THE RELATIONSHIP BETWEEN CONSUMER ETHNOCENTRISM AND PRODUCT NEEDS ON PURCHASE INTENTION IN PERSPECTIVE OF INDONESIAN CONSUMERS FOR CHINESE PRODUCTS ON TOKOPEDIA

Cindy Boennawan[1], Dewi Wuisan[2]*

Universitas Pelita Harapan, Tangerang, Indonesia

e-mail: dewi.wuisan@uph.edu
(Corresponding Author indicated by an asterisk *)

ABSTRACT

The aim for this study is to understand the relationship between consumer attitude towards foreign product on e-commerce which analyzed through consumers ethnocentrism and product needs on purchase intention for Chinese products on Tokopedia. With globalization and technological advances, it is undeniable that e-commerce has become part of living to fulfill daily basis needs. Tokopedia, an Indonesian e-commerce under William Tanuwijaya as CEO has become one of the influences in Indonesian economy. However, even though Indonesia was mentioned to be Tokopedia's largest contributor, Tokopedia falls behind Shopee, a Singapore e-commerce, that ranked number one in terms of monthly web visits and GMV (Gross Merchandise Value). The actual research was conducted on 178 respondents by using online questionnaires and the sampling technique was nonprobability purposive sampling. The subjects of this research are the people who have shopped in Tokopedia using the mobile app, and have the intention to shop again in the future. The data are processed through validity, reliability, and statistical analysis and performed using SmartPLS software. The results of the study indicate that Consumer Ethnocentrism have positive influences towards Attitude towards Foreign Products, this statement against previous research which states that the relationship between these hypotheses is negative.

Keywords: Attitude Towards Foreign Products; Consumer Ethnocentrism; Globalization; mobile app

INTRODUCTION

Today it can't be denied that the world of business really dominates the economics system around the world. The entry of global influence also influences business development in Indonesia. International business encompasses all commercial activities that take place to promote the transfer of goods, services, resources, people, ideas and technologies across national borders.

International trade takes place in a number of ways, moving goods from one country to another (exporting, importing, trading), contractual arrangements allow foreign companies to use products, services and processes (licensing, franchising) from other countries to establish and operate sales, manufacturing, research and development and distribution facilities in foreign markets (Grozdanovska et al., 2017).

With the ease of technology in the palm of our hands, people do business slightly different from the traditional way. The rise of e-commerce has shaped international business to become even bigger and better. Due to international business changing and becoming bigger, it is seen that these recent years, mobile shopping has been on the rise and with customers increasingly using their mobile devices for various online shopping activities.

In 2018, an estimated 1.8 billion people worldwide purchase goods online. During the same year, global e-retail sales amounted to 2.8 trillion US dollars and projections show a growth of up to 4.8 trillion U.S. dollars by 2021 (Statista.com, 2019). E-commerce sales opportunities are rapidly growing. In 2018, e-commerce was responsible for $2.8 trillion in sales. In 2019, e-commerce was responsible for $3.3 trillion in sales. In 2020, e-commerce was responsible for $3.9 trillion and in sales which is expected to be $4.5 trillion by 2021 (Kinsta.com, 2020).

In Indonesia, the development of the e-commerce market has grown 78 percent per year (Aryanto, 2018). During 2018, transactions from 13,485 e-commerce businesses totaled 24,821,916 transactions with a transaction value of 17.21 trillion rupiah. From this data, on average every e-commerce business conducted transactions during 2018 was 1,841 times with an average transaction value of Rp 694,000 (BPS.go.id, 2019).

E-commerce makes daily basis simpler and easier. Statista reports the number of e-commerce users in Indonesia in 2017 reached 139 million users, then increased 10.8% to 154.1 million users in 2018. In 2019 reached 168.3 million. In 2020 reach 181.5 users and 212.2 million in 2023. The same is true for the level of e-commerce penetration which is always increasing. Until 2023 it is projected to reach 75.3% of the total population of the selected market. The e-commerce sector with the highest revenue is in fashion, which in 2023 is projected to reach US $ 11.7 billion.

Based on the analysis, it is concluded that one of the functions of e-commerce is to increase the state revenue. In Indonesia, the presence of e-commerce is often claimed to help micro, small and medium enterprises (UMKMs) compete by entering the digital world. However, the facts prove that goods sold in e-commerce are controlled by imported products. This phenomenon occurs because the investment that enters Indonesia is considered of low quality. The majority of investment that enters Indonesia is dominated by market seeking and resource seeking companies (Anwar, 2019).

E-commerce association data shows that 93% of goods sold by the marketplace are imported. This means, local products are only 7%. The rise of imported goods in e-commerce is due to the heavy foreign investment. The investment practice is dominated by "opening shops" in the country instead of producing and exporting (Anwar, 2019). China imports 98% of goods sold in e-commerce in the form of consumer goods (bags, shoes and clothes) (Budiansyah, 2020).

In this study, the researcher will continue to explore the factors affecting more goods imported made in China and consumer repurchase intention in Tokopedia Indonesia. This study is from the journal Cultural Similarity, Consumer Ethnocentrism, and Product Necessity, in Evaluation of Malaysian Product: Indonesian Consumer Perspective.

THEORITICAL FRAMEWORK AND THE DEVELOPMENT OF HYPOTHESES

Consumers Ethnocentrism (CE) and Attitude towards Foreign Product

Consumer's tendency to buy locally made goods over a foreign product is known as consumer ethnocentrism (Ma et al., 2019). The results of recent studies generally show that there is a relationship between ethnocentrism and attitudes towards foreign product (Ramadania et al., 2013). Some experts claim the attitude as an evaluation of the object, and some of the other states that attitude as a response to feelings of affection. Attitude can predict consumer behavior (Ramadania et al., 2013).

Consumers attitudes towards domestic and foreign products have vastly been in consideration in the literature based on world views, political views and sociological notions. Topçu and Kaplan (2015) lists antecedents of country origin effects country images and characteristics, brand attitudes, product knowledge and characteristics, culture, consumer characteristics and consumer ethnocentrism. Therefore, this study explains that the greater the sense of ethnocentrism found in a society, the greater the attitude of rejection towards foreign products.

H1: Consumers ethnocentrism (CE) negatively influences attitudes towards foreign product

### Lack of Availability of Domestic Product and Attitude towards Foreign Product

As a knowledge cue, the COO has been shown to influence the buying decisions of consumers in terms of their interpretation of the characteristics of the product as well as their overall product assessment (Nugroho et al., 2014). A nation may not always have such goods which are appropriate to meet its people's needs. When domestic enterprises are unable to manufacture market-demanded products, the consumer of ethnocentrism has no choice but to buy imported goods. It may be expected that ethnocentric consumers would display a preference for goods from culturally similar countries over those from culturally different countries in a decision-making situation where domestically produced products are unavailable (Watson & Wright, 2000).

H2: Lack of availability of domestic product has a positive influence on attitudes towards foreign products.

Product Necessity and Attitude towards Foreign Product

Consumers will perceive the products differently whether those products are required either for personal usage or for the domestic economy (Ramadania et al., 2013). Necessity can be the main reason why someone purchases a product. Consumers will have a better acceptance to receive foreign goods when goods they are looking for are not found or are not available in their country of origin. Huddleston et al. (2001) found that perceived quality of a product is differentiated based on the need of the product. Consumers will have a good evaluation value and perception towards foreign products.

H3: The foreign product necessity has a positive influence on attitudes towards foreign products.
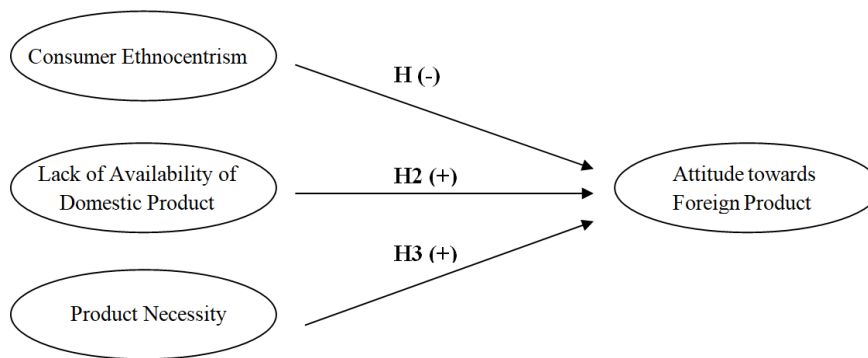
Source: Adapted from Cultural Similarity, Consumers Ethnocentrism, and Product Necessity in Evaluation of Malaysian Product: Indonesian Consumers Perspective by Ramadania et al. (2013)

RESEARCH METHOD

This research uses questionnaires for collecting the data, after the respondent's answers are collected, the researcher will analyze and process data for research purposes. The population in this study are users of the Tokopedia application, namely customers who have respondent characteristics including age, gender, domicile area, final education level, current occupation, total income, and whether they have ever used Tokopedia to make transactions. This study uses a sampling technique, namely non probability sampling with purposive sampling technique. Researchers took a research sample of 178 respondents who were customers of the Tokopedia application that is widespread in Indonesia. Questionnaire items are variables consumer ethnocentrism, lack of availability of domestic product, product necessity and attitude towards foreign product adapted from Ramadania et al. (2013), measured five point Likert scale namely, 1= Strongly Not Agree, 2= Not Agree, 3= Neutral, 4= Agree, 5= Strongly Agree. The method of analysis used in this research is the Smart PLS program. PLS is useful for explaining the relationship between variables.

Respondent Characteristic

The 178 respondents in this study have the following profiles: 39.9% respondents are male while 60.1% are female. Respondents are dominated by those aged 21–25 years (72.5%), where 80.3% of respondents are students. Respondents in this study are dominated by those who are not married/single (91.00%), had income below IDR 5,000,000 (25.3%), and are dominated by those who live in Tangerang, Indonesia (59.00%).

Measurement Model

Measurement model consist of testing validity and reliability, before evaluating the structural model. Validity test by taking into account the average variance extracted (AVE) and outer loadings. The indicator is considered valid if the AVE value is greater than 0.5 and the outer loading value is greater than 0.7. In validity test, the next measurement is discriminant analysis. Terms of which it must be noted that by referring to the Fornell-Larcker criterion, the AVE root value must be greater than the correlation value between constructs (Hair et al., 2014).

The results of data processing (Table 1) indicate that the results of the measurement of the instrument are declared valid. The result of the calculations show that the AVE value ranges

from 0.501 to 0.605. The outer loadings, namely 0.655 to 0.809. Outer loadings values between 0.4 to 0.7 can be considered to be maintained as long as it can increase the AVE value (Hair et al., 2014). The reliability test was carried out by taking into account the recommendations of Ghozali and Latan (2015), by calculating composite reliability. The calculation results show that the value of composite reliability between 0.899 to 0.925 and has met the minimum requirements of 0.7 (Hair et al., 2014).

Table 1. The Evaluation of Measurement Model

Construct and Items		Outer Loading
Consumer Ethnocentrism/CE (AVE= 0.748, CR= 0.899)		
CE01	Membeli produk luar negeri mengurangi rasa nasionalisme	0.906
CE02	Membeli produk luar negeri bukanlahhal yang benar karena dapat meningkatkan tingkat pengangguran dalam negeri	0.779
CE03	Kita sebaiknya membeli produk luar negeri ketika produk yang kita cari tidak tersedia di Indonesia	0.886
Lack of Availability of Domestic Product/LADP (AVE= 0.829, CR= 0.906)		
LADP01	Minimnya ketersediaan produk kebutuhan sehari-hari misalnya perlengkapan rumah tangga yang di produksi oleh perusahaan Indonesia dengan kualitas yang baik dengan harga yang relative murah di Tokopedia	0.933
LADP02	Minimnya alternative produk kebutuhan sehari-hari misalnya perlengkapan rumah tangga yang dapat bersaing dengan produk buatan China di Tokopedia	0.888
Product Necessity/PN (AVE= 0.822, CR= 0.902)		
PN01	Saya merasa butuh dengan barang-barang produk made in China yang dijual di Tokopedia	0.925
PN02	Saya merasa kebutuhan terhadap barang-barang yang diproduksi di China adalah sesuatu yang penting	0.888
Attitude towards Foreign Products/ATFP (AVE= 0.861, CR= 0.925)		
ATFP01	Saya memiliki sikap positif terhadap barang- E barang yang dibuatdi China yang ada di Tokopedia	0.929
ATFP02	Barang-barang yang diproduksi China menarik untuk saya	0.926

Note: AVE=average variance of extracted: CR=composite reliability: *=significant (one-tailed test, $\rho<0.05$).

Source: Results of Data Processing (2020)

Table 2 reveals that the discriminant validity test has been fulfilled, namely the AVE value is greater than the value of the correlation between variables.

Table 2. Fornell and Lacker Criterion

	X1 (CE)	X2 (LADP)	X3 (PN)	Y1 (ATFP)
X1 (CE)	0.865			0.471
X2 (LADP)	0.488	0.911		0.571
X3 (PN)	0.418	0.537	0.906	0.708
Y1 (ATFP)				0.928

Source: Results of Data Processing (2020)

Structural Model

The coefficient of determination or R^2 is carried out to measure how much influence the independent latent variable has on the dependent latent variable. When the resulting value of R^2 is higher or closer to 1, the ability of the independent variable to explain the dependent variable is getting bigger. The following is the value of the coefficient of determination (R2).

Table 3. R Square Score(R^2)

	R Square
Y1 (ATFP)	0.568

Source: Results of Data Processing (2020)

The next test is the collinearity test, which is to find out whether the research model has trend of collinearity. VIF value limit to determine whether there is a tendency for collinearity is a maximum of 5.0. If the VIF value is more than 5.0, then there is a tendency for collinearity (Hair et al., 2014). Table 4 shows that the VIF value in the model is below 5.0, so it can be concluded that it is not there is collinearity in the model.

Table 4. Evaluation of Multicollinearity test

	Y1 (ATFP)
X1 (CE)	1.375
X2 (LADP)	1.595
X3 (PN)	1.472
Y1 (ATFP)	

Source: Results of Data Processing (2020)

Next, hypothesis testing is carried out to determine whether the influence between the constructs is supported or not supported. Hypothesis testing will be carried out on the direct

effect hypothesis testing, where the variables of consumer ethnocentrism, lack of availability of domestic product and product necessity are hypothesized to have a direct effect on attitude towards foreign product. In testing the direct effect hypothesis, the test statistic used is the t statistic or t test using the provisions of the t-table value (one tail) which is 1.65 with a significant level of 0.05. The t-table value will be used as a limit value or cut off in comparing with the t-statistical value contained in the Path Coefficient table to accept or reject the proposed hypothesis.

Table 5. Hypotheses Testing Table

Hypothesis	Relationships between Variables	Path Coefficients	T-score	P-value	Conclusion
H1	Consumer Ethnocentrism →Attitude towards ForeignProduct	0.143	2.445	0.015	Supported
H2	Lack of Availability of Domestic Product → Attitude towards Foreign Product	0.214	3.233	0.001	Supported
H3	Product Necessity → Attitude towards Foreign Product	0.533	8.042	0.000	Supported

Source: Results of Data Processing (2020)

DISCUSSION

Based on the results of hypothesis testing, it can be concluded that there are several hypotheses that are in accordance with the initial hypothesis in this study. In this study, there are three hypotheses where of the three hypotheses there is one hypothesis that is not in accordance with the initial hypothesis set. Discussion on the results of hypothesis testing in this study will be discussed further in the next sub-chapter.

Effect of Consumer Ethnocentrism on Attitude Towards Foreign Product

Based on the discussion of the results of the hypothesis test, it can be concluded that consumer ethnocentrism has a positive and significant effect on the attitude towards foreign product variables. This hypothesis does not support previous research by Ramadania et al. (2013) which explains that consumer ethnocentrism has a negative effect on attitude towards foreign products. In previous research, it was explained that the nature of ethnocentrism can influence a person's decision to make a purchase.

This is not the case in research conducted by researchers now, where in the current globalization era, there are many cultural exchanges that make one's thinking about a culture more open and broader. Sophisticated technology makes communication and information very

easy to obtain. The tendency to cling to one culture begins to fade, technology makes the walls of boundaries between cultures shrink. When someone needs an item but cannot find it in the country of origin, that person will look for goods in other countries without paying attention to ethnocentrism.

The Effect of Lack of Availability of Domestic Product on Attitude Towards Foreign Product

Based on the results of the research hypothesis test, it can be concluded that the lack of availability of domestic product has a positive and significant effect on attitude towards product variables. This result is in line with research conducted by Ramadania et al. (2013) which states that country of origin is one of the factors of ethnocentrism to be influential. COO perceptions can influence consumer decision making to choose and use these products either directly or indirectly.

In some situations and conditions a country cannot meet the needs of its people, they will try to find these goods from abroad. Tokopedia is a place to easily search for imported products, you just have to type the item you are looking for and it will appear. With this, it states that consumer attitudes towards foreign products can be influenced by the lack of availability of domestic products.

Effect of Product Necessity on Attitude Towards Foreign Product

Based on the results of the research hypothesis test, it can be concluded that product necessity has a positive effect on attitude towards foreign products. The results obtained are in line with the results of previous research conducted by Nugroho et al. (2014) which revealed that consumers perceive products differently based on the importance of products for daily life or the economy, and, therefore, perceptions of need moderate tendencies ethnocentric consumers in evaluating imported products.

There are several cultural similarities between products of the country of origin and foreign countries have the potential to influence consumer ethnocentrism. Indonesia and China have several cultural similarities, especially because they are on the Asia continent. Indonesian people use plastic materials in their daily life such as tableware and household furniture. China as the No. 1 country in Asia as a country that produces these materials has long been exporting to Indonesia to meet the needs of the Indonesian people.

CONCLUSION

By looking at the results of the analysis and discussion in the previous chapter regarding the analysis of the effect of consumer ethnics, lack of availability of domestic products and product necessity on attitude towards foreign products in the Tokopedia application, it can be concluded that based on the results of the research analysis, consumer ethnocentrism has a positive and significant effect on attitude towards foreign products of Tokopedia application users. Based on the results of research analysis, the lack of availability of domestic products has a positive and significant impact on the e-trust of Tokopedia application users. Based on the results of research analysis, product necessity has a positive and significant impact on the repurchase intention of Tokopedia application users.

RESEARCH LIMITATIONS AND FUTURE RESEARCH SUGGESTIONS

This study has several limitations, namely the data obtained is based on 178 honest answers from selected respondents who are in Indonesia, it is suggested for further research to

have a wider coverage of respondents in order to get more accurate results. Another limitation is that the variables used in journals are included in an uncommon category, so it is suggested for future researchers to expand the scope of theory. For further research, the cultural similarity variable can be developed by examining 2 groups of people so that the results of the analysis obtained can be maximized. This study uses research by Ramadania et al. (2013) as the main journal, where this research conducts first order testing. In this study the indicators are treated as a first order test.

REFERENCES

Anwar, M. C. (2019, August 5). *Pengamat sebut 93% produk toko online impor, benarkah?,* CNBC Indonesia. https://www.cnbcindonesia.com/tech/20190805122400-37-89863/pengamat-sebut-93-produk-toko-online-impor-benarkah

Aryanto, A. (2018, September 13). *5 negara dengan pertumbuhan e-commerce tertinggi*. Warta Ekonomi. https://www.wartaekonomi.co.id/read194905/5-negara-dengan-pertumbuhan-e-commerce-tertinggi.html

Budiansyah, A. (2020, January 4). *Terungkap! Mayoritas barang yang dijual toko online dari China*. CNBC Indonesia. https://www.cnbcindonesia.com/tech/20200104135032-37-127637/terungkap-mayoritas-barang-dijual-toko-online-dari-china

Ghozali, I., & Latan, H. (2015). *Partial least square konsep, teknik, dan aplikasi menggunakan program SmartPLS 3.0 untuk penelitian empiris*. Badan Penerbit Universitas Diponegoro.

Grozdanovska, V., Jankulovski, N., & Bojkovska, K. (2017). International business and trade. *International Journal of Sciences: Basic and Applied Research (IJSBAR)*, *31*(3), 105–114. https://www.gssrr.org/index.php/JournalOfBasicAndApplied/article/view/6884

Hair, J. F. Jr., Hult, G. T. M., Ringle, C. M., & Sarstedt, M. (2014). *A primer on Partial Least Squares Structural Equation Modeling (PLS-SEM)* (2nd ed.). SAGE Publications.

Huddleston, P., Good, L. K., & Stoel, L. (2001). Consumer ethnocentrism, product necessity and Polish consumers' perceptions of quality. *International Journal of Retail & Distribution Management, 29*(5), 236–246. https://doi.org/10.1108/09590550110390896

Ma, Q., Abdeljelil, H., & Hu, L. (2019). The Influence of the consumer ethnocentrism and cultural familiarity on brand preference: Evidence of Event-Related Potential (ERP). *Frontiers in Human Neuroscience*, *13*, 220. https://doi.org/10.3389/fnhum.2019.00220

Nugroho, S., Rostiani, R., & Gitosudarmo, I. (2014). *The impacts of country-of-origin, product involvement, and familiarity on product evaluation*. SSRN. https://doi.org/10.2139/ssrn.2441533

Ramadania., Gunawan, S., & Jamaliah. (2013). Country of origin effect and animosity on the attitude and purchase intention of foreign products. *Asean Marketing Journal*, *5*(1), 59–

68. https://doi.org/10.21002/amj.v5i1.2176

Topçu, U. C., & Kaplan, M. (2015). Willingness to buy foreign products in relation to ethnocentric tendencies and world minded attitudes of consumers. *Procedia-Social and Behavioral Sciences*, *207*, 157–164. https://doi.org/10.1016/j.sbspro.2015.10.166

Watson, J. J., & Wright, K. (2000). Consumer ethnocentrism and attitudes toward domestic and foreign products. *European Journal of Marketing*, *34*(9/10), 1149–1166. https://doi.org/10.1108/03090560010342520