequencies of descriptive statistics also show low level of domestic product purchase intentions by the respondents. Frequencies of first item of Domestic Product Purchase Intentions variables construct with apply Likert-scale ranging from 7- absolutely agree to 1 absolutely disagree show ranging 1 is 8 or 7.3 percent; ranging 2 is 37 or 33.6 percent; ranging 3 is 46 or 41.8; ranging 4 is 18 or 16.4 percent; and ranging 5 is 1 or .9 percent. Frequencies of second item of Domestic Product Purchase Intentions variables construct show that ranging 1 is 2 or 1.8 percent; ranging 2 is 40 or 36.4 percent; ranging 3 is 54 or 49.1 percent; ranging 4 is 13 or 11.8 percent; and ranging 5 is 1 or .9 percent.

As a country that once colonized in a very long time, the experience was colonized for a long time has established a mental inferior who sees everything from foreign is better than domestic. Nature of the open culture of Indonesian society also led to absorb foreign culture through cultural interaction. The cultural interaction occurs through the medium of television, internet, movies etc and also because many young Indonesian who likes to travel abroad. Crisis of confidence in the
younger generation on the ability of government leaders to lead and ensure the rights of consumers allegedly also led to distrust them on domestic products quality and they trust that foreign products is better than domestic products in its quality.

When this findings show consumer ethnocentrism has positive effect on perceived domestic product quality and domestic product purchase intentions, so grow the spirit of nationalism and patriotism is a good things to be done by the leaders and policy makers in order to save Indonesian economy. As Alsughayir (2013) list conservatism, collectivism, patriotism, economic and political environment and dogmatism positively are consumer ethnocentrism antecedents.

5. CONCLUSION

These findings show low level consumer ethnocentrism among young people, low level of respondents’ perception on domestic product quality and low level of domestic product purchase intentions by respondents. So for Indonesia, ASEAN Economic Community 2015 beside can be opportunity, it is also can be threat for products or services and skilled labour of Indonesia itself. Especially these findings also support that consumer ethnocentrism has positive and significant effect on perception of domestic product quality and domestic product purchase intentions, and perception of domestic product quality has positive and significant effect on domestic product purchase intentions.

Limitation of this study is that the study doesn’t look for relation cosmopolitanism and perception of domestic and foreign product quality, relation cosmopolitanism and foreign product purchase behavior. They can be future study.

REFERENCES


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