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# ROLE OF ETHNOCENTRISM AND ITS EFFECT ON PURCHASE DECISIONS

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## Abstract

*The purpose of this study is to investigate development of ethnocentrism and ethnocentric attitudes among consumers in Bosnia and Herzegovina. The concept of ethnocentrism includes two integral components: attitude and behavior. Ethnocentric attitudes are manifested through the eyes of consumers that their own groups are dominant as compared to the other groups. On the other hand, ethnocentric behavior presents a co-operation with members of their own group, and the lack of cooperation with members of other groups. For this study relevant questionnaire was conducted on 100 consumers in Bosnia and Herzegovina but 59 of them responded. Fifty one of them were Bosniaks, four of them were Serbs and four were Croats. Data collected by this questionnaire were further more statistically analyzed. Descriptive statistics was presented and demographic differences on consumer ethnocentrism were tested with t-test analysis. The research results showed that there seems to be a certain level of ethnocentrism among consumers in Bosnia and Herzegovina.*

**Keywords:** Ethnocentrism, Consumer Behavior, Purchase Decisions, Bosnia and Herzegovina

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**JEL Classification:** M30

## 1. Introduction

Consumer ethnocentrism, in the last two decades, is one of the world's trends in research, and the results of many studies show that consumer ethnocentrism is at the top of the list of the global economy's core drivers. This concept is actually an attempt to apply general sociological concept of ethnocentrism in a business context, and as such, it is associated with a patriotic sense of the individual who thinks that it is advisable to buy domestic products. Some studies (Grdic, 2013) have identified a significant association between patriotism and consumer ethnocentrism and its affect on purchase decisions. Korostelina, (2004) in her research also shows that the national identity stands out as a significant driver of consumer ethnocentrism.

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Ethnocentric consumers consider the purchase of imported goods to be faulty decisions because of the perception of potential losses in the domestic economy. Consumers who are not ethnocentric, on the other hand, choose products with regard to price, quality and other desirable attributes.

Shimp & Sharma, (1987) were researchers who introduced based concept of consumer ethnocentrism in the marketing literature for the first time. They stated that ethnocentrism is "consumers' belief about the morality / immorality of buying foreign products. This was also the beginning of a serious acceptance of the concept of consumer ethnocentrism, which is based on the idea that buying local products is not only an economic but also a moral issue. From the above it follows that ethnocentric consumers consider that buyers of imported products largely responsible for domestic economic problems, including the unemployment. Consumer ethnocentrism is strongly linked with the appeals of local companies and governments to buy local products, because buying foreign products leads to economic and social problems. In times of economic crisis, consumer ethnocentrism gets meaning desirable behaviour, especially in those countries that are highly dependent on imports.

The study aims to take a general picture of ethnocentrism and its effect on consumer purchase decisions in Bosnia and Herzegovina. Relevant literature is widely explored and it will be presented in following section. How data were collected for this study will be explained in the methodology part. In this section obtained set of data is statistically analyzed and findings of descriptive statistics as well as one sample t-test on ethnocentric attitudes among consumers in Bosnia and Herzegovina will be presented in forth part of this paper.

## 2. Literature Review

The concept of ethnocentrism has led to the emergence of a new term - consumer ethnocentrism, which is related to marketing, as well as wider economic understanding of ethnocentrism. As such, this phenomenon becomes the object of study of many authors and experts in the field of marketing, and other areas of science in which consumer behaviour plays an important role in economic analysis and decision-making. The study of this phenomenon is interesting from the aspect of contemporary global economic crisis, when the affirmation of ethnocentric behaviour becomes increasingly evident even in some developed countries (Marinković, Kostić, & Stanišić, 2011).

LeVine & Campbell, (1972) reviled in their study that ethnocentrism is a special, but almost universal example of in-group favouritism and out-group hostility in which membership is typically evaluated in terms of one or more observable characteristics (such as language, accent, physical features, or religion) that are regarded as indicating common descent.

Granzin & Olsen, (1998) claim that the ethnocentric behavior affirms as a positive activity that helps the locals to preserve jobs, because consumer ethnocentrism is strongly associated with appeals to local companies and the government to buy local products, because buying foreign products leads to economic and social problems that are manifested through reduced economic activity and the level of engagement of the workforce.

Gil-White, (2002) in his study stated that ethnocentrism may serve an adaptive function: steering behavior towards co-ethnics. Reason for this he found in an ethnographic analysis of two neighbouring ethnic groups, their differences, and their mutual perceptions gives an existence proof that: first of all neighbouring communities with an almost identical way of life nevertheless develop quite different interactional norms; second of all these entail significant costs for inter-ethnic interaction; and third of all the norms of the 'other' are commonly perceived as moral failures (ethnocentrism).

Rossiter & Chan, (1998) showed that researchers recognize that the role of ethnicity in purchase decisions is becoming more visible because of the rises in migration, tourism and international trade.

Axelrod & Hammond, 2003 stated that ethnocentric strategies and behavior can emerge and be maintained. When agents with similar traits form coherent regions, cooperation on the basis of ethnocentric behavior emerges and is sustained, even with substantial opportunity for cheating. Ironically, the ability to discriminate can support the evolution of cooperation based on ethnocentric behavior.

In Vida & Reardon, (2008) study, findings suggest that affective and normative constructs (i.e. consumer ethnocentrism and patriotism) are stronger determinants of domestic purchase decisions than rational considerations (the cognitive mechanism) such as perceptions of relative product quality of domestic vs. imported products. The role of patriotism and cosmopolitanism as factors fuelling ethnocentric tendencies are confirmed.

Their results also showing the considerable relative strength of patriotism and ethnocentrism on domestic consumption suggest that managers of local brands and domestic institutions should be able to enhance their communication programs and develop close bonds with their consumers. This finding is an important signal to international entrants in positioning their international offerings, particularly as strong local brands are gaining market share in many emerging consumer markets (Vida & Reardon, 2008).

Shimp & Sharma, (1987) have analyzed that consumers with ethnocentric or more conservative attitudes like animosity and racism are more concerned with harm given to domestic economy and loss of jobs by products from other rival nations or countries.

(Zihni & Duman, 2012) have noted in their study that strong patriotic messages for Bosniak consumers may not have expected effects on this ethnic group in promoting products in the region. Also, foreign companies should not be overly cautious about selling their products in Bosnia and Herzegovina because, being moderately ethnocentric, Bosniak consumers seem to be open to purchasing foreign products. As a final note, it must be stressed that a wide research gap is evident in post-Yugoslavian countries where different aspects of consumer behavior are still under shade. Future studies on consumer behavior can shed light on specific aspects of consumption behavior that are unique to the region.

(Knezovic, 2006), in his study, together with Product Group Manager, CATI research agency, conducted a survey at nine thousand respondents in BiH and they found that the ethnocentrism of consumers in that country is represented differently in different parts of the country. Thus, for example, in the region of Sarajevo and central and northern Bosnia 49.3 percent of the respondents prefer to buy local products from foreign. This percent in western Herzegovina and the BiH predominantly inhabited by Croats slightly smaller, 43.4 percent, and the lowest in the Republic of Serbian, 19.8 percent. Even 70.8 percent of the residents of central and northern Bosnia believe that consumers should buy domestic products before hand. This percentage in Western Herzegovina is 62.7 percent, and 27.1 percent of Serbian Republic. That they should only buy domestic products, said 54.3 percent of Bosniaks in BiH. This percentage was 40.2 among Croats and the Serbs in Bosnia and Herzegovina 17.4 percent.

### **3. Methodology**

#### **3.1. Sampling**

This research can be characterized as an exploratory research. Data for the study were collected through a survey delivered to consumers in Bosnia and Herzegovina. A total of 100 questionnaires were distributed to students who live in different cities in Bosnia and Herzegovina. Of the 100 questionnaires, 59 were accepted as usable for the study. Surveys were gathered with a judgmental or purposive sampling approach. To reach consumers in different cities, students from International Burch University were surveyed and also they were asked to take surveys to their homes and hand in to their family members during holiday times. Respondents' anonymity was made certain by asking them not to identify themselves in any way.

### 3.2. Data Gathering Tool and Analysis

Secondary sources were firstly investigated to develop the data collection tool. The first section of the questionnaire consisted of demographics. The second section was about general questions about ethnocentrism and consumer behavior in Bosnia and Herzegovina. The ethnocentrism statements were measured with 7-point Likert scales. A respondent could respond with “strongly agree”, “agree,” “slightly agree”, be “neutral”, “slightly disagree”, “disagree” or simply “strongly disagree” on the statements. All responses were scaled so that a higher score on a particular item indicated a stronger agreement with the attitude whereas a lower score indicated a weaker agreement. Group comparisons were conducted with independent sample paired statistics and descriptive statistics. Our result we got through SPSS program used to analyze such surveys.

## 4. Research Results

Table 1: Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
NATIONALITY	59	1	3	1.2	0.55
GENDER	59	1	2	1.41	0.495
AGE GROUP	59	1	3	1.85	0.638
CURRENT PLACE OF LIVING	59	1	5	1.61	1.175
Valid N (list wise)	59				

In Table 1 we can see demographic characteristics of respondents that will be more broadly presented in tables 2,3,4, and table 5. In demographic part of our survey we asked subjects about their nationality, gender, age group and finally their current place of living.

Table 2: Nationality of respondents used in the sample

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Bosniak	51	86.4	86.4
	Croat	4	6.8	93.2
	Serb	4	6.8	100
	Total	59	100	100

Looking at the table 2 we can find information about subjects' nationality. Filling the survey they could chose between Bosniak, Croat and Serbian nationality. Since those tree nations constitute a population of Bosnia and Herzegovina we used all of them in our sample for this study. We can see that respondents are mostly Bisnaks, 86.4 % because the highest percentage of population in Bosnia and Herzegovina belongs to Bosniaks. Among 59 respondents, 6.8 % were Croats and also 6.8 % were Serbs.

**Table 3:** Gender of respondents used in the sample

	Frequency	Percent	Valid Percent	Cumulative Percent	
Valid	Male	35	59.3	59.3	59.3
	Female	24	40.7	40.7	100
	Total	59	100	100	

For this study as a sample we used both, males and females. And from Table 3 we can see that 59.3 % of respondents were males and 40.7 % were females.

**Table 4:** Age group of respondents used in the sample

	Frequency	Percent	Valid Percent	Cumulative Percent	
Valid	0-20	17	28.8	28.8	28.8
	21-35	34	57.6	57.6	86.4
	36-45	8	13.6	13.6	100
	Total	59	100	100	

In this table 4 we can see that we divided our respondents in three age groups. From 0 to 20 years old were respondents that constitute first group and two other groups were from 21 to 35 and from 36 to 45 years old. We can see from the table that majority of our respondents were from second group 57% of total number, while 28.8 % and 13.6 % were from the first and third group of age.

**Table 5:** Current place of living of respondents used in the sample

	Frequency	Percent	Valid Percent	Cumulative Percent	
Valid	Sarajevo	43	72.9	72.9	72.9
	Bihac	6	10.2	10.2	83.1
	Cazin	3	5.1	5.1	88.1
	Banja Luka	4	6.8	6.8	94.9
	Mostar	3	5.1	5.1	100
	Total	59	100	100	

In Table 5, current place of living of respondents used in the sample, is presented. And we can see that most of our respondents lives in Sarajevo 72.9% of them, Bihac 10.2%, Cazin 5.1%, Mostar city in Herzegovina 5.1% and 6.8% were from Banja Luka.

**Table 6:** One sample t-test on ethnocentric attitudes among consumers in Bosnia and Herzegovina

	Paired Differences					t	df	Sig. (2-tailed)
	Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval				
				Lower	Upper			
NATIONALITY – Your culture should be role model for other cultures	-0.5	0.915	0.122	-0.745	-0.255	-4.091	55	0
NATIONALITY – You are loyal to certain domestic brand and product	-0.326	0.818	0.121	-0.569	-0.083	-2.704	45	0.01
NATIONALITY – Loyalty to certain domestic brand is influenced by income	-0.467	0.786	0.117	-0.703	-0.23	-3.982	44	0
NATIONALITY – Bosnians should always buy Bosnian products instead of imports	-0.217	0.758	0.112	-0.442	0.008	-1.946	45	0.058
NATIONALITY – Only those products unavailable in Bosnia should be imported	-0.277	0.826	0.121	-0.519	-0.034	-2.295	46	0.026
NATIONALITY – Purchasing foreign made products is unbosnian	-0.457	0.887	0.131	-0.72	-0.193	-3.49	45	0.001
NATIONALITY - It may be expensive but I prefer to support Bosnian products	-0.333	0.977	0.146	-0.627	-0.04	-2.289	44	0.027
NATIONALITY – How much would you prefer usage of foreign products	-3.875	2.886	0.386	-4.648	-3.102	-10.05	55	0
GENDER – Bosnians should always buy Bosnian products instead of imports	0	0.816	0.12	-0.242	0.242	0	45	1
GENDER – What attracts you most when buying certain products	-0.75	1.492	0.199	-1.15	-0.35	-3.761	55	0
AGE_GROUP – Bosnians should always buy Bosnian products instead of imports	0.595	0.798	0.123	0.347	0.844	4.833	41	0
AGE_GROUP – Purchasing foreign made products is un Bosnian	0.381	0.882	0.136	0.106	0.656	2.799	41	0.008
PRODUCT_PREFERENCE Only those products unavailable in Bosnia should be imported	-0.064	0.763	0.111	-0.288	0.16	-0.573	46	0.569
PRODUCT_PREFERENCE What do you prefer more when making buying decision	0.245	0.63	0.09	0.064	0.426	2.72	48	0.009

According to the results from the table 6, we can see that loyalty to certain brand is not connected with nationality. In the same time loyalty is not influenced by income. Also, analyzing our survey we have realized that all Serbs, Croat and Bosniaks do not think that only those products that are unavailable in our country

should be imported. Both male and female do not think purchasing foreign made products would seem so unbosnian. Neither male nor female would prefer more expensive Bosnian products. Most certainly male and female have totally different view when it comes to what attracts them while purchasing certain products, where females are more attracted to both essence and appearance and males are mostly attracted with products' origin and overall image.

More male people think that domestically produced items should be our first choice. Younger questioned population is mostly attracted by appearance, whereas older ones look for product's origin and essence while purchasing. Mostly of surveyed people, around 90% of them, disagree with the statement that Bosnians should always buy Bosnian products, but we can agree that people mostly think that Bosnian products should and ought to be more developed and then they would only buy foreign products that are unavailable in our market and production.

People from older age group were more dedicated to Bosnian products and they thought that somehow purchasing of foreign goods is unbosnian. People who are domestically oriented are looking mostly to the origin of products while making purchase. The findings of this research have also some implications for practitioners (e.g. foreign companies, exporters, producers) who conduct business in the region. It seems that strong patriotic messages for Bosnian consumers may not have expected effects on this ethnic group in promoting products in the region. Also, foreign companies should not be overly cautious about selling their products in Bosnia and Herzegovina because, being moderately ethnocentric, Bosnian consumers seem to be open to purchasing foreign products.

## 5. Discussion and Conclusion

Consumer ethnocentrism is a social phenomenon that would help to elucidate certain characteristics of a nation at some point in time, especially in terms of attitudes about the products that are imported from abroad.

According to results of our study we have realized that all Serbs, Croat and Bosniaks consumers were found to show moderate levels of ethnocentric attitudes. More male people think that internally produced products should be our first selection. People from older age group were more committed to Bosnian products and they thought that somehow purchasing of foreign goods is unbosnian.

Consumer ethnocentrism is strongly linked with the appeals of local companies and governments to buy local products, because buying foreign products leads to economic and social problems. In times of economic crisis, consumer ethnocentrism gets meaning desirable behaviour, especially in those countries that are highly dependent on imports. People who are domestically oriented are looking mostly to the origin of products while making purchase. The findings of this research could also have some benefits for foreign companies, exporters, and different producers who perform their business in the region. It seems that strong patriotic messages for consumers from Bosnia and Herzegovina may not have expected effects on this ethnic group in promoting products in the region (Zihni & Duman, 2012). Also, foreign companies should not be overly cautious about selling their products in Bosnia and Herzegovina because, being moderately ethnocentric, Bosnian consumers seem to be open to purchasing foreign products.

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