

# **Chilean Consumers Ethnocentrism Factors and Their Perception Regarding Foreign Countries Products**

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*Consumers are connected with a myriad of products and services from all over the world. The advent of ever changing and rapid communication has given consumers far more knowledge about products than any time in history. The consequence of this information availability allows the consumer to examine the product's country-of- images more closely. As such, their information and perceptions about the country and product affects consumer behavior and is a major concern of marketers. The goal of this paper is to present the results of a study that was conducted to analyze the perceptions of Chilean consumers regarding product's country-of-origin images and to design and test ethnocentrism model. Data for the study was collected through self-survey in three major cities located in Chile, South America. The results point out that these findings provide some implications to domestic and international marketers who currently operate in or are planning to enter into the Chilean market in the near future.*

## **INTRODUCTION**

As trade liberalization continues, the global markets are expanding because significant progress has been made in communication, transportation technologies, and other facilitating factors (Abdul et al., 2002). International markets now present great opportunities for consumers to choose products from a broad range of offerings. The vast array of imported goods available for sale is intensifying the competition in the domestic markets. The existence of a larger worldwide market means that customers in these markets are selecting more foreign branded products than in the past (Abdul et al., 2002). As a result, marketers are now interested in understanding what elements affect consumer's assessment and choice of imported goods.

The major transformation in the Latin American business environment, in particular in Chile, is primarily due to its own internal political stability and globalization. Companies competing in this region are responding not only to new trends in technology but also to the influence of fundamental changes that have and are transforming the social and economic structure of Latin America (Robles et al., 2003). While the nuclear family continues to be the focus of consumption, it is changing rapidly. Frequently, families are smaller, more urban and multigenerational (Robles et al., 2003). Their members are working more and earning equal or less income. However, inequity of income continues unchanged.

Additionally, the Latin American population is aging. It is reported that by 2015, Latin markets will look a lot like those of the developed world (The World Fact Book, 2010). Reaching Latin American

consumers in these uncertain times will require firms to deliver the right market value. This challenge will require firms to find a value proposition that corresponds to the diversity of consumption strategies that now exist in Latin America. The greatest value/price may depend on the firm's intended market segment (Robles, 2003).

Chile is one country in Latin America that has been an active participant in the globalization process. Similar to consumers throughout the world, the Chilean people are required to make purchase decisions almost every day (Arnould, et al 2004). As globalization of markets continues to serve as a business strategy among business firms, managers need to understand the components and dynamics of buying decisions among different cultures. Included in this process is a focus on consumers issues such as life styles, ethnocentrism and market segmentation. Entering international markets has been not only the focus of multinational corporations (MNCs), but also an approach of small and medium size businesses as well.

The aim of this study is to examine the role of ethnocentrism and COO perceptions on consumer buying behaviors for Chilean consumers. The present study's emphasis is intended to provide marketers with a point of departure for understanding specific buyer characteristics and buying orientations: (1) the ethnocentric characteristics (patriotism, protectionism and social economic conservatism of Chilean buyers (2) the relationship between Chilean COO perceptions, patriotism and social economic conservatism and (3) to determine the underlying dimensions of ethnocentrism construct with different countries. As such, understanding Chilean consumer ethnocentric perceptions of foreign products is the main focus of this paper.

This manuscript is composed of five sections. The first two sections present an introduction and review of the essence of consumer ethnocentrism, social economic conservatism, protectionism, patriotism and foreign product perception. Section three explains the research methodology and section four and five provide a presentation of analysis, discussion and conclusion of the findings.

## **LITERATURE REVIEW ON CONSUMER ETHNOCENTRISM, PATRIOTISM, PROTECTIONISM SOCIAL ECONOMIC CONSERVATISM AND FOREIGN PRODUCT PERCEPTIONS**

Over the last four decades, the country-of-origin (COO) concept has been studied, discussed and evaluated as an important dimension in understanding how consumers purchase products and how companies market products in foreign countries. The effects of a product's country-of-origin on buyers' perceptions and evaluations have been one of the most widely studied phenomena in the international business, marketing and consumer behavior literature (Tan and Farley, 1987; Papadopoulos and Heslop, 1993). Studies have found that consumers have significantly different country images or general perceptions about products made in different countries (Bilkey and Nes, 1982; Kaynak and Kara, 2000; Roth and Romero, 1992). As the manufacture of products and the quest for consumers become increasingly global activities, international marketing research becomes much more important. The COO idea reflects the global marketplace's increasing complexity. The real question is why does COO influence purchase decisions? Some have noted that product category, knowledge of a particular country and patriotism are major factors affecting the purchase decisions (Roth and Romero, 1992).

The concept of country-of-origin (COO) focuses consumers' perception of products on the stereotypical notion of "made in" another land. Country-of-origin is a concept, which states that people attach a stereotypical "made in" perception to products from specific countries, and this influences purchase and consumption behaviors in multi-national markets. In addition, the concept encompasses perceptions of a sourcing country's economic, political, and cultural characteristics, as well as specific product image perceptions (Parameswaran and Pisharodi, 1994). This perception influences the purchase and consumption in multi-national markets (Kucukemiroglu, 1999). In several studies conducted by Gaedecke, 1973; Nagashima, 1970; Reiersen, 1966, they found that when using COO as an indicator of product quality, consumers perceived domestic products as superior to foreign products. Other researchers have indicated significant COO effects on perceived quality, product attitude and purchase intentions

(Thorelli et al, 1989). Over the last thirty years, the effects of a product's country-of-origin on buyer perceptions and evaluations have been one of the most widely studied phenomena in the international business, marketing and consumer behavior literature. Statistically significant COO effects have been documented across countries for a variety of industrial and consumer product categories (Peterson and Jolibert, 1995). Research conducted during this period has concluded that consumers develop stereotyped images of countries and/or their products. These images are frequently used as extrinsic cues in the product decision-making process (Bilkey and Nes, 1982, Lin and Sternquist, 1994; Parameswaran and Yaprak, 1987). In Morello's work (1984), relationships were found between attitudes towards a country and their products. These attitudes are important in predicting consumer behavior (Morello, 1984). As consumers are constantly confronted with a wide variety of product information presented by packaging, branding, advertising and other channels (Verlegh and Steenkamp, 1999) they use this information to form preferences and purchase decisions that elicit emotion, feelings, imagery and fantasies. Research has mainly studied the use of country-of-origin as a cognitive cue or informational stimulus about or relating to a product that is used by consumers to infer beliefs regarding product attributes such as quality (Bilkey and Nes, 1982; Steenkamp, 1990). Purchase intentions represent not only a tradeoff between consumer needs and product features, but also incorporate several external influences of which budget constraints are the most important. Consumers may like the product but simply cannot afford it (Verlegh and Steenkamp, 1999).

The fact that a product's origin matters to consumers has significant strategic implications for firms engaged in both domestic and international businesses. Findings from product country image (PCI) studies can provide information to firms exporting products, manufacturing abroad, and/or competing in their home markets against foreign companies. The relevance of country-of-origin research becomes even more salient when one considers the increasing trend toward free trade and the high pace at which national economies are turning global. The numerous practical and theoretical implications of country-of-origin research have made it one of the most fruitful areas in marketing with numerous studies published in the last four decades.

Past research has demonstrated that the consumer tends to regard products that are made in a given country with consistently positive or negative attitudes (Bilkey and Nes, 1982). These origin biases seem to exist for products in general, for specific products, and for both end-users and industrial buyers alike (Bilkey and Nes, 1982; and Dzever and Quester, 1999). In addition, origin biases have been found both for developed and less developed countries (Nes and Bilkey, 1993). Overall, products from developing countries are perceived to be riskier and of lower quality than products made in more developed countries (Laroche, Papadopoulos, Heslop, and Mourali, 2005).

Historical studies examining the role of product origin in consumer evaluations have generally portrayed country images as a means that people use to infer the quality of unfamiliar foreign products (Bilkey and Nes, 1982). The reasoning is that when consumers have little knowledge about a foreign product's attributes, they are likely to use indirect evidence, such as country-of-origin, to evaluate products and brands and make inferences regarding the quality of their attributes. Johansson et al (1985) demonstrated that country image does affect the evaluation of product attributes, but not the overall evaluation of products. Erickson et al (1984) reported that country image impacts consumers' evaluation of specific attributes rather than their overall evaluation of the product. These ideas lead us to think about how ethnocentrism may have an affect on how consumers make product choice decisions.

#### *Ethnocentrism*

The idea of ethnocentrism represents the predisposition of people to regard their own group as superior and discard people who are culturally different (Booth 1979, Worche1, and Cooper 1979). Symbols and values of one's own ethnicity or nationality develop into objects of pride and attachment whereas symbols of other groups may become objects of disdain (Levine and Campbell, 1972). The idea of consumer ethnocentrism is used to signify beliefs held by a consumer about the correctness and morality of purchasing a particular product or service. The ethnocentric consumer perspective is that purchasing imported products is wrong because they assume it hurts the domestic economy, causes the loss of jobs and is unpatriotic (Shimp and Sharma 1987). Consumer ethnocentrism (CE) gives the

individual a sense of identity or feelings of belonging. It relates to the understanding of what purchase behavior is acceptable or unacceptable within the group. The CETSCALE is designed to measure consumers' ethnocentric tendencies relative to purchasing foreign versus domestic made products (Shimp and Sharma 1987). The CETSCALE can be used in two ways: a.) as an explanatory variable in experimental designs in which the effects of a product's country-of-origin is controlled; or b.) as an explanatory variable together with psychographic and demographic variables of consumer behavior (Luque-Martinez, Ibanez-Zapata, and del Barrio-Garcia, 2000).

Ethnocentrism is distinctly related to a person's identity formation. Kim, Kim, and Choe (2006) investigated an individual's identity's association to ethnocentrism as it correlates with multicultural issues. They found that Koreans were more ethnocentric when compared to Japanese and native English speakers. Koreans also achieve the highest score in identity measurement. As such, ethnocentrism has a major affect on the perspectives of different types of people from different cultures. Consumer ethnocentrism is also an influential concept that is strongly related to the level of cultural openness, worldliness, in addition to the changing pattern of patriotism, conservatism and nationalism (Rawwas, Rajendran, and Wuehrer 1996; Sharma, Shimp, and Shin 1995). This is illustrated when we look at Japanese consumers who evaluate products that originate in the home country (versus foreign country) more favorably regardless of product superiority while consumers in the United States evaluate the product that originates in the home country more favorably only when the product is superior to competition (Gurhan-Canli and Maheswaran 2000). The American consumer ethnocentrism changed dramatically after "911" and proof is demonstrated in the fact that nationalism and internationalism became the most important predictors of consumer ethnocentrism (Lee, Hong, and Lee 2003).

Research carried out in developing countries points out that the effect of ethnocentrism is connected to other factors, as the levels of socio-economic and technological development of the country-of-origin and lifestyle dimensions of the home country (Kaynak and Kara 2001). Reardon et al (2005) investigated how ethnocentrism and economic development within transitional economies (Kazakhstan, in the early stages and Slovenia, highly advanced) affect the formation of brand attitudes and attitudes toward advertisements. The results show that ethnocentricity does result in negative advertisement effect, but the effect of ethnocentrism is stronger in a newly transitioning economy than in a more developed economy. In addition, in developing economies, imported brands are frequently distinguished from local brands by price levels. Recent research has discovered that the level of influence of consumer ethnocentrism on consumer preference differ depending on the country-of-origin and the specific product category (Balabanis and Diamantopoulos 2004). From another perspective, ethnocentrism helps in constructing and maintaining one's cultural identity (Chen and Starosta, 2004). Studies have also shown that ethnocentrism can be mediated by a culture. Lin, Rancer, and Trimbilas's (2005) research found that Romanian students were more ethnocentric than American students. While it helps with cultural identity, ethnocentrism can lead to misunderstandings (Neuliep and McCroskey, 1997) and reduced levels of intercultural-willingness-to-communicate (Lin and Rancer, 2003).

Other studies employing the CETSCALE with non-US samples were completed in Russia and Poland (Good and Huddleston, 1995 and Supphellen and Rittenburg, 2001), China (Klein, Ettenson, & Morris, 1998), the Netherlands (Ruyter, Birgelen, & Wetzels, 1998), Azerbaijan (Kaynak and Kara, 2001), China, India and Taiwan (Pereira et al., 2002), and Indonesia, Korea, Malaysia, Singapore, and Thailand (Ang et al., 2004 and Jung 2002). These empirical studies, though not designed to specifically test the validity of the scale, brought additional reliability and validity to the CETSCALE. Results showed that ethnocentrism is indeed a 'global' phenomenon (i.e. consumers from all over the world exhibited different scores on the CETSCALE). Certain differences were apparent, especially in studies conducted in more than one country. Differences were generally linked to cultural traits. For instance, in their investigation, Pereira et al. (2002) found that Chinese consumers showed more ethnocentric tendencies than Indian consumers.

Studies have demonstrated that ethnocentrism is closely related to consumer nationalism and patriotism. Patriotism does have a major impact on consumer decisions regarding the selection of national and foreign products (Han 1988; Daser and Meric 1987). Several studies have confirmed the important

interaction of consumer ethnocentrism and country-of-origin on consumer attitudes (Bilkey and Nes, 1982; Myers, 1995; Marin and Miguel, 1997; Ibanez and Montoro, 1996). Specifically, it was found that ethnocentric consumers were less likely to prefer Japanese cars over domestically produced automobiles (Shimp, 1984; Stoltman et al., 1991; Douglas and Beckman, 1987). Stoltman et al. (1991) however, found that consumer ethnocentrism does not have an overpowering influence on the judgment and choices of consumers and may, in reality, operate dynamically or contingently. Consumer ethnocentrism may be, in some ways, situational as it relates to its true manifestation in consumer behavior.

A series of nomological validity tests conducted in the USA by Shimp and Sharma (1987) indicated that consumer ethnocentrism is moderately predictive of consumers' beliefs, attitudes, purchase intentions and purchases. They also found a significant negative correlation of ethnocentric tendencies with attitudes towards foreign products and purchase intentions. Consumer patriotism or ethnocentrism proposes that nationalistic emotions affect attitudes about products and purchase intentions. In particular, consumer nationalism influences cognitive evaluations of the products and consequently affects purchase intent. This implies that nationalistic individuals will tend to perceive the quality of domestic products as higher than that of foreign products (Han, 1989). According to Sharma et al., (1995) ethnocentric tendencies among Korean consumers play a more important role in decision making when the product of interest is an important source of jobs and income for the domestic economy. When the imported product is perceived as less necessary, ethnocentric tendencies may play a more important role in decision-making. The strength, intensity and magnitude of consumer-ethnocentrism do vary from culture to country. Some authors argue that ethnocentrism is a part of human nature (Mihalyi, 1984; Rushton, 1989; Herche, 1992).

Historically, several studies have investigated the behavior of the ethnocentric consumer (Durvasula, Andrews, J.C. and Netemeyer, 1992; McLain and Sternquist, 1991; Shimp and Sharma, 1987; Sharma et al., 1995; Netemeyer et al., 1991; Han, 1988; Chasin et al., 1988; Kaynak and Kara, 1996). The important contribution of these studies to consumer research has been the development and limited international application of the CETSCALE, which is designed to measure consumers' ethnocentric tendencies related to purchasing foreign versus American products. Shimp and Sharma's (1987) study suggested several potential applications of the scale to population groups in countries dissimilar to the USA. In pursuing this area of research, researchers were first cautioned to provide an accurate translation and assessment of the scale's psychometric properties. Consequently, Netemeyer et al's (1991) study demonstrated strong support for the psychometric properties and nomological validity of the scale across four different countries: France, Germany, Japan and the USA. It reported Cronbach's alpha levels ranging from 0.91 to 0.95 across the four countries studied. Other more recent studies (Spillan et. el (2007) Spillan, Kucukemiroglu, and Antúnez de Mayolo 2008; and Kucukemiroglu, 1999) focusing on ethnocentrism in Guatemala and Turkey indicated alphas of .941 and .886 respectively. The evidence shows that a strong support for the CETSCALE's unidimensionality and internal consistency has been established. However, little research exists which empirically addresses biases encountered in conducting consumer ethnocentrism research (Albaum and Peterson, 1984). Netemeyer et al. (1991) strongly recommended that researchers translate the CETSCALE into other languages and use it in other countries and regions.

### **Patriotism**

Patriotism is a care of and fidelity to one's country (Kosterman and Feshbach, 1989). The subjects of bias towards national product with respect to in-group and out-group have also been studied in the literature on patriotism. In ethnocentric patriotism, love of one's country is associated with such prejudices (Akhter 2007). Zajonc and Markus (1982) suggest that patriotic responses toward national products or against foreign products may direct to behavioral responses. Factors such as ethnocentrism, feelings of national pride, and personal experience of the global image may also manipulate attitude toward a foreign product. In an empirical study executed in Canada by Wall and Heslop's (1986), Canadian respondents believed that the advantages of buying home-made goods include improving Canadian employment, ameliorating the economy, and maintaining national pride, as well as easier after-sales service and better quality. Past studies also indicate that primarily due to consumers' patriotism, there is an affinity for consumers to more favorably evaluate their own country's products than foreign

consumers do (Nagashima, 1970; Han, 1989). Hsiu Li-Chen in the consumer patriotism measurement, indicated significant differences in between Taiwan and Indonesia in terms of obligation, industry decline, job loss, and guilty. Indonesian consumers demonstrate considerably higher consumer patriotism than Taiwan's consumers. Regarding product familiarity, among the four products, only sport shoes show a significant difference between Taiwan and Indonesia. Finally, no significant difference in country familiarity between Taiwan and Indonesia was found. However, Taiwan's respondents show significantly higher cultural identification with America than Indonesia respondents (Hsiu-Li Chen, 2009).

### **Protectionism**

Protectionism can be defined as a government's requiring duties or quotas on imports to protect domestic industries from global competition. It is a government's actions and policies that restrict or restrain international trade, often done with the intent of protecting local businesses and jobs from foreign competition. Typical methods of protectionism are import tariffs; quotas, subsidies or tax cuts to local businesses and direct state intervention (Investorwords.com, 2010). No policy has failed as often, or has been so extensively applied and sincerely believed as economic protectionism. Since the emergence of the modern nation-state in 15th century Europe, and the introduction of international trade, the principle economists call "mercantilism" has governed the thinking of the majority of the world's peoples. Despite the reality of the globalized world, the protectionist dogma remains powerfully alluring for tens of millions of people around the world. (McTeer, 2001). General economic principles indicate that we create productive domestic jobs both when we sell and when we buy from other countries, and the more open the trade, the better for all countries. With the creation of more productive jobs through international trade, we increase our ability to consume, which in turn raises real incomes. However, when country A restricts the import of country B's products, it reduces its productivity as well as ours. But we only compound our productivity loss if we respond by restricting the ability of our citizens to buy products from country B. It is simple for protectionists to argue that existing factories and jobs will be eliminated by foreign competition. What is not readily seen are the costs of trade protection. Such things as the inefficient, second-best uses for capital and labor, higher consumer prices, fewer incentives for protected firms to innovate and improve quality, and an overall decline in welfare due to constricted consumer choices (Lee, 2001).

### **Social Economic Conservatism**

Braithwaite (1998) identified three sub-factors that contribute to conservatism: security through order and status; humanistic and expressive concerns; and religiosity and personal restraint. Karasawa (2002) has demonstrated a relationship among conservative attitudes, behaviors and the national heritage. The point at which the conservative structure is strongest is at the foundation of a society and its values. It would therefore be logical to expect consumers' negative attitudes towards foreign products to be influenced by their personal values. According to Rokeach (1973) a value is an enduring belief that a specific mode of conduct or end-state of existence is personally or socially preferable to an opposite or converse modes of conduct or end state of existence. Hofstede (1980), whose research into the cultural aspects of this phenomenon has been very influential in marketing, defined values as a tendency to prefer certain situations to others and see them as belief standards by means of which individuals determine what is right and what is wrong. Schwartz (1994) identified four key elements in the formation of values: openness to change, self-transcendence, self-enhancement, and conservation. The last of those in turn had three sub-components: tradition, conformity, and security.

When other principles that guide human behavior are taken into consideration (Gutman, 1982), they add to the means by which individuals evaluate other individuals, events and themselves (Gandal et al, 2005). The concepts of value and attitude are related to one another, but different. The relationship between them is not linear; rather, values are mediated by attitude (McCarty and Shrum, 1993). Values constitute the basis and the premises of attitudes (Petty *et al*, 1997), and thus shape them (Gutman, 1982, Beatty, et al, 1985; Kahle, 1985). Values are connected with an individual's beliefs and emotions and

related to personal identity (Hitlin, 2003), and can be collectively described as "self-description" and familiar from the earlier discussion, "belonging to a group" (Heaven, 1999).

### **Foreign Product Perception**

Because of the global competition between firms, countries of origin perceptions have become important for researchers. Knowing how consumers from a specific country feel about products coming from different countries will allow firms to develop an appropriate marketing strategy. For this study we want to know how the people of Chile feel about products being imported from the U.S., Japan, China, and European Union as well as how Chileans feel about their own domestic products.

Information regarding a product's country of origin can influence how consumers think about it. As we stereotype people who are foreign born, we also stereotype products according to where they are made. For instance, products produced in France will suggest elegance and style. Research demonstrates that consumers in developing countries conclude which high quality brands are foreign. Many Latin American consumers, for instance, believe that foreign telephone companies offer better service than local companies (Hoyer and MacInnis, 2004). Consumers are not as likely to make assumptions about a brand based on its country-of-origin when they are highly motivated to review and understand the information about the brand. Nor are consumers going to assume anything about the country of origin when their processing goal guides attention away from origin information (Hoyer and MacInnis, 2004). A product's country-of-origin provides an anchor for the consumer's perceptions and influences subsequent judgments. For example, the Italian government spent \$25 million dollars on ads to persuade consumers that Italian fashions are the best (Hoyer and MacInnis, 2004).

Over time, the COO literature has developed a significant number of issues relating to a product's country image, which carry with them a variety of conceptual frameworks. For instance, Sharma et al (1995) proposes a model testing antecedents and moderators of consumer ethnocentrism. As such, consumer ethnocentrism has become a major focus of attention when discussing a product's country of origin and its affect on the consumer's buying decision. The COO concept incorporates the notion of consumer patriotism or consumer emotion about a product. Patriotic consumers are more likely than non-patriotic consumers to buy domestic product. Patriotic consumers may tend to evaluate domestic products more favorably or foreign products less favorably (Han, 1988). The patriotic consumer response is measured by the subject's emotional intensity. The patriotic consumers are not based on broad political orientations but rather questions about product quality, service and whether the socio economic stability of the country is affected (Han, 1988). To understand the complexity of these perceptions and ideas on consumer decision-making, we conducted a study that analyzes this phenomenon. We describe the details of this study in the next section.

## **RESEARCH METHODOLOGY**

### **Sample Frame and Data Collection**

The collection of data for this study was operationalized using a convenience or non-probabilistic sampling methodology. Self-administered questionnaires using a drop-off/pick-up method provided the means for gathering the data. The drop-off/pick-up is a data-gathering approach that combines the benefits of both personal interviews and self-administered surveys (Stover, R. V., and W. J. Stone, 1978; Imperia, G., O'Guinn, T. C. and MacAdams, E. A. 1985). Participants for this study were randomly contacted at work, at their home or on the street. Each prospective respondent was asked to complete the survey at his or her most convenient time. Procedures were worked out to pick up the completed surveys at a specified time a few days later. Considerable time was used up trying to acquire a cross-section of the population by selecting three major Chilean cities (Chillan, Talca and Santiago). Consequently, the authors found 602 individuals living and working in these three major cities in to take part in the study. These cities were selected because they correspond to very active commercial centers. Participants from these cities are familiar with survey and therefore more apt to complete it.

## **Survey Development and Measurement**

The survey was developed in the English language first, and then translated into Spanish by a bilingual associate. Back translation was completed to check any discrepancy in addition to potential translation errors. Prior to the survey's administration, a pre-test of the survey was conducted with a small group of participants, and the results were satisfactory. The survey was comprised of three sections.

The first section of the survey contained questions relating to the consumer ethnocentrism scale (CETSCALE) which was initially developed by Shimp and Sharma (1987). It consists of 17 items scored on a seven-point Likert-type format and represents an accepted means of measuring consumer ethnocentrism across cultures/nations. According to Marcoux et al, 1997, the ethnocentrism scale is divided into three dimensions: protectionism, socio economic conservatism, and patriotism. Items are numbered consistently by the original CETSCALE created by Shimp and Sherma (1987). Item 3, "Buy Chile made products keep Chile working", item 4 "Chilean products, first, last, and foremost", and item 5 "Purchasing foreign-made products is un-Chilean" were removed from the model likewise in Marcoux's dimensions of consumer ethnocentrism scale. In the second section of the survey, using a five-point Likert scale, opinions towards the purchase of foreign countries' products were measured. The section of the survey consisted of questions relating to four different countries (China, USA, European Union and Japan) product perception based on style and appearance reliability, durability and material quality, maintenance and service, and recognizable brand names. For each individual foreign country perception is calculated by the average of foreign countries in purpose to measure Chilean consumer perception against foreign products. The third section of the survey asked for demographic and socio-economic information about the respondents.

## **Research Model**

Conceptually, the ethnocentrism scale takes into consideration three dimensions: protectionism, socio economic conservatism, and patriotism. According to Marcoux at al. (1997) these variables are relevant to measure consumer ethnocentrism because the meaning of consumer ethnocentrism consists of an understanding of what purchase is acceptable or not for the consumer in relation to his reference group. The COO idea rests on the relation of four major perceptions: protectionism, socio economic conservatism, patriotism and the product perception of foreign products. All of these consumer ethnocentrism dimensions eventually influence the product's evaluation. Figure 1 outlines the flow of thought in this study. The factors located on the left side of the Figure 1 (protectionism, socio economic conservatism, and patriotism) are the predictors of the consumer ethnocentrism while the right-sided factor (Foreign product perception) is the consequence. The hypothesized relationships between the latent constructs are represented with lines. Although in reality there may exist some more relations between the factors, the most important ones are considered in our study.

The ethnocentrism-foreign product perception model consists of the above-mentioned constructs, which are based on well-established theory of consumer ethnocentrism and approaches in country of origin behavior. The constructs of the ethnocentrism-foreign product perception model is unobservable (latent) variables indirectly described by a block of observable variables, which are called manifest variables or indicators. The constructs and their observable items are given in Table 1. The use of multiple questions for each construct increases the precision of the estimate, compared to an approach of using a single question (Turkyilmaz and Ozkan 2007).

**TABLE 1**  
**SURVEY INSTRUMENT and MEASUREMENT**

<p>Protectionism <i>(Latent Variable)</i></p> <ol style="list-style-type: none"> <li>2. Only those products that are unavailable in Chile should be imported</li> <li>12. Curbs should be put on all imports</li> <li>14. Foreigners should not be allowed to put their products on our markets</li> <li>15. Foreign products should be taxed heavily to reduce their entry into CHILE</li> <li>16. We should buy from foreign countries only those products that we cannot obtain within our own country</li> </ol> <p>Patriotism <i>(Latent Variable)</i></p> <ol style="list-style-type: none"> <li>1. Chilean people should always buy Chile made products instead of imports</li> <li>7. A real Chilean should always buy CHILE made products</li> <li>9. It is always best to purchase CHILE products</li> <li>10. There should be very little trading or purchasing of goods from other countries unless out of necessity</li> </ol> <p>(*) 1-23 are observable (manifest) variables.</p>	<p>Social Economic Conservatism <i>(Latent Variable)</i></p> <ol style="list-style-type: none"> <li>6. It is not right to purchase foreign products, because it puts Chileans out of jobs.</li> <li>8. We should purchase products manufactured in CHILE instead of letting other countries get rich on us.</li> <li>11. Chilean should not buy foreign products because this hurts CHILE business and causes unemployment</li> <li>13. It may cost me in the long-run but I prefer to support CHILE products</li> <li>17. CHILEANS consumers who purchase products made in other countries are responsible for putting their fellow Chilean out of work</li> </ol> <p>Country of Origin Perception <i>(Latent Variable)</i> <i>The products from this country:</i></p> <ol style="list-style-type: none"> <li>18. Have good style and appearance</li> <li>19. Are reliable</li> <li>20. Are very durable and made of good material</li> <li>21. Are supported by a good maintenance service</li> <li>22. Have a well recognized brand name</li> </ol>
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The evidence gathered from our extensive literature review, allows us to propose the following hypotheses:

*H1: There is a strong direct relationship between consumer patriotism and foreign product perception.*

*H2: There is a strong direct relationship between consumer protectionism and foreign product perception.*

*H3: There is a strong direct relationship between consumer social economic conservatism and foreign product perception.*

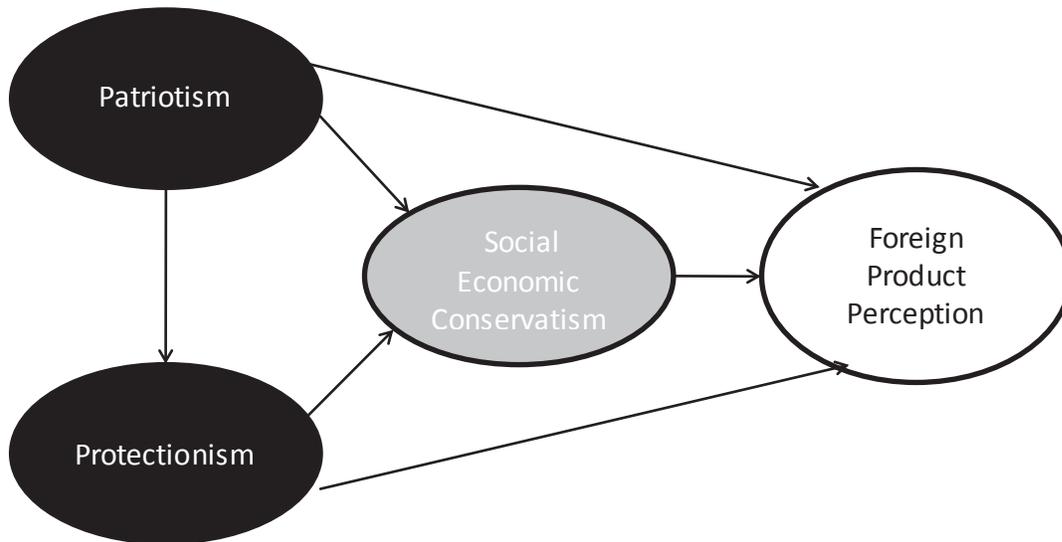
*H4: There is a strong direct relationship between patriotism and social economic conservatism.*

*H5: There is a strong direct relationship between protectionism and social economic conservatism.*

*H6: There is a strong direct relationship between patriotism and protectionism.*

These hypotheses gave us the foundation for completing our analysis and developing our findings.

**FIGURE 1**  
**ETHNOCENTRISM-FOREIGN PRODUCT PERCEPTION MODEL**



## RESULTS, ANALYSIS AND DISCUSSIONS

The data analysis for this study was conducted in four steps:

1. Descriptive Statistics on Chilean consumers' perception to different countries' products;
2. Testing of the measurement models for each construct using confirmatory factor analysis (CFA) in order to determine if all the countries offered a good fit to the data;
3. Performing unidimensionality check of the constructs;
4. Measuring regressions between latent variables and their associated observed variables.

These steps are discussed in the following subsections.

### Demographic and Socio-Economic Characteristics of the Survey Respondents

The first step focused on describing the characteristics of the study's respondents. Table 2 shows demographic and socio-economic characteristics of the survey respondents. As detailed in Table 2, of the total 602 respondents from Chile 242 respondents were male and 360 were female. Of this total, approximately 40.2% were male and 59.8% were female. The reason for a high proportion of female respondents in the samples may be attributed to the fact that as the questionnaires were dropped-off in the homes, more females than males were at home. This may also indicate that females have more interest in consumer issues than men do. The age of the respondents seems to have a good range from less than 30 years old up to 49 years of age. Finally, it is interesting that the majority of the respondents are divided between those who classify themselves as just workers and those who are self-employed. Both categories generally have different buying behaviors and think about the nature of the product and its value from different perspectives.

### Chilean Consumers' Perception to Different Countries Products

The second step consisted of constructing and testing the measurement model for testing the hypotheses. To test our model we took five dimensions of products for four countries and used the Likert

Scale as we discussed earlier. The Likert scale ranges from 1-5 with the number one representing strongly disagree while strongly agree is represented by the number five. Table 3 shows the mean score for each country based on different product attributes. Not surprisingly, Chinese products have the lowest reliability. Supermarkets and mass merchandising in Chile have taken advantage of the opportunity to import large quantities of goods for sale to the Chilean population. When one walks the streets of Chile, he/she can quickly recognize quickly the quantity, quality and origin of the product. Clearly, the main reason for such large import from China is pricing. The low cost products appeal to the general population and hence their popularity continues to attract many people to consume these imported products. Japan, on the other hand, has a reputation for well-recognized brand names, yet not in good style and appearance or maintenance and service. With Chile, European products have higher perception in style and appearance, good material and well-recognized brand names than any other country.

**TABLE 2**  
**DEMOGRAPHIC and SOCIO-ECONOMIC CHARACTERISTICS of RESPONDENTS**

GENDER	Frequency	Percentage	AGE CATEGORY	Frequency	Percentage
Male	242	40.2	> 30	189	31.4
Female	360	59.8	31-50	299	49.7
Total	602	100.0	< 50	114	18.9
			Total	602	100.0
EDUCATION	Frequency	Percentage	OCCUPATION	Frequency	Percentage
Basic Incomplete	37	8.8	Worker	261	43.4
Basic Complete	39	6.5	Housewife	46	7.6
Middle Education	26	4.3	Self-employed	196	32.6
Technical Education	126	20.9	Administrative	12	2.0
University Incomplete	135	22.4	Professional	46	7.6
University	36	6.0	Executive	33	5.5
Other	203	33.7	Other	8	1.3
Total	602	100.0	Total	602	100.0

**TABLE 3**  
**CHILEAN CONSUMERS' PERCEPTION to DIFFERENT COUNTRIES PRODUCTS**

Product Characteristics	China	USA	European Union	Japan
Have a good style and appearance	1.84	1.73	2.40	1.37
Are reliable (*)	3.46	3.10	3.28	2.26
Are made of good material	2.91	3.21	3.38	2.41
Are supported by a good maintenance service (*)	3.10	3.05	3.22	2.42
Have a well recognized brand names	3.25	3.41	3.61	3.82

*\*Reverse coded*

### **Confirmatory Factor Analysis (CFA) for Each Country**

Because the purpose of this article is to examine the factor structure of responses to CETSCALE items for each country, we also used confirmatory factor analysis to cross-validate the results of our exploratory factor analysis.

The goodness-of-fit indices for each country are demonstrated in Table 4. These indices conform to the normal acceptable standards. The value of  $\chi^2$  statistic ranges from 634.646 through 744.264, with the

values of  $\chi^2/df$  ratio varying between 1.998 and 2.674. This ratio should be within the range of 0-3 where lower values indicate a better fit. The results show that our models indicate a good fit in line with this criterion. In addition, both the goodness-of-fit (GFI) and adjusted goodness-of-fit (AGFI) indices for all the country constructs are highly satisfactory, as they are very close to a value of 1.0, which denotes a perfect fit. The results attest construct validity for the measurement models of all countries. Several indices were used to assess the goodness-of-fit of the model: the maximum likelihood chi-square statistic, chi-square/degree of freedom ratio, the goodness-of-fit index (GFI), the adjusted goodness-of-fit index (AGFI), the normed fit index (NFI), the Tucker-Lewis non-normed fit index (TLI), the root mean square error of approximation (RMSEA), and the comparative fit index (CFI).

The chi-square statistic is used to evaluate the fit between the hypothesized statistical model and the actual data set. A significant chi-square statistic implies poor model fit. However, the chi-square statistic was employed only as a basis of comparison with the other fit indices because it is highly sensitive to sample size. Conventional interpretation for fit indices (GFI, AGFI, CFI, and TLI) is that values of .95 or greater indicate excellent correspondence between the hypothetical model and the actual data, and values between .85 and .90 indicate reasonable model fit (Browne and Cudeck, 1993; Hu and Bentler, 1999). The RMSEA assesses how well the model approximates the data by determining the lack-of-fit of the model to the sample covariance matrix, expressed as the discrepancy per degree of freedom. An RMSEA value of less than .05 is required to claim good fit, values around .08 indicate fair fit, and values approaching .10 indicate poor fit (Marsh, Balla, and MacDonald, 1988).

**TABLE 4**  
**CONFIRMATORY FACTOR ANALYSIS of ALL COUNTRIES (N = 602)**

Model/construct	$X^2$	$X^2/df$ 0-3	TLI >0.90	RMSEA <0.10	GFI >0.90	AGFI > .085	CFI >0.90
China	681.646	2.324	2.324	0.094	0.893	0.861	0.933
USA	643.862	2.575	2.575	0.075	1.000	0.870	0.934
European Union	634.322	2.674	2.674	0.073	0.904	0.874	0.943
Japan	744.264	1.998	1.998	0.082	0.880	0.844	0.918

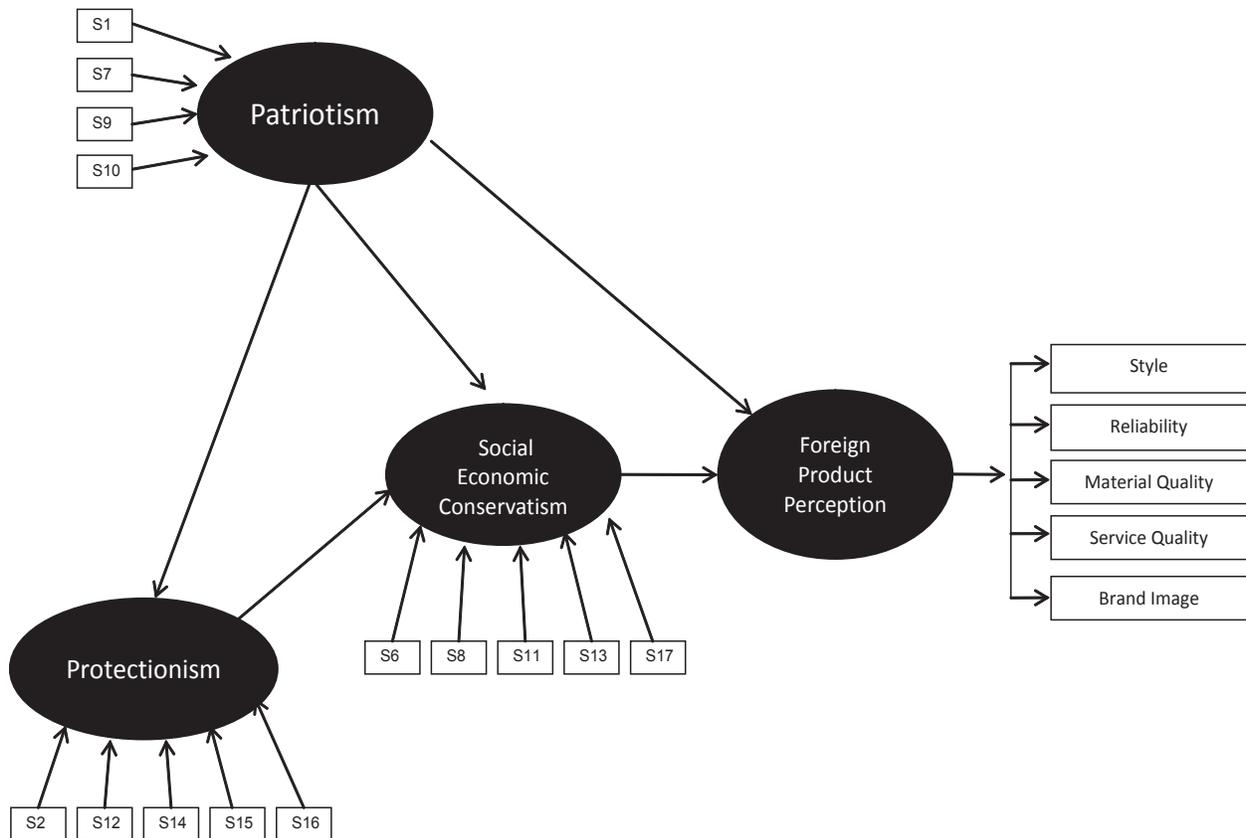
As we can see in Table 4, most of the fit indices are in the acceptable range as given by Hu and Bentler (1999) for each constructs. This gives a firsthand support for reliability and validity of the scales.

#### **Unidimensionality Check of the Constructs**

The third step focused on checking the unidimensionality of the constructs used in the study. Prior to analyzing the path model, unidimensionality of each construct in the projected model was verified. Unidimensionality verification is needed when the observed variables are connected to their latent variables in a reflective way (Tenenhaus et al., 2005). Cronbach's-a and Dillon-Goldstein's-r values of each block are greater than 0.80. From principal component analysis, first eigenvalue is found greater than 1 and second Eigen value is less than 1 for each block. These results lead us to acknowledge the unidimensionality of constructs, since a construct block is essentially unidimensional, if the first Eigen value of the correlation matrix of the block observed variables is larger than 1 and the second one smaller than 1, or at least very far from the first one. A block is also considered as unidimensional when Cronbach's-a and Dillon-Goldstein's-r values are larger than 0.7(Tenenhaus et al., 2005). The latent variables and their related observable variables used in the structural model of the ethnocentrism-foreign product perception model are shown in Figure 2.

The model was specified by two sets of linear relations: the outer model specifying the relationships between the latent and the observed variables, and the inner model specifying relationships between the latent variables (patriotism, protectionism, social economic conservatism and country of origin

**FIGURE 2**  
**RELATIONSHIP BETWEEN PATRIOTISM and PROTECTIONISM and SOCIAL ECONOMIC CONSERVATISM with FOREIGN PRODUCT PERCEPTION of DIFFERENT COUNTRIES**



perception). Interpretation as such is similar to standardized regression coefficients (Fornell and Cha, 1994; Kroonenberg, 1990; Lohmöller, 1989).

The fourth step in the study centered on analyzing the relationship between variables. In this study, the loadings between manifest variables and their related latent variables were found relatively large and positive. According to Fornell and Larcker (1981), convergent validity of the reflective constructs can be checked by its average communality and a construct's average communality should be at least higher than 50 percent to assure more valid variance explained than error in its measurement (Fornell, 1992). In the ethnocentrism-foreign product perception model, the average communality scores of protectionism, patriotism, social economic conservatism, and foreign product perceptions are respectively .67, .78, and .82. This can lead us to summarize that the correlations between each reflective construct and its measurement indicators are high. The focus here is on the inner model and a systematic examination of a number of fit indices for predictive relevance of the model is necessary (Fornell and Cha, 1994; Lohmöller, 1989) including  $R^2$ , average variance accounted for (AVA), average variance explained (AVE), regression weights and loadings (Aron and Grace, 2004). Table 5 indicates the test result with respect to the direct relationship between latent variables. Table 5 presents the casual path relationship between latent variables and also the standardized regression weight for the hypothesized relationships. All regression coefficients of this model are significant ( $p < 0.001$ ).

## CONCLUSIONS

### Discussions of the Findings

The results of this study are interesting in that they provide insight into the ethnocentricity and country of origin perceptions of products entering Chile. As an emerging nation it is the second most commercial and active in business economic development of all the countries in Latin America. Generally, ethnocentric consumers do not intend to buy foreign-made goods, since they think it is harmful to the domestic economy. This is because ethnocentric buyers believe that a foreign presence could have a negative competitive effect on domestic firms (Lutz, et al., 2008). Kaynak and Kara (2002) believe that, “the consequences of consumer ethnocentricity include overestimation of the quality and value of domestic products and underestimation of the virtues of imports, a moral obligation to buy domestic products, and intense preference for domestic products” (p.934). As a result, it would disadvantage domestic producers, and add to unemployment problems and degenerate economic conditions in the home country (Lutz, et al., 2008). Kucukemiroglu (1999) found that non-ethnocentric consumers tended to have significantly more favorable beliefs, attitudes and intentions regarding imported products than ethnocentric consumers. Supphellen and Rittenburg (2001) studied Polish consumers and found that in a situation where foreign brands were considered more superior than domestic ones, ethnocentric consumers evaluated the domestic brands favorably, but did not express negative evaluations for the foreign ones.

**TABLE 5**  
**INNER REGRESSION WEIGHTS BETWEEN LATENT**  
**VARIABLES IN THE PATH MODEL**

Hypothesis	Causal Path	Regression Weights
H1	Patriotism – Foreign Product Perception	-0.667 *
H2	Protectionism – Foreign Product Perception	-0.792 *
H3	Consumer social economic conservatism – Foreign Product Perception	-0.621 *
H4	Patriotism and social economic conservatism	0.682 *
H5	Protectionism – Social Economic Conservatism	0.639 *
H5	Patriotism and Protectionism	0.786 *

Note: \* P < 0.001 level.

Based on this study because of the Chilean consumer’s perceptions of the country of origin, most of the foreign products need to improve in terms of style and appearance. Chinese imports, although perceived as made of poor material are considered reliable because they are supported by good maintenance service and have well recognized brand names. Japanese brands are well-recognized imported brands for the Chilean consumer although they seem not to be very reliable, and are not supported by a good maintenance service. This means that if marketers import Japanese products with limited brand name recognition, then it will be difficult to sell the product.

In comparing EU and USA imports for all the items indicated, it was found that EU products have a more favorable perception than American products. US companies have less of a competitive advantage than EU companies since their perceived values are less.

The research model used in this study proved to be correct and indicates a relationship between patriotism, protectionism and social economic conservatism with foreign products’ perception of different countries. As such, it may be a good idea for marketers to improve joint venture investments since Chile will benefit from foreign business development and imports. Advertising and promotion should be local,

not global. The results of the present study demonstrate the relationship of consumer ethnocentrism and its antecedents - patriotism and cosmopolitanism with consumer buying behavior. However, the impact of ethnocentrism on consumer attitudes and behavior depends on contexts such as consumer characteristics and values, type of product, quality, availability and alternatives on the market, competitive environment, as well as general economic and even political situation in a country. Future research might consider these factors to determine why consumers select domestic or foreign made products. The country of origin effect (COO) and relative product quality perceptions of domestic goods versus foreign products could be important determinants of consumer behavior. Finally, a more sophisticated sampling procedure can help study the relationship between ethnocentrism and consumer characteristics.

The study has practical significance for companies marketing consumer goods. Ethnocentricity can be used to segment the market for specific domestic and foreign products and services. The managerial implication is that foreign firms should assure domestic consumers that purchasing their products would not disadvantage domestic producers and worsen economic conditions in the home country. Foreign firms just entering domestic markets can select joint ventures as an entry mode to overcome consumer resistance toward foreign made products. This paper contributes to the understanding of international and global companies the local markets, favoritism for domestic products, and possible resistance for the purchasing of foreign goods by local consumers. As for the theoretical significance, this paper applies the western scales to transitional economies. This information has significant implications for the marketers who currently operate in Chilean markets, or are planning to enter into the development of promotion in the near future, regarding packaging and pricing strategies for their products. It will be of interest to compare the results of this study with similar findings from other countries at different stages of economic development.

### **Limitations of the Study**

There are some limitations to this study and therefore the findings must be viewed as tentative. The first limitation is that this study was exploratory in nature and specifically focused on consumer behavior in Chile. Secondly, while the data set used in this study was sizable, it was a convenience sample. A larger sample is needed for more conclusive results. While these limitations exist, one must understand that the cultures and economies in the region are overall very similar. Hence, we could suggest that the findings in this study have some generalization to countries in the region. Further research using the same methodologies in consumer behavior analysis should be conducted in neighboring countries to verify or refute the findings found in this study.

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