

Werner Ria Murhadi · Dudi Anandya ·
Noviaty Kresna Darmasetiawan ·
Juliani Dyah Trisnawati ·
Putu Anom Mahadwartha ·
Elsye Tandelilin *Editors*

Proceedings of the 19th International Symposium on Management (INSYMA 2022) • Volume 223

OPEN ACCESS

Editors

Werner Ria Murhadi
Management Department
University of Surabaya
Surabaya, Indonesia

Dudi Anandya
Management Department
University of Surabaya
Surabaya, Indonesia

Noviaty Kresna Darmasetiawan
Management Department
University of Surabaya
Surabaya, Indonesia

Juliani Dyah Trisnawati
Management Department
University of Surabaya
Surabaya, Indonesia

Putu Anom Mahadwartha
Management Department
University of Surabaya
Surabaya, Indonesia

Elsye Tandelilin
Management Department
University of Surabaya
Surabaya, Indonesia



ISSN 2731-7854

ISSN 2352-5428 (electronic)

Advances in Economics, Business and Management Research

ISBN 978-94-6463-007-7

ISBN 978-94-6463-008-4 (eBook)

<https://doi.org/10.2991/978-94-6463-008-4>

© The Editor(s) (if applicable) and The Author(s) 2023. This book is an open access publication, corrected publication 2023.

Open Access This book is licensed under the terms of the Creative Commons Attribution-NonCommercial 4.0 International License (<http://creativecommons.org/licenses/by-nc/4.0/>), which permits any noncommercial use, sharing, adaptation, distribution and reproduction in any medium or format, as long as you give appropriate credit to the original author(s) and the source, provide a link to the Creative Commons license and indicate if changes were made.

The images or other third party material in this book are included in the book's Creative Commons license, unless indicated otherwise in a credit line to the material. If material is not included in the book's Creative Commons license and your intended use is not permitted by statutory regulation or exceeds the permitted use, you will need to obtain permission directly from the copyright holder.

This work is subject to copyright. All commercial rights are reserved by the author(s), whether the whole or part of the material is concerned, specifically the rights of translation, reprinting, reuse of illustrations, recitation, broadcasting, reproduction on microfilms or in any other physical way, and transmission or information storage and retrieval, electronic adaptation, computer software, or by similar or dissimilar methodology now known or hereafter developed. Regarding these commercial rights a non-exclusive license has been granted to the publisher.

The use of general descriptive names, registered names, trademarks, service marks, etc. in this publication does not imply, even in the absence of a specific statement, that such names are exempt from the relevant protective laws and regulations and therefore free for general use.

The publisher, the authors, and the editors are safe to assume that the advice and information in this book are believed to be true and accurate at the date of publication. Neither the publisher nor the authors or the editors give a warranty, expressed or implied, with respect to the material contained herein or for any errors or omissions that may have been made. The publisher remains neutral with regard to jurisdictional claims in published maps and institutional affiliations.

This Atlantis Press imprint is published by the registered company Atlantis Press International B.V., part of Springer Nature

The registered company address is: Van Godewijkstraat 30 3311 GX Dordrecht Netherlands

The Use of Non-cash Payment Methods During The National Economic Recovery.	305
<i>Bambang Budiarto</i>	
Grouping of Tourist Preferences Towards Tourist Villages in East Java Based on Facial Recognition and Background	311
<i>Siti Mujanah, Candraningrat Candraningrat, Sumiati, Lutvi Abdullah, Nur Fitriani, and Elvira Aulia Fijannah</i>	
Developing Model of Digital Leadership for the New Normal Age	321
<i>Setyo Budianto, Ubud Salim, Wahdiyot Moko, and Nur Khusniyah</i>	
Frugal Lifestyle Trend Among Generation Z: How Do They Spend Money?	331
<i>Prita Ayu Kusumawardhani</i>	
Internal Locus of Control, Entrepreneurial Learning, Risk Tolerance on Self-efficacy, and Entrepreneurial Intention.	339
<i>Denis Fidita Karya, Mohamad Yusak Anshori, Rizki Amalia Elfita, Laila Alfi Sahrin, and Mira Nirmala Gita</i>	
Domestic Consumption: Relative Product Quality Ethnocentrism, and Domestic Product Belief	349
<i>Mohamad Yusak Anshori, Denis Fidita Karya, Rizki Amalia Elfita, Laila Alfi Sahrin, and Mira Nirmala Gita</i>	
The Effect of Financial Literacy and Financial Inclusion on MSMEs Performance (Case Study in MSMEs Assisted by SME & IKM DPW North Sumatra Province).	356
<i>Mangihut Parlindungan Aritonang, Isfenti Sadalia, and Chairul Muluk</i>	
Supply Chain Management Strategy in Building a Competitive Advantage Through the Implementation of Logistic 4.0.	369
<i>Fausta Air Barata, Gustaf Naufan Febrianto, and Muhammad Yasin</i>	
Predicting Digital Business Startup Intention in SEA: TPB-PC Model Test: A Case Study of Indonesian Students	378
<i>Christoffel Mardy O. Mintardjo, Achmad Sudiro, Mintarti Rahayu, and Sudjatno Sudjatno</i>	
The Change of a Poor Paradigm to a Rich Paradigm Through the NU Coin Movement Process (A Case Study on the Zakat Infaq and Alms Institution MWC NU Kalidawir, Tulungagung Regency).	388
<i>M. Yusuf Azwar Anas, Armanu Thoyib, Sudjatno, and Risna Wijayanti</i>	



Domestic Consumption: Relative Product Quality Ethnocentrism, and Domestic Product Belief

Mohamad Yusak Anshori, Denis Fidita Karya^(✉), Rizki Amalia Elfita, Laila Alf Sahrin, and Mira Nirmala Gita

Universitas Nahdlatul Ulama, Surabaya, Indonesia
denisfk@unusa.ac.id

Abstract. The increasing number of cosmetics imports in Indonesia has resulted in the domestic cosmetic industry has to compete with foreign products. This study aims to determine consumer behavior in using local products using cognitive (quality evaluation), normative (social and personal norms relating to the country of origin), and affective (symbolic and emotional values of the country of origin) in shaping consumer preferences. This research is quantitative. Data collection was carried out via a questionnaire distributed to 400 respondents with a population of Indonesian consumers who used cosmetics. The analysis technique used Smart PLS. The results show that relative product quality, domestic product trust, consumer ethnocentrism, and patriotism have a significant effect on domestic consumption. This research also shows that patriotism and conservatism influence consumer ethnocentrism and cosmopolitanism have an inverse influence on consumer ethnocentrism.

Keywords: Domestic consumption · relative product quality · ethnocentrism · domestic product belief

1 Introduction

In Indonesia, imported cosmetics increased by 50% during 2020, and 760 cosmetic industries developed during 2017 and experienced an increase of 9.3% in 2020. However, imported cosmetics are still popular because Indonesian consumers prefer imported cosmetics, mainly from France, China, America, Japan, and Korea. According to the Ministry of Industry of the Republic of Indonesia, this is because the country is the world's leading cosmetics producer. Free trade in Indonesia makes local products have to compete with imported products. Consumers have more choices in the current free-market era and are increasingly familiar with products from various countries. Technological progress is one of the factors that can support free-market activities, with technological advances such as social media and e-commerce causing consumers to become increasingly familiar with global products or brands. Consumers have an excellent opportunity to compare local and foreign products. Consumers can quickly evaluate and assess various things or product features in choosing

a product from the various options available. Brand, packaging, product image price, product category, quality, and even country of origin (COO) can determine consumer perceptions and attitudes in determining choices [1].

The literature relating to the country-of-origin effect explains that consumers tend to have attitudes and preferences for products made in a particular country depending on their perceptions of the country of origin. Often in developing countries, consumers strongly prefer products from developed countries. These consumers consider products from developed countries have a better quality than products from their own countries. They crave imported products from developed countries [1]. Chinese products are more desirable and considered to have better quality by Indonesian consumers [2]. Under certain conditions, these factors have the potential to play a role in shaping preferences for domestic and imported products.

This study examines the effect of relative product quality, ethnocentrism, and trust in domestic products in Indonesia. This research must be carried out because the era of free markets is increasingly widespread and demands domestic consumers to compete with imported products. This study combines the conceptual model of domestic consumption by combining the three dimensions of the influence of the country of origin, namely cognitive (evaluation quality), normative (social and personal norms relating to the country of origin), and affective (symbolic and emotional values of the country of origin). Conceptualized as an activity carried out by buyers to choose domestic products and brands, it will be determined by the perception of the relative product quality of domestic products versus foreign products (cognitive process), normative consumer ethnocentrism. Meanwhile, conservatism and patriotism are affective components of the formation of consumer preferences. Ethnocentrism can stem from a number of different places, including patriotism and conservatism among natives, and it can also come from outsiders, cosmopolitanism.

1.1 Relative Product Quality Perceptions

Global brands are preferred over local brands [3]. This is what causes the perception of consumer quality to form. Global brands tend to be more successful in exposing their high-profile product, while consumers prefer local brands for everyday products. Whereas in Indonesia, consumers prefer foreign products. Chinese products are more desirable and considered better quality by Indonesian consumers [2]. Meanwhile, local against imported product quality perceptions appear to be among the inadequately areas in the formation of consumer preferences. Then, this study proposes a hypothesis:

H1. Consumption in the domestic is influenced by consumers' perceptions of the quality of domestic and foreign goods.

1.2 Customer Ethnocentrism

Consumer ethnocentrism is a sociological theory that describes an individual's belief that his culture is the best and the center of the world [4]. This concept refers to the tendency to differentiate between foreign and local products and reject foreign products due to

strong ideology [5]. Therefore, consumer ethnocentrism describes the differentiation of consumer groups who strongly prefer local products over foreign products [6]. Then, this study proposes the following hypotheses:

H2: Domestic consumption is determined by domestic products to belief.

H2a: Domestic product belief is determined by consumer ethnocentrism.

H3: Domestic Consumption is determined by consumer ethnocentrism.

1.3 Conservatism

It is a conservative's desire to preserve and protect the order of society that has stood the test of time. It's described as a desire to cherish long-standing ethics and cultural institutions and to incorporate changes slowly and reluctantly. Even though foreign products are seen as threatening existing social norms and customs, conservatives are more likely to oppose them [4, 5]. Then, this study proposes a hypothesis:

H3b: Conservatism has a positive correlation with consumer ethnocentrism because it is a direct antecedent to it.

1.4 Patriotism

The consumer behavior theory explains that the nature of patriotism can support local products because consumers with patriotism will support products that come from within the country [3]. Consumer ethnocentrism benefits significantly from patriotism [6]. Patriotism can be a powerful tool for promoting domestic consumption, as well. It is possible for a product's origin to evoke feelings of national pride and personal memory, relying on the individual and market context of the product/brand [2, 3, 7]. Then, this study proposes a hypothesis:

H3c: Patriotism has a positive correlation with consumer ethnocentrism because it is a direct antecedent to it.

H4. The effective mechanism of patriotism determines domestic consumption.

2 Research Methods

This research is quantitative. Data collection was done by distributing a questionnaire to 400 respondents. The population in this study was Indonesian consumers who used cosmetics. The sampling technique used a convenience sampling technique. A questionnaire was distributed via Google form to respondents with a minimum age of 17 years and domiciled in Indonesia. The data analysis technique used partial least square (PLS).

3 Results and Discussion

3.1 Convergent Validity

Convergent validity analysis is a test used to measure whether an indicator is valid or not [8]. Indicators can be said to be valid if they can measure variables with a value >0.6 [9].

Domestic consumption is determined by perceptions of relative product quality of domestic versus foreign products. Based on the analysis results of the effect of relative product quality on domestic consumption, it shows a significant result with a p-value of 0.000 (Fig. 1).

The difference in quality between local and foreign products causes perceptions in the minds of consumers. International brands tend to be more successful in exposing their high-profile product category, while local brands focus on consumers for everyday products. Thus, it shows that the higher the relative product quality between local products, the higher the consumers will consume local products. A significant positive relationship between relative product quality and domestic consumption [10]. So, hypothesis1 is accepted.

Domestic consumption is determined by Domestic products belief. Based on the analysis results of the effect of the domestic product belief on consumer ethnocentrism, it shows a significant result with a p-value of 0.000. Consumers who have a strong ethnocentrism tendency believe that although imported products are considered higher quality, they do not desire to buy them because they think domestically made products are better [11]. This causes them to have a more positive perception of the product. They have better confidence in products made in their own country and exaggerate the quality. Thus, it shows that the higher the consumers’ belief in local products, the better the level of domestic consumption will be. There is a significant positive relationship between domestic products and domestic consumption [12–14]. So, hypothesis2 is accepted.

Domestic product belief is determined by consumer ethnocentrism. The analysis of the effect of consumer ethnocentrism on domestic product belief shows a significant result with a p-value of 0.001. Consumer ethnocentrism is a sociological theory that describes an individual’s belief that their culture is the best and is the center of the world. This shows that the higher the ethnocentrism, the better the consumer confidence

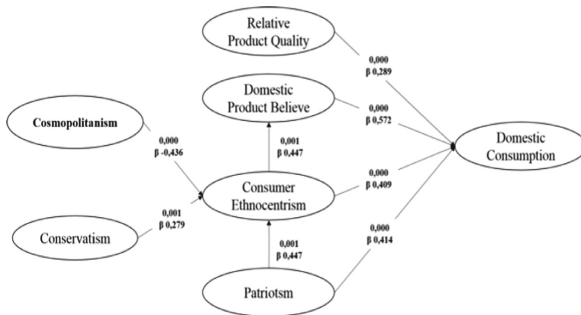


Fig. 1. Inner Model.

Table 1. Convergent Validity

Variable	Relationship	Original Sample (O)	P-Value
Relative Product Quality → Domestic Consumption	(+)	0.289	0.000
Domestic Product Belief → Domestic Consumption	(+)	0.572	0.000
Consumer Ethnocentrism → Domestic Product Belief	(+)	0.447	0.001
Consumer Ethnocentrism → Domestic Consumption	(+)	0.409	0.000
Cosmopolitanism → Consumer Ethnocentrism	(-)	-0.436	0.000
Conservatism → Consumer Ethnocentrism	(+)	0.279	0.001
Patriotism → Consumer Ethnocentrism	(+)	0.447	0.001
Patriotism → Domestic Consumption	(+)	0.414	0.000

in local products. This causes them to have a more positive perception of the product. They believe that products made in their own country are better and tend to overestimate their quality. Thus, it shows that the higher the ethnocentrism, the better the consumer's trust in local products. This is also supported a significant positive relationship between consumer ethnocentrism and domestic product [13, 14]. So, hypothesis 2a is accepted (Table 1).

Domestic consumption is determined by consumer ethnocentrism. Based on the analysis results of the effect of consumer ethnocentrism on domestic consumption, it shows a significant result with a p-value of 0.000. Consumer ethnocentrism describes the differentiation of consumer groups who strongly prefer local products over foreign products. Consumers who have ethnocentric activity can have a strong belief in domestic products. This is because of their desire to show love and loyalty to their own country. Domestic products encourages consumers to buy domestic products [7]. Thus, it shows that the higher the consumer ethnocentricity, the better the consumer's interest in consuming local products. This is also supported which explained a significant positive relationship between consumer ethnocentrism and domestic consumption [10]. So, hypothesis 3 is accepted.

As a direct antecedent of consumer ethnocentrism, cosmopolitanism is negatively related to consumer ethnocentrism. Based on the results of the analysis of the effect of cosmopolitanism on consumer ethnocentrism, shows a significant result with a p-value of 0.001 in a negative direction (coefficient value of -0.436). Cosmopolitanism can be described as world-mindedness, internationalism, global openness, and worldliness. The higher the level of consumer cosmopolitanism can encourage consumers to be more open to trying foreign products. This negative direction indicates a negative relationship. Thus, it shows that if cosmopolitanism has decreased, consumer ethnocentrism will increase. This is also supported explained a negative relationship between the influence of cosmopolitanism and consumer ethnocentrism [6, 10]. So, hypothesis H3a is accepted.

As a direct antecedent of consumer ethnocentrism, conservatism is positively related to consumer ethnocentrism. Based on the analysis of the effect of conservatism on consumer ethnocentrism, shows a significant result with a p-value of 0.000. Conservatism is the tendency to maintain and preserve the traditional order of society that has withstood the tests of times. Individuals who have a conservative view of life tend to be negative towards foreign products because they are considered a threat to the continuity of social customs and norms. Thus, it shows that consumer conservatism can increase consumer ethnocentrism. This is also supported explained a significant positive relationship between conservatism and consumer ethnocentrism [5, 15]. So, hypothesis H3b is accepted.

Consumer ethnocentrism is determined by the effect of patriotism. The analysis of the effect of patriotism on consumer ethnocentrism shows a significant result with a p-value of 0.001. Patriotism is a commitment to self-sacrifice for the state. In the theory of consumer behavior, it is explained that the nature of patriotism supports local products, this shows that the higher the patriotic attitude of the consumer, the better the attitude toward ethnocentrism. Thus, it shows that the higher the patriotic attitude of the consumers, the better the ethnocentrism attitude. This is also supported explained a significant positive relationship between patriotism and domestic consumption [4, 6]. The hypothesis H3c is accepted.

4 Conclusion

Based on the results of the tests and analyzes carried out, the results of this study can be concluded as follows: The formulation of the problem in this study focuses on the profitability ratio, as follows: first, analysis of the effect of relative product quality on domestic consumption shows a significant result.

The analysis of the effect of the domestic product belief on consumer ethnocentrism shows a significant result. Consumer ethnocentrism have significant effect on domestic product belief shows a significant result. The analysis of the effect of consumer ethnocentrism on domestic consumption shows a significant result. The analysis of the effect of cosmopolitanism on consumer ethnocentrism shows a significant result. The analysis of the effect of conservatism on consumer ethnocentrism shows a significant result. The analysis of the effect of patriotism on consumer ethnocentrism shows a significant result. The analysis of the effect of patriotism on domestic consumption shows a significant result.

This study only focused on quantitative methods by collecting data using a questionnaire, so the researchers could not control the respondents' answers. Moreover, this study only focused on the variables relative to product quality, domestic product beliefs, ethnocentrism, and patriotism, while there are still many variables outside the study that can affect domestic consumption. In addition, the sample in this study only focused on consumers who used domestic cosmetic products.

References

1. Barbu, C. M. (2011). The meanings of "Made in Romania" among the Romanian consumers. *Theoretical and Applied Economics*, 17(7), 31–42.

2. Edy, L., & Mulyono, H. (2011). The effect of ethnocentrism and image of Asian industrialised countries on perceived. *International Research Journal of Business*, 7(3), 165–177.
3. Steenkamp, J., Batra, R., & Alden, D. I. (2003). How perceived brand globalness creates brand value. *Journal of International Business Studies*, 34, 53–65.
4. Shimp, T. A., & Sharma, S. (1987). Consumer ethnocentrism: Construction and validation of the CETSCALE. *Journal of Marketing Research*, 24, 280–289.
5. Balabanis, G., Diamantopoulos, A., & Mueller, R. (2001). The impact of nationalism, patriotism and internationalism on consumer ethnocentric tendency. *Journal of International Business Studies*, 32(1), 57–175.
6. Rybina, L., & Reardon, J. (2010). Patriotism, cosmopolitanism and purchase behavior in Kazakhstan. *Organizational and Markets in Emerging Economics*, 2(2).
7. Ger, G. (2016). Product-country images: Towards a contextualized approach. *European Advances in Consumer Research*, 3, 50–58.
8. Ghozali, I. (2015). Konsep, Teknik Dan Aplikasi Menggunakan Program SmartPLS 3.0., Semarang: Badan Penerbit Universitas Diponegoro.
9. Chin, W., & Lee, M. (1999). Structural equation modeling analysis with small samples using partial least squares. In *Statistical strategies for small sample research* (pp. 307–341).
10. Vida, I., & Reardon, J. (2008). Domestic consumption: Ration, affective or nor, active choice? *Journal of Consumer Marketing*, 25(1).
11. Chinen, K., Sun, Y., & Ito, Y. (2014). Effects of country of origin on buying behaviour. *International Journal of Management*, 28(2), 553–563.
12. Hui, M. K., & Zhou, L. (2002). Linkin product evaluations and purchase intention for country of origin effects. *Journal of Global Marketing*, 15(3), 95–116.
13. Vida, I. (2013). The effects of cosmopolitanism on consumer ethnocentrism, product belief, purchase intentions, and foreign product purchase behavior. *America International Journal of Contemporary Research*, 3(11), 114–115.
14. Purwanto, E. (2014). The effect of consumer ethnocentrism on perceived domestic product belief and purchase intention among young customers in Jakarta, Indonesia. *International Journal of Asian Social Science*, 4(9), 1003–1012.
15. Suh, T., & Kwon, I. G. (2014). Globalization and reluctant buyers. *International Marketing Review*, 19(6), 663–680.

Open Access This chapter is licensed under the terms of the Creative Commons Attribution-NonCommercial 4.0 International License (<http://creativecommons.org/licenses/by-nc/4.0/>), which permits any noncommercial use, sharing, adaptation, distribution and reproduction in any medium or format, as long as you give appropriate credit to the original author(s) and the source, provide a link to the Creative Commons license and indicate if changes were made.

The images or other third party material in this chapter are included in the chapter's Creative Commons license, unless indicated otherwise in a credit line to the material. If material is not included in the chapter's Creative Commons license and your intended use is not permitted by statutory regulation or exceeds the permitted use, you will need to obtain permission directly from the copyright holder.

