

# UK Consumers' Perceived Risk of Buying Products from Emerging Economies:

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# **UK Consumers' Perceived Risk of Buying Products from Emerging Economies: A Moderated Mediation Model**

## **ABSTRACT**

While considerable research has been conducted on consumer attitude towards foreign products, most of these studies focuses on the attitude of products from Western developed countries. Our study intends to investigate the effects of consumers' national identification and culture sensitivity on their perceived risk of buying products from Eastern developing countries. Especially, this study advances the literature by identifying the mediation effect of consumer ethnocentrism and the moderating effect of consumer value consciousness. Taking China and India as focal emerging economies, the consumer survey (n=308) in the UK produced the following results. First, UK consumers' national identification is positively related to their perceived risk of buying eastern products through consumer ethnocentrism, whilst their cultural sensitivity has a negative relationship. Second, the effect of consumer ethnocentrism on the perceived risk of buying eastern products is moderated by consumer value consciousness. Third, value consciousness also attenuates the indirect relationships between national identification / cultural sensitivity and perceived risk via consumer ethnocentrism.

**Keywords** - National identification, Cultural sensitivity, Consumer ethnocentrism, Value consciousness, Perceived risk

**Paper type** - Research paper

# UK Consumers' Perceived Risk of Buying Products from Emerging Economies: A Moderated Mediation Model

## 1. Introduction

Globalisation has undoubtedly integrated different markets and enabled consumers to enjoy a wide range of choice of products from different countries. Although consumers' attitudes towards foreign products have been widely studied in the extant literature (Steenkamp and de Jong, 2010), most studies in this domain investigate a) consumers' attitudes towards products from unspecified foreign countries (Sharma *et al.*, 1995; Nguyen *et al.*, 2008; Strizhakova *et al.*, 2008; Vida and Reardon, 2008), b) Western consumers' attitudes towards products from other Western countries (e.g. Christodoulides *et al.*, 2015; Javalgi *et al.*, 2005; Seo *et al.*, 2015; Verlegh, 2007) and, c) Eastern consumers' attitudes towards products from Western countries (e.g. Fong *et al.*, 2014; Klein *et al.*, 1998; Kumar *et al.*, 2009; Yim *et al.*, 2014). The literature is characterised by a scarcity of studies on Western consumers' attitudes towards products from Eastern-emerging economies. This is quite glaring considering the quantum of exports of goods from emerging economies into developed countries over the past few decades.

In this study, we attempt to model the antecedents, mediating, and moderating effects of Western consumers' perceived risk of buying products from two prominent developing countries that export a significant volume of consumer goods into developed countries: China and India. Taking the United Kingdom (UK) as a focal Western-developed country, this study specifically investigates how UK consumers' national identification and cultural sensitivity influence their perceived risk of buying products from China and India. In the extant literature, national identification and cultural sensitivity have been found to influence consumers' attitudes towards foreign products (Balabanis *et al.*, 2001; Verlegh, 2007; Nguyen *et al.*, 2008). National identification

refers to one's national belongingness and feelings of attachment to one's country (Doosje *et al.*, 2004). Based on social identity theory (Tajfel, 1978), individuals with high national identification are favourably biased towards local products, but less so towards foreign products (Nigbur and Cinnirella, 2007). However, previous studies have presented mixed and inconsistent results on these relationships (see Nigbur and Cinnirella, 2007; Verlegh, 2007). Also, cultural sensitivity (defined as an individual's positive feelings and disposition towards people and values of out-group cultures) should positively relate to attitudes towards foreign products. However, the existing literature also offers inconsistent results (see Nguyen *et al.*, 2008; Suh and Kwon, 2002).

An explanation for the mixed results is the existence of possible mediating and moderating mechanisms in the relationships. Since most of the existing studies investigate the direct effect of national identification and cultural sensitivity on attitudes towards foreign products, there are few studies that have examined their indirect relationships which may help to answer the question of current inconsistent results. Based on consumer ethnocentrism literature (Shimp and Sharma, 1987, Sharma *et al.*, 1995), we propose that consumer ethnocentrism may act as the mediating role. Although national identification and cultural sensitivity can be important predictors of consumer ethnocentrism, few studies have examined their relationships. In addition, despite an intuitive assumption that consumer ethnocentrism could impact the perceived risk of buying foreign products, relatively few empirical studies have examined it. Therefore, our study intends to investigate the mediating role of consumer ethnocentrism in the relationships of national identification and cultural sensitivity on perceived risk of buying foreign products.

Furthermore, although consumer ethnocentrism is believed to act as the mediator in the aforementioned relationships, the direct effect of consumer ethnocentrism and the

indirect effect of national identification and cultural sensitivity on the perceived risk are not likely to appear to all consumers. For instance, the study of Sharma et al (1995) has indicated that consumer ethnocentrism on product attitudes may depend on other conditions such as consumers' economic concerns. Although academic scholars (e.g., Jiménez and Martín, 2010; Wang and Chen, 2004; Watson and Wright, 2000) have all called for a more fine-grained perspective to explore the boundary condition of consumer ethnocentrism, the interactive effects of consumer ethnocentrism and their economic concerns have been rarely assessed. Thus, we propose that consumer's value consciousness, an economic concern exhibited by consumers for paying low prices subject to quality constraint (Ailawadi *et al.*, 2001) may act as a moderating role that interacts with their ethnocentrism to influence UK consumers' perceived risk of buying Eastern products.

Our study makes the following contributions to the literature. First, to our knowledge, this study is the first to investigate how Western consumers' national identification and cultural sensitivity influence their perceived risk of products from emerging markets. Second, our study not only explores the mediating role of consumer ethnocentrism but also illustrates national identification and cultural sensitivity as two important antecedents to consumer ethnocentrism. Third, with most research focusing on the main effect of consumer ethnocentrism on attitude towards foreign products, little attention has been paid to the boundary condition of the influence of consumer ethnocentrism. Our results regarding the moderating role of value consciousness are particularly relevant for theory building in the consumer ethnocentrism literature. Finally, our research contributes the mediated moderating effects that, firstly, integrates consumers social factors (i.e., national identification, cultural sensitivity, ethnocentrism)

and the economic concern (i.e., value consciousness), and discovers the interactive effects among these constructs.

## **2. Justification of Study Context**

China and India were selected as the focal emerging economies of this study for the following reasons. First, China and India are currently two of the most important and fastest growing developing economies in the world (Bardhan, 2012). Based on the report of the World Bank (2014), on the list of the top ten economies in terms of GDP, China and India represent two of the only three developing countries. Second, due to their high export activities, products from China and India have now been widely found in Western countries. Moreover, in the last a few decades, China and India have experienced rapid economic growth and development of their manufacturing industries, and high levels of foreign trade and investment (Yao and Talamantes, 2014). Third, both China and India export a significant volume of goods to the UK. While China exported approximately \$50 billion worth of goods to the UK in 2013, India exported \$4.1 billion worth of goods to the UK during the same time (Sedghi, 2013). This has made both Chinese and Indian products familiar among UK consumers.

More importantly, China and India have often been clubbed together in popular media as examples of rapidly growing countries that could potentially challenge the economic hegemony of developed countries in the West (Khanna, 2013; Smith, 2010). This media-narrative is quite often dominated by the concerns posed by both China and India to the job prospects for workers in the western developed world. Significant concerns have been raised in the Western developed world and especially in UK about the offshoring of jobs to India and China (Meredith, 2008). As Meredith (2008; p.14) explains “For American and European middleclass this is a terrifying dark side of

globalisation” as they fear that the huge workforce suddenly thrown into the world’s labour pool will take away their jobs and impact their livelihoods. This theme is again reflected in Smith’s (2010) assertion that where would the jobs of the future be when Western countries could not offer anything more competitive than India and China. Echoing such concerns, China and India are often portrayed as economic adversaries of the Western world including the UK. It is to be particularly noted that India and China are always banded together when being portrayed as economic threats of the future in the popular press. From the perspective of the UK consumer, though India and Indians are more familiar due to the colonial past and the presence of a large Indian immigrant populations, previous studies have shown that their familiarity is not often transferred to the evaluation of products or services from India. For instance, Khan, Rodrigo and Koku (2011) found that British consumers generally disliked call centre services emanating from India compared to call centre services from Canada. This is particularly interesting given that we explore the effects of UK consumers’ national identification, cultural sensitivity, and ethnocentrism.

### **3. Conceptual framework and hypotheses**

Overall, we propose a framework that integrates the effects of national identification, cultural sensitivity, consumer ethnocentrism, consumer value consciousness, and the perceived risk of buying foreign products. We propose consumer ethnocentrism to mediate the effect of national identification and cultural sensitivity on consumers’ perceived risk. Moreover, consumer value consciousness moderates not only the direct effect of consumer ethnocentrism on the perceived risk of buying foreign products but also the indirect effects of national identification and cultural sensitivity on the perceived risk. Figure 1 illustrates this conceptual framework.

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Insert Figure 1 about here  
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### 3.1 Perceived risk

For more than half a century, the concept of perceived risk has been extensively studied and is important for marketers to understand how consumers make their decisions.

Perceived risk is defined as the *subjective expectation of a loss* (Sweeney *et al.*, 1999), which mainly involves two elements: uncertainty and consequences. Uncertainty refers to consumers' belief that the specific outcomes of a purchase are unknown, whilst consequences focus on consumers' views of the adverse consequences by identifying different types of loss (Yi *et al.*, 2013). The early literature has noted five types of loss: financial, performance, physical, psychological, and social (Kaplan *et al.*, 1974). We selected perceived risk as an important factor to evaluate UK consumers' attitudes towards emerging products for the following reasons. First, products from the UK and Western countries are synonymous with being of superior quality, modern, durable, and prosperous, while products from China or India have a reputation of low quality and poor design (China Daily, 2012; Zainulbhai, 2015). Price may be firstly used to evaluate the quality of a product; oftentimes, Chinese and Indian products are not priced as high as products from Western countries. Also, based on extant literature, conventional wisdom suggests that in developed Western countries, consumers tend to favour domestic products due to quality superiority; whilst consumers in developing Eastern countries tend to prefer Western products due to the quality inferiority of domestic products (Cheek, 2015; Hung *et al.*, 2007, Zhou and Hui, 2003). Therefore, UK consumers are facing the risk of potential reduced utility and physical or emotional harm resulting from unsatisfactory performance (i.e., performance risk). In addition, financially negative outcomes may be experienced by consumers after they buy these products (i.e., financial



risk). Second, UK consumers are facing the risk of making the wrong decisions and choices if buying products from emerging economies due to behavioural and product uncertainties. These risks lead to less behavioural control. According to the theory of planned behaviour (Ajzen, 1991), perceived behavioural control is a significant factor on behavioural intention. Therefore, perceived risk, associated with less behavioural control, is an important indicator for consumer behaviour. Third, perceived risk refers to consumers' attitude concerning the potential uncertainty and negative consequences of buying certain products. It is common for Western consumers who are about to buy products from emerging economies to be reluctant to make this purchase because the sense of perceived risk may be overwhelming when compared to Western alternatives. The extant literature has widely found that consumers' perceived risk is significantly negatively correlated with their willingness to buy (Chang and Tseng, 2013; Cho *et al.*, 2014; Martin *et al.*, 2015; Petersen and Kumar, 2015; Yi *et al.*, 2013).

### *3.2 National identification*

Social identity theorists indicate that people normally like to think positively about themselves and strive for positive social identity since this may result in high self-esteem and psychological wellbeing (Doosje *et al.*, 1998). One social identity that may contribute to people's identity systems is their national identification, which refers to one's national belongingness and strong feelings of attachment to their own country (Bilali, 2014; Roccas *et al.*, 2006). It is proposed that people identify themselves and others in terms of their group membership as this allows them to achieve a sense of who they are from their social environment (Doosje *et al.*, 1998). Individuals' national identification is normally generated through the ascription of characteristics to their group in order to achieve a positive image of the national in-group and a sense of distinctiveness from relevant other

groups (Tajfel, 1978). Consequently, individuals who identify highly with their nation should have a sense of belonging and meaning that makes them feel grounded, connected and distinctive. Moreover, they define themselves as having a strong group membership, feel emotionally attached to the group, and want to contribute to it (Roccas *et al.*, 2006).

National identification reflects how individuals come to accept in-group membership and act accordingly. Extant literature indicates that individuals who identify highly with their group or nation should be favourably biased towards the in-group products, but less so towards out-group products (Balabanis *et al.*, 2001; Nigbur and Cinnirella, 2007; Verlegh, 2007). These findings are consistent with social identity theory. Social identity theory implies that people who identify strongly with an in-group normally display a stronger bias in the judgment of that group since the judgment has a stronger influence on the self when their in-group identity is salient (Verlegh, 2007). Therefore, consumers' national identification is more likely focused toward to a positive bias in evaluating domestic (i.e., in-group) products but a negative bias towards foreign (i.e., out-group) products.

### *3.3 Cultural sensitivity*

Cultural sensitivity is defined as an individual's experience and positive attitudes towards out-groups in the sense that a person enjoys interaction with other cultures (Vida *et al.*, 2008). It reflects an individual's disposition towards people, values, and artefacts of out-group cultures. Cultural sensitivity was originally developed from individuals' personality traits of openness to experiences (Strizhakova *et al.*, 2008), which refers to a tendency to be broad-minded and enjoy new experiences and new ideas. Individuals high in openness are normally fascinated by novelty and innovation as they are imaginative, original, inclined towards new experiences, while people at the other end of the spectrum

are conventional and conservative. Individuals' cultural sensitivity describes the extent to which individuals express willingness to respond to foreign culture. Harich and LaBahn (1998) and Ridley *et al.* (1994) note that individuals' cultural sensitivity may involve (a) awareness and perceptions of cultural differences and similarities, (b) knowledge of values, beliefs, and adaptive behaviours of a specific culture, (c) cognitive abilities of recognition of diversity and accommodation of new cultural information, and (d) skills for integration of cultural considerations. Therefore, individuals who are sensitive or open to culture should have an interpersonal disposition that is characterised by respect and non-superiority towards an out-group culture and background.

Since consumers with high levels of cultural sensitivity or openness are more likely to express willingness to learn and are less threatened by other cultures, they tend to evaluate foreign products more favourably than those with a low degree. For example, a study of Vietnamese consumers has proved a positive relationship between consumers' cultural sensitivity and their judgment of imported products (Nguyen *et al.*, 2008). The study of Suh and Kwon (2002) has also found a positive relationship between consumers' openness to cultures and foreign product attitudes from consumers in the USA.

### *3.4 Mediation effect of consumer ethnocentrism*

*3.4.1 Consumer ethnocentrism.* Consumer ethnocentrism is defined as “*the beliefs held by consumers about the appropriateness, indeed morality, of purchasing foreign-made products*” (Shimp and Sharma, 1987, 280). Ethnocentric consumers have an inflated preference for their own group or culture, and indifference and/or dislike for others. It is generally believed that ethnocentric consumers distinguish local products from foreign products and try to avoid buying foreign products (Winit *et al.*, 2014). As Sharma *et al.* (1995) note, the ethnocentric beliefs of not buying foreign products mainly fall into three

reasons. First, ethnocentric consumers believe it may harm local economics if buying foreign products. Second, it is a kind of moral obligation for ethnocentric consumers to buy local products. And, third, ethnocentric consumers may have a prejudice against foreign products.

Consumer ethnocentrism exhibits certain attitudes toward foreign products. For example, existing studies find that ethnocentric consumers underestimate foreign product attributes which normally include quality, design, package, etc., while they have an overestimation towards local products (Sharma *et al.*, 1995; Siamagka and Balabanis, 2015). Studies in developed countries suggest that ethnocentric consumers, generally, are proud of domestic products and judge them more favourable than foreign products; therefore, they are less likely to purchase foreign products (Netemeyer *et al.*, 1991; Sharma *et al.*, 1995). Ethnocentric consumers normally have purchase intention towards domestic products, or feel that it is morally wrong to buy foreign products. For example, Suh and Kwon (2002) found that American and Korean consumers' ethnocentrism negatively affects their attitudes towards foreign products. Similar results were also found in studies of the US (Verlegh, 2007), the UK (Balabanis and Diamantopoulos, 2004), China (Sharma, 2011), and other countries (Klein *et al.*, 2006, Nguyen *et al.*, 2008). Therefore, ethnocentric consumers with overestimation towards local products but underestimation of foreign products are more likely to perceive high risk of buying products from emerging economies.

*3.4.2 National identification vs. consumer ethnocentrism.* We propose that consumer ethnocentrism mediates the relationships between national identification and UK consumers' perceived risk of buying products from emerging economies. First, the study of Roccas, Schwartz, and Amit (2010) has found that one's national identification

positively relates to their conservation values and negatively with values of openness to change. Based on self-consistent theory (Korman, 1970), which refers to individual's manner that is consistent with their self-views and self-concepts, people holding conservative values normally exhibit a willingness to sacrifice for their country and subordinate their personal interests to national interests. Therefore, in the current marketing context, nationally identified consumers are more likely to regard national interests as the duty to their country to protect its economy by supporting domestic products against foreign products. Balabanis and colleagues (2001) also indicate that consumers' national identification is more likely to make them try to prevent an invasion of foreign products if they believe that it is harmful for their local economy.

Second, based on self-categorisation theory (Turner *et al.*, 1987), individuals who identify with a group or nation are more likely to act in accordance with the in-group norms and beliefs. When a group or nation becomes psychologically salient, the in-group norms and beliefs can be activated (Hogg and Terry, 2000; Stets and Burke, 2000). Since consumer ethnocentrism represents social norms and beliefs of avoiding foreign products, when consumers' national identity becomes salient, accordingly they are more likely to have a stronger desire to protect their own country's economy and avoid buying products from foreign countries. Third, although we indicated previously that national identification refers to a positive relation to own group without out-group derogation, social identity theorists have found that in-group identification and out-group hostility might be associated under the condition of intergroup competition, comparison, conflict, or threat (Duckitt and Mphuthing, 1998; Hewstone *et al.*, 2002;). Therefore, national identification relates to foreign product prejudice under the condition of intergroup threat and competition. In the current global economy, with different countries vying for influence and markets across the globe and a resultant emphasis on economic nationalism

(Baughn and Yaprak, 1996), UK consumers with high national identification are more likely to present an intergroup comparison orientation toward foreign products from China and India. Consequently, it may lead to out-group hostility and a sense of defence mechanism for the in-group economy, resulting in high consumer ethnocentrism.

Overall, belongings and attachment to the in-group (i.e., national identification) expresses commitment to the group and inclusion of the group in one's self-views and self-concepts. Consumers who are strongly attached to their nation particularly possess moral obligations of supporting domestic products; thus, it may lead to an increase in ethnocentrism. Given the previous explanations on the relationships among national identification, consumers' perceived risk, and consumer ethnocentrism, we propose:

*H1a: Consumer ethnocentrism mediates the positive relationships between national identification and UK consumers' perceived risk of buying products from China.*

*H1b: Consumer ethnocentrism mediates the positive relationships between national identification and UK consumers' perceived risk of buying products from India.*

*3.4.3 Cultural sensitivity vs. consumer ethnocentrism.* Different from national identification, consumers' cultural sensitivity is believed to negatively influence their ethnocentrism. First, as indicated previously, consumers' cultural sensitivity and openness is originally developed from the personality trait of openness to experience. The extant literature notes that individuals' openness is strongly related to their learning orientation (Dragoni *et al.*, 2009). Thus, based on social learning theory (Bandura, 1977), consumers with high cultural sensitivity value experiences that provide them reciprocal interaction with other cultures, they are more open to and interested in learning from

other cultures and, consequently, they normally demonstrate more desire but less hostility and derogation towards other cultures. Therefore, it may lead to lower consumer ethnocentrism. Second, extant literature points to the negative association between individuals' openness and their conservative values (Jost *et al.*, 2003). For example, the study of Van Hiel, Kossowska, and Mervielde (2000) found significantly negative correlations between conservative ideology and individuals' openness to experiences in a Belgium sample. As we argued previously, consumers' conservative values may significantly and positively lead to their ethnocentrism, thus we can expect a negative consequence from cultural sensitivity. Moreover, extant research also finds that when consumers have an intention to accept the difference and appreciate the values of other cultures, their degree of ethnocentrism is more likely to decrease (e.g., Sharma *et al.*, 1995; Strizhakova *et al.*, 2008). Based on above explanations of the relationships, we propose:

*H2a: Consumer ethnocentrism mediates the negative relationships between cultural sensitivity and UK consumers' perceived risk of buying products from China.*

*H2b: Consumer ethnocentrism mediates the negative relationships between cultural sensitivity and UK consumers' perceived risk of buying products from India.*

### *3.5 Moderating effect of value consciousness*

Value consciousness is defined as a concern for paying low prices subject to a quality constraint (Ailawadi *et al.*, 2001). Sharma (2011) contends that value conscious customers are equally concerned with product-quality and price as they compare products and brands to obtain the best value for money. In reality, value conscious customers

always try to seek the best deal while purchasing products. As Shoham and Brenčič (2004) argue, value conscious consumers are 'driven' by perceptions of a good deal. We propose that the value consciousness of UK consumers moderate the effect of consumer ethnocentrism on their perceived risk of buying Chinese and Indian products. First, in general, products imported from emerging economies are perceived to be more risky to consume by consumers in developed countries (Sharma, 2011). However, consumers high in value consciousness are assumed to tolerate a higher level of risk associated with their purchase in order to obtain a better deal. For instance, several studies note that value conscious consumers are prone to buy store brands rather than national brands due to the low price and acceptable quality of products even though store brands are associated with higher levels of risk (e.g., Bao and Mandrik, 2004; Garretson *et al.*, 2002; Liljander *et al.*, 2009). Also, empirical studies show that consumers with high-value consciousness are more willing to indulge in high-risk behaviour such as buying counterfeit products (Ang *et al.*, 2001), thus, they are expected to perceive lower levels of risk towards products from emerging markets. Second, since consumers with higher value consciousness have more concerns regarding obtaining products with the best value for money, they are more rational and functionally driven, but, compared to consumers with lower value consciousness, are less likely to be driven by emotional stereotypes (e.g., consumer ethnocentrism). Therefore, value consciousness may reduce the positive effect of consumer ethnocentrism on the perceived risk of buying emerging economy products.

Third, as we argued earlier, value conscious consumers take less risk into account in their decision making. For example, the study by Ang and colleagues (2001) indicates that consumers with high-value consciousness are more willing to indulge in high-risk behaviour such as buying counterfeit products, which may cause a high risk to the local economy. Although ethnocentric consumers believe that buying foreign products may put



the local economy at risk, their value consciousness may play a more important role and hamper the effect of ethnocentrism on the perceived risk of buying Eastern products. Finally, based on the heuristic and systematic information processing (Chaiken, 1980), consumers generally process heuristic information (e.g., ethnocentrism) that requires minimal cognitive effort, and systematic information (e.g., value consciousness) that involves comprehensive and analytic judgment independently. As both heuristic and systematic processes occur independently, social-psychological motive and economic motive are likely to compensate each other when they are incompatible in nature (Skitka, 2003). Therefore, in the case of consumers with high value consciousness, their economic motive may alleviate the effect of ethnocentrism on the perceived risk of buying products from emerging countries. Thus, we propose:

*H3a: Value consciousness moderates the positive relationship between consumer ethnocentrism and UK consumers' perceived risk of buying products from China, such that UK consumers' value consciousness can alleviate their ethnocentrism to perceived risk of buying Chinese products.*

*H3b: Value consciousness moderates the positive relationship between consumer ethnocentrism and UK consumers' perceived risk of buying products from India, such that UK consumers' value consciousness can alleviate their ethnocentrism to perceived risk of buying Indian products.*

Given that consumer ethnocentrism mediates the effect of national identification and cultural sensitivity on Western consumers' perceived risk of buying Eastern products, and value consciousness acts as a moderator in the relationship between consumer ethnocentrism and perceived risk, we posit the following hypotheses of moderated mediation effects.

*H4a: National identification has a weaker (stronger) positive and indirect relationship with UK consumers' perceived risk of buying products from China through consumer ethnocentrism for consumers with high (low) value consciousness.*

*H4b: National identification has a weaker (stronger) positive and indirect relationship with UK consumers' perceived risk of buying products from India through consumer ethnocentrism for consumers with high (low) value consciousness.*

*H5a: Cultural sensitivity has a weaker (stronger) negative and indirect relationship with UK consumers' perceived risk of buying products from China through consumer ethnocentrism for consumers with high (low) value consciousness.*

*H5b: Cultural sensitivity has a weaker (stronger) negative and indirect relationship with UK consumers' perceived risk of buying products from India through consumer ethnocentrism for consumers with high (low) value consciousness.*

## **4. Methods**

### *4.1 Participants and procedures*

The data were collected via street intercept and online surveys using a convenient sampling methodology. The street intercept method has the advantage of gaining access to relevant participants over a short period of time and having the opportunity of personal contact with potential participants. Meanwhile, online survey has the advantages of providing anonymity and convenience, accessing a wide audience, and obtaining more accurate responses, especially to research sensitive topics (e.g., consumer ethnocentrism,

national identification). In total, 602 people were approached and 314 questionnaires were returned by the self-administrated method. However, six responses were not used due to the large amount of missing data, resulting in 308 usable questionnaires offering a response rate of 51.2%. Within the study samples, 48.4% of the respondents were male and 51.6% female; 39.6% of the respondents were without a bachelor's degree, 60.4% had a bachelor or higher degree. The ages of the respondents ranged from 18-79 with a mean of 32.55 and standard deviation of 11.49.

#### *4.2 Measures*

All questions were scored on a seven-point scale with response options ranging from 1 (strongly disagree) to 7 (strongly agree). All the variables were measured by existing scales. We measured consumer ethnocentrism with a six-item scale developed originally by Shimp and Sharma (1987) and shortened by Klein *et al.* (2006). This measurement scale has been used in a variety of contexts including the UK (e.g., Balabanis and Diamantopoulos, 2004). A sample item was "A real British should always buy British-made products" (Cronbach alpha: .87). National identification was measured with a three-item scale borrowed from Verlegh (2007). A sample item was "Being British means a lot to me" (Cronbach alpha: .84). We measured cultural sensitivity with a four-item scale developed by Nguyen, Nguyen, and Barrett (2008). We removed item 3 due to low item-to-total correlation ( $r = .39$ ). A sample item was "I enjoy studying other cultures that differ from my own culture" (Cronbach alpha: .78). Value consciousness was measured with a four-item scale developed by Sharma (2011). A sample item was "When purchasing a product, I always try to maximize the quality I get for the money I spend" (Cronbach alpha: .81).

We measured consumers' perceived risk by using a four-item measurement, adapted from Sweeney, Soutar, and Johnson (1999) to evaluate UK consumers' perceived risk of buying products from China and India respectively. We dropped the last item because it is low to total correlation or low factor loading. A sample item was "There is a chance that there will be something wrong with Chinese products or that they will not work properly". The Cronbach alpha for perceived risk of buying Chinese and Indian products is .83 and .87 respectively. Appendix A presents all measuring items and their reliabilities.

### *4.3 Analysis and Results*

*4.3.1 Validity of measures.* Confirmatory factor analyses (CFA), with AMOS 21, were applied to test the validity of the measurement scales (Anderson and Gerbing, 1988). We first ran a CFA model with the proposed six factors (not five factors, because we had two measures for perceived risk, one for Chinese products, and the other for Indian products). This model achieved good model fit:  $\chi^2/df = 2.21$ ; CFI = .93; RMSEA = .06; SRMR = .06 (Hu and Bentler, 1999). We then compared this model with a series of models with five factors (by combining any two latent variables into one) and with the one factor model. Table 1 presents the model fit indices of all models. It clearly shows that the six-factor model is a better model than all others.

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Insert Table 1 about here  
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Table 2 presents the means, standard deviations, AVE, squared AVE, and correlations of all latent variables. It shows that all variables' AVE scores are higher than the threshold of .50, and the squared AVE scores are higher than the correlations of any

pairs of variables. Therefore, the discriminant validities are achieved for all variables (Fornell and Larcker, 1981).

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Insert Table 2 about here  
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*4.3.2 Hypotheses testing.* We applied path modelling to test our hypotheses, due to its strength in testing complex models involving mediations and moderations. To account for the measurement errors for our latent variable measures, we obtained the factor scores from the proposed measurement model. We then standardised all variables to create the relevant interaction term (i.e., between consumer ethnocentrism and value consciousness) and for path modelling. Initially, in the path model, we linked the direct relationships of national identification and cultural sensitivity with the outcomes variables (perceived risk of buying Chinese and Indian products). As the relationships of cultural sensitivity were insignificant, we removed these two paths for parsimony's sake. Table 3 shows the coefficients of the path model. We applied Sobel test to calculate the indirect relationships of national identification and cultural sensitivity with the two outcomes via consumer ethnocentrism. Table 4 presents the results.

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Insert Table 3 and 4 about here  
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H1a states that consumer ethnocentrism mediates the positive relationships between national identification and UK consumers' perceived risk of buying Chinese products. As Table 4 shows, this indirect relationship is significant ( $\beta = .09, p < .01$ ). Thus, H1a is supported. Similarly, H1b (consumer ethnocentrism mediates the positive relationship between national identification and UK consumers' perceived risk of buying Indian products) is also supported ( $\beta = .12, p < .01$ ).

We predicted in H2a that consumer ethnocentrism mediates the negative relationships between cultural sensitivity and UK consumers' perceived risk of buying Chinese products. H2a is supported ( $\beta = -.18, p < .01$ ). H2b (consumer ethnocentrism mediates the negative relationship between cultural sensitivity and UK consumers' perceived risk of buying Indian products) is also supported ( $\beta = -.25, p < .01$ ).

H3a expects that value consciousness moderates the positive relationship between consumer ethnocentrism and UK consumers' perceived risk of buying products from China such that UK consumers' value consciousness can alleviate their ethnocentrism to perceived risk of buying Chinese products. Table 3 shows that the interaction between consumer ethnocentrism and value consciousness negatively predicts risk of buying Chinese products ( $\beta = -.12, p < .05$ ). Figure 2 illustrates the pattern of this moderating effect and shows that when value consciousness is higher (lower), consumer ethnocentrism has a weaker (stronger) positive relationship with perceived risk of buying Chinese products ( $\beta = .44, p < .01$  and  $\beta = .20, p < .05$  respectively). Thus, H3a is supported.

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Insert Figure 2 about here  
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Similarly, the interaction between consumer ethnocentrism and value consciousness negatively predicts the perceived risk of buying Indian products ( $\beta = -.14, p < .01$ ). Figure 3 illustrates the pattern of this moderating effect and shows that when value consciousness is higher (lower), consumer ethnocentrism has a weaker (stronger) positive relationship with perceived risk of buying Chinese products ( $\beta = .30, p < .01$  and  $\beta = .58, p < .01$  respectively). Therefore H3b (i.e., value consciousness moderates the positive relationship between consumer ethnocentrism and UK consumers' perceived risk

of buying products from India, such that UK consumers' value consciousness can alleviate their ethnocentrism to perceived risk of buying Indian products) is supported.

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Insert Figure 3 about here  
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H4a states the moderated mediation effect, that is, national identification has a weaker (stronger) positive and indirect relationship with UK consumers' attitude toward products from China through consumer ethnocentrism for consumers with high (low) value consciousness. To test this hypothesis, we firstly applied the Sobel test to confirm that the indirect interaction between national identification and "consumer ethnocentrism  $\times$  value consciousness" is significantly predicting the perceived risk of buying Chinese products. The test is significant ( $\beta = -.03, p < .05$ ). We then calculated the indirect effect of national identification on perceived risk of buying Chinese products when value consciousness is higher versus lower. Table 5 presents the effects and Figure 4 illustrates the pattern of this moderated indirect relationship. When value consciousness is higher (lower), national identification has a weaker (stronger) relationship with perceived risk of buying Chinese products ( $\beta = .12, p < .01$  and  $\beta = .06, p < .05$  respectively). Therefore, H4a is supported.

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Insert Table 5 about here  
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Insert Figure 4 about here  
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Similarly, to test H4b, that is, national identification has a weaker (stronger) positive and indirect relationship with UK consumers' perceived risk of buying products from India through consumer ethnocentrism for consumers with high (low) value consciousness, we found that the indirect interaction between national identification and

“consumer ethnocentrism × value consciousness” is significantly predicting the perceived risk of buying Indian products ( $\beta = -.04, p < .05$ ). Figure 5 illustrates the pattern of this moderated indirect relationship. When value consciousness is higher (lower), national identification has a weaker (stronger) relationship with perceived risk of buying Indian products ( $\beta = .16, p < .01$  and  $\beta = .08, p < .01$  respectively, see Table 5 as well).

Therefore, H4b is also supported.

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Insert Figure 5 about here  
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H5a states that cultural sensitivity has a weaker (stronger) negative and indirect relationship with UK consumers’ perceived risk of buying products from China through consumer ethnocentrism for consumers with high (low) value consciousness. To test this hypothesis, we also applied the Sobel test to confirm that the indirect interaction between cultural sensibility and “consumer ethnocentrism × value consciousness” is significantly predicting the perceived risk of buying Chinese products. The test is significant ( $\beta = .07, p < .05$ ). Figure 6 shows that when value consciousness is higher (lower), cultural sensitivity has a weaker (stronger) negative relationship with the perceived risk of buying Chinese products ( $\beta = -.11, p < .05$  and  $\beta = -.25, p < .01$  respectively, see Table 5 as well). Therefore, H5a is supported.

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Insert Figure 6 about here  
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H5b, cultural sensitivity, has a weaker (stronger) negative and indirect relationship with UK consumers’ attitude toward products from India through consumer ethnocentrism for consumers with high (low) value consciousness. Sobel test confirms that the indirect interaction between cultural sensibility and “consumer ethnocentrism × value consciousness” significantly predicts the perceived risk of buying Indian products



( $\beta = .07, p < .05$ ). Figure 7 shows that when value consciousness is higher (lower), cultural sensitivity has a weaker (stronger) negative relationship with perceived risk of buying Indian products ( $\beta = -.17, p < .01$  and  $\beta = -.33, p < .01$  respectively, see Table 5 as well). Therefore, H5b is also supported.

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Insert Figure 7 about here  
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## 5. Discussion

### 5.1 Theoretical Implications

This research makes a number of contributions. First, taking the UK as a focal country, the study investigates Western consumers' perceived risk of buying products from emerging economies including China and India. As noted earlier, most extant literature studies Western and/or Eastern consumers' attitudes towards Western products. Our findings indicate the different roles of national identification, cultural sensitivity, consumer ethnocentrism, and value consciousness to UK consumers' perceived risk of buying products from China and India. To our knowledge, this study represents one of the first attempts to integrate and explore the direct and interactive effects of the abovementioned factors in the Western context to Eastern products.

Second, we advance the literature by exploring the mediating role of consumer ethnocentrism in the relationship of national identification and cultural sensitivity on consumers' perceived risk of buying Eastern products. Our results also indicate that cultural sensitivity might not have a *direct* influence on consumers' perceived risk on foreign products (we will discuss the direct effect of national identification on perceived risk later). To our knowledge, consumer ethnocentrism has not previously been studied as a mediator in the relationships of national identification and cultural sensitivity to consumer perceived risk. We have learned that examining the mediating roles of

consumer ethnocentrism can help us to better understand the influence mechanism through which consumers' national identification and cultural sensitivity affect their attitude towards foreign products. These relationships demonstrate that consumer ethnocentrism should be considered as an important mediator in the model.

Third, this research also helps answer the question of the type of condition in which the direct and mediating roles of consumer ethnocentrism will differ. To the best of our knowledge, the interactive effects of consumer ethnocentrism and their economic motivation have yet to be assessed in the extant literature. Our findings advance the argument that consumers' value consciousness can interact with ethnocentrism to impact on the perceived risk of buying Eastern products. Although consumer ethnocentrism to perceived risk of buying foreign products sits well with self-consistent theory, consumer value consciousness acts as a boundary condition under which the negative effect of ethnocentrism may be enhanced or reduced. The finding of the moderating role of value consciousness is particularly imperative for theory development and validity building in the consumer ethnocentrism research.

Fourth, to our surprise, we find that consumers' national identification is negatively correlated with their perceived risk of buying Chinese and Indian products ( $\beta = -.18, p < .01$  and  $\beta = -.13, p < .05$  respectively). As noted earlier, people with high national identification should perceive a high risk of buying foreign products. However, the extant literature fails to present consistent evidence to support this relationship (Verlegh, 2007). We believe that our result of the negative relationship between national identification and perceived risk of buying Chinese and Indian products, to a certain degree, proves our finding of the mediating effect of consumer ethnocentrism because, during the relationship between antecedent and consequence, some factors may act as interactive effects to mutualise the direct effect. Therefore, in our study, consumer

ethnocentrism acts as the mediating role that mutualises the effect of consumers' national identification on their perceived risk of buying Eastern products.

### *5.2 Managerial Implications*

Apart from the theoretical implications listed above, the study holds certain important implications for managers. Perceived risk can hinder consumer adoption of new or unknown brands especially from emerging economies. Perceived risk can also reduce the effectiveness of marketing communication and brand building strategies. By focusing on the possible antecedents of perceived risk of products from emerging markets, this study has implications for companies from emerging markets to develop strategies that can reduce the perceived risk. The study re-asserts the known fact regarding the negative influence of consumer ethnocentrism on acceptability of emerging market products in developed countries. However, the effect of value consciousness in eroding the effect of consumer ethnocentrism is an important insight for practitioners. This result supports the use of value consciousness as an effective segmentation strategy for emerging economy brands that plan to enter developed country markets with high levels of consumer ethnocentrism. For instance, brand managers of companies from emerging markets could initially target value conscious consumers by positioning their products entirely based on value. Since value consciousness can significantly attenuate the impact of consumer ethnocentrism on perceived risk, value positioning can turn out to be an effective strategy. This gives a significant platform on which to build a loyal customer base that can be exploited in the future.

Thus, the study finds significant support for selling emerging economy products at reduced prices to tap into the value conscious segment as they are often interested in evaluating the price points at which products are offered. The study also indirectly points

to the difficulty of selling products that do not appeal to value conscious buyers such as luxury products when identified with an emerging country. Since value conscious buyers may not be interested in such luxury brands, the product will have to face the full impact of ethnocentrism that will heighten the perceived risk for these products. This, too, is a significant insight as a market entry strategy for emerging economy products. While entering developed country markets it is often a better strategy to offer products for value conscious customers at low price points than at higher price points. It is also, therefore, a good strategy to offer good quality products to attract value conscious customers rather than differentiating through brand promotion, etc.

The negative impact of cultural sensitivity on consumer ethnocentrism is also important from a practitioner's perspective. Customers high in cultural sensitivity can be targeted for positioning strategies. If emerging economy firms can identify and understand the underlying geo-demographic profile of customers who are high in cultural sensitivity (e.g., millennials) then such segments can be easily targeted with emerging economy brands rather than targeting customers who are low in cultural sensitivity.

This result also provides support for national campaigns that are meant to increase awareness/receptivity for a country in general. Such campaigns could produce long term effects for the country sponsoring such campaigns by increasing the cultural sensitivity of developed-country consumers. The results, pointing towards the significant influence of national identification with ethnocentrism, highlight the importance of projecting a positive image for the emerging country in developed markets. While it will be impossible to reduce the feeling of national identification in any society, it may be possible to project the image of a benign and friendly country in the minds of developed-country consumers.

The study nevertheless points to the difficulty in targeting the ethnocentric segment. Hence as Sharma (2011) asserts it may be a good idea for emerging economies not to emphasise their background in products, but use domestic manufacturing as far as possible and develop localised advertising. The study, therefore, can be used in an advisory capacity for emerging economy companies when developing advertising or communication programmes. In their advertising strategies, the study suggests adoption of mostly culture-neutral cues; messages and media which would, therefore, not provide any trigger for feelings of national identification. These strategies could mitigate the negative effects of ethnocentrism. To reduce the effect of national identification, emerging economy companies should try to utilise strategies like contract manufacturing, licensed manufacturing, etc., rather than direct exporting to developed countries unless it is possible to tap into a highly value conscious or culturally sensitive customer segment.

## **6. Limitations and Future Research**

This study has several limitations that suggest important future research avenues. First, we used the UK as the sole Western context for convenient data collection. Future research may consider consumers in other Western countries. Second, we were limited in employing only national identification and cultural sensitivity as the psychological factors influencing consumer ethnocentrism and perceived risk of buying Eastern products. Future research can use other socio-psychological, political, and economic antecedents to investigate how these factors may influence consumer ethnocentrism and attitudes of foreign products. Third, our study indicated and proved only one boundary condition by which consumer ethnocentrism influences foreign products attitudes. As academic scholars (e.g., e.g., Jiménez and Martín, 2010; Wang and Chen, 2004; Watson and Wright, 2000) called for studies to explore more boundary conditions of consumer

ethnocentrism, future research can explore other interactive effects such as *when* consumer ethnocentrism influences products attitudes.

Fourth, we only borrowed short versions (i.e., three to four items) to measure consumers' national identification, cultural sensitivity, and perceived risk because, as we explained in the method section, an exceedingly long questionnaire causes participants to be less cooperative and, potentially, compromise the quality of their responses. Although all measures have been found to have good reliability and validity, future research can apply longer versions of these variables and examine multiple forms (e.g., physical and social loss) of consumers' perceived risk of buying foreign products. Fifth, we collected data by using convenient samples through both online and street intercept. The study is limited in its sample size and, due to the administrative error, we did not separate the sources of our observations for analysis. As we argued previously, although these two methods provide different advantages, future research may collect more samples via either online or street/mall intercept, and compare the differences between them. Sixth, another limitation is that we did not select a set of goods for this study; this might have affected the results as high or low product involvement may have different effects on consumers' perceived risk (Bian and Moutinho, 2011). Therefore, future research may include different types of products including high and low involvement categories to investigate consumers' attitudes towards products from emerging economies. In addition, future research may investigate consumers' buying intentions and/or buying behaviour as dependent variables. Although extant literature notes the direct impact of consumers' perceived risk on their purchase intention and behaviour, future research can explore the mediation effect of perceived risk on consumer ethnocentrism to buying intention and behaviour and how value consciousness moderates this mediation effect.

Also, regarding Western consumers' attitude towards Eastern products, research on the factors related to the brand needs further investigation. Indeed, although consumers' national identification, cultural sensitivity, and ethnocentrism may influence consumers' purchase intentions or behaviour, branding issues may influence or interact with them (Lee and Mazodier, 2015), therefore, future research should explore how branding issues, e.g., brand identity may interact with those factors on products from emerging economies. In addition, considering many brand products are designed in one country but made in another, e.g., Apple iPhone, Adidas, etc., future research may also explore different country of origin issues, e.g., country of manufacture (COM), country of assembly (COA), country of design (COD), and cultural brand origin (COBO) in consumers' evaluation of foreign products or brands.

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**Table 1: Confirmatory Factor Analysis**

<b>Model</b>	$\chi^2/df$	<b>CFI</b>	<b>RMSEA</b>	<b>SRMR</b>
Proposed six-factor model	2.21	.93	.06	.06
CET and cultural sensitivity combined	3.39	.86	.09	.08
CET and national identification combined	4.48	.79	.11	.10
Cultural sensitivity and national identification combined	4.62	.79	.11	.10
One factor	10.89	.38	.18	.16

Note: CET= Consumer ethnocentrism

**Table 2: Descriptive statistics and discriminant validities**

	1	2	3	4	5	6
1.National identification	.82					
2.Cultural sensitivity	.01	.78				
3.CET	.27**	-.57**	.74			
4.Value consciousness	.19**	.19**	-.19**	.73		
5.Risk of Chinese products	-.05	-.17**	.35**	-.23**	.79	
6. Risk of Indian products	-.05	-.32**	.44**	-.19**	.61**	.84
Mean	5.33	5.43	2.68	5.97	3.29	3.25
SD	1.26	1.29	1.17	.90	1.07	1.27
AVE	.67	.61	.55	.53	.63	.71

Note: CET= Consumer ethnocentrism

The correlations are estimated based on the factor scores of the latent variables obtained from CFA. The means and SD scores are based on the original values. Diagonal represents the squared AVE.

\*\*  $p < .01$

**Table 3: Path Modelling Estimation of Coefficients**

	<b>Path coefficients</b>
National identification → CET	.27**
Cultural sensitivity → CET	-.57**
CET → Risk of Chinese products	.32**
CET → Risk of Indian products	.44**
Value consciousness → Risk of Chinese products	-.13*
Value consciousness → Risk of Indian products	-.06
CET × Value consciousness → Risk of Chinese products	-.12*
CET × Value consciousness → Risk of Indian products	-.14**
National identification → Risk of Chinese products	-.18**
National identification → Risk of Indian products	-.13*
Cultural sensitivity → Risk of Chinese products	
Cultural sensitivity → Risk of Indian products	

Note: CET= Consumer ethnocentrism

Standardized coefficients are reported. Model fit:  $\chi^2/df=2.33$ ; CFI = .99; RMSEA = .07; SRMR = .01

\*  $p \leq .05$

\*\*  $p < .01$

**Table 4: Indirect path coefficients (via CET)**

<i>Simple indirect relationship</i>	<b>Coefficients</b>
National identification → CET → Risk of Chinese products	.09**
National identification → CET → Risk of Indian products	.12**
Cultural sensitivity → CET → Risk of Chinese products	-.18**
Cultural sensitivity → CET → Risk of Indian products	-.25**

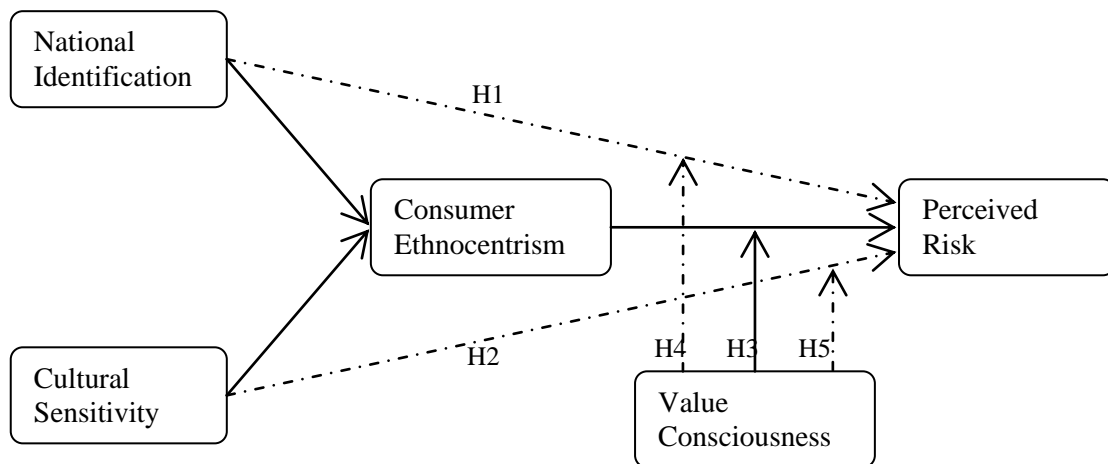
Note: CET= Consumer ethnocentrism

**Table 5: Moderated indirect relationship**

<i>When value consciousness is higher</i>	<b>Coefficients</b>
National identification → CET → Risk of Chinese products	.06*
National identification → CET → Risk of Indian products	.08**
Cultural sensitivity → CET → Risk of Chinese products	-.11*
Cultural sensitivity → CET → Risk of Indian products	-.17**
<i>When value consciousness is lower</i>	
National identification → CET → Risk of Chinese products	.12**
National identification → CET → Risk of Indian products	.16**
Cultural sensitivity → CET → Risk of Chinese products	-.25**
Cultural sensitivity → CET → Risk of Indian products	-.33**

Note: CET= Consumer ethnocentrism

**Figure 1: Conceptual model**

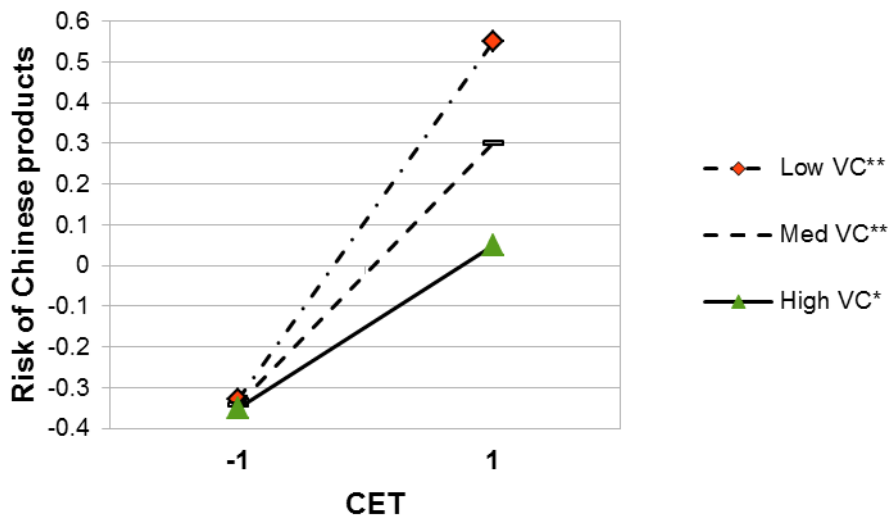


Note: Perceived risk = UK consumers' perceived risk of buying products from emerging economies

—————> : direct effect

- - - - -> : indirect effect via consumer ethnocentrism

**Figure 2: The moderating effect of value consciousness on the positive relationship between consumer ethnocentrism and risk of buying Chinese products**

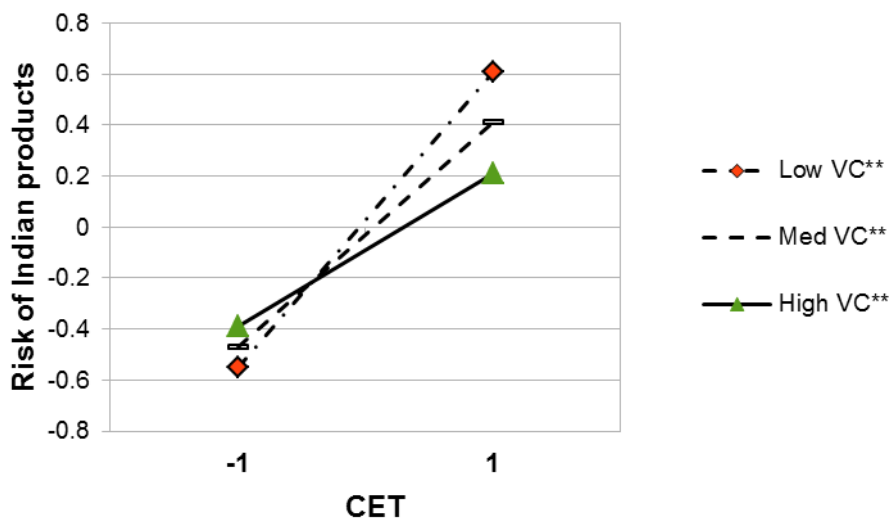


Note: VC = Value consciousness; CET = Consumer ethnocentrism

\*  $p < .05$

\*\*  $p < .01$

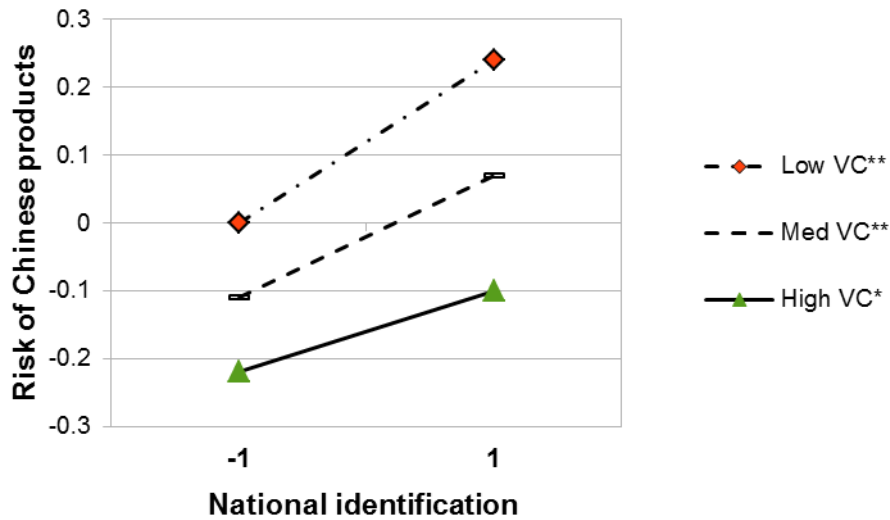
**Figure 3: The moderating effect of value consciousness on the positive relationship between consumer ethnocentrism and risk of buying Indian products**



Note: VC = Value consciousness; CET = Consumer ethnocentrism

\*\*  $p < .01$

**Figure 4: The moderating effect of value consciousness on the indirect positive relationship between national identification and risk of buying Chinese products through consumer ethnocentrism**

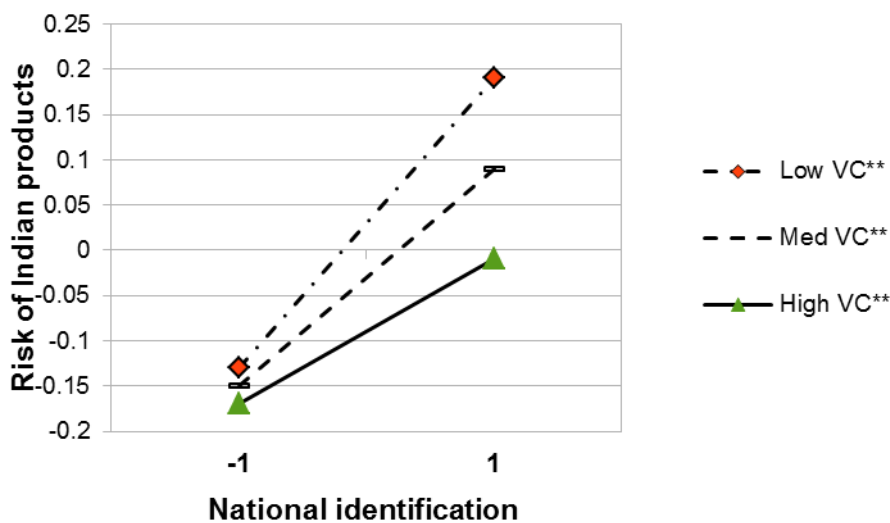


Note: VC = Value consciousness

\*\*  $p < .01$

\*  $p < .05$

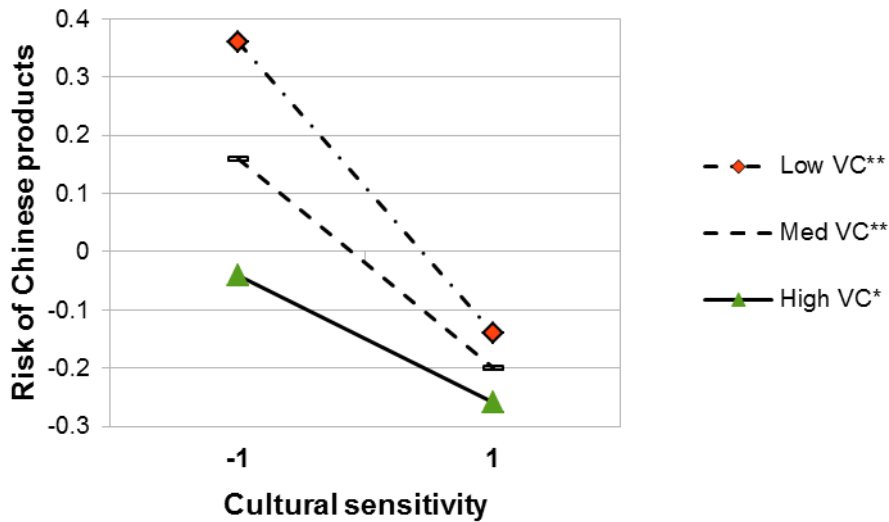
**Figure 5: The moderating effect of value consciousness on the indirect positive relationship between national identification and risk of buying Indian products through consumer ethnocentrism**



Note: VC = Value consciousness

\*\*  $p < .01$

**Figure 6: The moderating effect of value consciousness on the indirect negative relationship between cultural sensitivity and risk of buying Chinese products through consumer ethnocentrism**

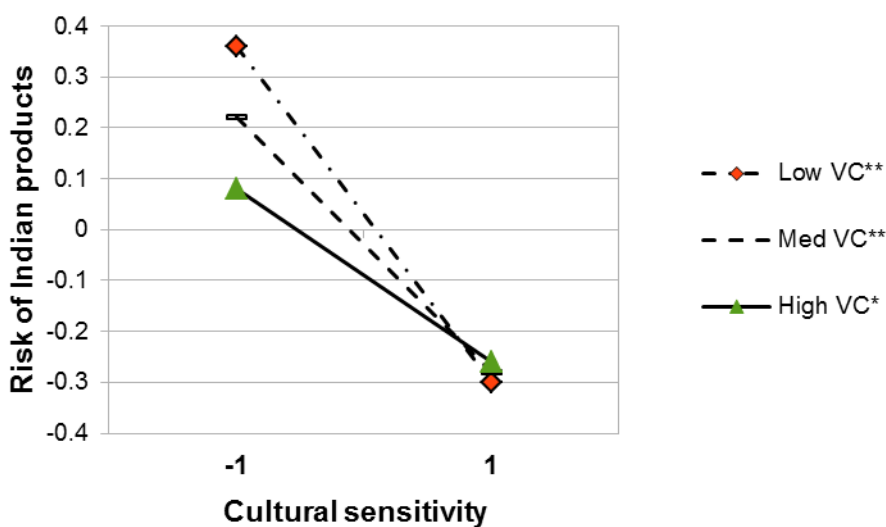


Note: VC = Value consciousness

\*\*  $p < .01$

\*  $p < .05$

**Figure 7: The moderating effect of value consciousness on the indirect negative relationship between cultural sensitivity and risk of buying Indian products through consumer ethnocentrism**



Note: VC = Value consciousness

\*\*  $p < .01$

\*  $p < .05$