

## **The effect of cosmopolitanism, national identity and ethnocentrism on Swedish purchase behavior**

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### **ABSTRACT**

The Scandinavian market has changed significantly over the past half-decade with several online distributors, particularly of digital files such as music, originating locally. This in effect has significantly further increased globalization of commerce in the Nordic countries. The purpose of this research is to examine the effect of more traditional models of consumer choice regarding local vs global products in this context. While the major metro areas of Scandinavia have always been largely global, this research reaches further into the central part where attitudes and globalization tends to be adopted at a slower pace.

Keywords: Ethnocentrism, Cosmopolitanism, National Identity, Structural Equation Modeling

## INTRODUCTION

Historically firms have offered multiple channels in response to increased competition, incurred by both retailers and consumers (Dholakia et al., 2005). The growth of online shopping in Europe, and the transition to the digital society where individuals are constantly connected to the Internet affects consumer opportunities and increases the amount of products that are marketed, and available (Sundström & Reynolds, 2014). In terms of policy and the idea of The Single Market Europe, e-commerce growth is perhaps the most evident outcome of the hard work among policy makers, trying to fulfil the idea of a market without borders, with less country specific regulations and entry barriers (EU Commission, 2012). Online retailing will in many ways, change the market and paradigm upon which the value chain is built, because consumers can buy anything, anytime, from everywhere – it is just a click away. Online retailing has expanded European consumer choice severely, making it easy to buy foreign goods from all continents. At least, that is the Utopian belief of the effects on globalization and unlimited access to products and brands.

The Nordic countries are at the forefront of information and communication technology (ICT) use in the world according to The World Economic Forum. This is particularly so regarding Finland and Sweden, which are countries that are buying more consumer products online (PostNord, 2011), choosing digital payments instead of cash, and using smartphones and tablets in their everyday life (Dibs, 2013). Sweden is an area where consumers hold a leading position in digital development, enjoy an active lifestyle, have the skills and resources to put this into practice, and live in a society characterized by transparency and openness. Swedish consumers are buying more online, and they are also buying products from other countries. However, even though Swedish consumers *can indulge* in convenient global shopping from home, bricks-and-mortar shopping is still, by far the most common (Sundström, 2007), and there are strong positive attitudes among Swedish consumers regarding country specific brands communicating “Made in Sweden”.

Swedish consumers tend to evaluate international products based on their real or perceived country of origin. These attitudes affect consumer preference for domestically made alternatives, or create bias against foreign products. In respect to the growing phenomenon on e-commerce, omni-channel behavior, and the digital development offering consumers more choices than ever before, the importance of understanding country of origin effects take on a whole new and heightened importance. On a European level it is important to elaborate on consumer ethnocentrism and how different member state markets act, in order to provide a holistic view of the phenomenon. In order to become a one single market, the knowledge on country of origin effects needs to be accounted for. There is still much to learn about the effects of ethnocentrism, and this paper elaborates on consumer ethnocentricity with data from Swedish consumers.

## LITERATURE REVIEW

The thoughts of for instance Levitt (1983) who proposed that the forces of globalization will ultimately push away the multinational corporation, selling the same things in the same way everywhere, as if the entire world or major regions of it were a single entity, have been proved premature by consumer marketing researchers. Mooij and Hofstede (2002), argued that due to cultural differences homogenization of consumer behavior will not be realized in an increasingly

global marketplace. This view is also supported by others who noted that, regardless of the homogenization of demand elements that flows from market globalization, the nationality of consumer goods, the so-called country-of-origin (COO) of products is believed to remain a noteworthy factor in consumer buying behavior (Al-Sulaiti and Baker 1998; Peterson and Jolibert 1995; Vergleh and Steenkamp 1999). Douglas and Nijssen (2004); Granzin and Olsen (1998); Han (1988); Shimp and Sharma (1987) asserted that marketing literature offers enough evidence that consumers evaluate products on the basis of on which nation they are produced or with which they are associated, and that, under specific conditions, consumers may exhibit preference for domestically made alternatives.

Researchers such as Herche (1994); Vida and Dmitrovic (2001) argued that due to higher consumer awareness of ethnic, national and cultural identity and sometimes even due to nationalistic beliefs, consumers may be particularly concerned with this aspect of buying behavior when faced with major economic or political changes in their markets. From this, Dmitrovic, Vida and Reardon (2009) contend that, there is a need to conduct research to fully understand the underlying reasons for bias against foreign products. Specifically, they investigated factors regarding consumers' preferences with regard to the choice of domestic vs. foreign products in the four ethnically distinct markets of Serbia, Croatia, Bosnia and Herzegovina and Montenegro. They concluded that consumer ethnocentrism has affected domestic purchase behavior both directly and indirectly through domestic product appraisal.

Consumer ethnocentrism in Chinese societies was also examined to study whether more ethnocentric consumers would have higher preferences of domestic products (Hsu and Nilen, 2008). The findings of this research showed that there are differences in consumer ethnocentrism among the respondents from Shanghai and Taipei, where Taipei respondents are less ethnocentric than Shanghai respondents. Parts and Vida (2011) examined the effects of consumer cosmopolitanism on foreign product purchase behavior in three major categories of consumer products (alcohol products, furniture and clothes) and their findings confirmed the strong total effect of consumer cosmopolitanism in purchase behavior and indicated a strong direct effect of this phenomenon on the behavioral outcome. Moreover, cosmopolitan consumers have a strong tendency to buy foreign rather than local products. Continuing on the same stream of studies, Chowdhury (2012) examined, (i) the applicability of 'consumer ethnocentric tendencies scale for a developing country Bangladesh and (ii) it investigated the applicability of 'social identity theory' in addressing ethnocentric tendencies of different socio-demographic groups of consumers in Bangladesh. The results showed that the ethnocentric tendencies of different social identities in Bangladesh are highly influenced by their 'in-group' interests which make them act differently (less or more ethnocentric) from others or 'out-groups' thus social identity theory can explain the issues of consumer ethnocentrism. Likewise, Matic (2013) examined the impact of demographic, socio-psychological factors and the intensity of ethnocentric tendencies among Croatian consumers that will lead to the conceptualization of consumers' ethnocentric profile in Croatia. He found out that consumer's ethnocentrism will depend on country, values, customs and behavioral patterns and the consumer who is expressing high ethnocentric tendencies would be older, less educated, with low income, highly religious and is dissatisfied with their life in Croatia. Kumar, Fairhurst and Kim (2013) investigated the role of personal cultural orientation variables as antecedents of ethnocentric tendencies of Indian consumers. The results of their study showed that Indian consumers with high ethnocentric tendencies prefer domestic products/service while those with low ethnocentric tendencies prefer foreign product/service. Moreover, they concluded that the factors which influenced the ethnocentric tendencies of Indian

consumers are personal cultural orientations such as collectivism, power distance, and uncertainty. Previous research distinctly showed that the study of consumer ethnocentrism in different societies has enriched knowledge by revealing different results. It also implicitly indicates the results of a similar study in other societies which exhibit different cultural and economic conditions can deepen and broaden our understanding of consumer ethnocentrism further.

In light of this fact, the current study examines the impact of consumer ethnocentrism on the purchases of domestic versus imported products in the Nordic Countries, specifically Sweden. Sweden (IMF, 2013) is a country with a well-developed economy ranking 7<sup>th</sup> with a GDP per capita of US\$ 54, 815 in 2012 according to the IMF, 10<sup>th</sup> in 2012 according to the World Bank with a GDP per capita of US\$ 55, 245, 12<sup>th</sup> in 2013 with a GDP per capita of US\$ 57 200 according to the CIA World FactBook, 11<sup>th</sup> in 2012 according to the UN with a GDP per capita of US\$ 55, 072.

Ethnocentrism of the Swedish consumers is proved to be low (Hult, Keillor and Laffettry, 1999). Keillor and Hult (1999) found that Swedish respondents reported a relatively weak sense of national identity. This conclusion indicates that the Swedish business environment would be relatively open to foreign firms and foreign products and at the same time to be tolerant to different ways of operating as the level of ethnocentrism is low. In sum, Swedish partners are said to be tolerant of other cultures in business dealings and at the same time the Swedish consumers would be receptive or very open to products identified as non-domestic.

A limited number of studies have addressed the phenomenon of CET in the Swedish market although the focus of those studies differs from the issues addressed in this article and moreover the findings of those studies are inconclusive as it will be elaborated hereunder. Some specific studies which addressed CET in the Swedish market are; e.g. Tomas (1999); Hoffmann (2000); Bryhni et al. (2002); Ngapo et al. (2003); Eklund, Fernqvist and Tjärnemo (2007); Ekelund and Tjärnemo (2009). Tomas (1999) assessed the reliability and validity of the consumer ethnocentrism construct and the corresponding CETSCALE measurement across markets. Hoffmann (2000) studied the Swedish market for fresh meat and it specifically examined what factors contribute to whether consumers perceive COO as an important quality cue.

Ngapo (2003) using focus groups attempted to obtain understanding into decision-making towards fresh pork purchase and attitudes towards pig production systems using consumers from France, England, Sweden and Denmark. Bryhni et al. (2002) purpose of study was to explore consumer liking and perception related to pork in Denmark, Norway and Sweden.

Eklund, Fernqvist and Tjärnemo (2007) studied Swedish consumers' perception and preferences of domestic vegetables compared to on the one hand imported and on the other hand organically grown vegetables. Ekelund and Tjärnemo (200) examined the competitiveness of a local vegetable cluster in the southern part of Sweden. The above review with a focus on the Swedish market shows a clear research gap on the impact of CET on consumer purchases behavior and moreover a gap on the impact of National Identification and Cosmopolitanism on Ethnocentricity.

The identified research gap is also supported by Alsughayir (2013) who conclusively argued that the degree of influence the country of origin provides in product evaluations remains unanswered and a several other issues remain unresolved. The need for further research is also supported by Newman et al (2014) who recommended that it is crucial that additional theory-driven research be conducted, specifically from a macro marketing perspective, to foster more

generalizable knowledge about the complex role of COO information in aggregate food marketing systems.

With regard to the precious research done and the need for more research on how much influence the country of origin gives an product evaluations, this article examines how the Swedish CET influences consumer purchasing behavior and the impact of National Identification and Cosmopolitanism on Ethnocentricity.

## CONCEPTUAL DEVELOPMENT

Consumer ethnocentrism describes a preference of nationally produced goods over internationally manufactured products (Sharma, Shimp and Shin, 1995; Shimp and Sharma, 1987) and accordingly, consumers, who purchase domestic products, feel moral appropriateness and strong national pride and imports are considered as potential threats for the home economy (Papadopoulos, Helsop and Bamossy, 1991; Shimp and Sharma, 1987). Consumers are thus, generally believed to form their country image perception based on a country's manufacturing ability, technical innovation design skills and prestige.

Whereas Bannister and Saunders (1978), Chasin and Jaffe (1979) and Nagashima (1970, 1977) used the term "made in" to define the country of origin of the product, Khalid and Baker already in 1998 pointed to the fact that it can be complicated to define the country of origin in the modern market place and that the growth of multinational companies and consumer evaluation of hybrid products with components from many countries, have blurred the accuracy of "made in" labels (Baker and Michie, 1995; Baughn and Yaprak, 1993; Chao, 1993; Yaprak and Baughn, 1991). In contrast to studies into country of origin the research on consumer ethnocentrism offers a more solid theoretical basis for empirical research. The model developed by Sharma, Shimp and Shin (1995) still remains as one of the most comprehensive models on understanding the phenomenon. The authors proposed a number of antecedent and outcome factors, trying to explain why and under what conditions consumer ethnocentrism evolves. For example, common antecedents to ethnocentrism include consumer demographics, openness to foreign cultures, patriotism, collectivism-individualism and conservatism.

The concept of country image has for a long time been an important research topic (e.g., Bilkey and Nes, 1982; Li, Dant, and Wortzel, 1995; Schooler, 1965) and this growing body of literature on country image has indicated that consumers hold stereotyped product- country images, which subsequently affect their purchase decisions (Martin and Eroglu, 1993; Baughn and Yaprak, 1991). Empirical research into the impact of ethnocentric tendencies of consumer attitudes has been conducted in developed, mature, developing, emerging and post-transitional consumer markets (e.g., Batra et al., 2000; Sharma et al., 1995; Dinnie, 2004).

Under specific conditions, both phenomena, COO effects and ethnocentricity, translate into consumer purchase behavior favoring either domestic or foreign-made products and/or brands (Balabanis and Diamantopoulos 2004). This is to be seen in light of a recent shift in Sweden to more purchases occurring on the Internet. Granzin and Olsen (1998) defined domestic purchase behavior as an individual's purchase-related behavior in support of the domestic economy. This study examines the two constructs of COO and ethnocentricity individually, and link them into a model of purchase behavior. Balabanis and Diamantopoulos (2004) studied the interplay of consumer ethnocentrism, domestic country bias and COO effects, and found that the ethnocentricity construct better explains consumers' bias toward home

products (domestic purchase behavior) than against foreign products from specific countries (COO effect).

A study by Suh and Kwon (2002) demonstrated that consumer ethnocentrism is important both in determining the level of reluctance to buy foreign products as well as in assessing quality of products from a foreign country, yet these effects vary depending on the cultural context. Moreover, evidence further suggests that less ethnocentric consumers use more objective information regarding product quality than more ethnocentric consumers (Brodowsky 1998; Herche 1994), and that the strength of the ethnocentrism effect is contingent upon consumer perception of the country of origin of the goods examined (Balabanis and Diamantopoulos 2004; Herche 1994).

H1a: Ethnocentric attitudes of consumers have a positive effect on Domestic Purchase Behavior  
H1b: Ethnocentric attitudes of consumers have a negative effect on Foreign Purchase Behavior

### **Antecedents of Consumer Ethnocentric Attitudes**

The concept of consumer ethnocentricity (CE), “which itself is an important individual level construct for the better understanding of country-of-origin dynamics “(Sharma, Shimp and Shin 1995, p.34) has been associated with many other socio-psychological factors in existing empirical research, notably with consumers’ sense of national, ethnic and cultural identity, their sense of cultural homogeneity, heritage and uniqueness (Costa and Bamossy 1995; Cui and Adams 2002; Suh and Kwon 2002; Keillor et al. 1996). One of these concepts is that of moral action which refers to that many consumers consider it morally appropriate to buy or not to buy products manufactured in certain countries. As examples, American boycotted South African products and Australian consumers” boycotted of French products due to French nuclear tests in the Pacific (Verlegh and Steenkamp, 1999). It is also noted that, as opposite to boycott of certain countries” products, Granzin and Olsen (1998) found that American consumers' purchases of domestic products are positively related to internalized responsibility for helping and patriotism.

Consumer Ethnocentrism antecedents have been previously examined in various ways, such as for instance the examination of Turkey and the Czech Republic, (Balabanis et al.2001) where they found country-specific effects of patriotism and nationalism on consumer ethnocentric tendencies. Sharma et al. (1995) provided one of the earlier comprehensive studies examining why and under what conditions the CE phenomenon occurs. They offer empirical evidence of constructs such as patriotism, cultural openness, individualism and conservatism as principal antecedents of CE. The hypotheses below provide for an examination of the role of CE in shaping consumers’ beliefs about the legitimacy of purchasing foreign made goods on a European level with different member state markets.

H2: National Identification has a positive impact on CE.

H3: Cosmopolitanism has a negative effect on CE.

### **METHODOLOGY**

The sample consisted of 176 respondents from central Sweden, of which 164 were usable. University students were chosen for the sample based on: a) relative homogeneity of extraneous influences (Burgess and Steenkamp 2006, Coulter et al. 2005 and Strizhakova et al.

2008), b) higher exposure to global business (Gidley 2002; Kjeldgaard and Askegaard 2006) and c) higher acquaintance with multiple languages/cultures. Students that self-identified as non-Swedish, typically exchange students, were eliminated from the analysis.

Construct measures were derived from previous studies (Granzin and Olsen, 1998; Keillor, Hult, Erffmeyer and Babakus, 1996; Parameswaran and Pisharodi, 1994; and Yoon, Cannon and Yaprak, 1996). All measures used have been previously validated in cross-cultural contexts. CETSCALE has been previously used and validated in cross-cultural research (e.g. Lindquist, Vida, Plank and Fairhurst, 2001; Good and Huddleston, 1995). The six-item version of the scale was utilized to measure CE. Seven-point Likert scales were utilized to measure the five constructs as shown in Table 1.

Reliability was established using Cronbach's Alpha (see Table 1). In all cases, the alpha values are "respectable or better" (DeVellis 2003). The validity of each of the scales was tested with confirmatory factor analysis (CFA) [Joreskog and Sorbom 1993]. The CFA exhibited good fit to the model (RMSEA = 0.067). Convergent validity was confirmed by inspecting the t-values of the loadings (Bagozzi 1981). These values ranged from 7.43 to 14.77, all above the 2.00 level specified by Kumar, Stern and Achrol (1992). Discriminant validity was inspected by forcing the construct correlations to one and comparing these against the original model (Gerbing and Anderson 1988). The high D-squared statistics (Joreskog and Sorbom 1993) suggest the confirmatory factor model fit significantly better than the constrained models.

## RESULTS AND DISCUSSION

The final models are shown in Figure 1. As indicated in Table 2, the model fit is acceptable. As expected, the Chi-Squared was significant. The other performance measures advocate that the model describes the data within satisfactory limits, as revealed in Table 3. The RMSEA was well below the 0.08 cutoff value suggested by Browne and Cudeck (1993) and the CFI is above the recommended 0.90 bound (Lichtenstein, Ridgway and Netemeyer 1992).

The structural paths of the model test the hypotheses. Overall, the hypotheses are supported with the exception of the effect of consumer ethnocentrism on foreign purchase behavior. This is not overly surprising given that Balabanis and Diamantopoulos (2004) demonstrate that ethnocentrism better explains consumers' positive attitudes toward purchasing domestic products vis-a-vis foreign goods. Further, Verlegh (2007) attributes this to the fact that purchasing domestic goods has a positive economic impact, regardless of how the product is perceived relative to its foreign counterpart. It is not necessary to dislike foreign products, merely to purchase domestic ones to achieve ease with one's normative influences. In practice, campaigns relying on ethnocentric tendencies tend to have 'buy domestic' themes, and not necessarily 'don't buy foreign' themes.

As noted in the methodology this study has the limitation of a student sample and a single country analysis. However, as the purpose of this research has been to concentrate on local conditions rather than a comparison between countries the delimitation of restricting the study to one single country, in this case Sweden, gives further insight into very specific conditions for this country and can be viewed in light of previous studies on other countries.

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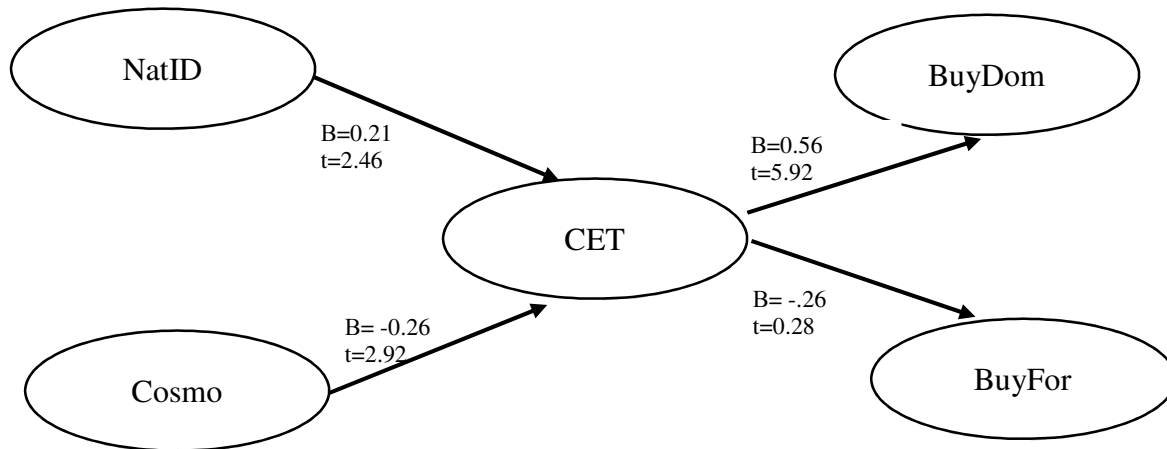
## APPENDIX

Table 1: Measures

Construct/Items	Reliability (Alpha)
<b>National Identification (NAtID)</b> <b>(Adapted from Keillor et al., 1996 )</b> 1. Being a Swedish citizen means a lot to me 2. I am proud to be an Swedish citizen 3. When a foreign person praises Sweden, it feels like a personal compliment 4. I feel strong ties with Sweden	.850
<b>Cosmopolitanism (Cosmo)</b> <b>(Adapted from Yoon et al, 1996)</b> 1. I like immersing myself in different cultural environments 2. I like having contact with people from different cultures 3. I would enjoy travelling to foreign countries for an extended period of time 4. Getting information and news from around the world is important to me	.797
<b>Ethnocentricity (CET Scale)</b> <b>(Adapted from Shimp and Sharma 1987)</b> 1. Only those products that are unavailable in Sweden should be imported 2. Swedish products, first, last and foremost 3. A real Swedish citizen should always buy Sweden-made products 4. Swedish citizens should not buy foreign products, because this hurts the Sweden's business and causes unemployment 5. It may cost me in the long-run, but I prefer to support Swedish products 6. Swedish consumers who purchase products made in other countries are responsible for putting their fellow Swedish citizens out of work	.880
<b>Domestic Purchase Behavior (BuyDom)</b> <b>(Adapted from Grazen and Olsen 1998)</b> 1. I try to buy mostly domestic brands 2. I take time to look at labels in order to knowingly buy more domestic brands 3. I shop at retail stores that make a special effort to offer domestic brands	.901
<b>Foreign Purchase Behavior (BuyFor)</b> <b>(Adapted from Grazen and Olsen 1998)</b> 1. I like the idea of owning foreign products 2. My quality of life would improve if more imported goods were available 3. I find imported goods more desirable than domestically produced products	.779

Table 1 sources discussed on page 7.

**Figure 1 – Results (estimate and t-values)**



**Table 2: Model Fit**

Chi-Squared	288.4, p < 0.01
RMSEA	0.0675, p=0.016
CFI	.951
NFI	.890
RFI	.874

**Table 3: Hypotheses Results**

Hypotheses	Linkage	Estimate	t/p-value	Result
H1a:	CET → BuyDom (+)	0.56	5.92	Supported
H1b:	CET → BuyFor (-)	-0.02	0.28	Rejected
H2:	NatID → CET (+)	0.21	2.46	Supported
H3:	Cosmo → CET (-)	-0.26	2.92	Supported