The Effect of Consumer Ethnocentrism on Purchasing Batik Products: Application of the Extended Theory of Planned Behaviour (TPB) and Price Sensitivity

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Abstract
The growing globalization of markets, the bilateral free trade agreements and the development of free trade zones have made the pattern of ethnocentrism of consumers a crucial concern for multinational corporations operating outside their domestic market. Although consumer ethnocentrism is a global phenomenon, there are differences, depending on the country studied, in the degree expressed by consumers. The purpose of this study was to explore the effect of consumer ethnocentrism on purchase intention of domestic batik products compared to imported Batik through TPB and to determine the variables of price sensitivity and attitude as mediation. Data collection was carried out through printed questionnaires using a purposive sampling approach. The questionnaire had collected 200 respondents. Further testing used the equation modelling (SEM) structure. The empirical results of SEM show that all the proposed hypotheses are accepted.

Keywords
consumer ethnocentrism, price sensitivity, subjective norm, attitude, perceived behavioral control, purchase intention

I. Introduction

Several factors take into account consumer ethnocentrism for multinational companies operating outside their country. This occurs due to market globalization, free trade agreements, and zoning for each country (Lee, Richard & Mazodier, 2015; Tong & Li, 2013). Referring to Sumner (1906) states that ethnocentrism is a view of a group where the group itself is the center point of everything. Shimp & Sharma (1987) discuss consumer ethnocentrism adapted from the general concept of ethnocentrism. It is a belief held by consumers when buying products about the suitability, morality, and loyalty to the country’s products. In predicting attitudes, purchase intentions, and consumer behavior towards purchasing products from other countries, Schnelltler & Miranda (2011), Shimp & Sharma (1987) used consumer ethnocentrism as a predictor.

Currently, consumer ethnocentrism has become a global event that occurs in every country. However, there are still inconsistencies in the degree expressed by consumers. The different studied countries caused these inconsistencies (Javalgi, Khare, Gross, & Scherer, 2005). Researchers used developed countries as the object indicates that consumers from developed countries tend to be less ethnocentric than consumers from developing countries (Lindquist, Vida, & Plank, 2001; Reardon, Miller, Moines, & Kim, 2005). Furthermore, several other studies show that consumers from developing countries tend to perceive the quality of domestic products as inferior to foreign products' quality. As a result, consumers from developing countries prefer to buy products from abroad. (Chryssochoidis, Krystallis, & Perreas, 2007; Upadhyay & Singh, 2006).
Voros (2019) concluded that higher quality includes a higher price. So it can be said that price equals quality. Consumers usually tend to be influenced by purchase intention and willingness to pay as an essential reference in evaluating product quality. (Weisstein, Kukar-kinney, & Monroe, 2016). Prices have had a profound effect on customer assessments of commodity alternatives and their final purchasing decisions (de Medeiros, Ribeiro, & Cortimiglia, 2016; Li et al., 2016; Moser, 2016). When the price sensitivity is greater, the impact of attitude on purchasing intention is greater (Hsu, Chang, & Yansritakul, 2017).

The development of business organizations depends on the quality of the products they produce. The better the product produced and useful, the more consumers will enjoy it, especially to meet their daily needs. The quality of products that are in great demand by consumers can be seen from several factors including packaging, price, quality, and benefits obtained by consumers. With good product quality it will have an impact on consumer loyalty and increase revenue for producers. The products that have good quality will have an impact on increasing consumer loyalty (Romdonny and Rosmadi, 2019).

Referring to 2019 World Bank data, Indonesia is a lower-middle-income country which per capita income is less than $770. Therefore, the Indonesian state can be an ideal choice for research on consumer ethnocentrism. Indonesia has a long history of products made from batik cloth. According to Haake (1989), Batik is an ancient form of textile decoration that has been practiced since prehistoric times in many places across Asia. On October 2, 2009, the Indonesian Batik was declared a Masterpiece of the Oral and Intangible Heritage of Humanity by UNESCO. Indonesian Batik competes with China-made Batik. Batik is categorized as part of the fabric, and BPS Indonesia noted that during 2016-2018, the volume of imported fabrics continued to increase with a trend of 31.80% and the country of origin for imports included China.

This research uses a theoretical framework based on the Planned Behavior Theory (TPB) model by Ajzen (1991) to analyze the relationship between experimental variables and to clarify consumer acceptance and participation in ethnocentrism behavior. TPB is an expansion of the theory of reasoned action (TRA) (Ajzen, 1991). The key difference between these two models is that the TPB provides as a determinant of behavioral intention an additional dimension of perceived behavioral control (PBC). Ajzen (1991) argues that the updated TPB model leads to improving our understanding of the theoretical processes of the model and increasing the predictive capacity for individual intentions/behaviour in that particular context, including additional critical constructs in a given context.

Batik itself in Indonesia is still classified as a Micro, Small and Medium Enterprise (UKM), one of which is Batik Trusmi, as an illustration, the price of Batik with natural dyes is higher, between Rp. 300,000 - Rp. 500,000, while the one coloured with the synthetic system costs around Rp.125,000 (Borshalina, 2015). There are not many valid data on the exact price of Chinese-made Batik that is sold in Indonesia, according to the Chairman of the Indonesian Batik Craftsmen and Entrepreneurs Association (APPBI) Komarudin Kudiya, saying that the price of imported Batik (China and India) is lower than local products (Indonesia): //finance.detik.com/, 2019)

This study explores the relationship between consumer ethnocentrism on purchase intention of domestically made batik products compared to imported batik through TPB and to find out the variable price sensitivity and attitude as mediation.
II. Review of Literatures

2.1 Consumer Ethnocentrism, Attitude and Price Sensitivity

Several other studies have shown that consumers in developing countries frequently consider domestic goods to be of poorer quality relative to foreign products, resulting in purchases of previous products (Chryssochoidis et al., 2007; Upadhyay & Singh, 2006). Therefore, quality is an essential consideration in developing countries in determining the purchase of a product. The cross-derivative of the demand feature is positive, i.e. consumers in the higher quality category are less price-sensitive, in line with Voros (2019), concluding that higher quality means higher prices, noting that consumer price sensitivity does not change over time.

In line with Garomatjuk & Parts (2015), marketers must provide consistent product details, including verified material variations, so that quality or material can impact price sensitivity in order for consumers to tolerate price increases for such goods. Therefore the researcher considers that quality equals price. Referring to Saffu, Walker, & Mazurek (2010), it shows that consumers' ethnocentrism from which country they come from can influence attitude formation. In line with Jianlin, Ning, & Qi (2010), it shows that consumers with high ethnocentrism have high properties in domestic products. Thus, consumers from developing countries believe that products produced by domestic producers produce the best products.

In addition, Qing, Lobo, & Chongguang (2012) note that in buying attitudes, the effect of market ethnocentrism is statistically important. Therefore, we believe that customers with greater consumer ethnocentrism will have a more positive attitude towards purchasing domestically manufactured Batik. Therefore, the hypothesis developed is that H1 attitude can be a mediating variable for Consumer Ethnocentrism and Purchase Intention. H2: Price sensitivity can be a mediating variable for Consumer Ethnocentrism and Purchase Intention.

2.2 TPB on Purchase Intention

Ajzen & Fishbein (1977) argues that in the TPB model, subjective norms, perceived behavioral control, and attitudes influence intention, which in turn affects actual actions. In addition, as described by Ajzen (1991), behavioral attitude refers to "the degree to which an individual has a favorable or unfavorable assessment or opinion of the behavior in question"; subjective norm means "the perceived social pressure to conduct or not to conduct a behavior"; and perceived behavioral control means "the ease or difficulty of behavioral experience." The TPB model was adopted by many previous studies to investigate customer behavioral intentions (Casidy, Phau, & Lwin, 2016; Paul, Modi, & Patel, 2016).

Lorenz, Hartmann, & Simons (2015), in their research related to food products, claim that overall consumer interest can be determined from personal norms directly related to consumer purchase intentions and indirectly have a large effect through attitudes. In line with Hsu et al. (2017), found that attitudes, subjective norms, and PBC resulted in a significant relationship to purchase intention.

Likewise, research conducted by (Yadav & Pathak, 2017) also supports those attitude variables, subjective norms, and perceived behavioural control have a significant positive effect on purchase intentions. So based on this understanding, the hypothesis developed by H3 The relationship between attitude and purchase intention has a positive effect. H4 The relationship between subjective norms on purchase intention has a positive effect. H5 The relationship between PBC on Purchase Intention has a positive effect.
III Research Method

3.1 Data Collection

The sample population used consists of ages over 20 years, and there are no restrictions on education and income. Tomić, Kovačić, & Cerjak (2019) argue that the sample taken should be more homogeneous with the proportion of respondents who are older and with less education. The period of data collection for respondents was carried out in the period from January to March 2020. To testing the proposed model, data collection was carried out through a printed questionnaire using a purposive sampling approach. Data collection is done by distributing it in strategic places in three provinces (Jakarta, West Java and Central Java). Then we read it to the respondents so that they understand the intent and purpose of the questions for each item. Respondents who were selected were those who had bought Batik in a year at least two times the purchase of Batik made locally or abroad.

From the questionnaire that has been collected, there are 200 respondents collected where the respondents came from Jakarta 36 (18%) people, West Java 114 (57%) people, Central Java 50 (25%) people. Then 123 (61.5%) men and 77 (38.5%) women, education graduates from SMP 45 (22.5%), SMA 128 (64%), S1 27 (13.5%), the age of the respondents consists of 20-25 years. 4 (2%), 26-34 years 36 (18%), 35-43 years 83 (41.5%), 44-52 years 44 (22%) and> 53 years 33 (16.5%).

3.2 Measurement

This study uses six primary constructs to test the hypotheses, namely: Consumer Ethnocentrism, Price Sensitivity, Attitude, Subjective Norm, Perceived Control Behavior and Purchase Intention. The development of these measurement items has been guided to represent construction research. All items were previously tested by other researchers, and have been used in research in a slightly modified manner. Especially for the CETSCALE indicator (Shimp and Sharma, 1987), it is modified according to the norms that apply in the area, but without eliminating the essence of CETSCALE by using a Likert scale measurement of 1 Strongly Disagree (STS) and 5 Strongly Agree (SS).

Figure 1. Proposed model
Table 1. Measurement

<table>
<thead>
<tr>
<th>Latent variable</th>
<th>Related indicators for measurement</th>
<th>Reference for indicators</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumer Ethnocentrism</td>
<td>Indonesians should always buy products made in Indonesia rather than imported. (CE1)</td>
<td>(Shimp &amp; Sharma, 1987)</td>
</tr>
<tr>
<td></td>
<td>In the long run, I may need some money, but I prefer to support Indonesian products. (CE2)</td>
<td>(Tomić et al., 2019)</td>
</tr>
<tr>
<td></td>
<td>Buying foreign-made products are incorrect because it makes Indonesians lose their jobs. (Ce3)</td>
<td></td>
</tr>
<tr>
<td>Attitude</td>
<td>I like to buy batik products made in the country of Indonesia (ATT1)</td>
<td>(Bruner, 2010)</td>
</tr>
<tr>
<td></td>
<td>to buy batik production, Indonesia is a good behaviour (ATT2)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>I hereby gladly buy batik products made in Indonesia (ATT 3)</td>
<td></td>
</tr>
<tr>
<td>Subjective Norm</td>
<td>My colleagues agreed to buy batik products made in Indonesia. (SN1)</td>
<td>(Ajzen, 1991)</td>
</tr>
<tr>
<td></td>
<td>My friends buy batik products made in Indonesia. (SN2)</td>
<td></td>
</tr>
<tr>
<td>Perceived behavioural control</td>
<td>Buying Indonesian batik products entirely depends on me (PBC 1)</td>
<td>Han et al. (2010)</td>
</tr>
<tr>
<td></td>
<td>I have enough money to buy batik products made in Indonesia (PBC 2)</td>
<td></td>
</tr>
<tr>
<td>Price Sensitivity</td>
<td>Acceptable to pay 10% more for batik products made in Indonesia (PS 1)</td>
<td>(Laroche, Bergeron, &amp; Barbaro-Forleo, 2001).</td>
</tr>
<tr>
<td></td>
<td>I am willing to pay 10% more for Indonesian batik products than for foreign-made batik products (PS 2)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>I am willing to pay more than Rp. 20.000.00 in buying batik products made in Indonesia (PS 3)</td>
<td></td>
</tr>
<tr>
<td>Purchase Intention</td>
<td>I plan to buy original batik products made in Indonesia (PI 2)</td>
<td>(Ajzen &amp; Fishbein, 1980)</td>
</tr>
<tr>
<td></td>
<td>I will recommend original Indonesian products to friends (PI 3)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>I will consider buying original batik products made in Indonesia (PI 4)</td>
<td></td>
</tr>
</tbody>
</table>

3.3 Analytical Techniques

The analysis used in this study uses SEM. Where the test conducted is Confirmatory Factor Analysis to assess convergence and discriminant validity. Convergent validity measures the correlation of items in one construct to ensure that items are correlated and measures the same basic dimensions (Hair, Anderson, Tatham, & William, 1998). According to Hair, Black, Babin, & Anderson (2010), the factor loading must be above 0.5 in order to be tested for reliability. Cronbach alpha was used to investigate the reliability of the scale, and according to (Fornell & Larcker, 1981; Nunnally & Bernstein, 1994) the scale satisfactorily has a Cronbach alpha above 0.7. Meanwhile, AVE must exceed 0.5 discriminant validity of each construct (Fornell & Larcker, 1981).

Furthermore, testing the validity of the model structure, The standard regression weights are all significant at the 5% level and then have the expected positive sign. To assessing the fit of the model with empirical data, different good-of-fit criteria are calculated.
to provide a holistic perspective on the goodness of fit as recommended by Byrne (2010): CMIN / df = <2 adjusted minimum difference Chi-Square and Goodness Index. -of-Fit AGFI = 0.90 as the absolute measure of fit; Tucker-Lewis index TLI = 0.95 as a relatively appropriate measure and finally Rooted Mean Squared Error of Approximation RMSEA = 0.06. All of the calculated criteria imply a reasonably appropriate model with a high share of the variance described and a low estimation error (for reference values see (Bagozzi & Yi, 1988).

IV. Result and Discussion

Table 2. Factor Loadings and Reliability

<table>
<thead>
<tr>
<th>Factor</th>
<th>Factor Loading</th>
<th>Composite Reliability</th>
<th>AVE</th>
</tr>
</thead>
<tbody>
<tr>
<td>CE1</td>
<td>0.587</td>
<td>0.822</td>
<td>0.615</td>
</tr>
<tr>
<td>CE2</td>
<td>0.776</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ce3</td>
<td>0.947</td>
<td></td>
<td></td>
</tr>
<tr>
<td>ATT1</td>
<td>0.7180.8490.653</td>
<td></td>
<td>0.825</td>
</tr>
<tr>
<td>ATT2</td>
<td>0.874</td>
<td></td>
<td></td>
</tr>
<tr>
<td>ATT3</td>
<td>0.830</td>
<td>0.806</td>
<td>0.675</td>
</tr>
<tr>
<td>SN1</td>
<td>0.813</td>
<td></td>
<td></td>
</tr>
<tr>
<td>SN2</td>
<td>0.836</td>
<td>0.810</td>
<td>0.681</td>
</tr>
<tr>
<td>PBC1</td>
<td>0.814</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PBC2</td>
<td>0.748</td>
<td>0.756</td>
<td>0.509</td>
</tr>
<tr>
<td>PS1</td>
<td>0.741</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PS2</td>
<td>0.646</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PS3</td>
<td>0.9130.778</td>
<td>0.892</td>
<td></td>
</tr>
<tr>
<td>PI1</td>
<td>0.814</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PI2</td>
<td>0.866</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PI3</td>
<td>0.888</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

4.1 Validity and Reliability

Confirmatory Factor analysis (CFA) was conducted to test the validity of the measurement model with data. Overall, the results show that the measurement model has met the criteria for good-of-fit statistics. The CMIN / DF score is 1.311, probability 0.026, AGFI 0.901, GFI 0.935, TLI 0.972. and RMSEA, 0.040. Purchase intention has the highest composite reliability 0.913, and the attitude is with a composite reliability value ability 0.849. The consumer ethnocentrism with a value of 0.822, then Perceived Behavioral intention with a value of 0.810, then Subjective Norm with a value of 0.810 and Price Sensitivity with a value of 0.756. The average variance extracted (AVE) for each variable is above 0.5, and the loading factor value is also above 0.5 with a significance at the 5% level, these results are in accordance with the reliability of adequate indicator levels (Bagozzi & Yi, 1988). (see table 1).

4.2 Hypothesis Testing

After that, the data were further analyzed using the SEM-AMOS approach. That is because SEM is a more appropriate tool for theory testing (Hair et al., 2010). In this test, all hypotheses were accepted, where the effect of Consumer Ethnocentrism on Price Sensitivity was found to be a significant p-value less than 0.05 ($\beta = 0.704$), the effect of Consumer Ethnocentrism on Attitude was found to be significant with a p-value less than 0.01 ($\beta = 0.246$), the effect of Attitude on Purchase Intention was found to be significant with a p-value
less than 0.01 ($\beta = 0.469$), the effect of price sensitivity on Purchase Intention was found to be significant with a p-value less than 0.05 ($\beta = 0.585$). With these results, the hypothesis H1, H2 and H3 can be accepted that Attitude and Price Sensitivity can mediate Consumer Ethnocentrism on Purchase Intention. Then the effect of Perceived Behavioral Control on Purchase Intention was found to be significant with a p-value less than 0.01 ($\beta = 0.252$). The effect of Subjective Norm on Purchase Intention was found to be significant with a p-value less than 0.01 ($\beta = 2.54$). These results indicate that the hypothesis H4 da and H5 are accepted that Perceived Behavior Control and Subjective Norms can influence Purpose Intention.

V. Conclusion

This research aims to explore the effect of consumer ethnocentrism on purchase intention of domestic batik products compared to imported Batik through TPB and to find out the variables of price sensitivity and attitude as mediation. In line with the research results, that all the proposed hypotheses are accepted. The relationship between consumer ethnocentrism on price sensitivity was found to be positively and significantly related. This finding indicates that there is an interrelated relationship between consumer ethnocentrism variables on price sensitivity. These results are in accordance with the research (Hsu et al., 2017).

Thus, the attitude of consumers who have high ethnocentrism cannot influence the price of Batik offered as long as it is an original production made in that country. Furthermore, the relationship between consumer ethnocentrism and attitude was found to be significant. The results of this study are in line with research conducted by (Javalgi et al., 2005). Thus, consumers who have high ethnocentrism will also have high attitudes towards a batik product made in the country.

The relationship of price sensitivity as a mediating variable between consumer ethnocentrism on purchase intention was found to be related. It can mediate this result in line with research conducted by (Hsu et al., 2017). Thus, consumers who have a high ethnocentrism spirit when they buy an original batik product made in the country, they will not consider whatever price they will pay.

Furthermore, the relationship between subjective norm and perceived behavioural control on purchase intention was found to be positively and significantly related to the results in line with research conducted by (Tomić Maksan et al., 2019). Thus, consumers who have high subjective norms and perceived behavioural control will also have a higher buying interest in domestic Batik compared to batik products that are not made in Indonesian origin.

This study is inseparable from the limitations of a study. Among them, the number of respondents that can be researched is only 200 respondents. Furthermore, this research is only carried out on batik products and does not involve other original Indonesian-made products that have competing products made in foreign countries.

Future research is expected to increase the number of respondents and also increase the types of products studied, not only including Batik. The respondents used in this study were also more than half who were over the age of 35 years. It would be nice if further research could focus on respondents who were still adolescents.
References


