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The relationship between consumer ethnocentrism, cosmopolitanism and product country image among younger generation consumers: The moderating role of country development status

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ABSTRACT

Although the differences between developed and developing countries have been extensively studied in the context of globalization strategies, few studies have so far been conducted on the relationship between country development status and the possession by countries of a favorable (or unfavorable) product country image (PCI). Moreover, the results of such studies to date have been inconclusive. The purpose of this paper is to investigate the moderating role of country developmental status on PCI coupled with two antecedents of PCI, namely consumer ethnocentrism and cosmopolitanism. The paper also distinguishes between the PCI of the home and foreign country images of respondents. We test a new model that incorporates these constructs with a sample of 2655 younger generation consumers. The results show that country development status moderates some relationships but does not moderate others. These findings have significant implications for international companies from both developed and developing countries when developing global strategy.

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1. Introduction

Differences in cultural, political and economic factors (Buckley & Ghauri, 2004; Ghemawat, 2001; Ghemawat & Ghadar, 2000) have made it difficult for multi-national enterprises to gain the benefits of a fully integrated global strategy as well as challenging the theories surrounding globalization (Birkinshaw & Morrison, 1995; Kipnis, Kubacki, Broderick, Siemieniako, & Pisarenko, 2012;

Rugman & Oh, 2008; Rugman & Verbeke, 2003). However, trends in global branding, global transport, improved international communications, manufacturing outsourcing and low labor-cost manufacturing have all helped to reduce country boundaries, standardize customer tastes and increase cosmopolitan perceptions in many countries (Porter, 1986; Ter Hofstede, Steenkamp, & Wedel, 1999; Usunier, 2011; Yip, 2000). These changes have applied equally in both developed and developing countries with products, for example, from companies like McDonalds, Apple and Gucci being available worldwide. In spite of this trend toward some degree of convergence, income per head between the richest and poorest country in the world has diverged from 5:1 in the 18th Century to 400:1 in the late 20th Century according to one study (Landes, 1998).

More generally, economic differences between developed and developing countries have been extensively studied (see, for

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example, Cantwell, 1989; Fagerburg & Verspagen, 2002). Typically such studies have included evidence on wealth per head of the population in different countries – see, for example, the World Bank Report 2012 – thus making it an essential measure of country development status. It has been widely accepted for many centuries and is fundamental to the foundations of marketing that consumer wealth is a prime determinant of purchasing behavior. Country development status captures this concept with comparisons typically being made between developed and developing countries.

More recently, it has been established (see, for example, the reviews in Dimitrovic & Vida, 2010; Kaynak & Kara, 2002; Papadopoulos & Heslop, 1993; Roth & Diamantopoulos, 2009) that Product Country Image (PCI) influences purchasing decisions around the world. This is important for companies from both developed and developing countries because they have the opportunity across such countries to exploit, to hide and to support the PCI(s) associated with their companies. Such research therefore remains of significant relevance to international business (Chabowski, Samiee, & Hult, 2013).

PCI matters in purchasing decisions because it reflects the extent to which country preference can over-ride global standardization. However, although there are some studies that have examined the influence of country development status on PCI, they remain few in number and the results to date have been inconclusive. Some papers have shown that consumers perceive products from developing countries to have lower quality than those from developed countries (Özsomer, 2012; Pappu, Quester, & Cooksey, 2007; Usunier & Cestre, 2008). Other studies have suggested that the increase in off-shore manufacturing in developing countries may have altered such perceptions (Chao, 1993). Moreover, many studies have been only among developed countries (Dinnie, 2004; Leonidou, Paliawadana, & Talias, 2007). Very few PCI studies have addressed the broader comparison of developed versus developing countries (Özsomer, 2012; Sharma, 2011). Such evidence is important for managers that are developing global strategies because country economic development may influence PCI and, in turn, the scope and content of global standardization strategies (Hannerz, 1990; Ter Hofstede et al., 1999). Equally, such managers may be attracted by the faster economic growth of some developing countries when seeking new opportunities and wish to consider the PCI implications (Klein, Ettenson, & Krishnan, 2006).

Importantly for global decision making, it is not enough to know that there are differences in PCI between developed and developing countries. For the evidence to be actionable for managers, the reasons for such differences need to be understood (Dimitrovic & Vida, 2010). There have been a large number of studies that have investigated various consumer antecedents and their influence on PCI, such as materialism, consumer ethnocentrism, value consciousness, and cosmopolitanism. However, many of the findings of such antecedents focus primarily on developed countries and, moreover, are inconclusive with regard to developing countries (Roth & Diamantopoulos, 2009; Sharma, 2011). For example, Klein et al. (2006) concluded that consumer ethnocentrism had a negative effect on the evaluation of foreign products, whereas Wang and Chen (2004) noted different effects based on different consumption tendencies. Thus there is a 'major gap' in the literature relating to PCI and its antecedents in the context of increased globalization (Dimitrovic & Vida, 2010). It is not practical for a single research project to explore all such antecedents (Sharma, 2011). We have selected two that have previously been widely studied, namely Consumer Ethnocentrism (CET) and Cosmopolitanism (COS), and that are relevant to issues in globalization and country development status (Cleveland, Laroche, & Papadopoulos, 2009).

Given the limited and conflicting empirical evidence in this area, the purpose of this paper is to examine the moderating effect of country economic development status on the relationship between PCI and two of its antecedents, CET and COS. We undertake this task by developing a new embedded model that incorporates five constructs: country development status, PCIs for both home and foreign countries, CET and COS. We then test the model empirically via a sample of younger generation consumers ($n = 2655$) from three developed and eight developing nations. We contribute to the literature by integrating PCIs with country economic development status in globalization strategy, both of which have relevance to international business.

The paper is organized in five sections. First, we review the literature and develop our proposed research hypotheses and framework. We then outline the research methodology and evidence used in the study to test the hypotheses. Next, the research findings are described and analyzed. The results are then discussed and conclusions drawn. Finally, the paper identifies the managerial implications.

2. Conceptual framework and hypotheses

Product Country Image (PCI) and the related concept of Country-of-Origin remain significant areas of research in international business (Chabowski et al., 2013). There are two main streams in the PCI literature, one describing the general image of the country in terms of its economy, politics and technological development (Martin & Eroglu, 1993; Verlegh & Steenkamp, 1999) and the other focusing on the attributes of its products (Han & Terpstra, 1988; Roth & Romeo, 1992). PCI is multidimensional in its nature, covering products and brands and the many countries that may be involved in their production and marketing (Papadopoulos & Heslop, 1993; Samiee, 2010). The general conclusion on PCI research is that "although the size of the effect may vary across products, consumers and situations, the impact of PCI is real, pervasive and measurable" (Heslop, Papadopoulos, Dowdles, Wall, & Compeau, 2004, p. 1178).

Perhaps because of its wide scope, the PCI concept lacks clear definition (Wang et al., 2012). For the purposes of this research, we adopt the following definition of PCI: 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" (Roth & Romeo, 1992, p. 480). We have chosen this definition because it is consistent with the prime purpose of this paper which explores the extent to which PCI moderates globalization strategies, particularly in production and marketing, in developed and developing countries.

Within PCI research, it has been long established that consumers distinguish between the image that they have of their domestic and foreign products (Morello, 1984; Nebenzahl, Jaffe, & Usunier, 2003; Papadopoulos, Heslop, & Bamossy, 1990). There are effectively two PCI images: one for the home country of respondents and one for other, foreign countries (see, for example, Dimitrovic & Vida, 2010; Papadopoulos & Heslop, 2003; Verlegh & Steenkamp, 1999). This leads us to the first element of our conceptual framework of PCI relationships: there are two separate PCIs, namely Home Product Country Image (HPCI) and Foreign Product Country Image (FPCI). These two elements are shown in Fig. 1 along with the other four components of the conceptual framework of this paper.

2.1. PCI in developed and developing countries

By definition, the distinction between developed and developing countries is essentially economic and wealth-related (UNCTAD, 2012; World Bank, 2010). We explain the number and choice of

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