

# CHAPTER 1

## INTRODUCTION

### 1.0 Introduction

The aim of this chapter is to introduce, justify and position the research effort. It commences by introducing the background of the study, followed by the outlines of the purpose and the rationale of the study that includes the research problems, objectives of the study and the potential contributions the research will make to the existing body of knowledge. Finally, the organization of the whole thesis will be presented.

### 1.1 Background of the Study

Daniels, Radebaugh and Sullivan (2007) define globalization as deepening and broadening interdependence among people from different parts of the world and, especially among different countries. In other words, globalization is the new discourse for all forms of politics and economics across our planet, bringing the human race forward into a new world where no international borders exist. According to Griffin and Pustay (2007), globalization can be defined as the inexorable integrations of markets, nation-states and technologies in a way that enables individuals, corporations, and nation-states to reach around the world further, faster, deeper and cheaper than ever before. From the definition of

globalization, it clearly shows that globalization is a phenomenon that must be faced by the organizations and corporations, nations as well as individuals in general.

With the growth of international trade and business, various ranges of products from different national origins are now available in many countries throughout the world. This has resulted in greater interest in examining consumer attitudes towards products of different national origins, as well as the primary determinants and antecedents of those attitudes. However, most research have been conducted in large industrialized countries such as the United States of America (US), United Kingdom (UK), France, Germany and Japan that have large internal markets and a wide range of domestic alternatives or brands in most product categories (Nijssen and Douglas, 2004), implying that research in developing and less-developed countries has received little attention.

Negative attitudes towards foreign products can arise from a number of sources. Han (1988) argues that patriotism affects consumers' attitudes towards foreign made products. Equally, consumers may have strong feelings of patriotism and pride in domestic products and consider it wrong, almost immoral to buy foreign products (Shimp and Sharma, 1987). On the other hand, they may hold feelings of hostility or animosity towards a specific country and hence "boycott" their products (Klein, Ettenson, and Morris, 1998).

The first study that relates tensions between nations to consumer behaviour was conducted by Klein et al. (1998). They introduced the concept of "consumer animosity", defined as remnants of antipathy related to previous or ongoing military,

political or economic events, which will affect consumers' purchase behaviour in the international market place. The research by Klein is based on the event of the "Nanjing Massacre" during World War 11, where 300,000 Chinese civilians were brutally slaughtered by the Japanese Army. Additionally, Klein et al. (1998) argue that economic antagonism towards Japan stems from the proliferation of Japanese products at the expense of domestic brands and industries.

There are many examples of certain events that can induce animosity. For example, when Dutch legislator Geert Wilders produced the *Fitna* film, which is claimed to have insulted Islam and Muslims, Muslims all over the world were urged to boycott Dutch products in protest (The Star, 2008: 2). The former Prime Minister of Malaysia, Dr. Mahathir Mohammad, in his response to the clip, urged the world's 1.3 billion Muslims to boycott Dutch products following the release of the anti-Islam movie (Jakarta Post, 2008). Fearing a Muslim boycott, major Dutch businesses threatened to sue Geert Wilders over his documentary (IslamOnline, 2008).

Similarly, when the Danish newspaper "*Jyllends-Posten*" published 12 cartoons of Prophet Muhammad (s.a.w.) on September 2005, Muslims all over the world conducted demonstrations and were urged to boycott Danish goods in protest (Browne, 2006). Furthermore, it is reported that Muslim countries have stepped up political and economic pressure on Denmark after the publication of the cartoons (IslamOnline, 2006). During the boycott campaign, Europe's second largest dairy company, Arla Foods, claimed that supermarkets in Muslim countries removed their products and that consumers did not want to buy their brands when the boycott

campaign was at its height (IslamOnline, 2006). The effects of the boycott campaign were enormous, resulting in losses of USD1.36 million per day for Danish companies (Utusan Malaysia, 2006). Furthermore, the stock price and value of companies from Denmark also dropped because of the boycott campaign (Harrison and Akeel, 2006).

This study intends to examine the animosity among Malaysian Muslim consumers towards the US and whether the animosity will result in a negative effect on US made products. Therefore, it is important for us to understand the relationship between the US and the Muslim world as a whole. The act of anti-Americanism has heightened since the involvement of the US in Afghanistan and the Iraq war (USA Today, 2003). According to Chiozza (2004), anti-Americanism is the popular opposition to the US, criticism of its policies, and dislike of its symbols. Recent international surveys have seemingly given empirical validation to these perceptions.

In a survey conducted by the Pew Foundation, called the Global Attitudes Survey, a large majority of respondents in Muslim countries held an unfavourable opinion of the US, i.e., 70% in Iran, 62% in Jordan, 51% in Morocco, 68% in Pakistan and 64% in Saudi Arabia (Chiozza, 2004). Furthermore, the survey also found that the number of respondents manifesting a low opinion of the US increased in other Muslim countries and reached very worrying levels in Indonesia, Jordan, Lebanon, Pakistan, Turkey, and Palestine. In a later survey conducted in 2005, the overall results showed that the unfavourable opinion towards the US in Muslim countries has increased especially in Saudi Arabia and Jordan (Gledhill, 2007).

Many prominent Muslim scholars all over the world urged Muslims to boycott US made products in protest against the attack on Iraq. For example, the following statements were issued by two prominent Muslim scholars in Syria and Egypt and reported in Islam Online News, July 2002:

- Dr Mohammad Saeed Al-Bouti, head of the Beliefs and Religions Department in Islamic Law (Shariaa) School, Damascus University, Syria received a question about “the Islamic ruling on purchasing American products”. His statement on this matter was, “The American products which must be boycotted are those whose revenues go to the US such as American cigarettes and restaurants. There are too many of these companies in our countries” (IslamOnline, 2002).
- Dr. Yousef Al-Qaradawi of Qatar said that the means to support Palestine Muslim brethren is a complete boycott of the enemies’ goods. “American goods, exactly like ‘Israeli’ goods, are forbidden. It is also forbidden to advertise these goods,” Al-Qaradawi added. “America today is a second Israel. It totally supports the Zionist entity. The usurper could not do this without the support of America. “Israel’s” unjustifiable destruction and vandalism of everything has been using American money, American weapons, and the American veto. America has done this for decades without suffering the consequences of any punishment or protests about their oppressive and prejudiced position from the Islamic world.” Al-Qaradawi added that the time has come for the Islamic *Ummah* (people) to say “NO” to

The boycott campaign of US products was found in almost all Muslim countries. For example, in Malaysia, Aman Malaysia, one of the NGOs that organized the boycott campaign of US made products, urged all Malaysians to boycott US icons such as McDonalds and Starbucks because of their support for Israel and the wars in Iraq and Afghanistan (Utusan Malaysia, 2006). In Egypt, it was reported that sales at most of the 562 fast food restaurants dropped by 20 percent because consumers claimed that McDonalds is known for giving large donations to Israel and is proud of doing so (Mustafa, 2003). Similarly, Indonesia, a Muslim country with the largest Muslim population in the world, called for a boycott of US made products, especially Coca-Cola, Pepsi Cola, McDonalds and KFC in order to show support for Muslims in Iraq, Afghanistan and Palestine (Kazi, 2002).

The effect of the boycott campaign on the US companies is considerable. During the peak of the campaign, one of the largest US corporations, McDonald's, announced huge losses mainly because of the boycott campaign, especially in the Arab world (Mustafa, 2003). It was reported that the US lost more than 200 million dollars in the May – July 2002 period because of decreasing exports to Arab countries whose peoples interacted with calls for shunning US made products (Mustafa, 2003). Ross (2008) found that the chain effects of the boycott campaign when foreign consumers stop buying US made products, will worsen the balance of trade, which can translate into layoffs, closed factories and reduced consumer spending and, finally, trade deficit in goods and services, which will contribute to economic meltdown.

The above arguments show that the involvement and policies of the US government towards the Islamic world generally and certain Islamic countries specifically, such as Palestine, Iraq and Afghanistan have angered the Muslim community. It also proves that animosities towards the US among Muslims exist, and, in fact, increase from time to time. In addition, the concept of all Muslims are brothers, which will be discussed in the next chapter, will also encourage all Muslims in the world to unite and show the strength of the *Ummah* (people) by using their economic and consumption behavioural pattern, and by boycotting products made in the US. If this occurs, it will create major problems for US exporters and manufacturers since the Muslim consumer market is quite enormous.

## **1.2 Problem Statement**

Negative attitudes towards foreign made products have been a very popular issue in research of consumer behaviour, international business and international marketing. The scope of the studies includes the sources of negative attitudes towards foreign made products (Klein et al, 1998; Nijssen and Douglas, 2004; Hinck, 2005; Laroche, Papadopoulos, Heslop, and Mourali, 2005; Bruning, 1997; and Rawwas, Rajendra, and Wuehrers, 1996), its effects on product judgment (Kaynak and Kara, 2002; Kim and Pysarchik, 2000; Moon, 1996; Sharma, Shimp and Shin, 1995; Supphellen and Rittenburg, 2001; Watson and Wright, 2000), its effects on purchase willingness (Good and Huddleston, 1995; Han, 1988; Suh and Kwon, 2002; Wang and Chen, 2004; Hamin and Elliot, 2006; Shankarmahesh, 2006; and Javalgi, Khare, Gross and Scherer, 2005), as well as its effects on purchase action (Shin, 2001; and Yu and Albaum, 2002), and so on.

For the past forty years researchers have conducted a lot of research in order to find the relationship between the perception of a country and the perception of its products. The major focus was primarily on the country of origin effect construct, which tries to understand how the origin of the products can influence the attitudes of consumers. Most of the studies revealed that the countries of origin effects do exist. For example, several studies used the country of origin as a cue in making inferences about or evaluating foreign products (for examples, Bilkey and Nes, 1982; Han, 1988; and Lavin, 1996). The evolution of the construct contributed to the introduction of other constructs that may influence consumer attitudes such as consumer ethnocentrism, patriotism and consumer animosity. Shimp and Sharma (1987), in their study, focused on the impact of consumer ethnocentric tendencies as an underlying factor of attitudes towards foreign products. Han (1988) examined the role of patriotism in the choice between domestic and foreign made products. Recently, other issues have also received the attention of researchers, such as whether hostile attitudes towards a specific foreign country will have an impact on the attitudes towards products from that particular country (Klein et al., 1998; Klein, 2002; Nijssen and Douglas, 2004).

In spite of the range of issues covered, there is still room to improve, especially for religiosity, consumer animosity and patriotism studies. More empirical investigations are needed to improve our understanding in this area. Perhaps, the issues of animosities, ethnocentric tendencies and patriotism have been ignored by marketers in formulating their marketing strategies.

Although past research has helped our understanding of the attitudes of local consumers towards foreign made products, a deeper understanding may be needed. For example, factors that contribute or antecedents of consumer animosity, consumer ethnocentrism and patriotism may improve our understanding of these issues and help in the creation of strategies that can be implemented to reduce the negative attitudes towards foreign made products. Additionally, factors that can mediate or moderate the relationships are another interesting issue to examine. This knowledge will help marketers overcome the problem by formulating effective marketing strategies to target the right market segments.

Therefore, it is important for us to understand whether consumers in a particular country have a feeling of animosity, ethnocentrism and patriotic emotion, and whether it will influence consumers' attitudes towards foreign made products. This study will focus on Malaysian Muslim consumers and how their animosities, ethnocentric tendencies and patriotism can affect attitudes towards US made products. It will examine how these three constructs can affect the US product judgment, purchase willingness of US made products and purchase action of US made products. Furthermore, the issue of whether religiosity among consumers can influence consumer animosity, consumer ethnocentric tendencies and patriotic emotions is another aspect to be studied in this research. As explained in the earlier section, the relationship between the Muslim world and the US has not been so good in recent times. As we can see, animosity among Muslims towards the US is heightening. Therefore, based on the concept of "Muslims are brothers", it is expected that the devoutness of a Muslim will have an influence on their animosity.

Furthermore, product judgment may be an important tool for marketers to reduce the effects of consumer animosity, consumer ethnocentrism and patriotism on the purchase willingness and purchase action. A positive judgment of foreign made products may result in a different outcome in terms of purchase willingness and purchase action compared to those who have a lower judgment of foreign made products. Therefore, the influence of product judgment as a mediator between the relationships is worth studying. It can be an important strategy for marketers in marketing their products to the consumers. Additionally, the question of the demographic profile of respondents in terms of their animosities, ethnocentricity and patriotism can be answered by this study. It will identify which groups have high animosity towards the US, which groups have high ethnocentric tendencies and which groups tend to be more patriotic than the others. The answer could be used by marketers to segment the market based on the demographic profile and target the right segment to market their products.

Based on the above observations, this study aims to examine whether consumer animosity, consumer ethnocentrism and patriotism will have an influence on the attitudes of Malaysian Muslim consumers. Additionally, the role of Muslim religiosity as an antecedent of consumer animosity, consumer ethnocentrism and patriotism is also included. Furthermore, the role of product judgment as a mediator is another aspect covered in this study. Thus, this study will examine all these relationships, and attempts to answer the research questions in the next sub-section.

### 1.3 Research Questions

Based on the discussion of the background of the research and the problem statement in the previous section, this study attempts to answer the following questions:

- i. What are the demographic profiles of animosity consumers, ethnocentric consumers and patriotic consumers in Malaysia?
- ii. Do consumer animosity, consumer ethnocentrism and patriotism among Malaysian Muslim consumers influence their attitude towards US made products in terms of product judgment?
- iii. Does Muslim religiosity have a relationship with consumer animosity, consumer ethnocentrism and patriotism?
- iv. Does product judgment of US made products influence the purchase willingness and the purchase action of US made products?
- v. Does purchase willingness influence actual purchase behaviour?
- vi. Does product judgment mediate the relationship between consumer animosity, consumer ethnocentrism and patriotism with purchase willingness and purchase action of US made products?

#### **1.4 Significant of the Study**

This study significantly contributes to the body of knowledge on the attitudes of consumers towards foreign made products. The significant of the study can be discussed in terms of two important perspectives, i.e., theoretical contributions and practical contributions.

From the theoretical perspective, existing literature on attitudes towards foreign made products appears to be rather limited, especially on consumer animosity and patriotism issues. This is perhaps due to both constructs are still being in the early stages of development. Therefore, this study contributes to the international marketing and consumer behaviour literature by proposing a comprehensive framework that incorporates all, i.e., antecedent, independent variables, a mediating variable and the dependent variables in a single model. Thus, this research is expected to study the relationships between the variables as they are simultaneously tested using the structural equation modelling.

Second, the conceptual framework developed in this study is based on the animosity model of foreign product purchase by Klein et al. (1998). In the model developed by Klein, two sources of negative attitudes towards foreign made products are included, i.e., consumer animosity and consumer ethnocentrism. However, in this study, the patriotism construct was also incorporated, because, based on the literature, the patriotism construct is also used by researchers as a source of negative attitude towards foreign made products. Since all three constructs are related but yet distinct

in nature, it is thought that the integration of these three variables may produce an important finding for foreign products marketers.

As briefly discussed in the earlier section, the Muslim religiosity construct may have an influence on the sources of negative attitudes towards foreign made products, especially on the animosities between the Muslim world and the US. Therefore, the current study incorporates Muslim religiosity as an antecedent of consumer animosity, consumer ethnocentrism and patriotism in the animosity model. Generally, this study attempts to examine the relationship between Muslim religiosity and consumer animosity, consumer ethnocentrism and patriotism, which could be the third theoretical contribution of the current study.

Another contribution is the introduction of product judgment as a mediator in the relationship between consumer animosity, consumer ethnocentrism and patriotism with purchase willingness and purchase action. Previous literature on consumer animosity studies has included foreign product judgment in their research but not as a mediator. However, the role of product judgment as a mediator was found in the consumer ethnocentrism study (Yu and Albaum, 2002; and Wang and Chen 2004). Furthermore, as suggested by Shin (2001), the current study should include possible mediator between the relationships of the constructs. Therefore, the current study attempts to discover the role of product judgment as a mediator between the relationships.

Finally, another significant theoretical contribution of this study is the background of animosity between the two nations, i.e., Malaysia and the US in this case.

Previously, the studies in consumer animosity have been based on the direct relationship between two nations, for example, Nijssen and Douglas (2004) – between the Netherlands and Germany, and Ettenson and Klein (2005) – between Australia and France. However, the current study examines the effects of animosity between Malaysia and the US, notwithstanding that there is no war or major economic dispute between the two nations, but due to the involvement of the US in other Muslim countries such as Iraq, Afghanistan and Palestine. Previous literature suggested domestic animosity (Hinck, 2005) and regional animosity (Shimp et al., 2004). However, this study proposes indirect animosity between nations.

From the practical perspective, first, this study provides the demographic profile of animosity consumers, ethnocentric consumers and patriotic consumers. Knowledge on the demographic profiles will help retailers and marketers to segment the markets. Thus, it will help marketers in selecting the right target market and focus their marketing strategies on their target markets. Therefore, retailers and marketers will be able to avoid consumers that refuse to purchase and consume foreign made products due to consumer animosity, ethnocentric tendencies and patriotic emotions. Furthermore, the knowledge also enables marketers to formulate appropriate marketing strategies for their target markets.

Second, the knowledge of Malaysian Muslim consumer attitudes in terms of their consumer animosity, consumer ethnocentrism and patriotism will help retailers and marketers to understand the reasons why consumers avoid their products. Hence, they can formulate strategies to reduce the negative effects. With the right strategies, the negative attitude towards foreign made products arising from animosity,

ethnocentric tendencies and patriotic emotions might be eliminated or reduced. Besides, the implementation of the planning and executing the communication strategy is also essential for demolishing the effects of animosity, ethnocentrism and patriotism. The advertising campaign design might include some characteristics or elements based on the cultural values that can possibly reduce the effects. Furthermore, the inclusion of rational arguments is also a helpful tool to further decrease the negative attitudes towards such countries. With that measure, therefore, international marketers (retailers, manufacturers, importers and exporters) may provide and come up with an effective means to overcome or avoid the negative effects of consumer animosity, consumer ethnocentrism and patriotism of foreign products. Without the knowledge on these issues, it is quite impossible for the marketers to formulate effective strategies.

Finally, the last practical contribution is based on the mediating role of product judgment. This study attempts to examine the role of product judgment as a mediator in the relationship between consumer animosity, consumer ethnocentrism and patriotism with purchase willingness and purchase action. If product judgment can mediate the relationship, marketers will be provided with strong tools to at least reduce negative attitude towards foreign made products. In this case, marketers can highlight the positive attributes of their products in order to gain a positive judgment from the consumers. Since the positive judgment will mediate the negative effects, it will indirectly affect the consumers' attitude in terms of purchase willingness and purchase action.

## **1.5 Research Objectives**

The main research objective of this study is to investigate the relationship between consumer animosity, consumer ethnocentrism and patriotism towards the purchase willingness and purchase action of US made products by Malaysian Muslim consumers, which is mediated by product judgment. Importantly, the current study also attempts to examine the relationship of Muslim religiosity with consumer animosity, consumer ethnocentrism and patriotism. More specifically, the objectives of the study are:

- i. To examine the effects of consumer animosity, consumer ethnocentrism and patriotism on the purchase willingness and purchase action of the US made products.
- ii. To investigate the relationship of Muslim religiosity with consumer animosity, consumer ethnocentrism and patriotism.
- iii. To study the relationship between consumer animosity, consumer ethnocentrism and patriotism on product judgment.
- iv. To examine the relationship of product judgment with purchase willingness and purchase action.
- v. To investigate the extent to which product judgment mediates the relationships between consumer animosity, consumer ethnocentrism and patriotism with purchase willingness and purchase action.
- vi. To examine the mediating role of purchase willingness on the relationship between product judgment and purchase action.

- vii. To identify the relationship between purchase willingness and purchase action.

## **1.6 Organization of the Report**

The report is organized into five chapters. Chapter 1 provides an introduction to the study including the background of the study, problem statement, research questions as well as the contributions of the study. In Chapter 2, the existing literature will be reviewed, specifically on all the constructs used in this study. It includes the development of the proposed conceptual framework and the relationship between the constructs. Additionally, propositions of this study are also included in the discussion of Chapter 2.

Chapter 3 will discuss the research methodology of the study, which includes several aspects such as the research design, product and country selection, measurement of construct, questionnaire design, sampling technique, data collection technique and data analyses techniques. Lastly, the hypotheses of the study will also be presented in Chapter 3.

Then, in Chapter 4 the research results will be discussed. It will first discuss the results of the data collection, followed by the data screening and manipulating. Then, the independent sample T-Test and ANOVA will be performed before assessing the assumption for multivariate analysis and, finally, the results of the hypotheses testing are presented.

Finally in Chapter 5, a brief review of the research is presented. Major findings of the study will be discussed based on the hypotheses testing. Then, the marketing implications, the contributions of the study in terms of theoretical, methodological and practical contributions are also presented. The chapter concludes with a discussion on the limitations and directions for future research.