

# Indian Consumer Ethnocentric Tendencies and the Innovative Marketing Challenges of Foreign Brands - An Empirical Study

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**Abstract** Globalization of markets presents considerable challenges and opportunities for domestic and international marketers and will create and lead to a common culture worldwide. Vision of a borderless world has exposed consumers worldwide to a wider range of foreign brands than ever before. With a current border-thinning global economy, consumers around the world have been increasingly exposed to foreign products, giving them more buying choices. The time for selling product is gone. The brand is now the key issue; the question is whose brand will dominate.

This paper uses the Consumer Ethnocentric Tendencies aims to evaluate the level of consumer ethnocentrism (CE) and its implications on the attitude Indians harbor towards consumption of domestic vis-à-vis foreign goods. The paper investigates the influence of the country of origin on the evaluation of product quality, price perceptions and purchase intention in relation to consumer ethnocentrism.

**Key words** country of origin, consumer ethnocentrism, brand associations, consumer behavior

## 1 Introduction

Over the past forty years, a large number of studies have found that consumers' product evaluations and buying intentions are related to the country of origin of the products. A product's origin indeed affects the way it will be perceived by consumers and the extent to which it will be preferred when it comes to making a buying decision. This escalation could be attributed to a multiplicity of factors: advances in communication, information, and transportation technologies; a shift toward market economies; privatization and deregulation in the emerging markets; emergence of the global consumer; availability of transnational media; and proliferation of global products. Several studies have been conducted on consumer ethnocentrism in developed and developing countries. Lately, similar attempts have been made in respect of Indian consumers too. India has a huge population of more than a billion people, next only to China. The per capita GNP is \$ 460, with significant deviation. The literacy rate stands at forty two per cent. It offers an exciting opportunity to marketers in terms of market size to understand specifics of consumer behaviour.

Today, brands are no longer incidental and luxury indulgences much less about ethical dubiety. On the contrary, they are about feeling precious and pampered, buoying up lifestyles, and flaunting a superiority of taste. Luxury brands may well seem distinct. Many of the essential differences between luxury and mass market brands are blurring faster than one could notice. For international luxury brands, India is no longer a mere testing ground, but a lucrative market. Estimates suggest that India has more consumers for luxury goods than the adult population of several countries. Little wonder, as the World Wealth Report 2005-06, published by Merrill Lynch and Capgemini, puts the number of millionaires in India at a whopping eighty three thousand and states that India recorded the world's second fastest growth at nineteen percent in the number of high net-worth individuals in 2005. High-end luxury brands cannot take their eyes off the fact that over twenty five million people are getting added to the hallowed Indian middle class every year. It is estimated that nearly two million Indian households earn more than \$100,000 annually and can spend about \$9,000 on premium goods and services. That itself translates into a potential market of \$16 billion, even as the number of such affluent Indian households is believed to be growing by twelve to fifteen percent.

Industry estimates suggest that as many as two hundred to three hundred international luxury brands are trying to make inroads into the Indian luxury market, already worth Rs 2,400 crore (\$444 million according to the "India Luxury Trends 2006" report by KSA Technopak), growing at thirty to thirty two per cent, and expected to touch Rs. 5,000 crore by 2010. One study pegs the Indian market

potential of the fifteen to thirty five year bracket at a whopping \$ fourteen billion. According to the Synovate PAX media survey 2006, the ownership of luxury goods has grown from fifteen percent to nineteen percent since last year. Those owning luxury jewellery (\$500 and more) now account for seventeen percent of affluent India. Spurred by this growth in the purchasing power of young India, these brands are actively looking to either launch themselves here or scale up their existing presence. Making a beeline for India are a host of international luxury brands such as Gucci, Hermes, Christian Dior, Cartier, Piaget, Tiffany, Moschino and others.

Looking at these encouraging sales figures and a promising future for such products in India, the researchers have conducted an extensive survey among the people in the city of Mumbai (both male and female) who can afford these luxury products and are within the age group of eighteen to thirty years. This research will be giving a complete analysis of the consumer behaviour while buying these high end products and also finding out how satisfied the consumers are with these products and why they prefer them to regular clothing and accessories like those sold at retail outlets like Catwalk, Warden Apparel (stores in South Mumbai) etc. Brand loyalty to a particular high end fashion house is also an important consideration for this research.

### **1.1 Literature Review**

Shimp and Sharma (1987) have noted that "consumer ethnocentrism gives the individual a sense of identity, feelings of belonging, and, most importantly, an understanding of what purchase behavior is acceptable or unacceptable to the in-group" (p. 280). Moreover, they argue that consumer ethnocentrism is closely correlated to patriotism, politico-economic conservatism, and dogmatism. Thakor, M. V. and C. S Kohali (1996) maintain that consumer ethnocentrism is positively correlated to patriotic and conservative attitudes, but has a negative correlation with cultural openness. Accordingly, a consumer who has a high ethnocentric tendency will be dogmatic and not open to foreign cultures, and as such he/she will have generally unfavorable attitudes toward foreign culture and products.

As mentioned above, consumer ethnocentrism derives from the more general construct of ethnocentrism, which can be defined as people viewing their in-group as central, as possessing proper standards of behavior, and as offering protection against apparent threats from out-groups (Brislin 1993). As Klein, Ettenson, and Morris (199K, p.90) have noted. "Shimp and Shamia (1987) apply ethnocentrism to the study of marketing and consumer behavior and have coined the term "consumer ethnocentric tendencies" to represent beliefs in consumers regarding the appropriateness and morality of purchasing foreign made products." Previous research on the effects of consumer ethnocentrism on consumer behavior has revealed that high-ethnocentric consumers take unreasonably favorable evaluations of domestic products vis-à-vis imported products (Bilkey and Nes 1982; Han and Terpstra 1988; Johansson et al. 1985; Shamia et al. 1995; Wall and Heslop 1986; White 1979). Accordingly, it can be predicted that consumer ethnocentrism will most likely have a negative influence on consumers' attitudes toward products from country of origin.

### **1.2 Hypothesis**

Since the sales figures above prove consumers are extremely satisfied with these high end products, the researcher will consider the following hypothesis:

H 1: Mentally, consumers are extremely satisfied with buying international haute couture and price begins to take a back seat. Consumers are also loyal to particular design houses.

H 2: Mentally, while consumers are satisfied with buying international haute couture, price is still an important consideration. Consumers do not care much about buying products from any particular design house.

H 3: Mentally, consumers are extremely satisfied with buying international haute couture and price begins to take a back seat. Consumers do not care much about buying products from any particular design house.

H 4: Mentally, while consumers are satisfied with buying international haute couture, price is still an important consideration. Consumers are also loyal to particular design houses.

## **2 Methodology**

### **2.1 The Instrument**

The data collection started with a brain storming session among the researchers wherein they recollected their experiences as a shopper, identified certain critical factors that influenced their decision while shopping. Additionally the discussion also brought certain of the issues that in the opinion of the researchers needed to be addressed on an immediate basis. Thus the discussion delved on certain initial

assumptions that were thought to be proved for their validity as a part of this research.

A self administered questionnaire was finally developed based on relevant studies through the secondary research by reviewing the literatures and brainstorming of the researchers.

### **2.2 The Sample**

In this study, the target sample surveyed were shoppers in various parts of India.

### **2.3 The Sampling Procedure**

Using a convenience sampling approach, the cities of Mumbai, Delhi, Bangalore, and Chennai was surveyed. The sample size in this study contained five hundred respondents over a six month period.

## **3 Analysis**

Importance of various shopping factors was analyzed on a scale of 1 to 5 (1 being the least important):

### **3.1 Designer Label**

The result received shows that Indians who can afford international haute couture, consider designer labels to be important. Ninety four percent responded by saying foreign brands matter in some way or the other and foreign brands do affect what they buy. (very important, important, little important, and may be important ). While a mere six percent said it is not important at all.

### **3.2 Durability**

Thirty four percent of the people consider durability to be a little important, six percent said it wasn't important at all and twenty four percent consider durability to be an important factor. This indicates that when the shopper makes a decision to buy such a product, he/she does consider the product's durability but does not attribute it with much power.

### **3.3 Fashion**

One hundred and ninety (thirty eight percent) out of a sample size of five hundred individual shoppers (who can afford such products) said fashion is very important to them while only twenty (4 percent) said it was not important at all. And one hundred and twenty people (twenty four percent) consider the latest trend while shopping but do not necessarily hold it at high levels of importance. Fashion is a major influencing factor to consumers when they decide to buy products from international design houses. While designer brands do influence shoppers, fashion is a bigger consideration. They tend to shop from design houses like Guess, Calvin Klein, Tommy Hilfiger etc. but what they buy from these boutiques is up to date with the latest trend.

### **3.4 Price**

Designer merchandise from foreign companies is priced at considerably high levels. The market for such products in India is rapidly increasing only proving that shoppers are willing to spend a little more for these exclusive products. The results of the survey show that four percent do not consider price to be a consideration at all while purchasing such products. However, this particular group of people belongs to the highest rung in our society. Thirty four percent of the shoppers who answered the survey believe price is a considerably important factor while only eighteen percent deem price as an extremely important factor. This proves that shoppers have the resources to spend and do spend large amounts of money on international designer brands; but the pricing of the merchandise is an important factor.

### **3.5 Love Shopping for Clothes at International Design Houses Like Guess, Mango etc.**

The results of the survey depict that the average urban Indian (belonging to the upper middle and high class society) loves shopping for clothing and accessories at international design houses. While thirty nine percent said they shop at such places all the time, only nine percent people said they never shop and six percent rarely shopped from high end designer boutiques like Louis Vuitton, Guess, FCUK etc. Twenty eight percent said they shop from such outlets sometimes and eighteen responded that they purchase items from such stores quite often.

### **3.6 Exclusivity and Good Quality**

The majority of the sample size believes that products from high end international designer boutiques like YSL, Dior, and Morgan etc. do grant the consumer high quality and exclusivity. With thirty four percent saying they strongly agree with this question, twenty six percent said they agree, twenty four percent said may be, fourteen percent said they disagree and only two percent said they strongly disagree.

### **3.7 Purpose of Purchase, as Gifts**

Since the price of these products are relatively high, it is important to know what the consumer is thinking. Are they buying the products as exclusive and elite gifts for their loved ones or are they

purchasing for self satisfaction?

The answer to this question has many close calls. Out of a sample eighteen percent said 'Never', twenty two percent said 'Rarely', twenty two percent said 'Sometimes', twenty said 'Quite Often', eighteen percent said 'All the Time.' This shows that while people do buy such high end products as gifts and for occasions, they do not hesitate to spend a good amount of money on themselves (or others) simply because they feel like.

### **3.8 Pricing Importance**

Products from infamous design houses like Chanel, Gucci, Louis Vuitton, Tommy Hilfiger etc. are meant to be priced sometimes at unaffordable prices. The charm of these products is derived from the fact that they are expensive and not everyone can afford them.

The results of the survey depict that people are aware of this fact and do not mind splurging on such exclusive merchandise from time to time. Eight percent consider pricing completely irrelevant (these people are the few who earn exorbitant amounts of money), a majority of thirty percent think pricing is semi important so if they happen to like a particular item of clothing or an accessory, they might just pick it up irrespective of the price. And a close twenty six percent of shoppers consider price to be a very important factor. Thus, price is one of the important considerations while purchasing international designer products.

### **3.9 Monthly Expenditure on International Designer Brands**

Fifty six percent chose the first option of less than Rs. 10,000/-, twenty six percent chose in between Rs. 10,000 – Rs. 20,000/- and eighteen percent chose the last option of above Rs. 20,000/-. This shows the spending patterns of the shoppers for such products. Maximum of the customers said they spend an average of less than Rs. 10,000/- a month.

### **3.10 Lower Pricing by Indian Brands**

International design houses have successfully hit the Indian fashion market. These figures above proves the fact that even though shoppers have an equal choice to choose between regular brands and well established foreign brands like Gucci, Hermes, Zara etc. they would still prefer the latter. Sixty percent consumers said they would buy products from international fashion houses over Indian premium brands, eighteen percent said 'Maybe' and only twenty five percent responded that they will choose Indian premium brands.

### **3.11 Happiness about decision**

Two percent were 'Not At All Happy' about their decision to purchase international brands. Four percent said that they were 'Kind of Happy' about their decision, Twenty six percent said that they were 'Happy' about their decision , thirty six percent were 'Quite Happy', and thirty two percent were 'Extremely Happy' about their decision.

This data shows that people are happy with what they are purchasing. It depicts that shoppers are content with these international products and if all goes at this rate, they will continue purchasing them.

### **3.12 Brand Loyalty**

This question has two sub-parts; the reason behind adding the second element is to find out which particular designer brand people are more loyal to.

The response to the first sub-part based on the survey shows that there is a close call between the answers of the two possible extremes of this question. Twenty eight percent said they are extremely brand loyal and twenty four percent said they are not even the slightest bit brand loyal. The fact then remains that these fashionable brands have managed to create a level of brand loyalty for themselves.

The second half of the question asks the consumer to name the brand they are loyal to, that is only if they are loyal to a particular foreign designer brand. Most of the respondents wrote they are loyal to the design houses of- Forty percent were loyal to Guess, twenty four percent to Mango, twelve percent to Calvin Klein, twelve percent to Tommy Hilfiger and twelve percent towards Charles & Keith.

### **3.13 Favorites**

This question looked at finding out which designer brands are famous among the urban Indian who shops at such boutiques. It added another element to the previous question; even if a certain number of people are not brand loyal, they might possibly like particular designer brands more than others. Most of the people who said they are brand loyal had almost the same answer as the previous question. The brands mentioned as favorites are: Guess –twenty four percent, Tommy Hilfiger –eight percent, Zara –ten percent , Mango – twenty six percent, Gucci –twelve percent.

This states that Indian consumer is exposed to a number of international designer brands and there are a few of these brands that are increasingly popular among the shoppers. The international design houses of Guess, Mango and Morgan are proved to be among the top favorite of most of the respondents

of the survey.

One of the four stated hypotheses has been proven to hold true. There are two factors that need to be considered in order to prove one of the four stated hypotheses. They are price of the product and brand loyalty.

### **3.14 Price**

Based on the response received in the questionnaire regarding price, it appears that shoppers are concerned about the pricing of these clothing and accessories. Though they tend to splurge on these items, most of the sample size said they do consider price to be quite an important consideration before purchase.

### **3.15 Brand Loyalty**

This aspect had quite a close call. The respondents were almost equally divided between the two possible extremes- twenty four percent said they are not the slightest bit brand loyal and twenty eight percent said they are extremely brand loyal, leaving a difference of exactly four percent.

Thus, *H 1: Mentally, consumers are extremely satisfied with buying international haute couture and price begins to take a back seat, Consumers are also loyal to particular design houses*, is rejected as for the satisfied consumers who are brand loyal to a particular design house, price does matter to some extent.

*H 2: Mentally, while consumers are satisfied with buying international haute couture, price is still an important consideration. Consumers do not care much about buying products from any particular design house*, is rejected as satisfied consumers for whom price does matter, are brand loyal to a particular design house.

*H 3: Mentally, consumers are extremely satisfied with buying international haute couture and price begins to take a back seat. Consumers do not care much about buying products from any particular design house*, is rejected as consumers do care about choosing a particular brand house for their purchase, although price do mater to some extent.

With the above considerations, data and facts the following hypothesis is proved to hold true because it states that while consumers are happy with purchasing international designer clothes and accessories, price is still a consideration for more than a majority of the consumers. It also states that the consumers of these products are also brand loyal.

Thus, *H 4: Mentally, while consumers are satisfied with buying international haute couture, price is still an important consideration. Consumers are also loyal to particular design houses*, holds true.

## **4 Conclusions**

The paper proves that majority of the respondents are brand loyal irrespective of the country of origin of the brands. This research paper has given a study of the patterns of consumer behavior (restricted to India). It has helped to understand better the minds of the consumer while purchasing products from international designer brands giving relevance to Country of origin. It also explores the attitude Indians harbor towards foreign brands. The data from the study suggests the lack of ethnocentrism in Indians provided they get good quality foreign brands at considerable price.

### **4.1 Management Implications**

The present study undertook analysis of ethnocentric tendency among Indians with respect to international brands i.e. the impact of ethnocentrism on willingness to buy foreign brands. This analysis has future marketing implication to International brand marketers. Their moderating effects could help the marketer in linking the tendency with actual consumer behavior and establish similarities in the brand associations.

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