

The Effect of Consumer Ethnocentrism and Materialism on Product Brand Perception and Brand Preferences in Surabaya

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Abstract: *The purpose of the research is to examine the effect of consumer ethnocentrism and materialism to product brand perception and preferences in Surabaya as the second largest city in Indonesia. This research tests the validation of the construct measures and associated hypothesis using survey data from 132 respondents and using structural equation modeling techniques. The results show that (1) there's no correlation between consumer ethnocentrism and materialism in Surabaya, (2) consumer ethnocentrism has significant effect on product brand perception, (3) consumer ethnocentrism has not affected on product brand preferences, (4) materialism has significant effect on product brand perception, and (5) materialism has significant effect on product brand preferences.*

Keywords: *Consumer Ethnocentrism, Materialism, Product Brand Perception, Product Brand Preferences*

INTRODUCTION

Today, globalization of the industry has become a necessity, but the attitudes and behavior of consumers towards products or brands is still a debate (Cleveland, *et al.*, 2015). Materialism, communication, global transport, marketing, advertising, internet, cross-culture and global economic were globalized consumer in this world, but is not only common sense that ethnocentrism, nationalism, and skepticism influence and motivating people to resist global consumption and uphold traditional local culture. Consumers who have a high level of ethnocentrism tend not to buy

foreign products and prefer to buy domestic products, the level of ethnocentrism varies greatly among consumers (e.g., religious versus nonreligious, urban versus rural) and regions of the country (Piligrimiene & Kazakauskiene, 2016). On the other one, ethnocentric consumers may also still pay attention to material things because the material and status of a person are latent and universal (Cleveland, *et al.*, 2015).

It can be found that the link between ethnocentrism and materialism is independent but is still related. Indeed consumer ethnocentrism and materialism relate to purchase attitude of consumers

concerning foreign local product also product/brand attitudes and perceptions. Beliefs and general perception of a product from a particular country with all its attributes are known as state image and this image is known as extrinsic value which can be one part of the overall image of a product. This is known as the country of origin (COO) or "made in" phenomenon, issue, effect, or cue in different literature. Ethnocentric consumer has their own brand perception and choice of brand by its COO as they are believe in. Consumer ethnocentrism explains how consumers morally have the responsibility to buy domestic products compared to foreign products because they are in accordance with inherent values (Balabanis & Siamagka, 2017). Consumer ethnocentrism also functions as a stimulus in making decisions to choose domestic products. It suggested that the higher ethnocentric consumers were on CETSCALE (predictive of consumer's beliefs, attitudes, purchase intentions, and consumer choice), the higher consumers choose domestic products, the lower they choose foreign products (Josiassen & Karpen, 2011).

De Mooj (2015) states that branded luxury products like Vuitton purses fulfill the need to conform, Teenage girls want Vuitton because everyone has it. The function of attire in addition to indicating cultural

membership, will also indicate the status of a person in his social class. Consistent with hedonic consumption theories, Dubois and Duquesne (1993) argues that consumers who buy luxury goods for a symbol they want for example for status or recognition, others are the impact of a strong media in promoting satisfaction and appreciation of themselves (Claveland, *et al.*, 2015). Materialist consumers position something they have at high value, especially for objects that can measure their personal success. Materialist consumers have a tendency to value goods that are consumed by the public or highly valued by the public rather than personal or subjective meanings. They tends to choose foreign luxury products, it will put them into higher social class.

Developing country Indonesia consists of 17,508 islands, Indonesia consists of various tribes, religions and different beliefs. There are Batak, Karo, Minangkabau, Malays in Sumatra and so on. The societies are still uphold traditional local culture though they affected global information and culture (mostly in big city) (www.indonesia.go.id).

Several previous studies were designed to examine the influence of COO and consumer ethnocentrism on consumers' perceptions of quality, price, and value and, ultimately, the consumers' choice of tangible goods or intangible services from the perspective of consumers in a Less-Developed Country (LDC),

such as Indonesia (Cleveland, *et al.*, 2015). They found that for consumers in Indonesia, brands are important, followed by Country-of-Design (COD), then by the Country of Assembly (COA) and prices are the least important variable. For intangible services, they find that the results are not much different from tangible goods, namely COO is more important than prices for consumers who have high or low ethnocentrism, both in terms of perceived quality or purchase intention.

this current research examined on how the consumer ethnocentrism and materialism affected product brand perception and preferences in Surabaya (the second most populous city in Indonesia) as the location to collect the sample. Surabaya is a multi-ethnic city, foreign nationalities represented include Chinese, Arabic, Indian, Malaysian, and European.

The city is highly urbanized, due to the many industries located in the city. Tunjungan Plaza, Galaxy Mall, Ciputra World, Royal Plaza Surabaya, Surabaya Town Square, and Pakuwon Mall are the famous shopping centers in Surabaya, the society spends their break time at the weekend walking around with their family or friends to go to the shopping center for several poses, looking for something they need, update the new fashion or gadget in town or just window shopping. The young consumers in Surabaya are suitable to measure this research

objective, they tend to being consumptive in shopping behavior, they like to try something new and easy to adopted foreign culture (Suryani, 2017).

LITERATURE REVIEW

Consumer Ethnocentrism (CET)

Ethnocentrism is the tendency to believe that one's ethnic or cultural group is centrally important, and that all other groups are measured in relation to one's own (Piligrimiene & Kazakauskiene, 2016). An ethnocentric person will look at a group relative to their own group, especially for matters relating to language, behavior, culture and religion. This will have an impact on the beliefs and attitudes towards a product. Ethnocentrism also defined as the beliefs (knowledge structures and thought processes) held by consumers about the appropriateness, indeed morality, of purchasing foreign made products in places of domestic ones, some consumers generally believe that buying products that are locally manufactured is morally appropriate in a normative sense (Balabanis & Siamagka, 2017).

Consumers who have a tendency towards ethnocentrism will have beliefs regarding responsibility and morale when buying foreign products. Some studies in developed countries generally conclude that consumers who have a high level of ethnocentrism will glorify domestic products, demean imported goods, has a tendency and moral obligation

to choose domestic products (Zeugner-Roth, *et al.*, 2015).

On the other hand, consumers who have a low ethnocentric level will assess the product from its attributes or not see the origin of the product (Balabanis & Siamagka, 2017). Ethnocentrism shows that consumers will tend to avoid all imported products without looking at the attributes of price or quality for nationalistic reasons.

Materialism (MAT)

Richins (2004) defined materialism is the importance ascribed to the ownership and acquisition of material goods in achieving major life goals or desired states. Materialism is mostly considered unfavorable. Consumers who have a high materialism level are more likely to be self-centered and less likely to perform pro-environmental activities (Bock, *et al.*, 2018).

Some previous studies found that consumers with a high level of materialism differed from consumers with a low level of materialism in terms of assessing financial security compared to other values, and in suppressing the amount of assets they had (Lee & Ahn, 2016). Materialistic consumers tend to be individualistic, they spend money on themselves rather than for their friends or family and contribute less to charity activities. Consumers who have a high materialistic level will assume that their assets are the

most valuable compared to people who have a low materialistic level.

Materialist consumers focus on their possessions, and have a tendency not to care about the surrounding community, these findings imply that materialists pay more attention to earning and spending money and suffer from life-work imbalance thereby endangering their personal safety; they act unethically affecting social safety. Interestingly, leisure and personal safety are two indicators commonly used by several organizations and researchers to assess the quality (Cleveland, *et al.*, 2015).

Product Brand Perceptions (BPr)

People achieve the qualities of a products by they perceptions, someone believes that electronics made in Japan is well in quality because they perception about Japan is qualified. People relate to a brand based on its personality and how this relates or appeals to their own personality and self-concept.

There is a significant effect of Country-of Origin (COO) information and/or brand name on consumer perception. Consumers learn that the brand were made from that country and they may refer to that country in the evaluation of this brand when produced in another country than the brand-origin (Bushra & Zafar, 2017). COO reflect the country image of a country. Country image is the overall perception consumers' form of products from a particular country,

based on their prior perceptions of the country's production and marketing strengths and weaknesses (Jin, *et al.*, 2015).

The perception of the country image from which the brand originates is something that is too early to be assessed, because things about brands and countries are different entities. In the end the strength of the brand lies in the minds of consumers "(Kotler & Keller, 2016) and often the brand's meaning attached to customers is different from what the company wants.

Brand Preferences (BPs)

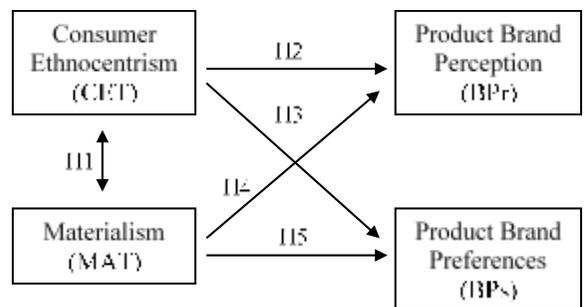
Brand preferences refer to how consumers compare and choose which product they want to buy or like. In a fashion market for an example, consumer particularly young people are highly influenced by their self-concept when it comes to purchase decisions based on fashion or style preference (He & Wang, 2014). Boys like wearing Levi's blue denim jeans better than Lee Cooper because they like Levi's more. Dibley and Baker (2001) suggest that different dominant values of individuals also significantly affect their brand preferences.

Several previous studies for consumers in developed countries showed that there was a preference for choosing products based on where the product came from. In addition, other studies also show

that consumers prefer products that come from countries that have a culture that is relatively the same as the country of origin compared to products from countries that are completely different cultures (Cleveland, *et al.*, 2015).

Conceptual Framework

The logical framework for this research showed on this figure below.



This framework shows that consumer ethnocentrism and materialism is related and both instrument affected consumers product brand perceptions and brand preferences. The hypotheses are:

H1: There is correlation between consumer ethnocentrism and materialism in Surabaya

H2: Consumer ethnocentrism has significant effect on product brand perception even local or foreign product in Surabaya

H3: Consumer ethnocentrism has significant effect on products brand

preference even local or foreign product in Surabaya

H4: Materialism has significant effect on product brand perception even local or foreign product in Surabaya

H5: Materialism has significant effect on product brand preference even local or foreign product in Surabaya.

METHODS

Causal relationship used in this research. A causal relationship is when one variable *causes* a change in another variable. This research also purpose to explain the relationship and cause change between variables by using hypothesis measurement (Sekaran, 2016). According to the way this research data collection, author using *field study*.

Population and Sample

Based on the background of the research, author chooses Surabaya as the location to collect the sample. Surabaya is a multi-ethnic city and highly urbanized course the costumer characteristic suitable with the purpose of the research, as an old city the society still uphold the local culture and the other one globalization affected them to broad minded This research also restricts the demographic type of costumer, only young consumers allow to fill the questionnaires in age between 15-25 years old.

Procedure of collecting sample is non probability sampling and the technique is judgmental sampling, which is a form convenience sampling in which the population elements are purposively selected based on the judgment of the researcher (Malhotra, 2004). The questionnaires will take more than 100 respondents as the sample. The amount of sample more than 30 and less than 500 is representative (Sekaran & Bougie, 2016). According to the place author collect the sample, author visit some of the school, university, and public place in Surabaya.

Data Collecting Technique

This research used primer data that was collecting by share out the questioner to the respondent, which will be used to know the relationship between consumer ethnocentrism and materialism and also to know their effect into product brand perception and preferences. The six likert type scale will use to explicit agreement of respondent about the questioner items, then the result from data will be processed, arranged, and analyzed for the research necessary.

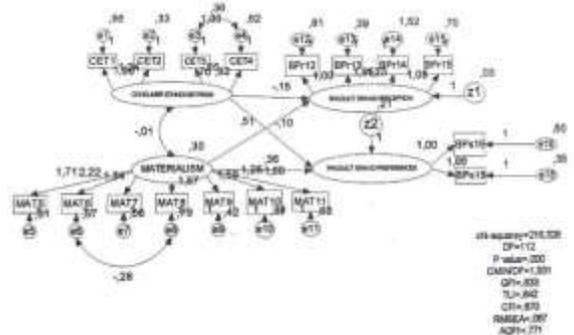
Research Instrument

The frame of the questioner arrangement used in this research to explain the research variable clearly, such as:

- a. Questioner frame that consist of demography section to identify sex, age, education, intention to going to Shopping Mall, Pocket

Money or Salary per month, and Country Of Origin (COO) Product their usually bought.

- b. Questioner frame about Consumer Ethnocentrism and Materialism adopted from Cleveland, Michele Laroche, and Nicholas Papadupolous (2015).
- c. Questioner frame about Product Brand Perception adopted from Tjiptono, Chandra, and Darma (2004).
- d. Questioner frame about Product Brand Preferences made by the author.



The hypothesis test and effect between variable analyzed by Structural Equation Modeling (SEM) and applied with AMOS 16.0.

SEM Test Estimation Result

			Estimate	Std. Est	S.E.	C.R.	P	Label
BPr	<--	CET	-0,15	-0,362	0,054	-2,771	0,006	par_14
BPs	<--	CET	0,365	0,397	0,155	2,357	0,018	par_15
BPr	<--	MAT	0,508	0,799	0,154	3,291	0,001	par_16
BPs	<--	MAT	-0,095	-0,159	0,071	-1,344	0,179	par_17
CET1	<--	CET	1	0,746				
CET2	<--	CET	1,238	0,875	0,167	7,406	***	par_1
CET3	<--	CET	0,546	0,415	0,13	4,19	***	par_2
CET4	<--	CET	0,822				***	par_3
MAT5	<--	MAT	1,708	0,767	0,269	6,35	***	par_4
MAT6	<--	MAT	2,216	0,894	0,323	6,861	***	par_5
MAT7	<--	MAT	1,336	0,693	0,223	6	***	par_6
MAT8	<--	MAT	1,569	0,694	0,263	5,976	***	par_7
MAT9	<--	MAT	1,59	0,802	0,243	6,533	***	par_8
MAT10	<--	MAT	1,245	0,567	0,238	5,243	***	par_9
MAT11	<--	MAT	1	0,567				
BPr12	<--	BPr	1	0,361				
BPr13	<--	BPr	1,955	0,736	0,543	3,598	***	par_10
BPr14	<--	BPr	1,227	0,327	0,488	2,515	0,012	par_11
BPr15	<--	BPr	1,709	0,408	0,371	2,906	0,004	par_12

Correlation Result

			Estimate	Std. Est	S.E.	C.R.	P	Label
CET	<-->	MAT	-0,012	-0,027	0,047	-0,261	0,794	par_18
e3	<-->	e4	0,359	0,454	0,089	4,043	***	par_19
e8	<-->	e6	-0,283	-0,523	0,07	-4,037	***	par_20

According to the table above, the result of structural equation modeling estimation are:

1. The first hypothesis (H) states that there is correlation between consumer ethnocentrism and

Statistical Analysis

Data analysis in this research using structural equation analysis. Structural Equation Modeling (SEM) that is a statistical model that provides estimates of the strength calculation of hypothetical relationships between variables in a theoretical model either directly or through a variable between. SEM is a model that allows study of a series of relatively complex relationships (Wijaya, 2009). SEM is a combination of two separate statistical methods of factor analysis and simultaneous equations models (Ghozali, 2016).

RESULTS

Structural Equation Modeling Analyses

materialism in Surabaya. Based on the results, C.R. value is -0,261 and p 0,794 which is more than 0,050. Its means there's no correlation between consumer ethnocentrism and materialism.

In Surabaya as the second urban city in Indonesia we can identified that ethnocentric people especially young people prefer to buy domestic products because they have low purchasing power it proved by the most of respondents have <500.000 pocket money per month it may can be different with other country in previous research, they have higher income and higher purchasing power. Young people in Surabaya are still depend their economic to their parents, it's also because the domestic product in other country (state on previous study) has higher quality and it's proud to buy domestic ones.

2. The second hypothesis (H2) states that consumer ethnocentrism has significant effect on product brand perception even local or foreign product in Surabaya. Based on the results, this hypothesis was accepted with C.R. value -2,771 and $p < 0,006$ or $\leq 0,05$, and $\beta - 0,15$. It means that consumer ethnocentrism negative significantly affected product brand perception. People high on ethnocentrism will less to buy foreign product

and they haven't good perception about foreign product. It's also means that ethnocentric respondents in Surabaya are tending to beliefs about the appropriateness and moral legitimacy of purchasing foreign products. Ethnocentric people tend to buy the domestic ones, based on this research, author mention several kinds of brand and products such as: restaurant, jeans, clothes, laptop, and shoes. The result shows that young people in Surabaya may prefer domestic products on fashion and their perception a about foreign products is not better than domestic ones because though foreign product has better quality. That was same with the results in this current research that imported goods aren't preferable than the domestic ones and they think that domestic products are more prestigious than foreign one.

3. The third hypothesis (H3) states that consumer ethnocentrism has significant effect on product brand preference even local or foreign product in Surabaya. Based on the result, this hypothesis was rejected because the p score more than 0,050 and not supported by β (p score 0,179 and $\beta -0,095$). Based on the statistic results above, it can be found that in Surabaya, consumer ethnocentrism was not affected

product brand preferences and the hypothesis was rejected, p score 0,179 or $\geq 0,05$, C.R. value -1,344 and not support by β -0,095. It shows that there's a tendency that even the descriptive analysis and the respondents characteristic shows data that most of the respondents usually buy domestic brand for clothes products such as distro clothes, they still prefer foreign made for other kind of products, seen on the indicators of products brand preferences author mention brand of laptop, shoes, and clothes. It can be found that their preferences about brand of laptop ex. Sony higher than Axio as local brand because the quality of Sony is better than Axio. Brand preferences refer to how consumers compare and choose which products they want to buy or like and in a fashion market consumes particularly young people are highly influenced by their self-concept when it comes to purchase decisions based on fashion or style preferences.

4. The fourth hypothesis (H4) states that materialism has significant effect on product brand perception even local or foreign product in Surabaya. Based on the results, this hypothesis was accepted simply says that materialism is positive significantly affected product brand perception with p score

0,001 and supported by β 0,508.

Based on the results above, it can be found that in Surabaya, materialism was positive significantly affected product brand perception with p score 0.001 or $\leq 0,050$ and supported by β 0,508. It means that materialistic people in Surabaya have a good perception of foreign products. Materialistic people are more likely to be self-centered and less likely to perform pro-environmental activities seen on the indicators to measure this variable materialistic person like luxury in their life, and like to impress people it seems that they must be like imported goods and imported goods will increase quality of their life.

5. The fifth hypothesis (H5) states that materialism has significant effect on product brand preferences even local or foreign product in Surabaya. Based on the result, this hypothesis was accepted and materialism was positive significantly affected product brand preferences with p score 0,018 and supported by β 0,365.

Based on the results above, it can be found that in Surabaya, materialism also positive significantly affected product brand preferences with p value 0,018 or $\leq 0,050$ and supported by β 0,365, It means that materialistic people in Surabaya

prefer foreign made products than domestic ones because materialistic people indicated that their most cherished possessions tended to be more expensive than those most cherished by ethnocentric people.

CONSLUSION

Based on the data analysis collected in this study and using the structural equation modeling (SEM), it can be conclude that:

1. There is no correlation between consumer ethnocentrism and materialism in Surabaya. So this hypothesis test was not proven true.
2. Consumer ethnocentrism has negative significantly affected on product brand perception even local or foreign product in Surabaya. This result has proved the hypothesis.
3. Materialism has significant effect on product brand perception even local or foreign product in Surabaya. This result proved true and the hypothesis was accepted.
4. Consumer ethnocentrism has not effected on product brand preferences even local or foreign product in Surabaya. This hypothesis test result was rejected and not proven true.
5. Materialism has significant effect on product brand preferences even local or foreign product in Surabaya. This result proved

true and the hypothesis was accepted.

Limitation of this research is on the number of samples those only 135 respondents because of the difficulty of getting the respondents in a public place. It should be more than this amount to generalize the sample. Then, most of the respondent have ≤ 500.000 (47.7%) pocket money or salary per month, and like to buy foreign products (66.7%). Author should generalize this characteristic by add more respondents who have $\geq 2.000.000$ pocket money or salary per month and like to buy foreign product.

Based on previous studies and current research the author gave suggestions for the further researcher that may be used as a material consideration. Further researcher should consider reviewing this research and adjusting with the condition at that times it can be the problem of the research different. Further researcher should add the amount of the respondent and add more respondent who have high quality of life to generalize the sample and also for the local industries must be concern with the quality of products they made to gain the local market and has more unique selling point (USP) likes products design and cozy layout for the restaurant. To increase the local commodity, government should regulate the price regulation by raising the taxes of imported products to reduce the

people intention to buy the imported product so the local industries can be developed.

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