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CUSTOMER ETHNOCENTRISM AND COUNTRY-OF-ORIGIN EFFECT AS FACTORS INFLUENCING CUSTOMERS' BUYING DECISIONS¹

Abstract

Research show that a lot of decisions which are being made by customers are not based on the rational attributes of the product but are influenced by customer's emotions. One of the reasons can be customer ethnocentrism – conviction about the propriety of buying local vs. foreign products. Polish companies could take advantage of this situation and emphasize it in their marketing offer.

Conducted studies show that the attitude to the product changes when the country-of-origin (COO) had been revealed to the customer. It proves that customers make their own estimation of different groups of products basing on COO. That is why deciding on the localization of place of production and origin of the stocks is becoming very important for the company. Nowadays, the geographical identification of the product is very difficult because of the globalization process. In most cases there are no products, which are completely domestic. But the companies can manipulate the customer perception connected with COO information – by their marketing activities.

Key words: customer ethnocentrism, country-of-origin effect, consumer behaviour, marketing, competitiveness

Introduction

The globalization of business enterprises has reached a point where it is sometimes difficult for consumers to determine with certainty the country of origin of the product. The accumulated research into the country-of-origin (COO) effect suggest that source-country effects on product evaluations vary with, among other factors:

- the technical complexity of the product,
- the degree of availability, familiarity, and perceived serviceability of foreign vs. domestic products,
- the beliefs held by consumers about the appropriateness of purchasing foreign-made products, i.e the degree of consumer ethnocentrism (Okechuku 1994).

Consumer ethnocentrism, a particular case of general ethnocentrism, is a powerful determinant of consumer preferences in terms of purchasing domestic and foreign products. Influenced by the consumer's positive and/or negative attitudes towards other countries and

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thus has an impact on consumer behavior and import purchases (Sharma et al., 1995). For example, societies with high consumer ethnocentrism are less favorable towards foreign products and consequently, less likely to purchase imported goods, even though they might be cheaper and/or of better quality than domestic products.

In this paper an attempt of evaluation of ethnocentric attitudes and COO effect of Polish young customers was taken on the example of a sample of students of University of Agriculture of Szczecin. This is the first step (a pilot study) of the research grant sponsored by the Polish Ministry of Education and Science.

Decision making by consumer

To make a decision about the product purchase, consumers use different cues and information. They can be divided into 2 groups - internal and external ones. Internal factors are the ones which are connected with physical attributes of a product, external ones are related to other product information such as brand, price, advertisement, word-of-mouth, country of origin.

The image customers associate with a given country-of-origin can be defined as “the picture, the reputation, the stereotypes that businesses and customers attach to products of a specific country” (Nagashima 1970). Country-related information or cues may be manifested in a variety of forms, the simplest one is the “made in” label. Other forms include the explicit inclusion of country information in brand name or implicit use of specific colors or marks in packaging.

The importance of the COO effect lies in its potential use by customers as an extrinsic cue in making purchase decisions.

COO can be divided into:

- country of parts (COP),
- country of assembly (COA),
- country of design (COD),
- country of manufacture (COM),
- country of brand (COB).

Consumers usually do not possess such detailed information so they are guided by their attitude to a country which name is on the label. However a lot of consumers do not read carefully the labels and they rely on the product's brand.

Researchers have identified customer characteristics such as ethnocentrism (Shimp, Sharma, 1987) and customer patriotism (Han 1988) that may explain why certain customers are more likely to be interested in knowing a product's country of origin. Shimp and Sharma found that ethnocentric customers were more likely to rate foreign products negatively and less willing to purchase imported goods. They developed the 17-item consumer ethnocentric tendency scale – CETSCALE – to measure the propensity of consumers to consider the morality of buying domestic instead of foreign products.

The summarization of the results of the research studying correlation between consumer ethnocentrism and demographical attributes are presented in table 1.

Table 1. Correlation between customer ethnocentrism and demographical attributes

Factor	Relationship	Authors
age	positive correlation	Han 1989, Rachocka 2001, Falkowski, Roźnowski, Witkowski, 1996, Wall 1988, Good, Huddleston 1995
sex	positive correlation - women	Han 1988, Good, Huddleston 1995
	positive correlation - men	Dornoff 1974, Wand 1978
	no correlation	Rachocka 2001, McLain, Sternquist 1991
education	negative correlation	Ray 1991, Rachocka 2001, Falkowski, Roźnowski, Witkowski, 1996, Anderson, Cunningham 1972, Dornoff 1974, Schooler 1971, Wall, Heslop 1986, Wang 1978, McLain, Sternquist 1991, Good, Huddleston 1995, Caruana, Magri 1996
	no correlation	Han 1988
income	negative correlation	Ray 1991, Rachocka 2001, Falkowski, Roźnowski, Witkowski, 1996, Wang 1978, Wall 1990, Good, Huddleston 1995
	no correlation	Han 1988, McLain, Sternquist 1991
city size	negative correlation	Falkowski, Roźnowski, Witkowski, 1996

Source: Own elaboration based on mentioned literature.

Gaining the competitive market

Big foreign companies have already realized that through right branding of their products they can influence the customers' choices. And due to their experience on the competitive markets and their marketing research, they found out that one of the trends present in Poland is customer ethnocentrism. Entering the Polish market, they have chosen a strategy of buying domestic brands and using them for their products. Many foreign companies have bought Polish brands when they started to be active in Poland - to keep in with Polish consumers. They have also realized that manufacturing products in the country in which they are sold not only provides closer access to the market, but also allows multinational manufactures to "blur the boundaries" regarding a potentially sensitive country-of-origin issue among highly ethnocentric customers.

Identifying a product's country of origin has become more difficult as more and more steps of the value chain are performed in different countries. The same problem is with the product's brand – which in a lot of cases is the Polish one, but the company behind it – is not. The question is whether the product which is being produced by a foreign company but in Poland, using Polish resources, made by Polish workers, sold under Polish brand – is the Polish one? It could be decided that it is, but looking at the company's nationality and the fact that the profit goes out to another country, the question could be difficult to answer.

Research show that the attitude to the product changes when the country-of-origin has been revealed to the customer (Gaedeke 1973). It proves that customers make their own estimation of different groups of products basing on COO. That is why deciding on the localization of place of production and origin of the stocks is becoming very important for the company. Another important thing is the knowledge about the stereotypes connected with par-

ticular countries and customers attitudes connected with them. In the situation where the product localization has been placed in the leading country, the company gains positive effect of COO but it is also connected with higher production costs.

COO effect and customer ethnocentrism have particular consequences for export/import companies. These tendencies are connected with stereotypes of the countries images – they depend on political and economical situation of the country, history, tradition, level of industrialization etc. (Figiel 2004).

Polish vs. foreign products

Market model of economy is not present in Poland for a very long time yet. Former closure of the market for the goods from abroad created the conviction about higher quality of imported goods. Nowadays people do not perceive big differences in the products quality between domestic vs. foreign products, especially when it comes to food products. Less and less people consider foreign products better than their domestic equivalents. Consumers also tend to search for information on origin of products.

In recent years Polish consumers have begun to buy local brands. This is partly because home produced goods have improved vastly in quality, and also because they want to put the “Made in Poland” label on the European market map. However a lot of consumers do not read carefully the labels and they rely on the product’s brand. When it is the Polish traditional brand, or when it sounds like Polish, they believe they buy domestic product.

Research conducted by SMG/KRC company showed that Polish customers declare the willingness and efforts to buy Polish products (65%) (Maison 2004). It depends on the age of customer: elder people prefer Polish products, young ones – foreign products. This declaration turned out to be very general. When respondents were asking about specific product categories – they declared the willingness to buy foreign brands (over 50%) – especially when it comes to clothes, cars, electronics, sport equipment. 84% of Polish customers declared that Polish citizens should buy local products because in this way they support Polish economy – this is called the ideological customer ethnocentrism. 61% claimed that it is often difficult to state if the brand is the local one, and which is foreign. This result is coherent with observations from other countries, that such important for customer information as country of origin is not always easy to identify. 75% of respondents claimed also that Polish products are as good as the foreign ones.

The study was conducted on young consumers, students at age of 23-24 years old. Other research showed that younger consumers under age of 25, and older consumers over the age of 45 tended to be more ethnocentric than those between the ages of 25 and 45 (Imbert et al. 2003).

The participants of the study were answering questions connected with 131 brands present on Polish market. 84 of them (64%) were brands completely of the foreign origin; 47 of them (36%) – were of Polish origin. Polish origin of the product was defined as the one connected with the brand which is being offered by the Polish company. The main brands of the products were: food, beverages, alcohol, shoes, clothes, cosmetics, chemical household products.

On this stage of the study, the main problem was whether consumers can define COO of the brands chosen to the study, as well as whether they know the product category under each brand.

49% of respondents has defined correctly COO of the brands, 79% has also defined in the right way the category of the product. It shows that the knowledge of brands is quite good but consumers had some problems with defining the nationality of the products what - as mentioned before – is caused by the marketing activities of the companies with naming the prod-

ucts. In 44% of foreign brands the correct answers were given, and 57% of domestic brands had been identified by the respondents correctly.

The results show that the marketing activities of the foreign companies give results – respondents believe that most of the Polish-sound brands are Polish products, foreign-sound brands are very often identified as coming from other countries (Wittchen – leather products; 90% of respondents identified as foreign product). More detailed data is presented in table 2.

Table 2. Product nationality perception / knowledge

The best known Polish products		The worst known Polish products	
Ludwik (diswashing liquid)	100%	Nowakowski (bread)	0%
Żołądkowa (vodka), Goplana (sweets)	97%	Profi (meat pie)	5%
Kucharek (spices), Kolastyna (cosmetics), Jutrzenka (sweets)	95%	Buwi (shoe polish)	15%
Żytnia (vodka)	92%	Galeo (spices)	17%
Hoop (beverages)	90%		
Garden (beverages), Bella (hygenic products)	80%		
The best known Polish products (which used to be Polish)		The best known Polish products (which have never been Polish)	
Wawel (sweets), Nałęczowianka (mineral water), Mieszko (sweets), Wyborowa (vodka)	100%	Jan Niezbędny (household products), Kropla Beskidu (mineral water), Harnaś (beer)	97%
Tyskie (beer), Żywiec Zdrój (mineral water)	97%		
Żywiec (beer)	95%		

Source: Own studies.

Consumers were confused by the product branding and often were quoting Polish origin in case of the products which - from the long time - belong to international manufacturers. Only 11% of the foreign brands that used to be Polish or sound Polish were recognized correctly. It was 25% of all foreign products in the study.

Respondents had a better knowledge about Polish products which have foreign-sound brands – 36% of these kind of brands were identified correctly. It was 63% of all Polish products in the survey. Such strategy in product branding is especially present on the clothes and shoes market – Polish companies behind foreign-sound brands are Gino Rossi, Reserved, Cropp Town, Top Secret and many others.

Respondents were also asked about the main factors, which influences their final purchase decisions. For the young consumers the most important information was quality (57%) and price (37%) of the good. Brand of the product was important to respondents especially in the case of electronic goods (37%) and clothes (22%). Country of origin turned out to be one of the next factors to be considered when making purchase decision.

Respondents seemed to be little ethnocentric in their buying patterns. Only 20% of the declared that they would choose Polish product in case of making decision between two very

similar products – domestic vs. foreign one. For half of them (53%) the country of origin would not matter, and 27% would choose product of foreign origin. However their ethnocentric attitude will be verified in more details in the next phase of the study, using CETSCALE and IAT method. The first tool measures customer's conscious preference connected with buying local vs. foreign products. The second tool will help to find more information about unconscious preferences of the respondents in their buying habits and decisions. IAT method is becoming more popular nowadays, because many researchers come to a conclusion that customer is not a rational person, but very emotional one and many of his decisions are not based on rational reasoning.

Ethnocentric orientation in Poland is growing together with the economy development and society fear of threats from the side of imported goods. That is why the customer ethnocentrism and country-of-origin effect can become a serious problem for Polish foreign trade.

Summary

A few years ago Polish producers more often used brands which suggested foreign origin of goods. Today they try to stress national and regional character of products, mainly food. In other brands, e.g. clothes, this tendency is not present yet. Polish products are covered under foreign-sound brands such as Gino Rossi (shoes), Wittchen (leather goods), Reserved, House, (clothes). Brands perceived by respondents as Polish ones are in the possession of foreign manufactures from the long time – Wedel (Cadbury), Winiary (Knorr), Bakoma (Danone), Żywiec (Heineken).

Consumer ethnocentrism is usually positively correlated with the age of customers. That is why only every fifth respondent declared the willingness to buy Polish product in the situation where he could choose between local and foreign one. It is important to underline that this is only the declaration of decision, which does not have to end up with the action. Still many other factors influence customer's decision, and in Poland one of the most important is the price.

The international trade is becoming nowadays the central part of world economy, thus it has been marked that the necessity of doing research of customer attitudes connected with purchasing domestic/foreign products is very high. The conducted study showed that the perception of the brand is becoming more and more important for making decisions by the consumers. Producers try to stress national character of the products – according to the rule “think globally, act locally”. Such a tendency will probably continue.

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