

# **DOES ETHNOCENTRISM MATTER TO BRAND EQUITY? Turkish consumers' perceptions of foreign and domestic brands**

Aslı KUŞÇU

Yeditepe University

[asli.kuscu@yahoo.com](mailto:asli.kuscu@yahoo.com)

Assist. Prof. Dr. Elif Yolbulan OKAN

Yeditepe University

[eokan@yeditepe.edu.tr](mailto:eokan@yeditepe.edu.tr)

## **ABSTRACT**

Consumer behavior towards foreign and domestic brands has been a topic of much debate in the study of consumer behavior and international marketing. Marketers realize that they must understand consumer ethnocentrism behaviors in order to come up with successful marketing and promotional strategies both locally and globally. This study provides an understanding of the relation between ethnocentrism and consumer's perception of brand equity of foreign and local brands. In particular, it examines how an individual's ethnocentric tendency relates to their evaluation of domestic versus foreign brands in the context of brand equity dimensions. Three hundred and fifty respondents evaluated measures related to ethnocentrism, and brand equity dimensions; brand awareness, brand image, loyalty and perceived quality. Partial Least Squares and Structural Equation Modeling (SEM) tool is used to for analysis. Results reveal that brand awareness and loyalty are key dimensions that help to define brand equity of domestic brands among ethnocentric consumers. However ethnocentrism is found to be negatively related to brand awareness and perceived quality when evaluating foreign brands.

**Keywords: ethnocentrism, customer based brand equity, local brands, global brands**

## **INTRODUCTION**

Globalization and economic changes cause consumer preferences to shift dramatically since more products have become attainable. Varieties of brands that are previously unavailable from all over the world have started to compete against local brands and they have become more popular. Due to the display of similar needs and preferences by the consumers, there has been a great shift from local brands to global brands. However it is widely discussed that the prominent growth of nationalism globally may lead to higher preference of domestic brands over global brands. The American consumer ethnocentrism changed significantly after “9.11” and evidence showed that nationalism and internationalism became the most significant predictors of consumer ethnocentrism: more nationalistic and less antinationalistic American consumers were more ethnocentric (Lee, Hong and Lee, 2003).

As the world is shrinking in to a global marketplace, it is increasingly significant to understand the consumers’ perception of global brands to local brands. Companies in today’s highly competitive marketplace make large investments gain and sustain competitive advantage. The major source of competitive advantage for firms is found in the added value that a brand gives a product named; brand equity. Thus it is very important for firms to figure out how consumers perceive local and global brands’ equity which may lead to better brand image, greater brand loyalty, higher customer satisfaction and profitability.

This research explores and comprehends consumers’ perceptions of global vs. local brands specifically via dimension of brand equity. The secondary objectives of the study are to highlight the effects of consumer ethnocentrism towards global and local brands and the relationship between the level of ethnocentrism and the attached brand equity level for a global or local brand.

The study of consumer ethnocentrism would be appropriate in a market where nationalism, patriotism and fierce competition exists between domestic and foreign-made products likewise Turkey. Since the level of nationalistic feelings has been quite significant in Turkey along with a considerable amount of youth population, rising economy and import level, Turkey is almost an ideal empirical base to study the factors that plays important role on the level of ethnocentric tendencies. In the process of rising Turkish economy and globalization many international companies are interested to be in the Turkish market, especially where there is a considerable amount of youth population which is a very promising and strong purchasing power that attracts both national and international companies. Thus, a research on Turkish consumer is important for the future of the Turkish economy and all companies.

To this aim this research is conducted between a global and a local coffee shop in Turkey in terms of brand equity dimensions.

## **LITERATURE REVIEW**

### ***Local Brands and Global Brands***

Many multinational firms are reducing their brand portfolios to manageable sizes in favor of global brands. Massive presence of global brands is fuelled by the increasing similarity that consumers display in their consumption patterns. Researchers investigating Perceived Brand Globalness (PBG) pointed out some basic factors that affect consumer preference for global brands such as;

- Consumer perceptions of brand superiority (Shocker et al., 1994)
- Association with high prestige or status (Batra et al., 2000)

- Perceived as cosmopolitan, sophisticated and modern (Friedman, 1990)
- More scarce and more expensive (Batra et al., 2000)
- Association with globally recognized events and celebrities
- Seen as a way to convey worldwide citizenship (Dawar and Parker, 1994)

Despite numerous factors for consumer preference for global brands can be cited, consumer ethnocentrism is considered to have moderating influence in consumer perception of global brands.

### ***Ethnocentrism***

According to Steenkamp et al. (2003) ethnocentric consumers take pride in their country's brands, symbols and culture. They are less open to foreign cultures. Purchasing foreign made products may be seen as immoral and unpatriotic because it has negative impact on the domestic economy. Consumers tend to purchase local products even if the quality is lower that of foreign products (Wall and Heslop, 1986).

Ethnocentrism is firstly defined by Sumner (1906) as "this view of things in which one's own group is the center of everything and all others are scaled and rated with reference it." Ethnocentric individuals differentiate between in-groups (groups with which they identify) and out-groups (groups that are dissimilar, weak and inferior). They tend to perceive their own group as better than others and evaluate everything from their groups' point of view (Brislin 1993). According to Vida and Fairhurst (1999) consumer ethnocentrism can be rated on a continuum from highly ethnocentric to non-ethnocentric, whereby a consumer at the high end of the spectrum believes that purchasing foreign made products is morally wrong. In contrast, highly non ethnocentric consumers may judge foreign products based on their attributes and/or view them as better they are not produced in their own country.

On the whole, consumer ethnocentrism has a positive correlation with attitudes across domestic products and a negative correlation with attitudes across foreign products. Shimp and Sharma (1987) found that the relationship with attitude across domestic products is much stronger than the one with foreign alternatives. Wang and Lamb (1980) mentioned that consumers in developed countries tend to prefer their own locally-produced goods first, followed by products from other developed countries and then products from less developed countries. Shrimp, Sharma and Shin (1995) noted that ethnocentrism is influenced by the socioeconomic characteristic of the consumer. They showed that older consumers and women are more ethnocentric whereas educated and high income individuals are less ethnocentric. Studies suggested that secular-rational societies (those who tend to rely on logical reasoning rather than tradition to make their decisions) will become less ethnocentric as they move toward 'pos-modernization' (Inglehart and Baker, cited in Ho, Cannon and Yaprak, 2009).

This study promises interesting findings since Turkey being the only Muslim nation with a secular democracy and stuck in the middle of eastern and western values, conservatism is still on the rise and people considering them as conservative increased from 38.9% to 40.4% between years 2001-2005 (Turkey Profile, 2005 TNS PIAR). Thus the study of consumer ethnocentrism would be appropriate in a market where nationalism, patriotism and fierce competition exists between domestic and foreign-made products likewise Turkey.

## ***Brand Equity***

There is a significant amount of research proving that branding has the power to influence consumer purchase decisions and has its own added value independently from the value of the product (Srinivasan, 1979). Brand equity is at the heart of branding and therefore understanding the antecedents of brand equity has been the subject of many investigations with the assumption that creating a strong brand equity, that is, building a strong brand is a very successful strategy for differentiating a product from its competing brands (Aaker, 1991).

A variety of definitions for brand equity are offered in the literature. Brand equity can be viewed both from the company and customers' sides. Basically, brand equity stems from the greater confidence that consumers place in a brand than they do in its competitors. This confidence is transformed into consumers' loyalty and their willingness to pay a premium price for the brand. The definitions reflecting the first perspective are financial definitions. As an example, brand equity is defined as the added value a brand gives a product (Farquar, 1989). Another financial definition is made by Simon and Sullivan (1993) by defining brand equity in terms of discounted future cash flows that would result from branded product revenue, in comparison with the revenue that would occur if the same product did not have the brand name.

From customers' point of view, the most cited definitions are made by Aaker (1996) and Keller (1993). The customer perspective recognizes that the value of brand is defined by customer brand perception and knowledge and brand equity is renamed as "consumer-based brand equity." Aaker (1996) defines consumer-based brand equity as a set of four dimensions of brand assets linked to a brand's name or symbol that add to the value provided by a product or service to a firm or to that firm's customers. Those dimensions are (1) brand awareness, (2) brand associations, (3) perceived quality, and (4) brand loyalty. According to Aaker (1996) loyalty is the core dimension of brand equity, because the other dimensions each are affected by loyalty. These four dimensions provide value to the consumer by enhancing consumer's processing of information, confidence in the decision process, and satisfaction.

*Brand awareness* according to Aaker (1996) can affect perceptions and attitudes and reflects the salience of the brand in the customers mind. There are levels of awareness, which include recognition, recall, top-of-mind, brand dominance, brand knowledge, and brand opinion. Brand awareness plays an important role in consumers' decision making. Raising brand awareness increases the likelihood that the brand will be a member of the consideration set, even if there are essentially no other brand associations (Keller, 1993). *Perceived quality* is an important dimension which is recognized by Aaker (1996) as a key dimension, highly associating with the other dimensions of brand equity. It can be defined as the customers' perception of the overall quality or superiority of a product or service with respect to its intended purpose, relative to alternatives (Aaker, 1991). It involves performance, features, reliability, durability of the products and services perceived by the consumers. *Brand image* or *brand associations* are referring to the same thing. Brand image is the unique associations or perceptions consumers have in their minds about a product (Keller, 1993). Aaker (1996) uses brand associations instead of brand image and defines it as "anything linked in memory to a brand". Brand associations are complicated and connected to one another. Brand associations, which result in high brand awareness, are positively related to brand equity and take different forms like attributes, benefits, and attitudes. *Brand loyalty* is the attachment that a customer has to a brand (Aaker, 1991). For Aaker (1996) brand loyalty is strictly related to satisfaction. Satisfied and loyal customers show more favorable responses to a brand than non-loyal and unsatisfied customers. Satisfaction increases brand loyalty, thus affects brand equity. Brand loyalty directly translates into sales, reduces marketing costs, attracts new customers, and provides

time to respond to competitive threats (Aaker, 1991). Brand loyalty is one of the many advantages of creating a positive brand image and having high brand equity (Keller, 2003).

A brand carries a promise considering qualities and features that make the organization, product, or service special. With the dominant logic shifting from tangible to intangibles (Vargo and Lusch, 2004) and managers being aware that brands have become real strategic assets, brands' unique functional values are of great importance to companies as well as to consumers. Simply obtaining the best quality product with the lowest price is not enough for today's consumers.

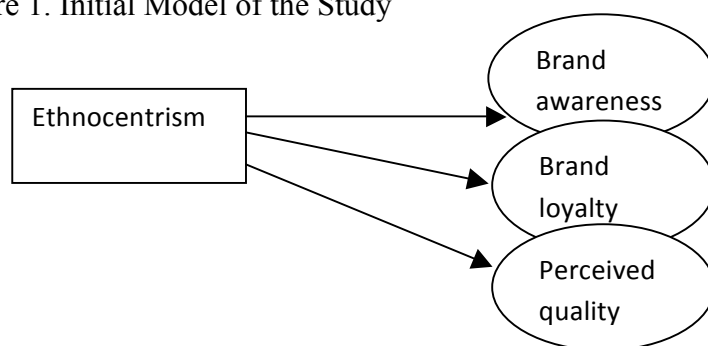
Thus this study aims to find out whether there is difference between Turkish consumers evaluation of global and local brand's equity. Moreover, whether this difference can be caused by the level of consumers' ethnocentric tendencies is examined.

## PROPOSED MODEL

In order to examine the potential relationships between ethnocentrism tendencies and the dimensions of brand equity an initial research model is developed. This model is tested for both national and foreign coffee shop visitors' responses. Thus the main proposition of the study is;

Ethnocentric tendencies can be associated to respondents' evaluation of foreign or domestic brands in terms of brand equity dimensions (brand loyalty, perceived quality, and brand awareness). And the proposed model and hypotheses are depicted below.

Figure 1. Initial Model of the Study



H1 (2): For the domestic (foreign) coffee shops, the level of brand awareness, brand loyalty, and perceived quality is related positively (negatively) to the extent to which ethnocentrism is evident in the visitor.

## METHODOLOGY

### *Instrument*

A review of the literature yielded a number of measurement instruments that were employed to test ethnocentrism and brand equity. The questionnaire developed to test the proposed model has two main parts apart from demographic questions. In the first part respondents are asked to rate the 17 items of ethnocentrism scale. The second part of the questionnaire covered questions about brand equity and respondents are asked to evaluate one global and one national coffee house brand with regards to dimensions of brand equity, awareness, perceived quality, brand image, and loyalty.

From literature there are three scales namely, E-Scale, CETSCALE and GENE Scale developed to measure ethnocentrism. However Consumer Ethnocentric Tendency Scale (CETSCALE) which consists of 17 items and developed by Shimp and Sharma in 1987 is accepted as a milestone in the concept of ethnocentrism and used widely in marketing literature. CETSCALE is stated as a reliable

and valid measurement scale across many countries and different cultures, such as Korea, Russia, Turkey, Czech Republic, Poland, and China. Thus to measure ethnocentric tendencies of respondents CETSCALE is translated into Turkish and back translated in to English. The items of the scale are Likert-scale items, from one to five, with ratings “strongly agree” to “strongly disagree.”

For brand loyalty a six item scale is adapted from Kim and Kim (2004) who developed the scale referring to Aaker, Odin, and Yoo and Donthu. Items aiming to measure perceived quality and brand awareness are also drawn from the same study. Since the items were developed to measure brand equity of restaurants, the wording of the items was only changed slightly to adjust them to coffee shops.

### ***Sampling and data collection***

This research is conducted in Istanbul, Turkey among global and local coffee house visitors. The names of the global and domestic coffee shop brands were chosen by a pre-study conducted among university students. Students were asked to mention one brand that comes to their minds as domestic and global coffee shops and two most frequently mentioned ones were chosen for the study.

For the analysis of ethnocentrism and brand equity convenience sampling is chosen and an invitation to the online survey was announced through several websites and email invitations. The research sample consisted of 158 men and 192 women ranging from 12 to 79, all having visited domestic and foreign coffee shops at least ones. The demographic information about the respondents is given below in Table 1. Also the respondents’ preferences about both domestic and foreign coffee shop chains are presented in Table 2. The respondents were also analyzed in terms of their ethnocentric tendencies. The independent sample t-test results in terms of gender differences indicate that men display more ethnocentric tendencies than women. ( $\mu_{\text{women}}=3.12$  ;  $\mu_{\text{men}}=2.98$ ) while Anova results in terms of education show that there are no significant differences among the levels of education.

**Table 1. Demographic Information**

#### **Gender**

|              | Frequency | Percent | Valid Percent | Cumulative Percent |
|--------------|-----------|---------|---------------|--------------------|
| Valid Female | 192       | 54,9    | 54,9          | 54,9               |
| Male         | 158       | 45,1    | 45,1          | 100,0              |
| Total        | 350       | 100,0   | 100,0         |                    |

#### **Education**

|               | Frequency | Percent | Valid Percent | Cumulative Percent |
|---------------|-----------|---------|---------------|--------------------|
| Valid Primary | 15        | 4,3     | 4,3           | 4,3                |
| Highschool    | 120       | 34,3    | 34,3          | 38,6               |
| University    | 188       | 53,7    | 53,7          | 92,3               |
| Master        | 17        | 4,9     | 4,9           | 97,1               |
| PhD           | 10        | 2,9     | 2,9           | 100,0              |
| Total         | 350       | 100,0   | 100,0         |                    |

**Table 2. Coffee Chain Preferences****Domestic\_Coffee\_Chain**

|                     | Frequency | Percent | Valid Percent | Cumulative Percent |
|---------------------|-----------|---------|---------------|--------------------|
| Valid Kahve Dünyası | 259       | 74,0    | 74,0          | 74,0               |
| Cafe Crown          | 82        | 23,4    | 23,4          | 97,4               |
| other               | 6         | 1,7     | 1,7           | 99,1               |
| wrong               | 3         | ,9      | ,9            | 100,0              |
| Total               | 350       | 100,0   | 100,0         |                    |

**Foreign\_Coffee\_Chain**

|                    | Frequency | Percent | Valid Percent | Cumulative Percent |
|--------------------|-----------|---------|---------------|--------------------|
| Valid Gloria Jeans | 47        | 13,4    | 13,4          | 13,4               |
| Starbucks          | 293       | 83,7    | 83,7          | 97,1               |
| other              | 5         | 1,4     | 1,4           | 98,6               |
| wrong              | 5         | 1,4     | 1,4           | 100,0              |
| Total              | 350       | 100,0   | 100,0         |                    |

**FINDINGS**

The items for both domestic and foreign coffee shops were first subjected to exploratory factor and reliability analyses to test the factor structure hypothesized using IBM SPSS 19 software. Based on the results structural equation modeling (SEM) approach was conducted to test the hypothesized model with the help of the software IBM SPSS AMOS 19. Since SEM assumes normal distribution of the data preliminary tests were performed by testing the skewness and kurtosis of the data. Though there were minor deviations from normality, previous studies noted that maximum likelihood estimation works well under moderately non-normal data (Andersen and Gerbing, 1988). Chou and Bentler (1995) suggest that all absolute index values of manifest variables should be less than 3 for skewness and 10 for kurtosis assessments which was supported by all items in the analysis. After establishing this assumption, further analyses of confirmatory factor analysis and the evaluation of the overall fit of the structural model were conducted. During the validation of the measurement model and the assessment of the structural model's fit, the maximum likelihood estimation (MLE) procedure was used.

***Exploratory factor and reliability analyses***

The items were subjected to an exploratory factor analysis (principle components factoring with varimax rotation) to check if the hypothesized structure is supported by the data. Following a series of iterative procedures, a final structure was obtained. Items with insignificant loadings (< 0.5) and the ones cross-loading were excluded. At the end of the exploratory factor and reliability analyses, 54 items remained for confirmatory factor analysis. The results of both analyses are displayed in Table 3a and b..

The analysis for ethnocentrism dimensions revealed two underlying factors, which are named as ETHN1 and ETHN2 explaining 36% and 34% of the variance respectively. Although CETSCALE is widely used in literature and stated as a valid and reliable one-dimensional measurement scale, these two dimensional structure is also in line with some previous studies which mention the multidimensional structure of ethnocentrism especially in cultures other than USA (Mulye et al, 1997 ; Teo et al., 2010 and Saffu and Walker, 2005). The two dimensions of ethnocentrism are found to have significant but different (in magnitude and direction) relationships with brand equity in this study. As mentioned in Teo et al. (2011) study this may be due to the product category researched. In terms of involvement level, different product or service categories, coffee consumption may be perceived as low or high depending on the consumers' characteristics. Moreover, Teo et al. (2011) referred to Chrysochoidis et al. (2007) study in which two factors of CETSCALE is found and named as "soft ethnocentrism" and "hard ethnocentrism." Since no relevant item structure is found essential for naming the two dimensions, findings pertaining to the scale's two dimensionality seem to be inconclusive and recalls for further studies.

**Table 3a. Exploratory Factor and Reliability Analyses Results for Brand Equity Dimension**

| Dimension                | Item | Loading | Cronbach's Alpha | Dimension                | Item | Loading | Cronbach's Alpha |
|--------------------------|------|---------|------------------|--------------------------|------|---------|------------------|
| <i>Perceived Quality</i> | PQ1  | ,662    | 0,919            | <i>Perceived Quality</i> | PQ1  | ,626    | 0,936            |
| Domestic                 | PQ2  | ,691    |                  | Foreign                  | PQ2  | ,677    |                  |
|                          | PQ3  | ,742    |                  |                          | PQ3  | ,761    |                  |
|                          | PQ4  | ,638    |                  |                          | PQ4  | ,550    |                  |
|                          | PQ5  | ,760    |                  |                          | PQ5  | ,757    |                  |
|                          | PQ6  | ,666    |                  |                          | PQ6  | ,737    |                  |
|                          | PQ7  | ,752    |                  |                          | PQ7  | ,691    |                  |
|                          | PQ8  | ,619    |                  |                          | PQ8  | ,645    |                  |
|                          | PQ9  | ,740    |                  |                          | PQ9  | ,758    |                  |
|                          | PQ10 | ,657    |                  |                          |      |         |                  |
| <i>Brand Awareness</i>   | BA1  | ,806    | 0,857            | <i>Brand Awareness</i>   | BA1  | ,764    | 0,944            |
| Domestic                 | BA2  | ,763    |                  | Foreign                  | BA2  | ,777    |                  |
|                          | BA3  | ,735    |                  |                          | BA3  | ,755    |                  |
|                          | BA4  | ,673    |                  |                          | BA4  | ,830    |                  |
|                          | BA5  | ,679    |                  |                          | BA5  | ,789    |                  |
|                          |      |         |                  | BA6                      | ,798 |         |                  |
| <i>Brand Loyalty</i>     | BL1  | ,703    | 0,832            | <i>Brand Loyalty</i>     | BL1  | ,648    | 0,888            |
| Domestic                 | BL2  | ,532    |                  | Foreign                  | BL2  | ,672    |                  |
|                          | BL3  | ,739    |                  |                          | BL3  | ,783    |                  |
|                          | BL5  | ,633    |                  |                          | BL5  | ,703    |                  |
|                          | BL6  | ,766    |                  |                          | BL6  | ,766    |                  |



**Table 3b. Exploratory Factor and Reliability Analyses Results for Ethnocentrism Dimensions**

| Dimension    | Item  | Loading | Cronbach's Alpha | Dimension    | Item  | Loading | Cronbach's Alpha |
|--------------|-------|---------|------------------|--------------|-------|---------|------------------|
| <i>ETHN1</i> | Eth2  | ,802    | 0,917            | <i>ETHN2</i> | Eth6  | ,835    | 0,925            |
|              | Eth3  | ,762    |                  |              | Eth7  | ,808    |                  |
|              | Eth4  | ,862    |                  |              | Eth8  | ,806    |                  |
|              | Eth5  | ,852    |                  |              | Eth12 | ,760    |                  |
|              | Eth10 | ,747    |                  |              | Eth13 | ,852    |                  |
|              | Eth14 | ,759    |                  |              | Eth15 | ,797    |                  |
|              | Eth17 | ,643    |                  |              |       |         |                  |

***Confirmatory factor analysis***

Confirmatory factor analysis using maximum likelihood estimations with IBM SPSS AMOS 19 software was employed. The initial model in the analysis revealed a poor fit with a significant  $\chi^2$  value of 2897041 and a df of 1292. The fit indices were out of the acceptable range with CFI (comparative fit index) of 0.887, IFI (Incremental fit index) of 0888. The RMSEA value of 0.059 was satisfactory. There were no cross-loadings for any items in the analysis however through the inspection of modification indices some items were removed from the analysis to improve model fit. The final measurement model obtained an acceptable level of fit with a  $\chi^2$  fit index of 2.07, a CFI (comparative fit index) of 0.920, IFI (Incremental fit index) of 0.921, and a RMSEA value of 0.055. The smallest t-value of the loadings was 11.434. All estimates were above or very close to the recommended level of 0.7. The composite reliability estimates as evidence of convergent validity were acceptable, ranging between 0.749 to 0.888. When the average variance extracted values are compared to the squared correlation estimates, the cfa model also displays discriminant validity with the AVE values being higher than the squared correlation estimates (Hair et al., 2010). Also all correlations between constructs are less than 10.71 which is again a sign for discriminant validity (Bagozzi et al., 1991). The results of the final measurement model with a significant  $\chi^2$  value of 1721.122 and df of 832 is depicted in Table 4.

**Table 4. Measurement model results**

| Dimension                | Item     | Loading | Reliability | AVE  | Dimension                | Item         | Loading | Reliability | AVE  |      |
|--------------------------|----------|---------|-------------|------|--------------------------|--------------|---------|-------------|------|------|
| <i>Perceived Quality</i> | PQ1      | 0,724   |             |      | <i>Perceived Quality</i> | PQ2          | 0,812   |             |      |      |
|                          | Domestic | PQ2     | 0,788       |      |                          | Foreign      | PQ3     | 0,873       |      |      |
|                          |          | PQ3     | 0,757       |      |                          |              | PQ4     | 0,634       |      |      |
|                          |          | PQ4     | 0,706       | ,875 |                          |              | PQ5     | 0,848       |      |      |
|                          |          | PQ5     | 0,738       |      |                          |              | PQ6     | 0,8         | ,888 | ,556 |
|                          |          | PQ8     | 0,665       |      |                          |              | PQ7     | 0,766       |      |      |
|                          |          | PQ9     | 0,756       |      |                          |              | PQ8     | 0,741       |      |      |
|                          |          |         |             |      |                          |              | PQ9     | 0,861       |      |      |
|                          |          |         |             |      |                          |              |         |             |      |      |
| <i>Brand Awareness</i>   | BA1      | 0,787   |             |      | <i>Brand Awareness</i>   | BA1          | 0,842   |             |      |      |
|                          | Domestic | BA2     | 0,782       |      |                          | Foreign      | BA2     | 0,872       |      |      |
|                          |          | BA3     | 0,698       | ,833 |                          |              | BA3     | 0,833       |      |      |
|                          |          | BA4     | 0,777       |      |                          |              | BA4     | 0,852       | ,857 | 0,5  |
|                          |          | BA5     | 0,669       |      |                          |              | BA5     | 0,888       |      |      |
| <i>Brand Loyalty</i>     | BL2      | 0,753   |             |      |                          | BA6          | 0,866   |             |      |      |
|                          | Domestic | BL3     | 0,685       | ,749 |                          |              |         |             |      |      |
|                          |          | BL5     | 0,835       |      | <i>Brand Loyalty</i>     | BL2          | 0,859   |             |      |      |
| <i>ETHN1</i>             | Eth2     | 0,825   |             |      | Foreign                  | BL3          | 0,855   | ,750        | 0,5  |      |
|                          |          | Eth3    | 0,695       |      |                          |              | BL5     | 0,894       |      |      |
|                          |          | Eth4    | 0,891       |      |                          |              |         |             |      |      |
|                          |          | Eth5    | 0,893       | ,874 | 0,56                     | <i>ETHN2</i> | Eth6    | 0,835       |      |      |
|                          |          | Eth10   | 0,785       |      |                          |              | Eth7    | 0,855       |      |      |
|                          |          | Eth14   | 0,705       |      |                          |              |         |             | ,874 | 0,5  |
|                          |          |         |             |      |                          |              | Eth8    | 0,879       |      |      |
|                          |          | Eth17   | 0,671       |      |                          |              | Eth15   | 0,727       |      |      |

## The Structural Model

Following the successive statistical tests and refinements, the proposed model is then subjected to structural equations modeling to assess its validity and to test the hypotheses that ethnocentrism effects dimensions of brand equity by examining the causal relationships among latent variables. The relationship between ethnocentrism and dimensions of brand equity were analyzed separately and the final models for both analyses are displayed in figure 1.

Domestic Coffee Shop results: The  $\chi^2$  value of the initial model is 1022.522 with 292 df and RMSEA = 0.085, CFI = 0.868 and TLI = 0.853. Based on the modification indices, a relationship between brand awareness and perceived quality and brand loyalty and perceived quality in domestic coffee shops were added to improve its model fit. The final structural model revealed an acceptable level of fit. The improvement in fit between the initial model and the final model is shown in Table 5. As can be seen from the table the model fit has improved significantly by constraining relationships between brand equity dimensions which are also supported by the theory.

**Table 5. Model fit improvement**

|                      | $\chi^2$ | df  | CFI   | TLI   | RMSEA | $\chi^2$ fit index |
|----------------------|----------|-----|-------|-------|-------|--------------------|
| <b>Initial Model</b> | 1022.522 | 292 | 0.868 | 0.853 | 0.085 | 3.50               |
| <b>Final model</b>   | 659.630  | 289 | 0.933 | 0.925 | 0.061 | 2.28               |

Some of the direct relationships between the constructs (ETHN2 – BA ; ETHN1- PQ ; ETHN2 – PQ ; ETHN2 – BL ) did not reach statistical significance, however the correlational relationship between the ethnocentrism dimensions was statistically significant. All supported relationships were positive as it was hypothesized. ETHN1 dimension was found to influence brand awareness (0.204) and brand loyalty (0.189) but the relationship between ETHN1 and perceived quality was found to be insignificant. Likewise all hypothesized relationships between ETHN2 and dimensions of brand equity were insignificant. The correlational relationship between ETHN1 and ETHN2 was also supported strongly (0.638).

Foreign Coffee Shop results: The analysis for the domestic coffee shop also revealed a poorly fitting measurement model initially so that based on the modification indices the effect of perceived quality on brand loyalty has been added to the model which again improved the model fit.

**Table 6. Model fit improvement**

|                      | $\chi^2$ | Df  | CFI   | TLI   | RMSEA | $\chi^2$ fit index |
|----------------------|----------|-----|-------|-------|-------|--------------------|
| <b>Initial Model</b> | 1286.418 | 343 | 0.881 | 0.869 | 0.089 | 3.75               |
| <b>Final model</b>   | 1024.530 | 342 | 0.914 | 0.905 | 0.076 | 3                  |

When the results are analyzed, the effect of ETHN1 on perceived quality, brand awareness, and brand loyalty was found to be insignificant. The ETHN2 dimension of ethnocentrism does negatively influence brand awareness (-0.301) and perceived quality (-0.279) but no significant

relationship between ETH2 and brand loyalty was assessed. The correlation between the ethnocentrism dimensions was also significant and positive (0.639) for foreign coffee shop chains.

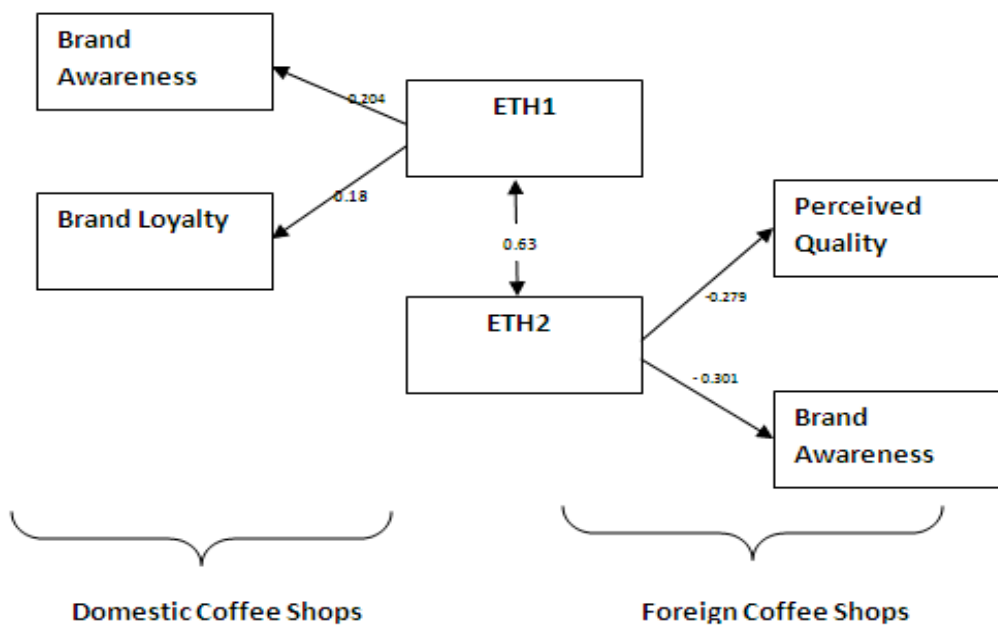
Overall different dimensions of ethnocentrism were found to be influencing brand loyalty, brand awareness, and perceived quality dimensions of brand equity. If domestic coffee chains are concerned, ETHN1 positively influences brand awareness and brand loyalty, where for foreign coffee shop chains ETHN2 negatively contributes to perceived quality and brand awareness. In that sense the results tentatively support the hypotheses 1 and 2.

**DISCUSSION**

This study aimed to examine the relationship between ethnocentrism and brand equity dimensions specifically among coffee shop customers in Turkey. It was suggested that more ethnocentric consumers would associate higher ratings on domestic brands’ brand equity dimensions and vice versa. Previous research in international marketing shows that ethnocentric consumers are more likely to emphasize the positive aspects of domestic products while non-ethnocentric consumers would be more pragmatic and evaluate products in relative terms. Thus this study aims to understand the differences in consumers brand equity evaluation of domestic and foreign brands with regards to their ethnocentric tendencies.

Along with examining the ethnocentric tendencies of Turkish consumers, the relationship between ethnocentrism and foreign or domestic brands’ brand equity perceptions is examined.

**Figure 1. Final structural models**



For the domestic coffee shops, this study supported relationships between one of the dimensions of ethnocentrism and brand awareness and loyalty whereas no relationship with perceived quality was assessed. Thus in evaluating domestic brands’ equity, more ethnocentric consumers give importance to awareness and loyalty whereas they do not see quality as an important brand equity determinant.

For foreign coffee shops the second dimension of ethnocentrism is found to have negative relation with brand awareness and perceived quality but no significant relationship with brand loyalty. This finding contradicts Johansson and Ronkainen (2005) study cited in Pitta and Franzak (2008) that global brands convey higher prestige than local brands, a reflection of their reach across nations and the accompanying perception of quality. Regarding foreign brands, in previous literature it is widely supported that quality and awareness are two important dimensions for evaluating brand equity (Pitta and Franzak 2008). Pitta and Franzak (2008) state that globality creates prestige and value in the minds of consumers. Moreover Batra et. al (2000) mentioned that global brands enjoy high prestige and status in the minds of many consumers. And they may be preferred by consumers as they convey high quality, expertise, authority, and credibility. However although consumers are expected to ascribe foreign products as high quality, our results indicate a negative relationship between ethnocentrism and brand equity, thus high ethnocentric consumers are less aware and perceive less quality for foreign brands. This finding is in line with Sharma et al. (1995) study stating that consumers tend to underestimate the qualities of foreign products.

This may also be related to the fact that drinking coffee gives hints about general culture and lifestyle in the country. In the USA, drinking Starbucks coffee is very popular which gives an idea about American culture and lifestyle. The Starbucks coffee is prepared very fast and served in a portable cup. In Turkey, people drink Turkish coffee which is cooked and drank slowly. When they drink Turkish coffee with another person, they speak very much. The habits of drinking coffee in Turkey and the USA show one of the main differences between Turkish and American cultures. Thus researchers of this study assume that Turkish consumers do not perceive instant coffee which is cooked and served quickly as high quality.

Results reveal that ethnocentric consumers state that domestic brand equity dimensions consist of brand awareness and loyalty. Since buying domestic products is believed to benefit the domestic economy, ethnocentric tendencies leverage brand loyalty and awareness.

Another important finding is that ethnocentrism is in a stronger relationship with the identified brand equity dimensions of foreign coffee shops, than with the ones of domestic coffee shops but as anticipated this relation is in a negative way. Thus ethnocentrism is highly evident and important for foreign products and brands.

## **CONCLUSION**

Although previous research examined consumer ethnocentrism, little has revealed the relationship between brand equity and consumer ethnocentrism. Our study is helpful in elucidating this relationship. Moreover the purpose of this research is to examine this relationship in the context of both global and domestic brands.

Consequently, findings of this study show that ethnocentric tendencies may lead to changing dimensions in evaluation of brand equity. According to the findings of the study, a consumer with a high ethnocentricity is negatively related to brand's perceived quality and awareness. In other words as the level of ethnocentrism increases, consumers are less inclined to perceive quality and awareness as dimensions of foreign brands equity. To the contrary, a consumer with high ethnocentricity will evaluate domestic brands based on loyalty and awareness dimensions.

The empirical findings of this research provide several managerial implications for those foreign and local companies marketing in ethnocentric environments. Future growth for most companies will come from foreign market thus companies has to learn to manage their qualities and adjust themselves to foreign markets. In order to overcome the negative impact of being foreign,

Starbucks recently, began serving Turkish coffee and Turkish delight. This glocal focus, melding global brands with local customization is a popular way to win high ethnocentric consumers. Moreover, to invest in brand equity, international marketers should focus not only on improving the performance and net utility of their brands, but also on taking account the ethnocentric tendencies. On similar grounds, targeting high ethnocentric consumers needs to underline the local images. For example Pepsi Cola's latest commercials were using Turkish celebrities (Seda Sayan) in order to invest in brand awareness and associate the brand with a local figure. Similarly promotions aim investing in loyalty dimension of brand equity in ethnocentric environments.

The results from this study must be qualified in terms of several limitations that, in turn, identify opportunities for future consumer research in Turkey. This study represents a "snapshot" of Turkish consumers' decision making at a specific time with a limited sample size. Another limitation is the methodology used in the study. Although online survey method has known limitations due to generalizability, considering internet usage was 45 percent of the all population as of June 2010 in Turkey it was appropriate to provide a good cross section of Turkish population, especially suited to the coffee house consumers.

Future researchers are encouraged to extent the study by analyzing the multi-dimensional structure of ethnocentrism (CETSCALE) on brand equity. Future research should also try to further establish the soundness of the consumer based brand equity scale through exploring the relationship between consumer ethnocentrism and brand equity. The relationship between these two constructs should be replicated in different countries and with other product categories like the ones where a domestic competitor does not exist, or where the foreign product heavily overweighs the domestic alternative in order to establish the generalizability and stability of our findings. The effect of increased patriotism could have different impact son different generations, so examining ethnocentric tendencies across generations could also yield interesting results.

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