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## **Does Indonesian millennial consider customer ethnocentrism and consumer's aspiration on buying intentions?**

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### **Abstract**

This research investigates the effects of country of origin image (COO), consumer ethnocentrism (CE) and consumer's aspiration (CA) on purchase intention (PI) by millennial in the emerging Indonesian Market. The research also investigates the moderating role of brand equity (BE) and quality perception (QP) on the relation between COO, CE, CA and PI. The sampling method used is non-probability sampling with purposive sampling technique. The empirical findings indicate that only consumer's aspiration has a significant direct effect on purchase intention, whereas country of origin image and consumer ethnocentrism has no significant direct effect on purchase intention.

**Keywords:** Country of origin Image, Consumer ethnocentrism, Consumer's aspiration, Purchase intention.

¿Considera el milenio indonesio el etnocentrismo del cliente y la aspiración del consumidor a las intenciones de compra?

### **Resumen**

Esta investigación investiga los efectos de la imagen del país de origen (COO), el etnocentrismo del consumidor (CE) y la aspiración del consumidor (CA) sobre la intención de compra (PI) del milenio en el mercado emergente de Indonesia. La investigación también investiga el papel moderador del valor de marca (BE) y la percepción de calidad (QP) en la relación entre COO, CE, CA y PI. El método de muestreo utilizado es el muestreo no probabilístico con una técnica de

muestreo intencional. Los resultados empíricos indican que solo la aspiración del consumidor tiene un efecto directo significativo en la intención de compra, mientras que la imagen del país de origen y el etnocentrismo del consumidor no tienen un efecto directo significativo en la intención de compra.

**Palabras clave:** País de origen imagen, Etnocentrismo del consumidor, Aspiración del consumidor, Intención de compra.

## 1. INTRODUCTION

Indonesia is one of the countries with the greatest market potential not only in Asia, but also in the world. A study from PwC on the global economic projection in 2050 shows that Indonesia can become the fifth largest economy in the world in 2030 with an estimated GDP of US \$ 5,424 billion and the fourth largest in 2050 with an estimated GDP of US \$ 10,502 billion based on GDP using the Purchasing Power Parity (PPP) calculation method. This position will make Indonesia as country with the strongest economy in Southeast Asia.

This situation is still added by the demographic bonus that is owned by Indonesia. In 2020-2030 the total population of productive age (15-65 years) will reach 70% or around 180 million and the non-productive age (14 years old and above 65 years) will reach 30% or around 60 million. This demographic bonus can provide benefits for economic growth. However, without adequate business opportunities and strong human resources, this will be an equally great burden.

The purpose of selecting millennial in this study is to provide an overview of the condition of Indonesia in the next 20 years when this generation plays an important role in the Indonesian economy. Their current tendency towards the intention to purchase imported products will affect the style and shape of the Indonesian economy in the next 20 years, especially their response to imported products and the tendency to choose domestic products.

COO image is one of the factors that often influences the desire to buy from a consumer for a product or brand. COO image can reduce the complexity of considerations faced by a consumer in determining the purchase intention of a product or a brand. Through COO image, the complexity of these considerations is reduced and is often used as the main reason for consumers in making purchasing decisions (PAPADOPOULOS and HESLOP, 2002; AHMED and D'ASTOUS, 2004).

A number of studies related to COO Image have been performed, and intensive studies related to theoretical studies and their impacts have also been performed. However, until now, among the researchers themselves, there has not been a coherent view of COO image. Some researchers even question whether the correct COO image is an important factor considered by consumers in evaluating a product or a brand and influencing purchase intentions (SAMIEE, 2011; USUNIER, 2006).

In contrast, several studies reveal that COO images are no longer valid as a factor influencing purchase intentions, and the use of COO images as a variable considered to influence purchase intentions will be biased due to fundamental changes that have occurred in the last decade. SAMIEE (2011), USUNIER (2006), LIEFELD (2004), PECOVICH and Rosenthal (2001) view that globalization and economic integration that have created market globalization, globalization of production and globalization of sales have also made a country's image of a product or a brand category become biased or lost. Global company policy in determining business locations and obtaining sources of raw materials in different regions and countries has led some researchers to determine that COO image is no longer an important factor in determining purchase intentions. These studies are JOHANSSON et al. (1985) who link COO image with a firm's corporate headquarters, HAN and TERPSTRA (1988) who divide COO imagery into country of manufacture and country of assembly, and Insch and MCBRIDE (1998) who divide COO image into country of design, country of parts, and country of assembly.

The next element used as an antecedent of buying intention is consumer ethnocentrism (CE). SHIMP and SHARMA (1987) revealed that local consumers tend to buy local products from their own country even though there are similar products from outside with superior quality. Based on ethnocentrism, buying a product that is not produced domestically is wrong, inaccurate, not patriotic or nationalistic and has a negative impact on the country's economy related to economic competition and unemployment at home.

Studies on CE are often performed in developed countries which generally also use the object of a product or a brand produced by developed countries, while studies on CE performed in developing countries with objects originating from developing countries are relatively not many. Studies on CE conducted in developing countries give different results on the influence of CE on the intention to buy domestic and imported products. Consumers in developing countries generally perceive products or brands from developed countries to be better and superior, especially in quality, compared to domestic products or brands (AGBONIFOH and ELIMIMIAN, 1999; BATRA et al., 2000).

The last element used as an antecedent of desire to buy is consumer's aspiration (CA). CA is a new phenomenon that describes the character of a consumer in consuming a product (generally high involvement), related to the reflection of success (SOUIDEN et al., 2011). HAMANN et al. (2007) revealed that CA strongly influences the desire of consumers to buy a high involvement product because this is suspected to have an influence on the status, symbols of success, lifestyle, and acceptance of certain social groups on consumers. This study establishes purchase intention as the dependent variable influenced by COO, CE, and CA. This determination is based on the notion that purchase intention is a significant important aspect that is considered by consumers in the purchase decision process. Purchase intention is an important factor that is strongly able to initiate consumers to behave to buy a product or a brand (LEE and LEE, 2015).

This study aims to examine whether millennial generation in Indonesia considers COO image, Consumer ethnocentrism, and Consumer's aspiration in shaping the desire to buy a brand. The selection of Indonesia under the Polytron brand was performed with the consideration that Indonesia relatively did not have the image and reputation of being a country with high technological capabilities as a developed country capable of producing a high quality technology product.

## **2. METHODOLOGY**

The sample in this study is the generation Y or better known as the millennial generation, where this generation is those who were born between 1981 and 2000. Specifically, the sample in this study was represented by undergraduate students aged between 19 and 24 years from 10 universities in Central Jakarta, North Jakarta, South Jakarta, East Jakarta, and West Jakarta. Non probability sampling method with sampling quota is used in which 100 samples were taken from each university, so the number of the total sample in this study is 1000 students. Consideration of the large number of samples came from considering the diversity of respondents' characteristics and consideration of statistical power and effect size (HAIR et al. 2014). Respondents in this study were confirmed and selected through two questions in the questionnaire and conducted during a direct interview: 1) do they know Polytron as a household electronic brand originating from Indonesia? 2) Are they familiar with Polytron household

electronic products (TV, Refrigerator, AC, and Washing Machine)? Consideration in choosing respondents who know Polytron as a local Indonesian brand was on the grounds that the student is able to associate the image of Indonesia with the Polytron brand, so later they are able to consider the intention to buy or not to buy the Polytron brand and assess the moral consequences of buying Polytron products. Meanwhile, the criteria for unfamiliarity with Polytron household electronic products were determined by considering that the student can already feel the perception of the quality and status image and reflection of Polytron's success image, and the student is able to determine their commitment to the Polytron brand (brand equity).

Consideration of choosing household electronic products is because this product is a major electronic appliance that has a relatively expensive price associated with risk. In choosing this type of product, respondents generally will consider the brand, experience and related associations before having a purchase intention, which is highly consistent with this research.

The research questionnaire consisted of two parts. The first part measures five factors (COO-image, Consumer ethnocentrism, consumer's aspiration, brand equity, and purchase intention). The second part explores demographic information from the respondents. The questionnaire was originally in English which was then translated into Indonesian to get an accurate translation of the questionnaire. All variables were measured using a seven-point Likert scale anchored at 1 (strongly disagree) and 7 (strongly agree). To measure Indonesia's

COO-Image in relation to high-tech products, the six-item scale was selected and adopted from the research of YASIN et al. (2007), SANYAL and DATTA, (2011), and SOUIDEN et al. (2011). Consumer ethnocentrism is measured by the ten-item scale, chosen from the 17-item CETSCALE (SHIMP and SHARMA, 1987).

The selection of ten-item scale was based on the results of the pre-test and expert discussion. Consumer's aspiration is measured based on the five-item scale adopted from SOUIDEN et al. (2011). Brand equity measurements use the five-item scale selected and adopted from YOO et al. (2000), YASIN et al. (2007), and SANYAL and DATTA (2011). Quality perception uses a five-item scale measurement that is selected and adopted from GREWAL et al. (1998) and BAO et al. (2011). Finally, the measurement of purchase intention uses a six-item scale derived from SOUIDEN et al. (2011).

Table 1: Description of respondents

<b>Item</b>	<b>Description</b>	<b>Freq</b>	<b>%</b>
Gender	Female	654	65.4
	Male	346	34.6
<i>Age</i>	19	244	24.4
	20	376	37.6
	21	238	23.8
	22	89	8.9
	23	41	4.1
	24	12	1.2
<i>expenses per month</i>	≤ 400.000	52	5.2
	400.001 - 600.000	155	15.5
<i>(IDR) without</i>			

boarding and transportation cost	600.001 - 800.000	167	16.7
	800.001 - 1 million	261	26.1
	> 1 million	365	36.5
Product Familiarity	TV	369	36.9
	Refrigerator	84	8.4
	Washing Machine	32	3.2
	Air Conditioning	43	4.3
	2 combination products	273	27.3
	3 combination products	82	8.2
	4 combination products	117	11.7

Measurement model is a model with the results of calculations based on using the Warp PLS 5.0 program. The basis of calculation of the reflective measurement model is Confirmatory Factor Analysis, where by using this tool the existing indicators that can explain a construct will be identified. Evaluation of the validity of the measurement model can be done by looking at the results of the estimated factor loads. A variable is said to have a good validity for its construct or latent variable if the loading factor value  $\geq 0.6$ , and the value of the Average Variance Extracted (AVE)  $\geq 0.5$ . In addition, the evaluation of the reliability of the PLS measurement model can use composite reliability whose value is  $\geq 0.7$ , and Cronbach's Alpha  $\geq 0.6$  (HAIR et al., 2014). The recapitulation of the results of the evaluation

of validity and reliability can be seen in Table II. The overall reflective indicators in this study have a loading factor value  $> 0.6$  and AVE value  $> 0.5$ , while the reliability calculation shows that all composite reliability values  $> 0.7$ , and Cronbach's Alpha  $> 0.6$ . Therefore, it can be concluded that all latent variables have good and decent indicators. To test the discriminant validity is to compare the square root of AVE for each construct with the correlation value between constructs in the model (HAIR et al., 2014). Good discriminant validity is shown from the square root AVE for each construct which is greater than the correlation between constructs in the model (see Table II). Measurement of fit and quality indices model (see Table III) shows the average path coefficient index (APC), average R-squared (ARS), and average adjusted R-squared (AARS) resulting in a p value of  $< 0.001$ . This shows that the PLS model in this study is acceptable. Next, the average block VIF (AVIF) index and average full collinearity VIF (AFVIF) yields values of 2.228 and 3.026. This shows the PLS model in this study is acceptable or in other words the PLS model in this study does not contain multicollinearity. The Sympton's paradox ratio (SPR) and Statistical suppression ratio (SSR) indices show values greater than 0.7, and the R-squared contribution ratio (RSCR) index produces a value of 0.989 (greater than 0.9), which indicates the model PLS in this study is acceptable. The Tenenhaus GoF Index (GoF) yields a value of 0.711. This shows that the value is greater than 0.36. Therefore, the PLS model in this study is stated to have a high predictive power.

Table 2: Measurement statistic

variables	Correlation among variables								
	CA	CR	AVE	1	2	3	4	5	6
COO-Image	0.95	0.96	0.79	<b>0.89</b>	0.49	0.45	0.40	0.36	0.37
CE	0.93	0.94	0.60	0.49	<b>0.77</b>	0.62	0.53	0.49	0.49
CA	0.94	0.95	0.80	0.45	0.62	<b>0.90</b>	0.71	0.62	0.68
BE	0.96	0.97	0.87	0.40	0.53	0.71	<b>0.93</b>	0.68	0.71
QP	0.92	0.94	0.77	0.36	0.49	0.62	0.68	<b>0.88</b>	0.79
PI	0.95	0.96	0.79	0.37	0.49	0.68	0.71	0.79	<b>0.89</b>

Notes: CA, Cronbach's  $\alpha$ ; CR, composite reliability; AVE, average variances extracted. The italic numbers on diagonal are the square root of the AVE

Table 3: Model fit and quality indices

	Result	Criteria
(APC)	0,095, P<0,001	<i>P value &lt; level of sig (5%)</i>
(ARS)	0,718, P<0,001	<i>P value &lt; level of sig (5%)</i>
(AARS)	0,718, P<0,001	<i>P value &lt; level of sig (5%)</i>
(AVIF)	2.283	<i>acceptabel if <math>\leq 5</math>, ideally <math>\leq 3,3</math></i>
(AFVIF)	3.026	<i>acceptabel if <math>\leq 5</math>, ideally <math>\leq 3,3</math></i>
(GoF)	0,711	<i>small <math>\geq 0,1</math>, medium <math>\geq 0,25</math>, large <math>\geq 0,36</math></i>
(SPR)	0,727	<i>acceptabel if <math>\geq 0,7</math>, ideally = 1</i>
(RSCR)	0,989	<i>acceptabel if <math>\geq 0,9</math>, ideally = 1</i>
(SSR)	1.000	<i>acceptabel if <math>\geq 0,7</math></i>

### **3. RESULTS AND DISCUSSION**

The influence of COO-image on purchase intention produces  $p\text{-value} = 0.382$  ( $p\text{-value} > \text{level of significance } \alpha = 5\%$ ). This shows that there is no significant influence of COO-image on purchase intention. Therefore, H1 was rejected. Value of  $p\text{-value}$  of the effect of consumer ethnocentrism on purchase intention ( $p\text{-value} = 0.244$ ), indicates no significant influence of consumer ethnocentrism on purchase intention. Therefore, H2 is rejected. The influence of consumer's aspiration on purchase intention produces  $p\text{-value} < 0.001$  ( $p\text{-value} < \text{level of significance } \alpha = 5\%$ ). The test results indicate that there is a significant influence of consumer's aspiration on purchase intention. Therefore, H3 is accepted. The method used to examine moderation variables in this study is the interaction method. The method of checking moderating variables is done by (a) checking the influence of moderation variables on the dependent variable, (b) examining the influence of the interaction of the independent variables with moderation variables on the dependent variable (see Table. 5).

The influence of brand equity interaction with COO-image, consumer ethnocentrism, and consumer's aspiration on purchase intentions has a  $p\text{-value} = 0.440, 0.387, 0.475$  ( $p\text{-value} < \text{level of significance } \alpha = 5\%$ ). This shows that brand equity does not moderate the effect of COO-image, consumer ethnocentrism, and consumer's aspiration on purchase intention. Therefore, H4, H5, and H6 are rejected. Likewise, the influence of the interaction of quality perception with COO-image, consumer ethnocentrism, and consumer's

aspiration on purchase intentions has a p-value = 0.252, 0.425, 0.206 (p-value < level of significance  $\alpha = 5\%$ ). These results indicate that quality perception does not moderate the effect of COO-image, consumer ethnocentrism, and consumer's aspiration on purchase intention. Therefore, H7, H8, and H9 are rejected.

#### **4. CONCLUSION**

Millennial are definitely a lucrative target market, and their large number is a tremendous marketing potential. However, as a marketer, several things must be considered carefully, such as face saving and group conformity (LEE, C. 1990 and SON et al., 2013). Marketers must be good at creating and building the status that will be obtained by consumers as a result of buying a product or a brand. In this case, it is proven that the status of luxury, expensive, and prestige is not a status that is sought for and can satisfy a millennial, but rather the status as a smart buyer, and anti-mainstream in accordance with a millennial's character. Therefore, in every constructed promotional strategy or marketing communication, marketers must be able to create an intelligent "Reason to Buy" for potential buyers, especially millennial. Marketers must also be careful in developing marketing strategies with millennial targets that base their sentiments on the love for the country. This study has revealed that millennial have great tolerance to buy household electronic products produced by other countries with an excellent reputation for the product category. Building a marketing strategy by associating or linking products or

brands with the image of a country must be done with careful consideration, even if the image is an association that forms a positive image. Discrepancy in the image of a country with the product category produced cannot create a strong buying desire for millennial.

#### *4.1. Limitation and future direction*

This study uses a single product type, and the sample is limited among millennial represented by undergraduate students. Interaction between variables in this study is highly possible to bring up different results if performed using multiple products or another single products and different samples. The sampling method in this study uses Quota sampling. The disadvantage is the possibility of bias because respondents are chosen based on convenience sampling procedure and not based on probability method such as stratified sampling. This raises questions related to generalization and the level of confidence in this study. However, data collection in this study was performed in different time periods and days to ensure that this study used quality data sources.

Millennial behavior in Indonesia and possibly other developing countries and Asian countries, is more than likely influenced by the role of others such as parents or friends and the norms that apply to millennial both among families and social life in their society. The development of similar studies is necessary to consider behavioral intention variables—Theory of Planned Behavior such as face saving

and group conformity along with attitude and subjective norm. Finally, the determination of objects in similar studies conducted in Asian countries or developing countries should consider aspects of consumer all centrist and consumer animosity.

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