



## INDIAN ONLINE CONSUMERS' PREFERENCE FOR DOMESTIC VERSUS FOREIGN PRODUCTS: STUDY OF THEIR ETHNOCENTRIC TENDENCIES

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### Abstract

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The policy of Globalisation, as adopted and promoted by most of the countries of the World has resulted in making this world to be more unified as well as fragmented, both at the same time. As a result of this Globalisation, there has been a considerable increase in the exposure of Indian consumers towards various foreign products and services. The attitude of consumers towards various foreign brands or products can develop either way viz. positive or negative, depending upon various internal and external factors viz. economic, social media influences, political or cultural, etc. In the present scenario, the easy access to the internet is further adding fuel to the fire of giving exposure and information about various foreign products to the Indian consumers especially, the children and the youth of India. The demographic profile consisting of youth, ever-increasing internet penetration, and comparatively better economic performance became the main drivers for the growth of e-commerce or online shopping in India. Presently, when the government has come forward to promote local products by bringing forth campaigns like 'Make in India' on one hand, and policies and framework for 100% FDI in B2B eCommerce & 100% FDI under automatic route for B2C e-commerce, it becomes very important to study the consumer ethnocentrism in the Indian online markets. There is a significant need for understanding various factors that guide the consumers in determining their choices or preferences among local/domestic products vs. foreign products available in the online markets. So, this paper explores the relationship between the ethnocentric tendencies of consumers and their attitude towards foreign products.

**Keywords:** Ethnocentrism, foreign products, domestic products, CET Scale, Brand Preference.

## **INTRODUCTION**

Until the late 1990s, the Indian government maintained a protectionist economic stance, refusing to open its retail sector to foreign direct investment. The FDI limit was imposed to protect the economy. India's unorganised retail sector makes for a significant portion of the country's GDP. In recent years, the Indian government has progressively opened up the economy. The government also stated that it has eased restrictions in the retail business by permitting up to 51% foreign direct investment (FDI) in single-brand stores. The year 2006 was dedicated to retail commerce (Iyer 2010). This massive influx of foreign goods into the US. The Indian market has resulted in a market that is a mix of domestic and foreign businesses fighting against one another.

International business is becoming increasingly vital in a globalised society, resulting in an expansion of foreign firms in developing countries. This competition is required to lessen the impact of FDI in emerging markets while also increasing the efficiency and productivity of domestic businesses.

When domestic enterprises are unable to compete with foreign firms, unemployment grows, discretionary spending diminishes, and new business opportunities decline. Consumer perceptions of domestic and international products are critical for domestic and international businesses to flourish in a competitive market (Netemeyer, Durvasula, and Lichtenstein 1991). To understand Indian customers' attitudes toward domestic and international goods, ethnocentric tendencies must be investigated. The goal of this study is to understand more about the antecedents of consumer ethnocentric tendencies (CET) and their influence on Indian consumers' sentiments toward local vs international products. The insights might aid both Indian and international merchants in developing effective Indian market strategies.

## **CONSUMER ETHNOCENTRISM**

The word 'ethnocentrism' has sociological roots, referring to people's universal desire to consider themselves as the centre of the world, rejecting those who are culturally distinct while welcoming those who are culturally similar without doubt (Booth 1979). In the context of consumer behaviour, ethnocentricity refers to a preference for native over imported goods.

Consumers' desire for local products arises from a love for their hometown and a fear of alien products gaining market share. Consumers that are ethnocentric tend to emphasise the good characteristics of native things while disregarding the negative aspects of international products, favouring home products even when foreign products are of superior quality (Shimp and Sharma 87). According to a study by Cleveland(2009), Ethnocentric shoppers may be

prepared to make financial sacrifices in order to support their country's culture and products by patronising local businesses.

According to surveys, consumers in developed nations such as the United States and Canada have a more favourable impression of home products than international products (Bilkey and Nes 1982; Dickerson 1982; Samiee 1994). Furthermore, ethnocentric consumers in industrialised nations think it is their job to support their country's economy and commerce by purchasing native goods (Shimp and Sharma 1987).

According to statistics, consumers in emerging nations prefer overseas items to those made in their home country (Sharma 2011). Customers in Hungary, for example, rated Western goods higher than native goods (Papadopoulos et.al 1990). Similar findings were observed by consumers in Poland and Russia (Ettenson 1993), Turkey (Erdogan and Uz Kurt 2010), and India (Erdogan and Uz Kurt 2010). Researchers like Batra et al. 2000 and Kinra (2006) attribute Indian shoppers' affinity for international brands to higher levels of quality, value, and complexity. The reasoning for these findings is that ethnocentrism takes a back seat when a product originates from a developed country. Customers assess items in this circumstance based on the positive image of the nation of origin (Yagci 2001). That is, even ethnocentric buyers in poor nations may favour imported goods if they feel the goods are linked with a more well-known country (Wang and Chen 2004).

According to these research, ethnocentric consumers in developing countries feel that imported goods are superior to domestic goods in certain areas, and hence prefer foreign-made items. If the results of the preceding research are correct for Indian internet customers, it will have a substantial impact on Indian manufacturers and the Indian economy, since both ethnocentric and non-ethnocentric Indian online consumers will favour foreign items over domestic goods. Until date, there has been very little research on the factors that drive ethnocentrism among Indian consumers, as well as its influence on views toward both native and international products/services. Previous studies looked at the effects of ethnocentrism on attitudes toward foreign products, but not the antecedents. In light of this, it's vital to understand (1) the origins of ethnocentrism among Indian customers, and (2) ethnocentric Indian consumers' views toward foreign and made in India products. It's also crucial to understand how transnational companies' assessments of the local economy impact attitudes toward foreign and domestic goods and services.

## HYPOTHESES DEVELOPMENT

Consumers' ethnocentric attitudes are the outcome of a variety of social, psychological, and demographic variables, according to Sharma, Shimp, and Shin (1995). In the year 1995, cultural openness, patriotism, conservatism, and collectivism/individualism are all mentioned. Age, gender, and income are among demographic parameters that have an impact. To comprehend CET, you must first comprehend the major characteristics (Shimp and Sharma 1987). The hypotheses are being developed to study the antecedents of ethnocentric tendencies among Indian internet customers and their influence on attitudes toward local and international items. These factors and their correlations are represented as follows(fig.1)

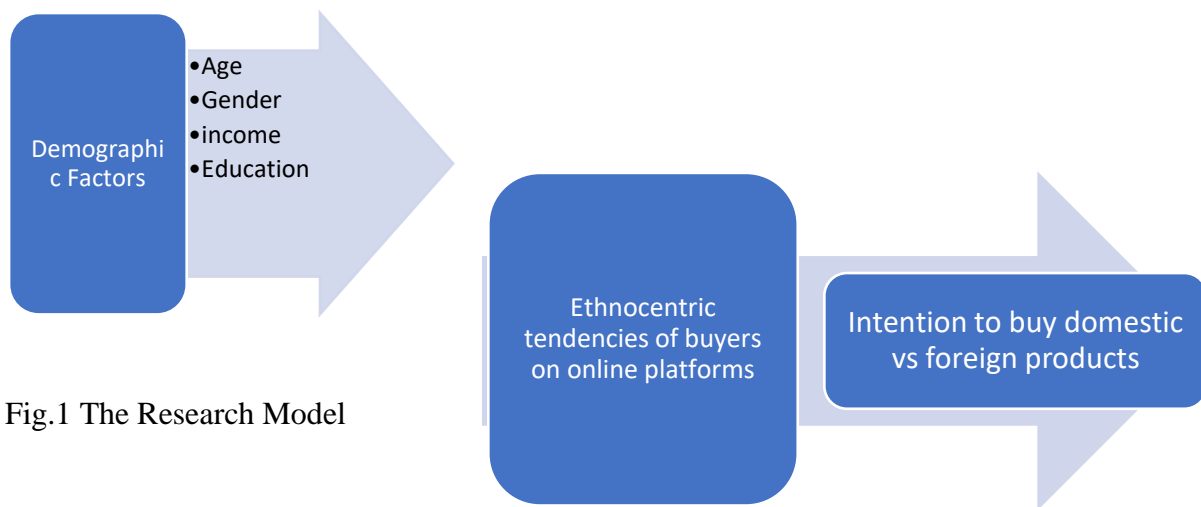


Fig.1 The Research Model

## DEMOGRAPHIC VARIABLES

### *Age and consumer ethnocentrism*

Studies by Schooler 1971; Tonberg 1972; Bannister and Saunders 1978 have shown that there is a link between age and positive attitudes about domestic items. Further studies by Shimp and Sharma, Han, McLain and Sternquist concluded that elderly individuals are more conservative and nationalistic than younger people, and as a result, have unfavourable attitudes of imports, lowering their propensity to purchase foreign brand products . Asper study done by Roy in the year 2000, Indian youth nowadays are more exposed to the latest trends and occurrences in the Western world via media such as television channels, movies, and the internet than the old people . Furthermore, unlike the elderly, the present youth of Indian society has not been exposed to the country's liberation fight.

*Thus,*

*H1: Elderly Indians are more ethnocentric than young Indian online shoppers.*

### *Gender and consumer ethnocentrism*

Previous researches by Bilkey and Nes 1982; Han 1988; Sharma, Shimp, and Shin 1995 have found gender differences in ethnocentricity. According to various studies, women have higher positive attitudes of household items than males. Women, according to common findings, are more traditional, patriotic, and collectivistic; all of these qualities, as well as a desire to preserve societal cohesion, contribute to ethnocentric attitudes.

Previously, Indian women were barred from working outside the house and subjected to a slew of other restrictions, while bearing primary responsibility for the family's well-being. Industrialization, Western influence, globalisation, and the Internet have all had an impact on the world today, despite the fact that conditions have changed. Despite the fact that more Indian women are entering the workforce, they are still expected to be the family's major earner. Batra et al. (2000), Nath (2000), and Vickers (2000) describe them as conservative, tradition-bound, and devoted to community cohesion.

*As a result,*

*H2: Ethnocentrism will be stronger among Indian females than among Indian males.*

*Education, Income Level and Consumer ethnocentrism*

Educated individuals, according to research done by Watson and Johnson 1972; Rose 1985; Ray 1990, are less likely to be conservative, endure ethnic prejudice, or be proud of their country, and are more likely to prefer imported goods over local ones. Further studies have found that people with a higher educational level are more likely to work in a well-paying job (Greene 2003), therefore it stands to reason that those with a better income will have a lower degree of patriotism. Due to their lower degree of ethnicity, customers with better education and money tend to assess international items more favourably than those created in India, according to several researchers like Wall and Heslop 1986; Sharma, Shimp, and Shin 1995. When India got independence in 1947, the literacy rate was barely 18% but it has climbed to 60 per cent by 2006. Since the year 2000, India's per capita income has nearly doubled (India's Per Capita Income 2009). India was ranked 90th in the world in terms of GDP per capita in 1975 but by 2004 it had risen to 58th place (Basu and Maertens 2007). These figures clearly show that the level of education and income of Indian customers is increasing. Because ethnocentrism is unfavourably connected with education and income, we expect comparable results from Indian customers.

Hence,

H3: Indian online consumers with less education are more ethnocentric than those with more education.

H4: Ethnocentrism will be higher among low-income Indian consumers than among high-income Indian consumers.

**METHODOLOGY**

*Research design and sample*

A Purposive sampling method was utilized to select respondents for this study. The scope of this study was confined to the North region of India. For the purpose of this study, a total sample of 400 was drawn from the most populated cities of the respective states (Punjab, Haryana, Himachal Pradesh, and Rajasthan) and Union Territories of North India (Jammu & Kashmir, Delhi and Chandigarh), as these cities are deemed to be well equipped with infrastructural facilities and have a good proportion of active internet users and thus, online shoppers. The demographic characteristics of data are depicted in Table 1.

*Measures*

Demographic information included age, gender, educational level, and household income.

**Table 1: Details of demographic antecedents' data.**

<b>Demographic antecedents</b>	<b>Segment</b>	<b>Percentage of Respondents</b>
Age	18–20	5.8
	21–25	14.3
	26–30	18.7
	31–35	14.6
	36–40	13.7
	41–45	13.3
	46–50	11.2
	51–55	5.5
	56–60	1.3
	61–65	1.3
Gender	>65	0.3
	Male	42.6
Income Level(Rs.)	Female	57.4
	Up to 10,000	10.4
	10,001–20,000	28.7
	20,001–30,000	23.7

	30,001–40,000	12.8
	40,001–50,000	10.2
	50,001–75,000	5.6
	75,001–100,000	6.1
	Above 100,000	2.4
Education Level	High school	18.3
	Graduation	40.7
	Post Graduation	27.2
	Ph.D	6.8
	Any Professional degree	7.0

The 17-item CETSCALE developed by Shimp and Sharma (1987) was used to measure consumers' ethnocentric tendencies toward purchasing foreign versus made in India products. CETSCALE has been examined for a number of western countries and goods, and it has been confirmed to have high levels of reliability, discriminant validity, nomological validity, and convergent validity ( Herche 1992; Sharma, Shimp, and Shin 1995; Klein, Ettenson, and Morris 1998). All items used in this study were measured using a Likert-type scale ranging from 1 (strongly disagree) to 5 (strongly agree). Sample items for the scales and their reliabilities have been displayed in Table 2.

#### *Data Analysis*

The effect of demographic variables (age, gender, education, and income) on CET was investigated using a one-way analysis of variance for hypotheses H1 to H4. The average CET score was determined, and ANOVA was used to see if the means of the groups within each demographic variable differed significantly.

### **RESULTS AND DISCUSSIONS**

There were no significant variations in consumer ethnocentrism across age and gender categories, according to the findings as per ANOVA test, thereby rejecting Hypotheses 1 and 2. H3 was shown to be true, indicating that there is a link between education and consumer ethnocentrism. A post hoc test found that individuals with a high school diploma had more ethnocentrism than those with a bachelor's degree, master's degree, doctoral degree, or professional degree. H4 was supported by the finding that customer ethnocentrism differed significantly among Indian consumers of various income levels. A post hoc test found that

ethnocentrism was highest among lowest income group consumers in contrast to those who have highest income. Further, ethnocentrism was lowest among middle-class Indian consumers. Table 3 displays the results of the ANOVA.

**Table 3. Results of ANOVA**

Demographic Antecedents	Consumer Ethnocentrism (mean score)	F-value	p-value	
Age(years)	18–20	3.402	0.993	n.s.
	21–25	3.3566		
	26–30	3.4394		
	31–35	3.3256		
	36–40	3.3631		
	41–45	3.4290		
	46–50	3.4532		
	51–55	3.5642		
	56–60	3.5313		
	61–65	3.6706		
>65	4.000			
Gender	Male	3.3847	0.143	n.s
	Female	3.4021		
Education	High-school	3.6172 <sup>a</sup>	6.854	0.00
	Bachelor’s degree	3.4011 <sup>b</sup>		
	Master’s degree	3.2854 <sup>b</sup>		
	Doctoral degree	3.2821 <sup>b</sup>		
	Professional degree	3.2857 <sup>b</sup>		
Income (Rs.)	10,000–30,000	3.5567 <sup>a</sup>	22.153	0.00
	30,001–75,000	3.2215 <sup>b</sup>		
	75,001 and above	3.3016 <sup>c</sup>		

Note: Means with different superscript letters are significantly different; n.s.- Non-Significant

**CONCLUSIONS AND IMPLICATIONS**

The impact of demographic antecedents on Consumer ethnocentrism and attitudes toward domestic and foreign products are explored in this research. Marketers' understanding of CET

and its antecedents will improve decision-making tactics as well as product positioning strategies for both international and Indian merchants in today's highly competitive Indian online market.

Because age and gender have no effect on ethnocentrism among Indian consumers, marketers may not need to adjust their methods for different age groups or gender groups. However, it's important to remember that Western values like freedom, ego, and self-expression are frequently used in advertising to Indian youth (Gokulsing and Dissanayake 2008). In addition, men are often portrayed as powerful and authoritative in Indian commercials, whereas women are involved in household duties (Das 2000). Because better education reduces ethnocentrism, Indian marketers must provide plenty of opportunity for these consumers to compare and evaluate the indigenous product against the foreign substitutes. The middle-class Indian customers were the least ethnocentric in terms of income. This could be owing to the fact that Indian middle-class consumers spend a large percentage of their discretionary money on lifestyle items like cell phones, cameras, and luxury clothing. Because this income level is less ethnocentric than the other income groups, overseas shops may benefit by focusing on this group. By carrying both native and foreign brands, Indian shops could connect to non-ethnocentric Indian online shoppers.

The current study has some limitations, and thus few recommendations for future research are made. Like, only a few constructs are used as antecedents to ethnocentrism in this study. Other variables including cultural openness, patriotism, collectivism, universalism, and empathy could be included as antecedents to ethnocentrism in future studies. Moreover, this research looks at customer sentiments about a selected product category in the emerging Indian online market. The impact of ethnocentrism on attitudes toward domestic and international products might be investigated for a broader range of products well as for other growing markets like China. Further, this is the first step of a research study, no ethnocentric vs non-ethnocentric consumers were segregated to detect distinctions between the two groups. Future research could construct a description of ethnocentric Indian online consumers to see how they vary from non-ethnocentric consumers. Fourth, as more global corporations enter the Indian market, an additional study to determine probable people's attitudes toward domestic and foreign products might be done to diagnose the product's success. Lastly, this research did not examine Indian customers' perceptions of a foreign product from a specific country. Future research could look into how Indian consumers feel about items from other countries in order to account for the country-of-origin effect.

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