

Moderating effect of price on the relationship of economic animosity and ethnocentrism with purchase decision of retail consumers of Jharkhand

Abhinav Kumar Shandilya¹ and Dilip Kumar²

¹Associate Professor, Department of Hotel Management and Catering Technology, Birla Institute of Technology, Mesra, Ranchi, Jharkhand- 835215, Email: sabhinavkumar@bitmesra.ac.in

²Assistant Professor, Welcomgroup Graduate School of Hotel Administration, Manipal Academy of Higher Education, Manipal, Karnataka, 576104, India, Email: k.dilip@manipal.edu

ARTICLE INFO

Key Words: *Consumer goods, Economic animosity, Ethnocentrism, Price, Purchase decision, Swadesi*

ABSTRACT

Multinational Companies (MNCs) are expanding their business to maintain the growth rate. Many developing countries like India are welcoming the MNCs to grab the benefits like foreign investment, advanced technology, proper utilisation of natural resources, employment etc., to name a few. MNCs like Nestle, CocaCola, Procter and Gamble, Ranbaxy Laboratories, and Pepsico have spread their business in India in food processing, beverage, consumer goods, pharmaceuticals, and food and beverage. The products of these MNCs are now challenged by Patanjali's "Swadesi aur Sudh" products. This study investigates the effects of economic animosity, ethnocentrism, and price on consumers' purchase decisions of the middle-aged service class.

Moreover, the study examines the moderating effect of price on the relationship between economic animosity and purchase decision and ethnocentrism and purchase decision. The results show that economic animosity and ethnocentrism directly, positively, and statistically significant impact on purchase decisions. Price has a direct, adverse and significant impact on the purchase decision. Moreover, price significantly moderates the relationship between ethnocentrism and

Received 12.06.2023; Accepted 01.08.2023

DOI: [10.48165/gmj.2023.18.1.4](https://doi.org/10.48165/gmj.2023.18.1.4)

Copyright @ Gyan Management Journal (acspublisher.com/journals/index.php/gmj)

purchase decisions. It dampens the positive relationship between ethnocentrism and purchase decisions. Also, there is no significant moderating effect of price on the relationship between economic animosity and purchase decision.

Introduction

Multinational Companies are expanding their business to maintain their growth rate. Gaining market share and developing existing assets is crucial and essential for any business (Yang & Gabriellson, 2018). The resources available in western countries and other developed countries are exhausted or extinct, be it natural resources, land, agricultural products, human resources etc., and if at all they are available, they command a heavy price. So, to sustain the enormous business structure and continuous profit, these MNCs are looking towards a new emerging business destination where the business opportunities can be tapped.

India is the world's second most populated country having a huge unspent workforce, making them cheaper, attracts these MNCs. Moreover, the vast territory with ample natural resources underground and primary agricultural resources provide readymade platter for these MNCs to work upon. The business expansion of these MNCs is also welcomed in developing countries like India for the mutual benefit that it gets from foreign direct investment, advanced technology, proper utilisation of natural resources, employment etc. to name a few.

With the incumbent Government of India passing bills on foreign direct investment, many MNCs sensed a new lease of business opportunities in India, whereby enabling them to pump in more money in the form of investment in various sectors like food processing, consumer goods, pharmaceuticals, food and beverage and aviation. The *mantra* of "Make in India" is also conceptualised on the thought of inviting foreign investors and manufacturing those goods in the geographical boundary of India. Since these MNCs devote the lion's share of investment to their research and development wing, they bring in advanced technology in procuring, shaping, manufacturing, packaging, distribution and marketing. The complete package of these products makes them more attractive, feasible, saleable, and

hence they are more profit bearing. Another advantage of these MNCs is the proper utilisation of resources that generally go wasted due to apathy, negligence, and dilly-dallying of various agencies directly related to the business environment. Due to their sound work culture and strict business processes, MNCs can mitigate the wastages and utilise natural resources optimally. With every bit of investment, infrastructure building, opening up of new industries, shops and offices, these MNCs also bring tremendous employment opportunities for locals and eligible residents.

However, MNCs have negative impacts, especially for developing countries too. MNCs pose threats to small-medium scale industries, and the vast industrial plants increase pollution and cause environmental hazards. The profit sharing and forex imbalance is another primary concern. The cumulative effect of these factors creates economic and social distress, which results in economic animosity and ethnocentrism.

MNCs like Nestle, CocaCola, Procter and Gamble, Ranbaxy Laboratories, and Pepsico have spread their business in India in food processing, beverage, consumer goods, pharmaceuticals, and food and beverage. Products of these companies have become part of our life. It sometimes becomes challenging to disassociate a particular product like toothpaste, hair oil and chocolate from our purchase list. The products of these MNCs are now challenged by Patanjali's "*Swadesi aur Sudh*" products.

In this context, it is interesting to investigate the effects of economic animosity, ethnocentrism and price on middle-aged service class consumers' purchase decisions. Moreover, the study examines the moderating effect of price on the relationship between economic animosity and purchase decision. At the same time, the present study also attempts to examine the moderating effect of price on the relationship between ethnocentrism and purchase decisions.

Study Goal

- A. To establish the impact of economic animosity, ethnocentrism and price on the purchase decision of the middle-aged service class retail consumers.

- B. To investigate the moderating effect of price on the relationship between economic animosity and purchase decision and ethnocentrism and purchase decision.

Conceptual framework and Hypothesis

Economic animosity

Country of origin (COO) is a tool to promote products, and many companies are using it effectively to capture a bigger market share. COO plays a vital role in assessing the quality of a product or service as an extrinsic product cue (Edwards, Gut, & Mavondo, 2007). Countries have their image in the production of products or services—the countries with favourable image market their products with COO as a unique selling proposition. However, COO has a negative impact too in the international market. Countries have different historical, political, and economic international statuses, which brings them into a sweet or sour relationship. This relationship leads to proximity or enmity among countries. The proximity or enmity among countries encourages or discourages international business and affects consumers' trust. Animosity and ethnocentrism have negative impact on business across the boundaries (Jiménez & Martín, 2010).

The unwillingness or disinclination to purchase products or services of a specific country of origin is animosity (Klein, Ettenson, & Morris, 1998). In other words, it refers to remnants of antipathy or hostility towards a country that results in negative perception towards foreign products and services, specifically for a particular country (Ettenson & Klein, 2005; Riefler & Diamantopoulos, 2007). Animosity may be in the form of historical, political, economic or ideological.

Researchers have suggested that animosity has no effect on the consumers' perception about the quality of a specific country's products or services, but it is related to the willingness to buy (Hinck, 2004; Klein, 2002; Nijssen & Douglas, 2004; Klein, Ettenson, & Morris, 1998). Hence, it is widely accepted that animosity directly impacts the consumer's purchase decision, but

it has no impact on product judgement. In the above context, the hypothesis developed is:

H₁: Economic animosity has a direct, positive and significant impact on the purchase decision of middle-aged service class retail consumers.

Ethnocentrism

Juric and Worsley (1998) argued that ethnocentrism is vital in shaping consumers' perception of products marketed across boundaries. Ethnocentrism shares a similarity with animosity as both have strong relationships with the country of origin. Shimp and Sharma (1987) suggested that people high on ethnocentrism evaluate other cultures exclusively by the values and standards of their own culture. Ethnocentrism promotes the consumption of domestic products or services and considers the use of foreign products or services immoral and unpatriotic. Ethnocentric consumers are more comfortable with domestic products and take a biased purchase decision.

Kaynak and Eksi (2011) recognised that residents of developing countries are ethnocentric. They evaluate the economic disadvantages of purchasing foreign products and services. However, Sharma, Shimp and Shin (1995) argued that education and income have a direct, adverse and significant impact on ethnocentrism. Based on the above studies, the hypothesis to be tested is:

H₂: Ethnocentrism has a direct, positive and significant impact on the purchase decision of middle-aged service class retail consumers.

Price

Marketers give adequate emphasis on price while determining the price of any product or service. Price becomes more vital for a product or service when a target market is a low-income group. Price directly impacts purchase decisions and alters the market share and profit percentage of any organisation (Han et al., 2001; Kotler et al., 1999). The law of demand suggests that price change for products and consumers' demand response has a negative association, except 'Giffen goods' for which demand increases with a price

increase (Marshall, 1895; Jensen & Miller, 2008). Han, et al., (2001) identified that price directly impacts consumer purchase intention. Thus, the following hypotheses are developed.

H3a: Price has a direct, negative and significant impact on the purchase decision of middle-aged service class retail consumers.

H3b: Price significantly moderates the relationship between ethnocentrism and purchase decisions of middle-aged service class retail consumers.

H3c: Price significantly moderates the relationship between economic animosity and purchase decision of middle-aged service class retail consumers.

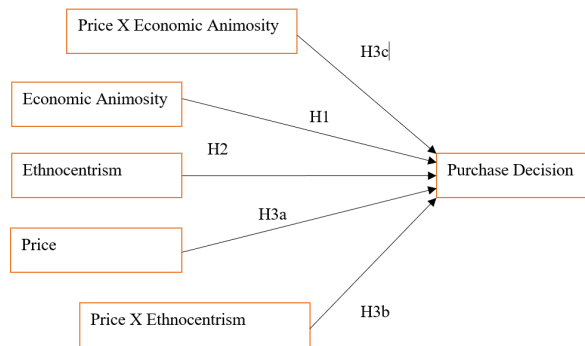


Fig. 1: Proposed research Model

Methodology

Path analysis has been conducted to examine the strength of the relationship between independent variables (economic animosity, ethnocentrism and price) and dependent variable (purchase decision). The moderating effect of price on the relationship of economic animosity and purchase decision and ethnocentrism and purchase decision are also investigated.

Data Collection

The data were collected through a self-administered questionnaire from 384 (usable) respondents in Jharkhand. The samples were selected using quota and convenience sampling. The controlled

characteristics were age (between 40 to 60 years), education (undergraduate or postgraduate), and occupation (government or private jobs). All the respondents were actively involved in making retail purchase decisions. The income groups of respondents were INR 30000 to INR 49000 (60.94 %), INR 50000 to INR 69000 (26.04 %), and INR 70000 to INR 89000 (13.02 %). 55.20 % of respondents were male and 44.80 percent of respondents were female.

Measure

A multi-item scale is used to measure economic animosity (five items), ethnocentrism (six items), price (four items) and purchase decision (three items). Based on literature review and deliberation, scales were developed with marketing experts (Shimp & Sharma, 1987; Guerrero, Abad, & Agüera, 2014; Klein, Ettenson, & Morris, 1998; Eren, 2013). These constructs are measured on a five-point Likert scale, ranging from 1=strongly disagree to 5=strongly agree. Seven items were included in the questionnaire to know the number of purchase decisions taken last month, native place, education, age, occupation, gender, and family income. The collected data were analysed using statistical package SPSS for Windows 20.0, SPSS AMOS version 22 and Stats Tools Package. Reliability was determined by computing Cronbach's Alphas. All scales had reliability values over 0.7, indicating that scales were reliable. Exploratory factor analysis revealed that no differentiation occurred in existing scales and all items were placed in the construct that was expected. $AVE > .05$ and $AVE > MSV$ for all the measurement constructs were found, which confirmed the convergent and discriminant validity.

Result and Analysis

Model fit

The proposed research model is tested using structural equation modelling through path analysis. The results depict that the overall fit of the hypothesised model is good (Table: 01). All the model fit indices are within

Table 1: Summary of Model Fit statistics

CFI	RMR	GFI	RFI	NFI	χ^2/df	RMSEA	P -value
1.000	.005	1.000	.992	.999	.444	.000	.505

the acceptable range, i.e. CFI, RFI, GFI and NFI scores are above 0.90; P-value is 0.505, RMR is closer to zero, and RMSEA is 0.000 (Bentler & Bonett, 1990; Bagozzi & Yi, 1988; Baumgartner & Homburg, 1996).

Hypothesis testing

Table: 02 depicts the unstandardised coefficients, standardised coefficients, critical ratios and P-value of the relationship between constructs in the model.

Economic animosity and purchase decision

The standardised regression co-efficient indicates that when economic animosity goes up by one standard deviation, purchase decision goes up by 0.402 standard deviation. The unstandardised regression weight for economic animosity in predicting purchase decisions differs significantly from zero at the 0.001 level (two-tailed). The probability of getting a critical ratio as large as 8.394 in absolute value is less than 0.001. Hence, H1 is supported.

Ethnocentrism and purchase decision

The standardised regression co-efficient indicates that when ethnocentrism goes up by one standard

deviation, purchase decision goes up by 0.522 standard deviations. The unstandardised regression weight for ethnocentrism in predicting purchase decisions differs significantly from zero at the 0.001 level (two-tailed). The probability of getting a critical ratio as large as 11.892 in absolute value is less than 0.001. Hence, H2 is supported.

Price of goods and purchase decision

The standardised regression co-efficient indicates that when the price of goods goes up by one standard deviation, purchase decision goes down by 0.386 standard deviations. The unstandardised regression weight for the price of goods in predicting the purchase decision is significantly different from zero at the 0.001 level (two-tailed). The probability of getting a critical ratio as large as 8.484 in absolute value is less than 0.001. Hence, H3a is supported.

Moderating effect of price on the relationship of ethnocentrism and purchase decision

The standardised regression co-efficient indicates that when the interaction effect of ethnocentrism and price goes up by one standard deviation, purchase decision goes down by 0.125 standard deviations. The unstandardised regression weight for ethnocentrism

Table 2: Results of Maximum Likelihood Estimates

			B-Value	β -Value	C.R.	P
Final Model						
Purchase decision	<---	Ethnocentrism	0.522	0.522	11.892	***
Purchase decision	<---	Price of goods	-0.386	-0.386	-8.484	***
Purchase decision	<---	Economic Animosity	0.402	0.402	8.394	***
Purchase decision	<---	Ethno_X_Price	-0.125	-0.167	-4.501	***
Default model						
Purchase decision	<---	ECA_X_Price	0.024	0.033	0.666	0.505

Note. *** Significance at the 0.001 level (two-tailed)

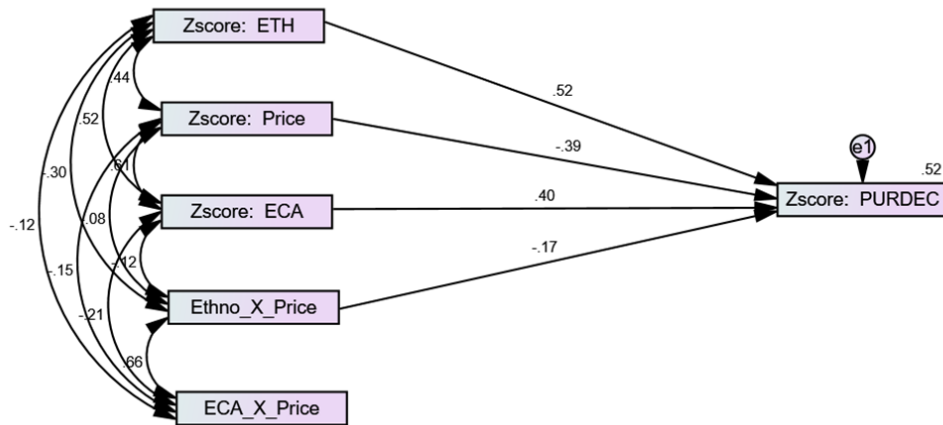


Fig. 2: Results of Structural Model

Variable names:	
Independent variable:	Ethnocentrism
Moderator:	Price
Dependent variable	Purchase Decision
Unstandardised Regression Coefficients:	
Independent variable:	0.522
Moderator:	-0.386
Interaction:	-0.125
Intercept / Constant:	2

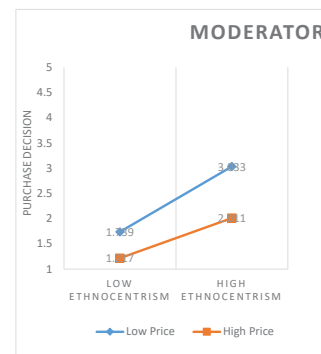


Fig. 3: Interaction effect of price and ethnocentrism on purchase decision

and price in predicting purchase decisions differs significantly from zero at the 0.001 level (two-tailed). The probability of getting a critical ratio as large as 4.501 in absolute value is less than 0.001. Hence, H3b is supported.

Figure: 3, the graph of interaction effects of ethnocentrism and price on purchase decision shows that price dampens the positive relationship between ethnocentrism and purchase decision.

However, H3c is rejected as the interaction effect of price and economic animosity on the purchase decision is insignificant.

Conclusion and Implication

The study investigated the association of independent variables – economic animosity, ethnocentrism and price on purchase decisions of the middle-aged service class retail consumers of Jharkhand. Economic animosity and ethnocentrism have a direct, positive and significant role in shaping the purchase decision of middle-aged service class retail consumers. Price has a direct, negative and significant role in the purchase decision. Moreover, price significantly moderates the relationship between ethnocentrism and purchase decisions. It dampens the positive relationship between

ethnocentrism and purchase decisions. It indicates that an ethnocentric consumer may buy MNCs' products if the "swadesi" products are not available at a lower or competitive price. Also, there is no significant moderating effect of price on the relationship between economic animosity and purchase decision.

Indian firms have great opportunities in the Indian retail market due to the positive and significant impact of economic animosity and ethnocentrism on purchase decisions, provided the products are priced competitively. The middle-aged service class retail consumers have a strong preference for "Swadesi and Sudh" retail products. They can adopt a promotional plan which focuses on economic animosity, ethnocentrism and price. Hence, the result supports the present marketing strategy adopted for *Patanjali* products and the Prime Minister of India's idea to use indigenous products that help poor craftsmen.

This research contributes to the academic literature as it is an initial attempt to assess the impact of economic animosity, ethnocentrism, and price on the purchase decision of middle-aged service class retail consumers in the Indian context. Further researches can be conducted on different age and occupational groups at various locations of India to check the validity at large.

References

- R. P. Bagozzi, & Y. Yi (1988). On the evaluation of structural equations models. *Academic of Marketing Science*, 16 (1), 76-94. doi:10.1007/BF02723327
- H. Baumgartner, & C. Homburg (1996). Application of structural equation modeling in marketing and consumer research: A review. *International Journal of Research in Marketing*, 13 (2), 139-161. doi:10.1016/0167-8116(95)00038-0
- P. M. Bentler & D. G. Bonett (1990). Comparative fit indices in structural models. *Psychological Bulletin*, 107 (2), 238-246.
- R. Edwards, A. M. Gut & F. Mavondo (2007). Buyer animosity in business to business markets: evidence from the French nuclear tests. *Industrial Marketing Management*, 36(4), 483-492.
- S. S. Eren (2013). Young Consumers' Attitudes toward American products. *Procedia - Social and Behavioral Sciences*, 996, 489-495.
- R. Ettenson & J. Klein (2005). The fallout from French nuclear testing in the South Pacific: A longitudinal study of consumer boycotts. *International Marketing Review*, 22(2), 199-224.
- J. F. Guerrero, J. C. Abad & E. Aguera (2014). Using standard CETSCALE and other adapted versions of the scale for measuring consumers' ethnocentric tendencies: An analysis of dimensionality. *BRQ Business Research Quarterly*, 17, 174-190.
- S. Han, S. Gupta & D. R. Lehmann (2001). Consumer Price Sensitivity and Price Thresholds. *Journal of Retailing*, Volume 77, pp. 435-456.
- W. Hinck (2004). The Role of Domestic Animosity in Consumer Evidence from Germany. *Journal of Euromarketing*, 14 (1/2), 87 - 104.
- R. Jensen & N. Miller (2008). Giffen Behavior and Subsistence Consumption. *American Economic Review*, 97(4), pp. 1553-77.
- N. H. Jimenez & S. S. Martin (2010). The role of country-of-origin, ethnocentrism and animosity in promoting consumer trust. The moderating role of familiarity. *International Business Review*, Volume 19, Issue 1, February 2010, Pages 34-45, 19(1), 34-45.
- B. Juric & A. Worsley (1998). Consumers' attitudes towards imported food products. *Food Quality and Preference*, 9(6), 431-441.
- R. Kaynak & S. Eksi (2011). Ethnocentrism, Religiosity, Environmental and Health Consciousness: Motivators for Anti-Consumers. *Eurasian Journal of Business and Economics*, 4(8), 31-50.
- J. G. Klein (2002). Us Versus Them, or Us Versus Everyone? Delineating Consumer aversion to foreign goods. *Journal of International Business Studies*, 33(2), 345 - 363.
- J. G. Klein, R. Ettenson & M. D. Morris (1998). The Animosity Model of Foreign Product Purchase: An Empirical Test in the People's Republic of China. *Journal of Marketing*, 62(January), 89-100.
- P. Kotler, G. Armstrong, J. Saunders & V. Wong (1999). *Marketing Management*. 2nd ed. New Jersey: Prentice Hall International Inc.
- A. Marshall (1895). *Principles of Economics*. New York: Macmillan Publishing

- E. J. Nijssen & S. P. Douglas (2004). Examining the Animosity Model in a Country With a High Level of Foreign Trade. *International Journal of Research in Marketing*, 21(6), 23-38.
- P. Riefler & A. Diamantopoulos (2007). Consumer animosity: a literature review and a reconsideration of its measurement. *International Marketing Review*, 24(1), 87-119.
- S. Sharma, T. A. Shimp & J. Shin (1995). Consumer Ethnocentrism: A Test of Antecedents and Moderators. *Journal of the Academy of Marketing Science*, 23(1), 26-37.
- T. A. Shimp & S. Sharma (1987). Consumer ethnocentrism: construction and validation of the CETSCALE. *Journal of Marketing Research*, 24, 280-289.
- Yang, M., & Gabrielsson, P. (2018). The Interface of International Marketing and Entrepreneurship Research: Review, Synthesis, and Future Directions. *Journal of International Marketing*, 26(4), 18–37. <https://doi.org/10.1177/1069031X18809988>