

## **CHAPTER 1**

## **INTRODUCTION**

### **1.1 BACKGROUND**

Today, we are living in a globalized world, where consumers everywhere are using products made throughout the world. Global brands are recognized as the hallmarks of success across the world; however their manufacturing has shifted from developed to developing countries because of preference for local production (generating economic activities for the local citizens) and low cost of production.

Malaysian economy is a highly globalized economy, where it's 25 million plus consumers are enjoying the fruits of globalization by consuming products manufactured or assembled throughout the world. It has helped them to augment their quality of life. Secondly, globalization of Malaysian economy has also created millions of jobs for the local population as multinational corporations hailing from all over the world have established hundreds of factories and plants across the country to not only meet the burgeoning local demand, but also make products locally for the world markets by benefitting from the fiscal and non-fiscal incentives offered by the Malaysian government. Bill boards across Malaysian roads and highways testify the presence of almost every notable global brand from Johnny Walker Whiskey (Scottish) to Mercedes Benz (German) and from IBM (US) to Cannon Cameras (Japanese) across Malaysia demonstrating the globalization of Malaysian skyline and the shelves of its retail establishments.

However, 911 global terrorism tragedy has influenced the attitudes, perceptions and behavior of Malaysian consumers towards American brands as certain segments of

Malaysian society are upset the way “Muslim and Islam” have been treated by the U.S. government in the aftermath of 911 global terrorism tragedy. The forceful regime change and ongoing carnage across Iraq and Afghanistan being fueled by the presence of hundreds of thousands of US troops on the soil of two Muslim countries have upset certain sections of Malaysian society; forcing them to retaliate via their consumer behavior in order to show their solidarity with their brethren in these two countries. They are doing so by changing their attitudes towards US brands. Actions of US government and its armed forces across Iraq and Afghanistan and its continued rhetoric against Muslims and Islam (e.g., “Either you are with us or against us”, infamous speech of former US President George Bush) has upset certain Malaysian consumers.

Hence, it is hypothesized that certain Malaysian consumers could retaliate by boycotting American brands or abandoning them altogether given the tense global political climate, necessitating the pursuance of this attitudinal study. For instance, in February 2009, the Malaysian Islamic Consumers Association as well as the Muslim Restaurant Operators Association urged their members to boycott American brands such as McDonald’s and Coca-Cola in protest at the unwavering US support for Israel in occupied Gaza strip.

**Malaysia:**

Malaysia is defined in its constitution as a” democratic monarchy” governed as per Islamic Shariah Law. 60% plus of its citizens proclaim themselves as Muslims and practice Islam in day-to-day life. Hence, examining the attitude of these Malaysian consumers (also called Malays by virtue of their ethnic roots --- sons of soil – Bumis) can reveal interesting results for our proposed study.

United States is not involved in any kind of direct conflict with Malaysia or Malaysians. However, 9/11 global terrorism tragedy has changed the “landscape of global business”, necessitating the pursuance of an attitudinal study to examine the attitudes of Malaysian Muslims towards American brands. Such a study would help American brand marketers orchestrate a suitable strategy to maintain their brand portfolio and market share across Malaysia.

## **1.2 PROBLEM STATEMENT**

An attempt has been made in the proposed research study to present an analysis of the Antecedents of purchase intention among Malaysian consumers towards American products. This study entails major concepts of (1) Consumer Ethnocentrism, (2) Animosity and (3) Consumers' Purchase Intentions in view of the prospering socio-political relations between Malaysia and the United States.

An analysis of Ethnocentrism in the context of consumer behavior identifies the behavior whereby consumers observe their own group values as superior to the values of all other groups which are culturally dissimilar to them. Consumers develop a propensity to manifest immense affinity and pride towards co-group members or akin to them. Objects of one's own cultural and ethnic similarities prove instrumental in infusing more pride and affinity among the consumers belonging to the same or identical aim group(s). It has been pointed out that in terms of consumer behavior, ethnocentrism confers a notion of tolerable as well as non-acceptable behavior that permits the consumers to refuse or treat other products (brands) as substandard to those products produced in their own country or region.

Consumer Ethnocentrism is perceived as a phenomenon of various dimensions involving a variety of demographical, sociological, psychological and psychographic factors like age, gender, income group, patriotism, nationalism, education level, occupation, conservatism, collectivist tendencies, cultural openness, and perceived social, economic, and political threat as antecedents of consumer ethnocentricity. Ethnocentrism is expressed by consumers in their attitudes and behaviors while selecting, purchasing and using products. Viewed in a broad spectrum, ethnocentrism comprises of two types: (1) in-group ethnocentrism and (2) out-group ethnocentrism. Attitudes of one's own group are regarded as virtuous and excellent under in-group ethnocentrism and are perceived as ignorable and of lesser value for out-group ethnocentrism. Besides, the attitudes include one's own standards of value as universal. Moreover, the behaviors associated with ethnocentrism are cooperative relations with in-group and the absence of cooperative relations is noticeable in out-group. Evaluation of the membership in an ethnic group is generally evaluated in terms of one or more discernible characteristics like language, accent, physical features, or religion, indicating common descent. Universal pattern of the term 'ethnocentrism' could be measured from the fact that this term has been associated not only with ethnic conflict, but also consumer choice.

The construct of animosity has started attracting the attention of scholars only recently. According to Ang et al. (2004), animosity consists of four types: stable versus situational and personal versus national animosities. Estranged historical relations between two countries give rise to stable animosity and it is a value transferred from one generation to the next. Situational animosity bears intimate relationship to current economic and political events. Consumers can nurture national animosity toward a

specific country on the basis of perceptions of how that country has treated their native country. Negative personal experiences can give rise to personal animosity and such experiences might have occurred during contacts with a foreign country or through relations with its citizens. Other dimensions of animosity include: dimensions 'war animosity' and 'economic animosity.'

### **1.3 MALAYSIAN CONTEXT**

The socio-political relations between Malaysia and the United States (US) entail multi-faceted dimensions. This shows that there exists a better frequency of economic interface between Malaysia and the US on one hand, including inflow of foreign direct investment (FDI) from the US into Malaysia and the mushrooming trade relations including recently concluded Free Trade Agreement (FTA) between the two countries. Owing to the buoyant nature of Malaysian economy, which is export-centric and FDI-oriented, Malaysian consumers live in a globalized economy, reaping benefits from the growing trade between Malaysian and the United States. However, US military forays across Muslim countries such as Palestine, Iraq, and Afghanistan proved instrumental in causing agony amongst Malaysian consumers; motivating some of their leaders such as Tun Dr. Mahathir Mohammad to censure US foreign policies from time to time as interference in the internal affairs of Muslim countries. Some of these scenarios led to boycott of American brands across Malaysia.

There is a need to examine the influence of the Ethnocentrism and Animosity constructs on the Malaysian consumers' purchase intentions. Undoubtedly, the US brands find better access to Malaysian shops and malls in the wake of special relationship that

Washington enjoys with Kuala Lumpur. However, the US political inferences in the Muslim societies give rise to many research questions.

#### **1.4 OBJECTIVES OF STUDY**

1. To examine the impact of ethnocentrism and animosity of Malaysian consumers that are more relevant for marketing with respect to on Product Country Image (PCI) of the United States;
2. To provide an understanding of the PCI mediating the effects of ethnocentrism and animosity on purchase intentions;
3. To examine the effect of animosity, on purchase intentions of the Malaysian consumers, especially for American brands such as computers (IBM, APPLE) made in the United States;
4. To examine the effect of ethnocentrism, on purchase intentions of the Malaysian consumers, especially for American brands such as computers (IBM, APPLE) made in the United States;

## **1.5 RESEARCH QUESTIONS**

Keeping in view the globalized nature of Malaysian economy and its dependence to a large extent on imported products and brands from the United States, following research questions have been constructed that our study would examine:

1. How do Malaysian consumers evaluate the US brands and the country image of the US?
2. Do ethnocentrism and animosity of Malaysian consumers negatively affect country image of the United States?
3. Do ethnocentrism and animosity of Malaysian consumers negatively affect brand image of the United States?
4. How do ethnocentrism, and animosity differ across various segments of the Malaysian population, and which segments of the Malaysian market demonstrate greater effect? And
5. Do ethnocentrism and animosity affect the purchase intentions of Malaysian consumers with respect to U.S. brands?

## **1.6 SIGNIFICANCE OF THE STUDY**

The present study examines the role and impact of Animosity and Ethnocentrism constructs in influencing Malaysian consumers' attitudes toward American brands. An attempt is made to determine the image of the "Made-in-USA" brands and the image of the country (USA) as seen by the Malaysian consumers and to explain the factors

contributing to the determinants of that image. It is hoped that the trends emerging from the study will contribute to an understanding of the influences of Animosity and Ethnocentrism, factors in affecting US brands being marketed across Malaysia. Such an understanding conceivably will help all those who are involved in the industrial development of Malaysia, beyond-the manufacturer, distributor, the government and its agencies and the general public to make better decisions in their respective areas of influence and responsibility. Besides, it will add new dimensions to the role and impact of the Animosity Factor, either as a potent or weak factor in affecting consumers' buying behavior.

## **1.7 SCOPE OF STUDY**

This study while unveiling a conceptual framework of analysis to establish linkages between Ethnocentrism, Animosity, Country Image, Product Image and purchase intention constructs, will explore the feasibility of these constructs in the light of developments in the world markets involving the US and their cumulative impact on the purchase intentions of Malaysian consumers. The outcome of the analysis will reveal whether the impact of animosity and Ethnocentrism is stronger among the Malaysian consumers with respect to the US brands.

## **Chapter 2**

### **LITERATURE REVIEW**