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Embracing Globalization: A Study of Factors Shaping Consumer Acceptance of Imported Products

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Embracing Globalization: A Study of Factors Shaping Consumer Acceptance of Imported Products

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Abstract. Free trade as embraced by globalization is altering the world's economies at an unprecedented pace. Yet, this inertia may be stymied by consumers who feel threatened by the changes in their domestic economies and by imported products. This study examines factors shaping consumer acceptance of imported products. With samples derived from Singapore and New Zealand, we explore the impact of consumer ethnocentrism, domestic product quality, the necessity of a product, and cultural openness on acceptance of imports. The findings reveal that only consumer ethnocentrism has a strong association with opposition to imports. The other factors show some impact but in a more muted sense. Implications are presented.

JEL Classification: F15, F36, M31
Keywords: Globalization, Attitude Towards Imports, Economic Threat, Consumer Ethnocentrism

1. Introduction

Globalization has become an unstoppable juggernaut. Examples abound in giving testimony to its inexorable pace as its forces of change extend across the world. Wal-Mart, for example, has become the world's largest retailer, generating sales in excess of $312 billion for the 2005 financial year (Zimmerman, 2006). This massive enterprise has become the largest employer on the planet, with a web of retail outlets both inside and outside the USA, employing more than 1.6 million people worldwide. Its gargantuan growth has given it annual sales larger than the economies of nations such as Israel and Sweden. Based on its purchase of $18.4 billion worth of goods from China in 2004, Wal-Mart can even be viewed as China's eighth-largest trading partner, eclipsing China's trade with countries like Australia, Canada, and Russia (Porter, 2006). These staggering statistics illustrate the "new" world order in a globalized world economy.

Yet another mighty multi-national titan in this new world order is McDonald's. This fast-food chain with its ubiquitous golden arches, "stands astride the globe like a Colossus", serving 50 million customers every day and operating in 119 countries around the world (McDonalds, 2006; Veseth, 2005). Almost beyond belief, McDonald's draws "more customers daily than there are people in Greece, Ireland, and Switzerland together" (Barber, 1996). As Barber (1996) suggests, McDonald's is the vanguard of global capitalism; "Following McDonald's golden arch from country to country, the market traces a trajectory of dollars and bonds and ads and yen and stocks and currency transactions that reaches right around the globe." Such examples illustrate a crucial aspect of globalization, which is the increase in power and reach of multinational corporations such as Wal-Mart, McDonalds, IBM, and Nike. The combined sales of various multinational corporations reached $19 trillion in 2001 (UNECS, 2003). Such companies now account for over a third of world output and 66% of world trade (Gray, 1999).

Only a few notable forces have set the stage for the emergence of these unprecedented global giants. With the end of the cold war, a new dynamic was set in place that would be the driving force in this metamorphosis. This dynamic fostered a rapid expansion of world trade, capital, competition, labor and ideas, resulting in an ever increasing interdependence of economies in both developing and developed countries. Indeed, globalization has become the most powerful emerging system of the 21st century; it is contributing to the integration of capital, technology, and information across national borders, in a way that is creating a single global market (Friedman, 2000). The essential driving force behind globalization is free-market capitalism, which is based on the notion that the more a country opens its economy to free trade and foreign competition, the more efficient and thriving that country's economy will be. The extent to which globalization creates a discomfiting process for consumers continues to be in the limelight.

The debate about the impact of such globalization has centered on the role of multinationals and their activities in reaping the benefits of this new world order (Coronil, 2000). While some view their role as positive, others see a different picture. Protagonists cite various statistics reported by the United Nations and World Bank to highlight the benefits brought about by multinational corporations and economic globalization. They point out that multinationals tend to preserve high-wage jobs in developed countries while paying overseas employees more than what those workers would have earned from their domestic employers. They also insist that in regions where multinationals operate, the child labor rate dropped significantly from the past. Finally, such supporters dispute the accusation that multinationals cause environmental destruction; instead, they praise multinationals as the driving force in the spread of "green technologies" and in creating markets for "green products" (Quinlivan, 2000).

Despite these claimed benefits, critics of globalization and its corresponding multinational expansion, marshal other reasons to contradict its defenders. They argue that advocates of the present status of globalization are not humanists, but represent the narrow economic interests of MNCs only. In their view, globalization has led to a homogenized Disneyfication and Wal-Marting world, destroying in the process consumers' national identities, cultural, religious, and political values (Belk 1996). For those critics, globalization has created an economic asymmetry because of the disproportionate distribution of resources and imbalances of power with few winners, mainly MNCs, but many losers both within and across countries (White, 2002). In support of this view, the World Poll conducted by the Global Marketing Institute in December 2005 found that 67 percent of French consumers and 58 percent of German consumers had negative feelings toward American multinational companies (Blumenfeld, 2005).

Important segments of society such as labor and environmentalists have also come to the forefront in the anti-globalization drive. They assert that trade liberalization and economic globalization have reduced the living standards, caused job losses, depressed wages, resulted in environmental degradation, and created unsafe working conditions so that multinationals can cut costs and remain competitive. For example, a 1998 survey of special economic zones in China showed that multinationals like Ralph Lauren, Adidas, and Nike were paying as little as 13 cents per hour whereas comparable jobs in the U.S. would provide about US $10 per hour if such jobs did not migrate to countries such as China (Klein, 2000). The fear for loss of jobs is an important reason why organized labor in France and Luxemborg is taking government help to stop the multinational conglomerate Mittal Steel Co. from taking over Arcelor Co. of Luxemborg (Anonymous, 2006).

A key concept that reflects elements of this opposition to globalization and the products sold by multinationals is **consumer ethnocentrism**. It represents the appropriateness and indeed morality of purchasing foreign products. For consumers who are highly consumer ethnocentric, purchasing foreign products such as those marketed by MNCs is wrong, mainly because it hurts their domestic economy and causes loss of jobs. Investigating this increasing globalization and the concomitant cross-national expansion of MNCs, several studies have established a link between consumer ethnocentrism and opposition to imported products. Yet, gaps in the extant research make it difficult to understand how consumers' attitudes towards imported goods are formed. Some researchers have called for examining constructs other than ethnocentrism to understand such product attitudes (de Ruyter et al., 1998; van Ittersum, 1998). Others, such as Nijssen et al. (1999), argue that the present status of research on consumer attitudes about imports has focused too much on consumers in large industrialized countries such as the United States, characterized by big internal markets and a range of domestic brands.

In light of these gaps in the literature, the purpose of our study is to extend our understanding on the formation of consumer attitudes towards imports by looking at variables that have not been explored completely. Specifically, we examine the influence of product quality perceptions of domestic products, perceptions of product necessity, cultural openness, and consumer ethnocentrism on attitudes toward imports. Our study seeks to answer the question if consumer ethnocentrism operates independently in affecting product import attitudes or if product quality perceptions, cultural openness, and product necessity also contribute to shaping product import attitudes. In response to the call for research outside large industrialized countries, we focus our study on Singapore and New Zealand, which represent two small but economically developed countries.

2. Literature Review and Research Questions

2.1 Consumer ethnocentrism and its impact on product import attitudes

Crawford and Lamb (1982) were among the first to observe the emotional implications consumers confront in purchasing foreign-made products, particularly those products which threaten the domestic industries of their countries. Following that study, consumer ethnocentrism emerged as a key explanatory variable in understanding the rejection of foreign brands in foreign markets. Research conducted on country of origin (COO) has also shown that consumers tend to have a favorable bias towards domestic products referred to as "domestic country bias" (Elliot and Cameron, 1994; Shimp and Sharma, 1987; Sharma, Shimp, and Shin, 1995; Wall and Heslop, 1986). The consumer ethnocentrism concept has been used to explain this bias (Acharya and Elliot, 2003; Balabanis and Diamantopoulos, 2004).

Consumer ethnocentrism is derived from the general concept of ethnocentrism, which is rooted in sociology (Shimp and Sharma, 1987). First introduced by Sumner (1906), the concept is defined as the tendency to view one's own group as central and superior to those found in other societies (de Ruyter et al., 1998; Levine and Campbell, 1972). According to Shimp and Sharma (1987), consumer ethnocentrism reflects consumers' perceptions about the appropriateness and indeed morality of purchasing foreign made products. Those with high levels of this trait believe that purchasing foreign-made products is morally wrong as it harms the domestic economy, causes loss of jobs, and is unpatriotic (Huddleston et al., 2001; Kaynak and Kara, 2002). As a consequence, their preference is to purchase local products as they feel it is either their duty or a moral requirement (Acharya and Elliot, 2003).

Extant research shows that higher levels of consumer ethnocentrism are found more among the following groups: females, less educated, less wealthy and older people (Good and Huddleston, 1995; Shimp and Sharma, 1987; Watson and Wright, 2000). Other correlates of consumer ethnocentrism are: dogmatism (Carauna and Magri, 1996), national identity (Lantz et al., 2002), foreign travel (Ramsey-Neeley and Kennet, 2003), union membership (Klein and Ettenson, 1999), attitudes towards own country (Durvasula et al., 1997; Netemeyer, Durvasula, and Licktenstein, 1991), community involvement and family structure of consumers (Kaynak and Kara, 2002; Kucukemiroglu, 1999). Inversely, factors that are negatively correlated to consumer ethnocentrism include: cultural openness, international brand awareness, fashion consciousness, and leadership (Kaynak and Kara, 2002; Kucukemiroglu, 1999; Sharma, Shimp and Shin, 1995; Vida and Fairhust, 1999).

Consumer ethnocentrism has been measured on a continuum ranging from highly ethnocentric to non-ethnocentric via the consumer ethnocentric tendencies scale, also known as the CETSCALE (Shimp and Sharma 1987). Studies have shown that those scoring high on the CETSCALE (that is, highly ethnocentric consumers) rated domestic products' quality as higher and are generally unwilling to purchase foreign products (Brodowosky, 1998; Good and Huddleston, 1995; Klein et al., 1998; McLain and Sternquist, 1991). In contrast, less ethnocentric consumers evaluate foreign products on their objective attributes and/or view them as better because they are not produced in their own country (Durvasula et. al., 1997; Hopkins and Powers, 2003; Vida and Fairhurs, 1999; Kaynak and Kara, 2002).

The impact of ethnocentrism on purchase behavior is somewhat unclear due to other influences that can attenuate or amplify this tendency. Several studies have reported that highly ethnocentric consumers are no more likely than less ethnocentric consumers to actually purchase domestic products in the marketplace (Fischer and Byron, 1997; Good and Huddleston, 1995; McLain and Sternquist, 1991). Yet, other studies have reported that consumer ethnocentrism does impact actual purchase behavior in that consumers who expressed being conscious about buying domestic products actually purchased more domestic products (Garland and Coy, 1993; Shoham and Brencic, 2003). Hersche (1992) found that consumer ethnocentric tendencies predict purchase behavior over and above that of demographics variables. Consumer ethnocentrism has also been shown to be a good predictor of product ownership (Herche, 1994). Overall, the collection of evidence indicates that consumer ethnocentrism can affect: (a) an individual's attitudes and beliefs towards imported and domestic products, (b) the importance of buying domestic and imported products, and (c) purchase intentions and willingness to buy domestic and imported products (Acharya and Elliot, 2003; Brodowosky, 1998; Durvasula et al., 1997; Netemeyer, Durvasula, and Lichtenstein, 1991; Shoham and Brencic, 2003; Wang and Chen, 2004).

Given the above understanding of consumer ethnocentrism and the gaps in our understanding of how this concept operates, we propose the following research question:

R1: Does consumer ethnocentrism have a significant impact on attitude towards imports?

2.2 Product quality perceptions and its impact on product import attitudes

How perceptions of the quality of an imported product affect attitudes towards such products has not been well investigated in the literature. Hersche (1992) presented the idea that "quality perceptions of products coming from source countries" could possibly explain how consumer ethnocentrism may impact purchase behavior. He suggested that besides consumer ethnocentrism, there may be other potential influences on buying behavior that create a more dynamic and complex state of mind. Furthermore, he conjectured that the ethnocentrism's influence on buying behavior may be subject to the characteristics of the country of origin. Such thinking parallels subsequent research by Crawford and Lamb (1982) which found that consumers were more willing to buy products from source countries that were more similar to their own in terms of social, political and economic dimensions. Such a finding, however, may also reflect ethnocentric tendencies, but it could also be due to quality perceptions of products originating from countries viewed as different politically, socially and economically. Reardon et al. (2004) found that economic development (which may have an impact on a country's ability to produce quality products) operated as a moderating variable between ethnocentrism and attitude toward the product or brand. Sharma, Shimp and Shin (1995) discovered that perceived product necessity and economic threat operated as moderators. Nonetheless, their study examined only Korean subjects. These authors urge other researchers to continue this investigation so as to determine if moderators function in other countries.

Chakrabarty and Conrad (1995) examined the impact of product quality perceptions for a number of products. They found variations according to product category; only for electronic goods did consumer perceptions of quality act as a moderator of the relationship between consumer ethnocentrism and purchase intentions. When product quality perceptions of domestic brands were higher, consumers had a relatively lower intention to purchase foreign products. Wang and Chen (2004) also investigated the moderating role of product quality judgments of domestic products in the relationship between consumer ethnocentrism and intention to buy domestic products in China. They found that the impact of ethnocentrism on purchasing domestic products tends to be weaker when consumers judge them as being of lower quality and when consumers hold higher conspicuous consumption values. Haizhong (2003) also used a Chinese sample and found a moderating effect for product capability on the relationship between consumer ethnocentrism and purchase intentions. When imported products were perceived to be more capable, then consumer ethnocentrism had a weaker influence on intention to purchase domestic products.

Based on our understanding of product quality perceptions, we propose the following research question:

R2: Do product quality perceptions of domestic brands have an impact on attitude towards product imports?

2.3 Product necessity and its impact on product import attitudes

Whether a product is a necessity or a luxury one (non-necessity) is also likely to have an impact on attitudes towards product imports. In light of our understanding of ethnocentrism, consumers are likely to perceive products differently in terms of whether those products are necessary to them personally or to the domestic economy. When a product is perceived as a necessity, consumer ethnocentricity is likely to play a relatively minor role in affecting attitudes toward importing that product.

Given the necessity of the product and the absence of domestic alternatives, consumers have little choice. An example of this notion can be found in the perceptions of coffee in some countries. Since coffee may be regarded as a necessity by some and may not be grown locally, ethnocentrism is not likely to intervene in evaluations of buying coffee. On the other hand, for items perceived as dispensable, consumer ethnocentricity may have a more substantial impact on attitudes since the consumer can shun such products. On logical grounds, we expect that personal preferences and desires (or, product necessity) counteract the more altruistic and non-self-centered motives contained in the ethnocentric ideal.

Huddleston, Good, and Stoel (2000), for example, found that Russian consumers did perceive differences in product quality based on country of origin and product necessity. However, consumer ethnocentrism did not seem to have an effect on perceived product quality suggesting that perceptions of product quality and ethnocentrism operate independently in the way consumers make judgments about products. For a number of products, Sharma, Shimp and Shin (1995) found a significant impact for product necessity on attitudes toward importing products. Product necessity also had a significant moderating effect on the relationship between consumer ethnocentrism and attitude towards product imports.

Based on our understanding of product necessity perceptions, we propose the following research question:

R3: Do perceptions of product necessity have an impact on attitude towards product imports?

2.4 Cultural openness and its impact on product import attitudes

There is wide variation in the degree to which people in a country are open to something foreign. Such openness may have been conditioned by previous experiences or the lack of being exposed to something unfamiliar or foreign. Indeed, individuals differ in terms of their experience with and openness toward people, values, and artifacts of other cultures. The extreme form would be labeled as xenophobia. When individuals have had the opportunity to interact with other cultures, cultural prejudice is likely to be diminished. A closed mind then is likely to become more open. Granzin, Brazell and Painter (1997) view cultural openness as related to lower prejudice, less ethnocentrism, and more approving of free trade.

Cultural openness provides an explanation for what Howard (1989) found for USA residents on the West Coast, a region where numerous cultures interact. These residents were more likely to rate imported products as more favorable than domestic products unlike residents of the Midwest which rated imported products as much lower in quality. The Midwest is less heterogeneous in its cultural composition. Shimp and Sharma (1987) detected that respondents from Los Angeles were less ethnocentric than were those from Denver, Detroit, North Carolina, and South Carolina.

On the basis of our understanding of consumers' cultural openness, we propose the following research question:
R4: Does cultural openness have an impact on attitude towards product imports?

3. Methodology

3.1 *About the sample*

Data were collected from two countries in the Asia-Pacific region, namely New Zealand and Singapore. Though both countries are economically developed, they are different in the sense that Singapore is a small city-state, and its economy depends much more on an open economy and liberal imports/exports compared to New Zealand. A total of 100 young adults in Singapore and 127 in New Zealand responded to the survey. All surveys were administered in English, since English is the native language of New Zealand and is spoken widely in Singapore.

3.2 *About the Measures*

The survey consisted of a number of measures. Consumer ethnocentrism was measured by the reduced version of the consumer ethnocentrism scale (CETSCALE) proposed by Shimp and Sharma (1987) with ten items. The product necessity scale consisted of a six-item scale that measured the necessity of several products for daily-living. All scale items were measured using 7-point rating scales (1 = definitely necessary and 7 = definitely unnecessary). Attitude towards product imports also consisted of a six-item scale which measured the importance of purchasing a variety of products. All items for this scale were measured using 7-point rating scales (1 = definitely should import and 7 = definitely should not import). A four-item semantic differential scale measured perceptions of product quality of domestic products. Examples of specific scale items were: good value / poor value for money, technically advanced/ backward, high quality / low quality, and reliable / unreliable. The product quality perception scale items were also measured using 7-point rating scales. Cultural openness was measured using a six item scale with selected items adapted from Sharma, Shimp and Shin (1995). Some of the scale items were: "I would like to have opportunities to meet people from different countries," "I would like to attend cultural events organized by people from different countries." Responses to these scale items were obtained using 7-point rating scales, where "1" represented "strongly agree" and "7" represented "strongly disagree".

4. Results

4.1 Psychometric Tests of the Scales and Statistical Procedures

Before addressing the four research questions, we established the psychometric properties of all the survey measures. The reliability estimates are as follows for New Zealand and Singapore (in that order): CETSCALE (.92, .91); attitude toward product imports (.84, .71); product necessity (.64, .59); and cultural openness (.84, .76). Since all reliability measures are at or above .60, they are psychometrically adequate for research (Diamantopoulos and Siguaw 2000).

Given these acceptable psychometric reliability coefficients, we formed composite indices of consumer ethnocentrism, product necessity, cultural openness, and product necessity by averaging responses to individual scale items. We then divided (for both Singapore and New Zealand) the subjects into two groups based on how they responded to consumer ethnocentrism. product necessity, and cultural openness using the mean split procedure. For example, we divided consumers into "high" consumer ethnocentrism group if their scale responses were above the sample mean and "low" consumer ethnocentrism group if their scale responses were below the sample mean. Likewise, we formed the "high" and "low" consumer groups based on whether or not their responses were above or below the respective scale mean values for product necessity, cultural openness, and product quality perceptions of domestic brands. Table 1 shows the mean attitude toward imports for various "high" and "low" groups.

Table 1: Descriptive Statistics for Attitude Towards Imports

	Mean Attitude Towards Imports			
	New Zealand		**Singapore**	
	High Group	Low Group	High Group	Low Group
Product Necessity	3.30	3.45	3.34	3.41
Quality Perceptions for Domestic Prod.	3.52	3.21	3.45	3.31
Consumer Ethnocentrism	3.70	3.11	3.55	3.23
Cultural Openness	3.35	3.42	3.31	3.46

Note: a. Attitude towards imports is scaled such that a value of "1" implies most favorable attitude and a value of "7" implies least favorable attitude. b. Mean scores in the table are interpreted as follows. When products are considered necessary for daily life (that is for the "High" group), attitude towards imports is relatively higher (3.3) than when products are not considered necessary for daily life (mean = 3.45 for the "Low" group). c. Overall mean attitude towards imports is 3.38 in New Zealand and 3.38 in Singapore

We performed a univariate analysis of variance with attitude towards product imports as the dependent measure and the dichotomized variables (that is consumer ethnocentrism, product necessity, and cultural openness) as the independent variables. Results of this analysis allowed us to address the four research questions. Parenthetically, we performed a regression analysis without dichotomizing the independent variables. Those results mirror the ANOVA results. We present only the ANOVA results (featured in Table 2 for New Zealand and Table 3 for Singapore) because they effectively identify which variables affect attitude towards imports. To guide the reader more easily in examining the statistical results, we provide the general research question under study and the results below.

Table 2: ANOVA Results for New Zealand (Product Import Attitudes is the Dep. Measure)

Source	Type III Sum of Squares	df	Square	F	Sig.
Model	1400.329(a)	5	280.066	307.803	.00
Product quality perceptions of domestic products	2.207	1	2.207	2.426	.12
Product necessity	.307	1	.307	.337	.56
Cultural openness		1	.008	.008	.93
Consumer ethnocentrism	10.008	1	10.008	10.999	.00
Error		114	.910		
Total	1504.056	119			

a R Squared = .931 (Adjusted R Squared = .928)

Table 3: ANOVA Results for Singapore (Product Import Attitudes as the Dep. Measure)

Source	Type III Sum of Squares	df	Square	F	
Model	1130.187(a)	5	226.037	371.986	.00
Product quality perceptions of domestic products	.735	1	.735	1.210	.27
Product necessity	.012	1	.012	.020	.89
	.955	1	.955	1.572	.21
Consumer Ethnocentrism	3.375	1	3.375	5.554	.02
Error		94	.608		
Total	1187.306	99			

R Squared = .952 (Adjusted R Squared = .949)

4.2 Which Variables directly affect Attitude Towards Imports ?

R1: Does consumer ethnocentrism have a significant impact on attitude towards imports?

As mentioned in Table 1, attitude towards imports is positive with a mean attitude score of 3.38 for the respondents in both NZ and Singapore. (Note: a score of 1 implies very favorable attitude toward imports and a score of 7 implies a very unfavorable attitude towards imports). Despite this positive attitude, consumer ethnocentrism does function as predicted. Those with higher levels of consumer ethnocentrism have a relatively less favorable attitude towards imports. Contrastingly, those with a lesser degree of consumer ethnocentrism demonstrate a relatively more favorable attitude towards imports. The difference in attitude toward product imports for the "high" and "low" consumer ethnocentric groups is **significant** statistically as verified in Table 2 for New Zealand and Table 3 for Singapore.

R2: Do product quality perceptions of domestic brands have an impact on attitude towards product imports?

From Table 1, it appears that product quality perceptions of domestic brands do have an impact on attitude toward imports. Those who have a positive perception of the quality of home country products have a less favorable attitude towards imports. Those who have a relatively less favorable perception of the quality of home country products have a comparatively more favorable attitude towards imports. As shown in

Tables 2 and 3, the difference between the "high" and "low" product quality perception groups, however, is not significant in a statistical sense.

R3: Do perceptions of product necessity have an impact on attitude towards product imports?

As one would expect, those who consider products necessary for daily living ("high group") have a more favorable attitude towards imports (see Table 1). Those who do not consider the products necessary for daily living (low group) have a relatively less favorable attitude towards imports (vs. group 1). While perceptions of product necessity appear to have an impact on attitude towards product imports, this effect is not significant in a statistical sense for either New Zealand or Singapore (see Tables 2 and 3).

R4: Does cultural openness affect attitude towards product imports?

Results presented in Table 1 appear to support the expectation that cultural openness affects attitude toward product imports. For consumers who are rated as "high" on cultural openness, the attitude towards product imports is more favorable than for those consumers who are rated as "low" on cultural openness. The impact of cultural openness, however, is not significant in a statistical sense in both New Zealand and Singapore (see Tables 2 and 3).

4.3 Other Results

Figures 1 and 2 show whether the relationship between consumer ethnocentrism and attitude towards product imports is moderated by product necessity, cultural openness, and product quality perceptions of domestic brands. Results indicate that attitude toward product imports is the most favorable when consumer ethnocentrism is low. Similarly, attitude towards imports is also the most favorable when quality perceptions of domestic products is also low. At high levels of consumer ethnocentrism, higher quality perceptions of domestic products would magnify the unfavorable attitude towards product imports. This finding occurs in both New Zealand and Singapore.

We do find important differences between New Zealand and Singapore. In New Zealand, cultural openness does not work in tandem with consumer ethnocentrism to affect attitude towards imports. In Singapore, however, consumers who are rated "low" on cultural openness have relatively more unfavorable attitude towards imports as compared to when they are rated "high" on cultural openness.

In Singapore, perceptions toward product necessity do not seem to affect the relationship between consumer ethnocentrism and import attitudes. However, "high" perceptions of product necessity appear to make import attitudes more favorable for less consumer ethnocentric paper while "low" perceptions of product necessity seem to make import attitudes less favorable for highly consumer ethnocentric consumers.

In sum, attitude towards imports is more positive if: (a) products are considered necessary for daily living, (b) products made in home country are considered to be of inferior quality, (c) consumer ethnocentrism is low, and (d) cultural openness is high. These results are consistent for both Singapore and New Zealand. An interesting question is whether the impact of consumer ethnocentrism on import attitudes is affected by other variables. Perceptions of domestic product quality affect this relationship in both countries. However, product necessity perceptions magnify the impact in New Zealand only, while cultural openness magnifies the impact in Singapore.

Figure 1

Mean Attitude Towards Imports in New Zealand

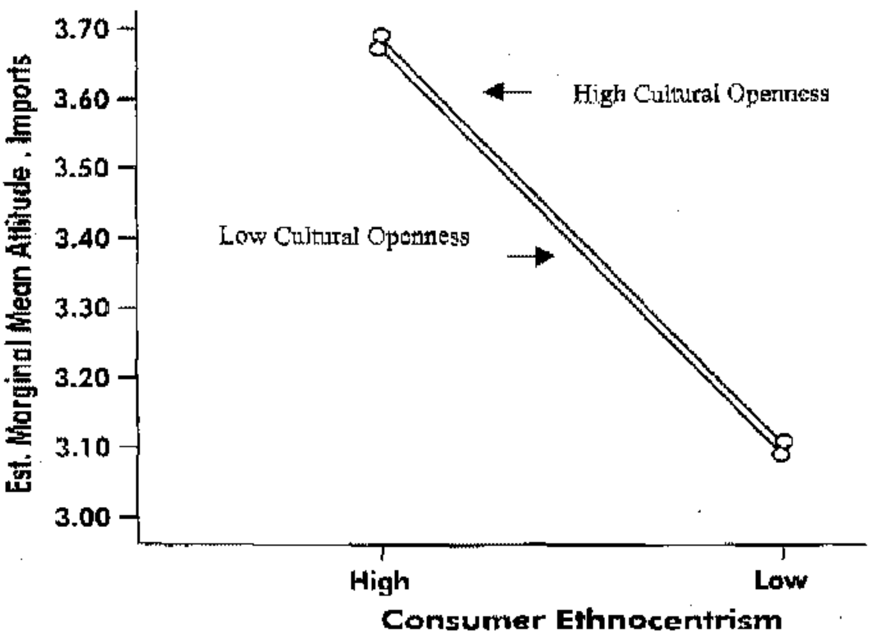


Figure 1 (continued)
Mean Attitude Towards Imports in New Zealand

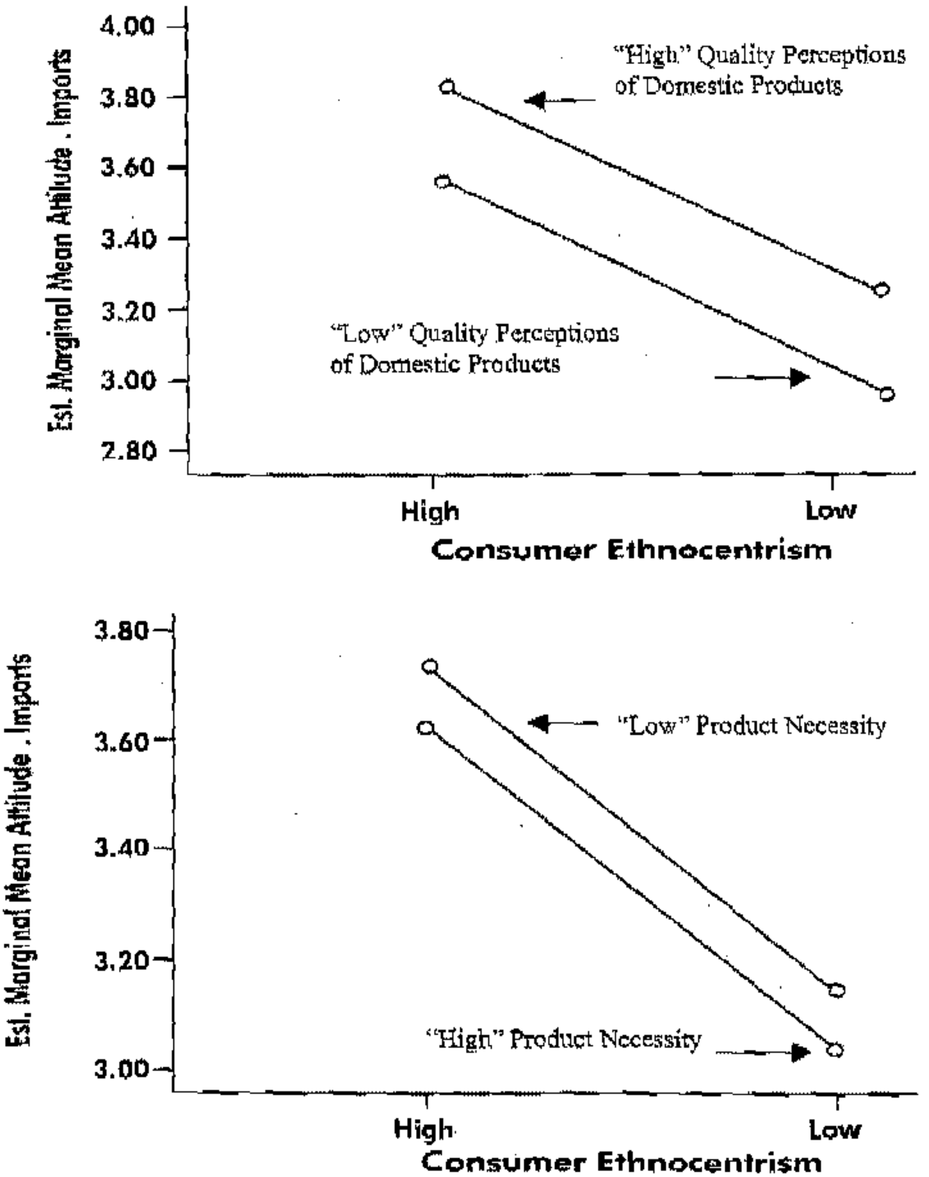


Figure 2
Mean Attitude Towards Imports in Singapore

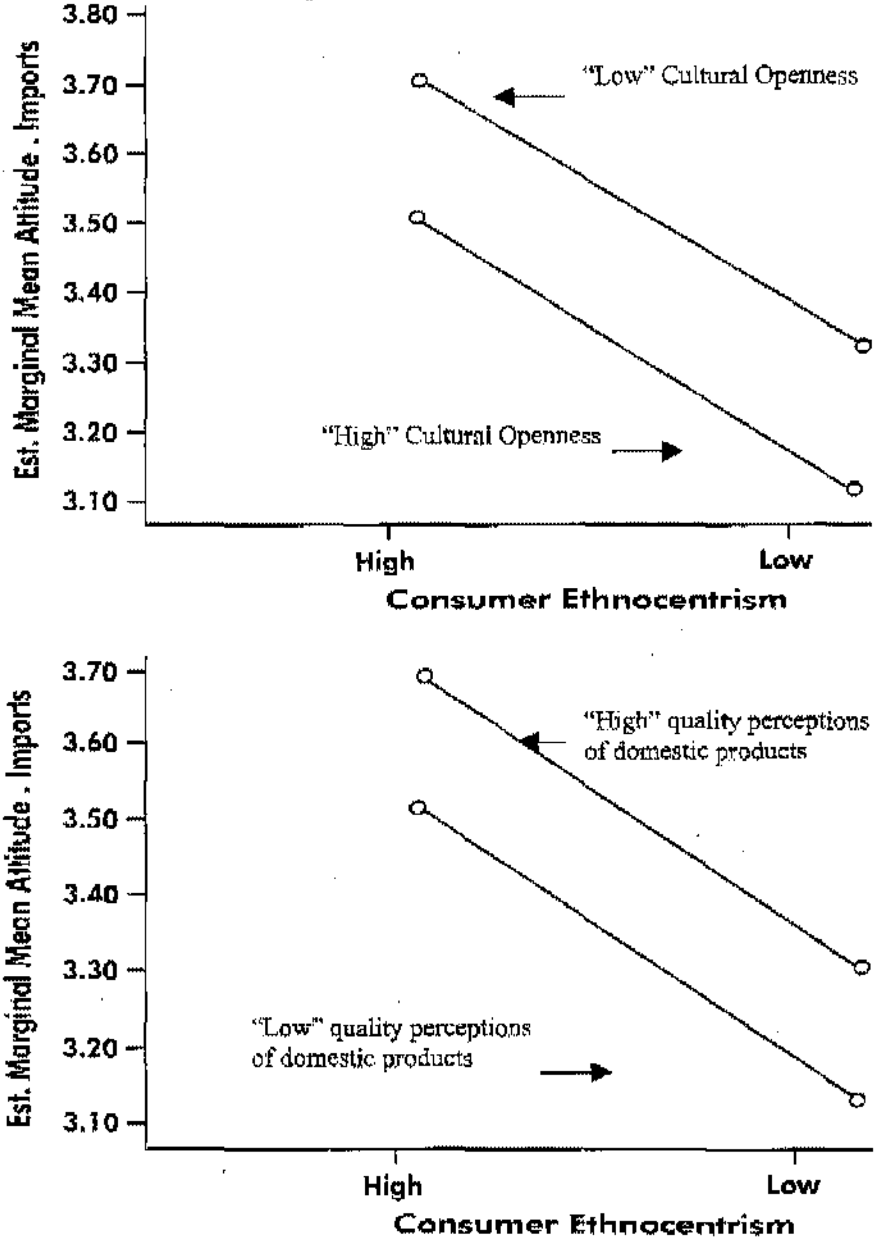
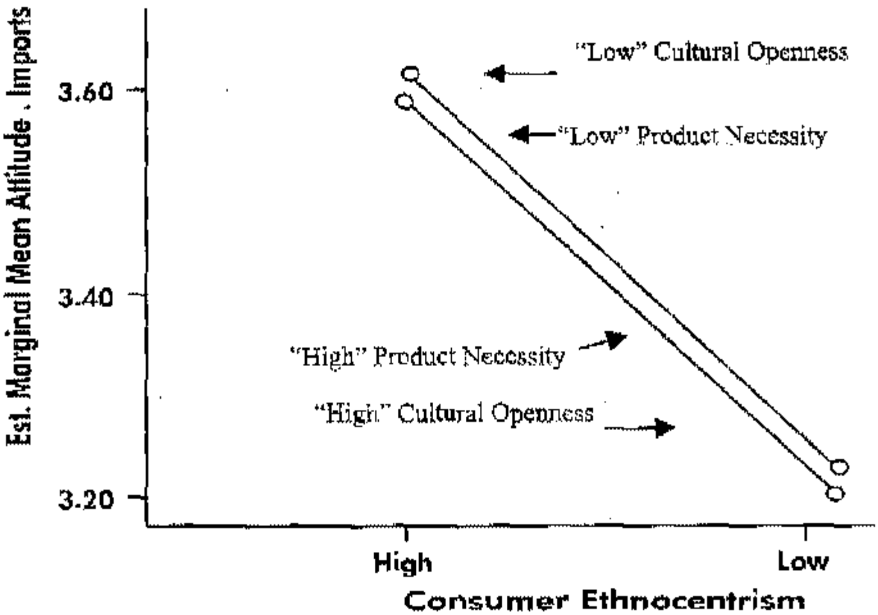


Figure 2 (continued)
Mean Attitude Towards Imports in Singapore



5. Discussion and Implications

Since the end of the cold war, there appears to be an unstoppable push towards globalization and trade liberalization. Successive rounds of multilateral trade talks, spearheaded by the United States and other developed economies, first lead to the general agreement on trade and tariffs or GATT and subsequently to the creation of the world trade organization (WTO). In addition to these global trade agreements, a number of regional trade blocks have emerged in various parts of the world such as ECM, NAFTA, and ASEAN. While consumers have benefited from the availability of cheaper products, there is a growing perception, even in developed countries, that the drive towards globalization has a major side effect, which is loss of job security. With companies constantly outsourcing manufacturing and service jobs to "low wage" countries, both skilled and unskilled labor have been voicing complaints about job losses and the damage that globalization has been causing to their domestic economy.

It is natural to expect that when people are affected adversely by globalization, they would react negatively towards imported products. One construct that has captured the essence of this reaction is consumer ethnocentrism. In this study we examined the impact of consumer ethnocentrism and a number of other variables on attitude towards imports. Data were collected in two small but developed economies in the Asia-Pacific region. One of them is Singapore, a small city-state that thrives on foreign trade. The other is New Zealand, whose economy is primarily agriculture based, but it has been witnessing significant expansion in the service sector.

The sample of consumers who participated in this study has generally favorable attitudes toward imports, and it is also relatively less consumer ethnocentric. Even so, consumer ethnocentrism has a significant impact on import attitudes. For highly ethnocentric consumers import attitudes are significantly less favorable. So, despite all the exhortations from the business community about the benefits of globalization, it is consumer ethnocentrism - fear of losing jobs and perceived fear of how imports affect the domestic economy - that ultimately affects overall attitude towards imports. Our study reveals that this phenomenon is present in market oriented economies like New Zealand and Singapore. As such, we suspect that this phenomenon would be even more pronounced in less developed economies or in those economies that are much more state controlled. The pressure being exerted by small retailers on the Indian government not to open the retail sector to big multinational retailers like Wal-Mart is a case in point. The small Indian retailers are worried that multinationals would significantly undermine their business. What does such a situation imply for the overseas operations of MNCs? What marketing strategy should they adopt to avoid the backlash from ethnocentric consumers? One approach is to deemphasize the country of origin when promoting their products. The other approach is to market their products through local affiliates.

Results also indicate that product necessity, product quality perceptions of domestic brands, and cultural openness have an impact on attitude towards imports, though not in a significant sense. Instead, they appear to affect the relationship between consumer ethnocentrism and import attitudes. For example, as results from Singapore indicate, cultural openness of consumers mitigates the negative effect of consumer ethnocentrism on import attitudes. It is likely that the diverse multicultural mix in Singapore of Indians, Malaysians, among others makes Singaporeans more culturally open; this factor would contribute to lessening the impact of consumer ethnocentrism. New Zealand does not have such ethnic diversity. Results from New Zealand indicate that perceptions of product necessity also have an indirect impact on import attitudes. When products are not considered necessary for daily living, higher degrees of consumer ethnocentrism make product import attitudes even more negative.

When faced with such problematic sentiments, what should MNCs do? One possible solution is to show that imported products solve a specific consumer problem that domestic products do not. Such product differentiation from domestic brands based on product performance might be the key to enhance import attitudes for ethnocentric consumers. This approach is also appropriate given our other finding for both Singapore and New Zealand that consumer ethnocentrism plays a less potent role on import attitudes when domestic products are not viewed as of high quality.

In the final analysis, globalization has clearly unleashed a worldwide change in the interconnectedness of nation states. Yet, this inertia may have sown seeds of resentment and discontent as established domestic industries collapse from foreign competition. The results of our study reveal that ethnocentrism presents itself as a contender against imports even if consumers do not use domestic product quality, product necessity or cultural openness as considerations. How to deal with a mindset shaped by an ethnocentric trait becomes the ultimate question. Ethnocentrism indeed may become a major force in the rise of economic asymmetries. MNC's be forewarned.

Notes

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