

# THE INFLUENCE OF CONSUMER ETHNOCENTRISM AND PERCEIVED VALUE ON PURCHASE DECISION OF LOCAL SHOE IN STUDENT ENVIRONMENT

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**Abstract:** Companies in Indonesia are currently facing fierce competition as more competitors enter Indonesia. To win the competition, the local companies have to pay attention to consumer behavior in buying a product. Factors that influence purchase decision of local products include consumer ethnocentrism and perceived value. The objective of this study is to investigate how consumer ethnocentrism and perceived value influence purchase decisions. This research uses descriptive research. Data were collected through a survey by distributing questionnaires to 200 respondents and returning as many as 197 respondents. The results of the study indicate a positive influence between ethnocentrism consumers on purchasing decisions of the local shoe. Perceived value also significantly influence purchasing decisions and perceived value proved to moderate the relationship between ethnocentrism consumers and purchasing decisions.

**Keywords:** Consumers' ethnocentrism, perceived value, purchase decision



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Globalization has brought changes in the business world, which is getting more open and unlimited. Market openness has resulted in multinational corporations searching their own market throughout the world. This is a negative impact of globalization of various products from foreign countries entering Indonesian market, which result in increasingly tight business competition. Indonesia is a very potential market for many foreign-made products with large

populations and middle-class populations which are growing increasingly, with the average of seven million people each year. One of the industries which face global competition is shoe industry. Based on the record of Ministry of Industry, the foreign exchange of footwear industry amounted to 4.11 billion US dollars or 2.33 percent of the total national exports in 2014. Indonesian footwear exports to the world market increased by the average of 8 percent per year. In terms of employment, this industry absorbed 643 thousand employees, which equals 4.21 percent of manufacturing industry workforce. The government fosters the growth and development of domestic footwear industry because it can absorb mass workforces and can boost export and market share of national shoe products in the global market. The domestic shoe market in Indonesia amounted to 2.7 trillion rupiahs per month, is domi-

nated by imported shoes, and the average of imported shoes entering Indonesian market increases 8.5 percent per year.

Based on the conditions above, local shoe industry will be very difficult to develop if there is no support from the government and support from Indonesian consumers as well. The government has tried to encourage society to purchase local products by issuing the policy to raise taxes on imported products and encourage society to love local products. This is very important, especially in the condition where foreign-made products are free to enter Indonesian market and promote their products very vigorously. One of the factors that influence the society to buy local shoes is ethnocentrism. Consumer Ethnocentrism is the tendency of consumers to accept or reject foreign-made products (Sciffman, et al., 2008). The previous researches have shown that in developing countries, consumers assume that products made by local producers are not as good as imported products (Barta, et al., 2000 and Wang and Chen 2004). Local shoe entrepreneurs and the government can use consumer ethnocentrism as one of local shoe marketing strategies. Entrepreneurs and governments should understand how consumer ethnocentrism can be used to persuade consumers to love local shoes than buying foreign-made shoes.

Another factor that can affect consumers in buying a product is the value of a product or perceived value for consumers. The value of a product holds an important role for consumers in making a purchase decision. Perceived value is a thorough evaluation of the usefulness of a product based on the perception of consumers on a number of benefits will be obtained compared to the sacrifices they made. Research in marketing has proved that one of the factors influencing purchase decision is perceived value.

Based on the background of the problems above, the authors are interested in examining the phenomenon entitled "The Influence of Ethnocentrism and Perceived Value on Purchase Decision of Local Shoe Products in Bandung City". The objective of this study is to determine how the influence of consumer ethnocentrism and perceived value of

local shoe purchase decisions among private college students.

### **Purchase Decision**

According to Peter and Olson (2004), the purchase decision is an integration process that combines the attitude of knowledge to evaluate two or more alternative behaviors and choose one of them. Understanding the process of making a decision made by consumers is very important. Companies that know what consumers buy, where they buy the product they want, how to buy it, how much they buy it, and why they buy it, will be able to develop a good marketing strategy and win the competition.

According to Kotler and Armstrong (2012), purchase decision process consists of five stages as follows: (1) Problem Introduction, the purchase decision process undertaken by a person begins because of a problem or a need, and awareness of the existence of that need can be caused by various stimuli, either from the person himself/ herself or from outside. (2) Information Search, consumers who are aware of their needs will be encouraged to seek more information. Sources of information come from personal sources (family, friends, neighbors, and acquaintances), commercial sources (advertising, salespeople, dealers, packaging, store displays), public sources (mass media, consumer-rating organizations), and experience (management, review, and usage). (3) Alternative Evaluation (4) Purchase Decision, in performing the purchase intention, consumers can take five sub-decisions: brand, dealer, quantity, time, and payment method. (5) Post-Purchase Behavior, many factors influence buying decisions made by a consumer. These factors can be external factors as well as internal factors (Kotler and Armstrong, 2012). In this research, the factors to be studied are the influence of consumer ethnocentrism and perception of value owned by consumers on a product.

### **Consumer Ethnocentrism**

The concept of ethnocentrism comes from the disciplines of anthropology and sociology. Shimp and Sharma (1987) developed this concept in the context of consumer behavior, namely consumer

ethnocentrism, which means a belief held by consumers that buying foreign-made products is morally inappropriate because it will hamper the domestic economy, reduce employment, and is not patriotic. Consumer ethnocentrism consists of three dimensions, namely cognitive, normative, and affective dimension. Cognitive dimension is an aspect relating to the external economic threat to the situation when consumers are faced with the choice to purchase domestic products or foreign-made products (Sharma, et al., 1995). To measure consumer ethnocentrism, Shimp and Sharma (1987), developed CETSCALE, which consists of 17 questions to assess consumer trend in buying local products or foreign-made products consistently. In developing CETSCALE, Shimp and Sharma (1987), have conducted various studies to test the reliability and validity of this measurement tool, and it is proved to be reliable and valid. CETSCALE has also been widely used by researchers to investigate ethnocentrism in different countries (Ranjbaian, 2010; Hamin & Elliot, 2006, Klein, 2016, Silili, & Karuharathna, 2014; Maina, et al. 2015).

### **Perceived Value**

In making a purchase, consumers evaluate whether the benefit from a product purchased is in accordance with the sacrifices that will be made in obtaining a particular product or not. Companies that want to maintain a good and strong relationship with consumers and have competitive advantage must be able to give high and unique value to the products it offers (Roig, et al., 2009). Perceived value is an exchange between the benefits and sacrifices obtained by consumers in the offer on a good (Woodall, 2003). According to Zeithaml (1988), perceived value is a comprehensive evaluation of the usefulness of a product based on consumer perception of a number of benefits received compared to the sacrifices made". Perceived value can be considered an important thing because if a product cannot produce value on the product, it will lose to the product of its competitors. McDougall and Levesque (2000), state that perceived value is the result or benefits obtained by customers regarding the total cost (including the price paid plus other

costs regarding the purchase). According to Holbrook (1994) value is a relativistic preference (comparative, personal, situational) regarding the experience of subjects in interacting with a particular object. Holbrook (1999) explains that consumer value consists of eight values: efficiency, prime quality, fun, beauty, status, self-esteem, ethics, and spiritual value.

### **Relationship between Ethnocentrism and Purchase Decision**

Hamin and Elliot (2006), examined the influence of consumer ethnocentrism on the purchase decision and stated that Indonesian consumers have a high level of customer ethnocentrism, which means that Indonesian consumers' preference for foreign-made products is low. Rahmawati and Muflikhati (2016), revealed that in general, Indonesian consumers have moderate ethnocentric consumers, which means that they do not always prefer to buy local branded products. Wang and Chen (2004), says that there is a relationship between consumer ethnocentrism and purchase decision of local goods or products and imported products on consumers in China. Based on the explanation above, the authors develop the following hypothesis:

H1: Consumer ethnocentrism positively influences purchase decision

### **Relationship between consumer ethnocentrism and perceived value**

Consumer ethnocentrism reflects the tendency of a person or potential consumer to see that domestic products are the best compared to other country-made products (Shimp and Sharma, 1987). Many studies have examined that the level of consumer ethnocentrism will affect consumer perception about the value of a product. People who have a high level of ethnocentrism usually assume that local products have better quality than the products of other countries (Maina, et al. 2015). The research which was conducted by Rahmawati and Muflikhati (2016), found that consumer ethnocentrism has a direct influence on consumer perception about the quality of domestic products.

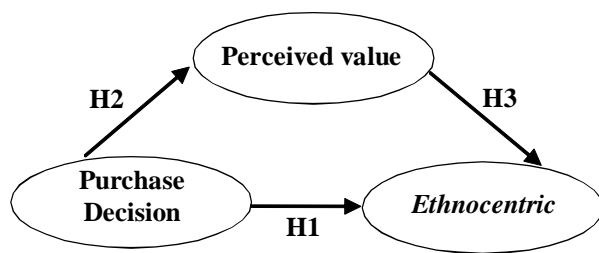
H2: Consumer ethnocentrism positively affects perceived value

**Relationship between Perceived Value and Purchase Decision**

The previous researchers recognize the importance of perceived value in consumer behavior. Wang, et al. (2004), proves that the perception of value is closely related to the consumption of a product. Based on the explanation above, the authors develop the second hypothesis, namely:

H3: Perceived value positively influences purchase decision

Based on the phenomena described in the introduction and theoretical review used, the authors make the research paradigm as follows:



**Figure 1 Research Paradigm**

**METHOD**

This research was conducted by using a descriptive method. descriptive analysis is a form of research based on data collected during the study systematically on the facts and characteristics of the object under study, which then is interpreted based on theories and literature related to ethnocentrism and perceived value on the purchase decision of local shoes in Bandung city. The sample of respondents in this research was determined by using non probability sampling, which is sampling technique that does not give opportunity or equal opportunity to every element or member of the population to be chosen to be a sample (Nuryaman and Veronika, 2016). In determining the sample to

be taken, researchers do it accidentally. According to Sugiyono (2011: 67), accidental sampling is a technique of determining the sample by chance; anyone who by chance meet the researcher can be used as a sample if they are considered as an appropriate source of data. The questionnaires were distributed to 200 respondents and there were 197 questionnaires which were returned. This means that the rate of return was 98.5%.

Questionnaires to measure the variables in this study used a Likert scale from 1 (one) to 5 (five), ranging from strongly agree (5) to strongly disagree (1). Questions in the research questionnaire were developed based on the research which was conducted by Schimp and Sharma (1987) on consumer ethnocentrism, the perceived value in his research was measured by using measurement and purchase decision was measured by measurement tool developed by Kotler and Armstrong (2012).

**RESULTS**

To find out the demographic profiles of the respondents, the researcher gave questions related to personal information. Based on the data obtained from the demographic profile of respondents, from 197 respondents, there were 110 male respondents (56%) and there were 87 female respondents (44%) who filled the questionnaire.

Based on the table above, it can be seen that there were 2 respondents (1%) <18 years old who filled in the questionnaires, 117 respondents (59%) who are 18 to 20 years old, 73 respondents (37%) who are 21-24 years old, and 5 respondents (3%) who are more than 24 years old. From this information, it can be seen that most of the respondents are 18 years old up to 24 years old. This age is the normal age of active students.

There were 38% of respondents who study in Faculty of Business and Management, 39% of respondents who study in Faculty of Economics and 24% of respondents who study in Faculty of Engineering. This is understandable because the number of students in Faculty of Economics and the Faculty of Management and Business is the largest compared to the number of students from other faculties. If it is viewed from the income of parents,

then the income of parents of most respondents are in the range of 3 to 6 million rupiahs. This is a middle-class category.

**Validity and Reliability Test**

To test validity, measurement of loading factors (λ) and significance at the significance level α is required. If loading factors λ > 0.5 and it is significant at the significance level α, then the research instrument used is valid. The result of measurement by using Amos 20.0 found that the loading factor value of each indicator on the variable of ethnocentric, perceived value, and purchase decision in the table above is λ > 0.5. All indicators on a variable of ethnocentric, perceived value, and purchase decision in the table above (p-value < 0.05) are proven to be very significant at 5% confidence level, so it can be concluded that data on variable of ethnocentric, perceived value, and purchase decision obtained is declared to be valid.

To measure reliability test, measurement of Construct Reliability (CR) and Variance Extract (VE) value is required (Hair, 2014):

1. The value of Construct Reliability (CR) is calculated y using formula:

$$CR = \frac{(\sum \lambda)^2}{(\sum \lambda)^2 + \sum \epsilon}$$

$$\sum \epsilon = \sum (1 - \lambda^2) \dots \dots (\text{Hair, et. al, 2014: p.619})$$

2. The value of Variance Extract (VE) is calculated y using formula:

$$VE = \frac{\sum \lambda^2}{\sum \lambda^2 + \sum \epsilon} \dots \dots \dots (\text{Gunarto, 2014})$$

It can be said that:

- The reliability is good if CR ≥ 0.7 and VE ≥ 0.5
- The reliability cannot be accepted if 0.6 ≤ CR ≤ 0.7 and the indicators have good validity

The measurement by using Amos 20.0 for a variable of ethnocentric, perceived value, and pur-

chase decision, obtained all values of CR ≥ 0.7 and all values VE ≥ 0.5, so it can be concluded that all data on a variable of ethnocentric, perceived value, and purchase decision are reliable.

**Analysis of descriptive statistics**

From the results of descriptive statistic calculations, it is obtained the result that the tendency of consumer ethnocentrism among respondents of this study is quite high with the lowest average value of 3.20 and the average value of 4.127. The indicator which has the highest value is buying domestic products maintains Indonesians to keep working (4.127) and Indonesians should always buy Indonesian products (4.015). While the lowest score is that foreign countries should not include their products to Indonesia. This result reflects that the respondents felt that Indonesian products should be bought by Indonesians to help the nation’s economy and the government should restrict or re-evaluate foreign-made products that may enter the Indonesian market.

In purchasing product, the respondents of this study stated that the value or the benefit of the product is one of the things considered by the respondent. An indicator of price (4.127) and product quality (3.807) are indicators who have the highest score from the respondents. While the pride of using local shoes get the lowest value (3.294).

**Analysis of structural model**

To know how the relationship between research variables and to test the hypotheses that have been developed, the data analysis by using AMOS 20.00 is performed. The results of the parameter test on the formation of structural model are shown in Figure 2.

The loading factor values on each indicator forming latent variable are valid because they are greater than 0.5. The figure also shows the amount of influence of ethnocentric factors on perceived value and purchase decision.

The value of the Goodness of Fit (GOF) of structural model formed is summarized in Table 2.

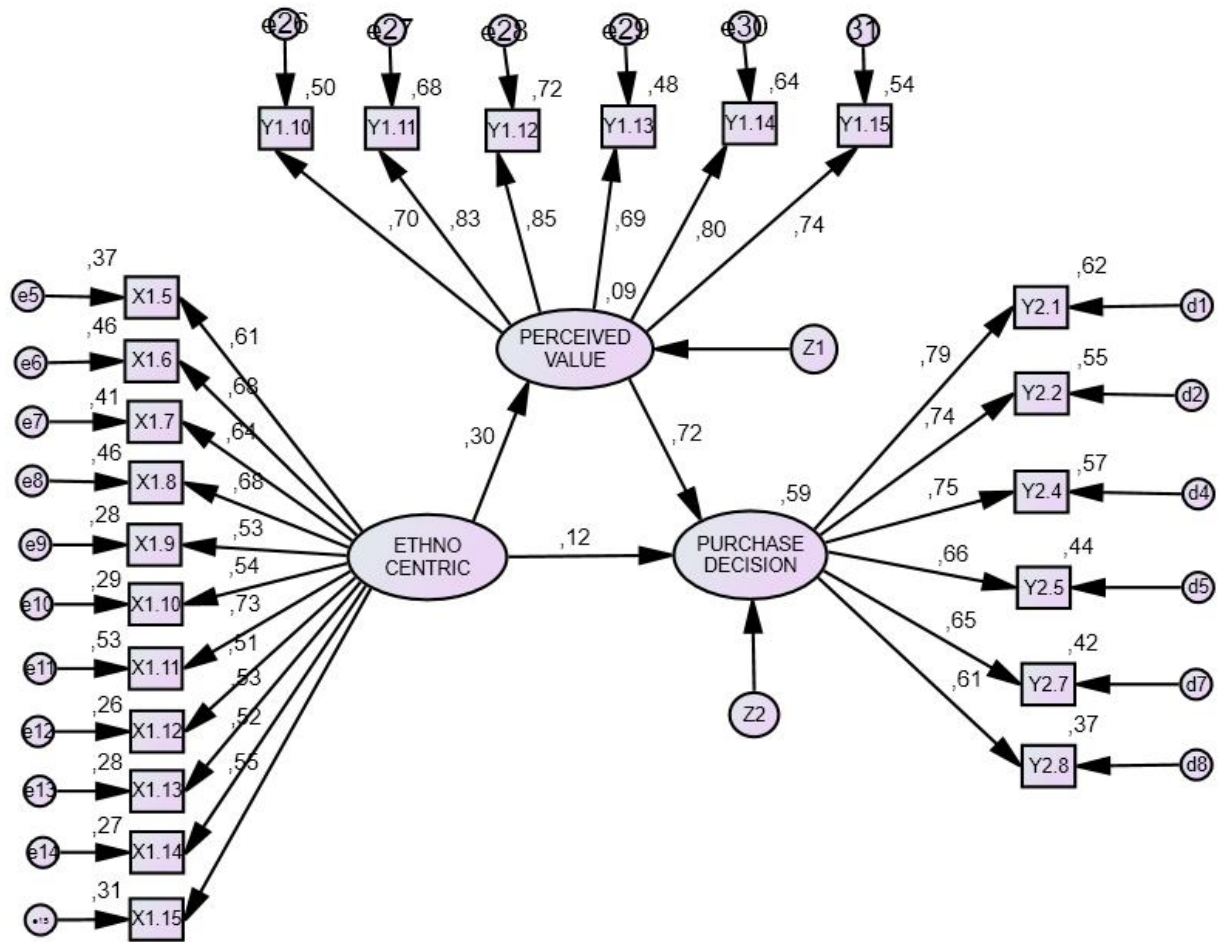


Figure 2 Results of Full Structural Model (Structural Equation Model)

Table 2 GOF Value in Full Structural Model

| No | Criteria                                   | Boundary value | Results | Conclusion |
|----|--|----------------|---------|------------|
| 1  | Significance probability $X^2$ -chi square | $\geq 0,05$    | 0,00    | Not Fit    |
| 2  | RMSEA                                      | $\leq 0,08$    | 0,08    | Good Fit   |
| 3  | CFI  | $\geq 0,90$    | 0,90    | Good Fit   |

Source: Data of Research Result, 2016

Although the value of chi-square is not met, the value of RMSEA and CFI has met the criteria; therefore, it may be called fit, because the RMSEA

value is an index that can be used to compensate for chi-square values in large samples (Gunarto 2013).

### Results of Hypothesis Test

Based on the results of data processing on full model which was resulted from structural analysis (Structural Equation Model), it was found that v of consumer ethnocentrism is proven to significantly influence purchase decision (H1), variable of consumer ethnocentrism significantly influence perceived value (H2), and variable of perceived value is proven to significantly influence purchase decision (H3). The amount of the influence of each of them is listed in Table 3, 4 and 5 below.

**Table 3 Direct Influence of Latent Variable**

| Variable          | Consumer Ethnocentrism | Perceived Value |
|-------------------|------------------------|-----------------|
| Perceived value   | 0.30                   |                 |
| Purchase Decision | 0.12                   | 0.72            |

**Table 4 Indirect Influence of Latent Variable**

| Variable          | Consumer Ethnocentrism |
|-------------------|------------------------|
| Purchase Decision | 0.22                   |

The amount of direct and indirect effects of consumer ethnocentrism factors on purchase decision and perceived value are as follows:

The direct influence of consumer ethnocentrism on perceived value amounted to 30%, while the direct influence of consumer ethnocentrism on purchase decision amounted to 12%, and the direct influence of perceived value on the purchase decision amounted to 72%.

The indirect influence of consumer ethnocentrism on purchase decision through perceived value amounted to 22% (which is  $0.30 \times 0.72$ ). The total influence (direct and indirect) of the variable of consumer ethnocentrism on perceived value amounted to 30%, while the amount of total influence (direct and indirect) of the variable of ethnocentrism on purchase decision amounted to 34%, and the greatest total influence (direct and indirect) is from variable of perceived value on purchase decision amounted to 72%. It can be concluded that variable of perceived value is a good mediator for the variable of consumer ethnocentrism on the purchase decision.

**DISCUSSIONS**

The purpose of this study is to identify the effect of consumer ethnocentrism and perceived value on purchase decision of local shoes among students and how perceived value moderates the purchase decision of local shoes.

The results of this study indicate that there is a positive relationship between consumer ethnocentrism and purchase decision. The results of this

study are in line with the results of the research which was conducted by Maina, et al. (2015), examined the influence of ethnocentrism on the decision to become a customer of the commercial bank in Kenya. In their research, they say that there is a positive relationship between ethnocentrism and the decision to choose bank services. This research is also supported by the research which was conducted by Urbonavicius, et al. (2010), which proves that there is significant influence between consumer ethnocentrism and the purchase of local products.

This study also proves that there is significant influence between consumer ethnocentrism and perceived value. In purchasing a product, consumers will pay attention to the value they obtain by evaluating the sacrifices they made and the benefits they get after the purchase. Perceived value in this study influenced purchase decision of local-made shoes. The research which was conducted by Rahmawati and Muflikhati (2016) and research conducted by Maina, et al. (2015), also support the results of this study. In their study, the researchers found that perceived value influences the purchase decision on domestic products.

Based on the results of this study, it is important for local shoe entrepreneurs to further improve the quality of their products both in terms of design, materials, and durability in order to compete with foreign-made products. In addition, local shoe entrepreneurs and the government also should continue to promote to the public the importance of using local products, in order to improve the economic growth and welfare of society. Shoe entrepreneurs try to increase emotional value and social value through their promotion strategy so that consumers will be proud to use local shoes.

**CONCLUSIONS AND SUGGESTIONS**

Partially, consumer ethnocentrism positively affects the purchase decision of local shoes, which means that the implementation of consumer ethnocentrism can increase the purchase of local shoes. This research also proves that partially perceived value positively influences the purchase decision of local shoe, which means that the higher perceived value owned by local shoes, the higher the level of

purchase of local shoes made by the consumer. Simultaneously, consumer ethnocentrism and perceived value positively influence the purchase decision of local shoe. Once the variable of perceived value is included, the influence of consumer ethnocentrism on purchase decision of local shoe is growing stronger. It means that with high consumer ethnocentrism and perceived value owned by local shoes, thus the decision to buy local shoes made by consumers will increase.

Based on the results of research and discussion, suggestions are expected to increase the purchase of local footwear products in Bandung. The following suggestions given by the authors are expected to be input for the shoe industries in Bandung: (1) Local shoe manufacturers in Bandung should pay more attention to ethnocentrism element in marketing strategy because as local shoe producers, they should invite consumers to use local shoe products. Such small thing can indirectly reflect the love of local products and a sense of pride in using national products. In addition, by using local shoe products, we can show to other countries that local products in Indonesia also can compete with imported products. (2) Local shoe producers should be able to further increase the perceived value of determining the price of local shoes that is more affordable than imported shoes and improving the quality of local shoes, both from the quality of materials, design, and durability. (3) Local shoe manufacturers and the government need to promote the local shoes widely to raise consumer awareness and pride of consumer to wear local shoes.

The main obstacle of this study is that the respondents only consist of students; therefore the results of this study cannot be generalized for general consumers. Therefore, it is highly recommended for the future researcher to use respondents from various elements of consumers and also use other products, not only shoes.

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