

# **Consumer Ethnocentrism as a Strategic Tool for Developing Domestic Brand Equity in Developing Countries**

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## **Introduction**

In the global context, multinational brands aggressively perform against domestic brands, except in a very few scenarios. Even though governments of some countries use tariff and non-tariff barriers to control the arrival of international brands in the local market, multinational companies gain access to those markets by using strategies in connection to the liberalization and deregulation process of globalization. Therefore, it is particularly important to find new strategies to develop local brands over multinational companies. Most of the researchers in consumer behavior are interested in investigating the possibility of using consumer ethnocentrism (CE) as a strategic tool to develop local brand equity. Even though consumer ethnocentrism initially developed as a sociological phenomenon, later it became a psychological concept connected to consumer personality theories. Today, consumer ethnocentrism has become a very popular phenomenon in consumer behavior and brand management. Even though previous researchers have made considerable attempts to empirically examine the aforesaid concept in different contexts, there is not sufficient empirical and theoretical evidence to specify the ways of stimulating consumer ethnocentrism of local customers to veer their mindset towards local brands in developing countries such as Sri Lanka. Therefore, this study attempts to fill those empirical and theoretical research gaps.

## **Research Problem**

The main issue of this study is that whether the phenomenon of CE can be adopted as a strategic tool for developing domestic brand equity in Sri Lanka. Most of the past researchers who have examined this issue have carried out their studies in various countries; in different social, political, economic and cultural backgrounds. However as a developing country with multi ethnic diversity, it is worth to investigate this issue in Sri Lankan context after 30 years prolonged civil war.

## **Objectives of the Study**

The main objective of this study is to create a new model for domestic brand equity in developing countries. For this purpose, the researcher examines the antecedents of consumer ethnocentric tendencies and their impact on building local brand equity in Sri Lanka in order to provide evidence for when, where, and under what conditions domestic firms should leverage this concept in local brand building. The conceptual framework for the study was developed based on an extensive literature survey of the respective areas. Eight socio-psychological antecedents of CE and five economic and political antecedents of CE were initially identified as independent variables and domestic brand equity was considered as a dependent variable

## **Methodology**

This study adopted the positivist quantitative approach consisting of two stages. In the first stage, the author conducted an exploratory research to achieve an in-depth understanding of the research scope and to select product categories that were to be investigated. Therefore, it consists of a recall test among 30 customers who were randomly selected. Key informant interviews were conducted among 10 industry experts and selected academic experts in consumer psychology in addition to an extensive review of secondary data. Thus, the researcher identified 10 Fast Moving Consumer Goods (FMCG) brands for which domestic alternatives are available, and for which local brands attempt to make ethnocentric brand appeals. Those brands were initially selected from an accredited FMCG brands list from the “Mawbima Lanka Padanama”. However, the top 10 brands were determined based on the results of a recall test. The measurement criteria for each construct in the model were selected based on the validated models and scales from past studies in different contexts. Furthermore, a pilot survey was carried out with the purpose of finalizing the measurement scales in the questionnaire based on the reliability of each scale.

In the second stage of the study, a survey was conducted among 760 consumers who represented each ethnic sub-group of Sri Lanka. Samples were selected with the use of the multilevel mixed sampling method. A structured questionnaire was used as the data collection instrument and the data was collected via personal interviews carried out by experienced

enumerators in 10 districts that were randomly selected. Subsequently, an e-mail campaign was conducted among randomly selected e-mail subscribers in one of the reputed commercial e-mail data bases of Sri Lanka. The Structural equation model (SEM) was the principle data analysis tool. In addition; independent t test and one way ANOVA test etc. were further used together with relevant descriptive statistics for a comprehensive analysis of the empirical results.

### **Key Findings and Conclusion**

The findings revealed that the consumer ethnocentric tendencies (CET) of Sri Lankan customers are at a moderate level. However, it varies among different ethnic groups. Further there are 8 socio-psychological antecedents which have the ability to influence CET. Out of them; national identity, conservatism, patriotism and the cosmopolitanism of customers were remained at relatively higher level. On the other hand; materialism, world-mindedness and collectivism were reported below the average mean values. The dogmatism of customers as an antecedent of CET remained at a moderate level. Conservatism and patriotism were loaded into one factor and it was discovered to have a positively significant influence on CET. Further dogmatism has a strong positive influence while cosmopolitanism has a strong negative influence on CET. Furthermore collectivism, materialism and world-mindedness were discovered to negatively associate with CET but those influences were not considered significant. There is a significantly positive co-variance between national identity and conservatism/patriotism. Furthermore, dogmatism and cosmopolitanism are portraying themselves to be negative co-variances. Even though both materialism and world-mindedness do not strongly influence CET, those variables have strong co-variances.

On the other hand, there are 5 political and economic antecedents that can influence CET. Sri Lankan customers strongly believe that the national economy is in its path to development since the conclusion of civil war and that “Buy Lankan” campaigns have been effective in encouraging customers to buy local products. However, they believe that good governance and economic competitiveness are below the average. People only moderately trust the government policies supporting domestic companies. Further customers’ believe that good governing practices and policies in support of domestic businesses are directly reflected in economic development.

Furthermore, government policies also represent economic competitiveness. All the political and economic antecedents were loaded into 3 factors and all 03 factors were discovered to have strong positive influences on CET. Customers' positive perception towards developing the local economy has a significant covariance on conservatism and patriotism in Sri Lankan customers and the "Buy Local" campaigns show positive covariance with national identity of the Sri Lankan people.

Further findings revealed that CET has a strong significant impact on brand awareness, brand association and brand loyalty towards domestic FMCG brands. CET does not significantly influence the perceived quality of domestic brands. Finally, the researcher has proposed a new model for building brand equity of domestic FMCG brands based on the findings of this study.

**Keywords:** Consumer Ethnocentric; Domestic Brand Equity; Domestic Firms; Tendency