

Foreign Retailers' Localisation Attempts to the Domestic Market

**The Influence of Consumer Ethnocentrism, Local CSR
Activities and Perceived Brand Localness on Consumer
Behaviour at Foreign Retailers**

THESIS

presented to the Faculty of Economics and Social Sciences at the
University of Fribourg (Switzerland),
in fulfilment of the requirements for the degree of
Doctor of Economics and Social Sciences

by

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Accepted by the Faculty of Economics and Social Sciences on
22.05.2017 at the proposal of

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Fribourg, Switzerland, 2017

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Dedication

To my Dad

Writing this thesis was like preparing for and running a long-distance run. It was not easy, and there were times when I thought achieving the end-goal was impossible. In the same spirit as my biggest role model a few years ago, who was acknowledging the help of very special people in his *long-distance survival run*, I want to say thank you to those who have supported me along the way and helped me to cross the finish line.

Foremost, I want to express my gratitude to my coach, my first supervisor, Professor Dr. Dirk Morschett. I want to thank him for sharing his knowledge with me and for his patience in discussing the diverse topics within this thesis. His wisdom and encouragement have been invaluable to completing this work. I also want to thank him for his supportive attitude, which I sincerely appreciated, especially during the most challenging times, when the results were less than desirable.

I also want to thank Professor Dr. Olivier Furrer for agreeing to be an assistant coach – my second supervisor, as well as Professor Dr. Bernhard Swoboda, the editor of a journal where I submitted two of the essays. I want to thank him for the time he has invested to help improve the manuscripts and for many helpful remarks.

I must thank my friends: My training partner, Adela Wyncoll, who was often faced with similar challenges; Johan Foster, who, like a physiotherapist, was always there to help, listen and make me stronger, especially after injuries (i.e., unsuccessful submissions); and Gosia Budnikowska, who was cheering me on during this long journey and who was always *on my side*. I also want to thank all the other spectators, my friends, who have supported me, motivated me, cheered me on and who helped me continue with this journey.

A special thanks goes to my whole family, in particular to my brother Michał Kramarek, who was always ready to meet me along the way, to provide me with advice and to correct my technique when necessary. Also thanks to the strongest women I know – my mom, my sister and my aunt – Maria Kramarek, Maja Teleńczuk and Aldona Kramarek – for their continuous support and for always having the time to listen.

Finally, I want to express my special gratitude to the two most important men in my life. First, to my husband, Dave Keane, my biggest supporter, for his positive attitude and for helping me to keep my sanity. I am blessed to be going through this journey with you. Most importantly, a word of gratitude goes to my dad, Maciej Kramarek, my constant source of inspiration. Dad, many people would have been lucky to have met you, but I have been blessed with being your daughter. Thank you for your undivided attention, advice and for teaching me (and sometimes trying to teach me) so much. You are in my heart and are the reason why your youngest child has finally finished her *secondary education*.

Table of Contents

List of Figures.....	VIII
List of Tables.....	IX
List of Abbreviations	X
Part I: Introduction	1
1. Introduction	1
1.1. Research Objectives.....	6
1.2. Outline of the Thesis	9
2. Theoretical Background of Consumer Ethnocentrism.....	9
2.1. Social Identity Theory	9
2.2. Ethnocentrism	11
2.3. Consumer Ethnocentrism	11
2.4. Antecedents, Moderators and Mediators of Consumer Ethnocentrism	14
2.5. Scales to Measure Consumer Ethnocentrism.....	20
2.5.1. Consumer Ethnocentric Tendencies Scale	20
2.5.2. Consumer Ethnocentrism Scale	23
2.5.3. Consumer Ethnocentrism Extended Scale	25
2.6. Consumer Ethnocentrism in Services	26
2.6.1. Retailing.....	28
2.6.2. Differences in Selling Services vs. Products to Domestic Consumers and Appealing to Ethnocentric Consumers.....	29
2.6.3. Consumer Ethnocentrism in Retailing.....	30
3. Corporate Social Responsibility	34
3.1. Overview of Socially Responsible Consumer Behaviour and Corporate Social Responsibility in the Retail Context	34
3.2. Corporate Social Responsibility Literature with Local Focus in the Retail Context	37
3.2.1. Study by Russell and Russell (2010)	37
3.2.2. Study by Kim, Ha, and Fong (2014).....	38
3.3. Scales to Measure Corporate Social Responsibility	38
3.3.1. Consumer Perception of Corporate Social Responsibility Scale.....	38
3.3.2. Corporate Social Irresponsibility Scale	40
3.3.3. The Socially Responsible Purchase and Disposal Scale.....	42

3.4. Link between Corporate Social Responsibility Consumer Ethnocentrism.....	43
4. Perceived Brand Localness	45
4.1. Overview of the Literature on Perceived Brand Localness	45
4.2. The Literature on Perceived Brand Localness with a Focus on Retailing	47
4.3. Scales to Measure Perceived Brand Localness.....	48
4.3.1. Brand as Icon of Local Culture Scale.....	48
4.3.2. Perceived Brand Localness Scale	49
4.4. Link between Perceived Brand Localness and Consumer Ethnocentrism.....	49
 Part II: Reducing the Negative Effect of Consumer Ethnocentrism on Patronage Behaviour at Foreign Retailers (Essay 1)	52
1. Introduction	52
2. Theory and Hypotheses.....	54
2.1. Theory and Conceptual Framework.....	54
2.2. Hypotheses Development.....	56
3. Empirical Study	59
3.1. Sample.....	59
3.2. Method.....	61
3.3. Results.....	63
4. Discussion and Implications.....	68
5. Limitations and Future Research	73
 Part III: The Influence of Localised Corporate Social Responsibility and Perceived Brand Localness on Willingness to Buy from a Foreign Grocery Retailer (Essay 2)	75
1. Introduction	75
2. Theory and Hypotheses.....	78
2.1. Theory and Conceptual Framework.....	78
2.2. Hypotheses Development.....	80
3. Empirical Studies	83
3.1. Study 1: The Influence of Localised CSR	83
3.1.1. Experimental Design and Process.....	83
3.1.2. Pre-test	85
3.1.3. Sample.....	85
3.1.4. Results.....	86
3.2. Study 2: The Influence of Perceived Brand Localness	87

3.2.1. Experimental Design and Process	87
3.2.2. Pre-test	88
3.2.3. Sample.....	88
3.2.4. Results.....	88
3.3. Study 3: The Influence of Localised CSR and Perceived Brand Localness	91
3.3.1. Experimental Design and Process	91
3.3.2. Sample.....	91
3.3.3. Results.....	91
4. Discussion and Implications.....	94
5. Limitations and Future Research	98
 Part IV: Social and Socio-demographic Influences on Ethnocentric Consumer's Behaviour at Foreign Retailers (Essay 3)	101
1. Introduction	101
2. Theory and Hypotheses.....	103
2.1. Conceptual Framework and Theory	103
2.2. Hypotheses Development.....	104
3. Empirical Study	110
3.1. Sample.....	110
3.2. Measurements	111
3.3. Method.....	113
3.4. Results.....	115
4. Discussion and Managerial Implications.....	119
5. Limitations and Further Research	121
 Part V: Overall Conclusion	124
1. Core Results	124
2. Managerial Implications	135
3. Limitations, Challenges and Future Research	138
 Reference.....	145
 Appendices.....	166

List of Figures

Figure 1: <i>Local and Non-local CSR Activities of Foreign Retailers</i>	5
Figure 2: <i>Lidl Logos</i>	6
Figure 3: <i>Conceptual Framework by Sharma, Shimp, and Shin (1995) Extended by de Ruyter, van Birgelen, and Wetzels (1998)</i>	14
Figure 4: <i>Overview of Antecedents, Moderators and Mediators of Consumer Ethnocentrism</i>	15
Figure 5: <i>Marketing Communication of Retailers' CSR Activities</i>	36
Figure 6: <i>Retailers' Adaptation of Marketing Communications to Domestic Market</i>	51
Figure 7: <i>Conceptual Framework</i>	56
Figure 8: <i>Conceptual Framework</i>	79
Figure 9: <i>Conceptual Framework</i>	105
Figure 10: <i>Post-hoc Probing</i>	118

List of Tables

Table 1: Overview of the Revenue and Number of Countries of Operation of Large International Retailers	2
Table 2: Selected Antecedents, Mediators, Moderators and Consequences of Consumer Ethnocentrism	15
Table 3 A: Consumer Ethnocentric Tendencies Scale	20
Table 3 B: Consumer Ethnocentrism Scale.....	23
Table 3 C: Consumer Ethnocentrism Extended Scale	25
Table 4: Comparison of the Hypotheses on Product Level – Sharma, Shimp, and Shin (1995) and on Service Level – de Ruyter, van Birgelen, and Wetzels (1998)	27
Table 5 A: Consumers' Perceptions of Corporate Social Responsibility	39
Table 5 B: Corporate Social Irresponsibility Scale.....	41
Table 5 C: The Socially Responsible Purchase and Disposal Scale	43
Table 6: Scales to Measure Perceived Brand Localness	48
Table 7: Overview of the Sample	60
Table 8: Descriptive Statistics and Measurement Constructs.....	65
Table 9: Correlations	67
Table 10: Measurement Invariance Assessment for Aldi and IKEA	67
Table 11: Results	69
Table 12: Overview of the Sample	85
Table 13: Correlations and VIF's	86
Table 14: Results	89
Table 15: Correlations and VIF's.....	90
Table 16: Correlations and VIF's.....	92
Table 17: Overview of the Sample	111
Table 18: Reliability and Validity of Measurement.....	112
Table 19: Descriptive Statistics	114
Table 20: Correlations Matrix	114
Table 21: Measurement Invariance for United Kingdom, Switzerland and Germany.....	115
Table 22: Results	117
Table 23: Summary of Key Conclusions and Contributions	132
Table 24: Summary of the Hypotheses and Findings.....	134

List of Abbreviations

\$	American dollars
β	beta
%	percentage
AVE	average variance extracted
CETSCALE	consumer ethnocentric tendencies scale
CO ₂	carbon dioxide
CSR	corporate social responsibility
df	degrees of freedom
e.g.	for example
et al.	and others
etc.	et cetera
H&M	Hennes and Mauritz
i.e.	that is
Inc.	incorporation
mln	million
N	sample size
No.	number
ns	not significant
p	significance level
p.	page
pp.	pages
plc.	public limited company
PLS	partial least squares
(r)	reversed
S.A.	Société anonyme
se	standard error
SEM	structural equation modelling
US	United States
USA	United States of America
VIF	variance inflation factor
vs.	versus

Part I: Introduction**1. Introduction**

The retail landscape is undergoing an unprecedented change. Many retailers, in particular large chains, continue to globalise and expand their services beyond the national borders (Burt, Dawson, and Sparks 2003). This expansion is challenging because “[i]n retailing the market is local, even for large international retailers. (...) The local nature of the market requires retailers to be aware of local aspects of consumption and of local attributes of culture” (Dawson and Mukoyama 2006, p. 20). A successful positioning of a retail store in the home market does not always translate to a successful positioning in the foreign markets. Foreign retail managers may fail to understand local consumers’ needs due to the cultural differences (de Mooij and Hofstede 2002). This may lead to a poor adaptation of the store positioning, which can result in serious losses and even in divestment of the foreign units (Burt, Dawson, and Sparks 2003). Some of the well-known examples of international retail divestments include Boots’ withdrawal from Russia (2007), Kingfisher exiting Germany, Canada, Poland and France (2003), Laura Ashley fleeing from Austria, Italy, Switzerland and Germany (2003) and Carrefour leaving Switzerland (2007) (Allen 2007; Cairns et al. 2010).

Retailers who expand internationally face both opportunities and threats. On the one side, some of the world’s leading retailers gain a significant proportion of their profits from international sales and are present in many countries (see Table 1). For example, Wal-Mart, the largest retailer, increased the number of countries of operation between 2009 and 2014 from 16 to 28. Moreover, the revenue generated during this time increased by about 19 percent (including both foreign and domestic revenues). On the other side, one of the key challenges that retailers face nowadays is intense competition from domestic and foreign counterparts, which in recent years has resulted in a higher number of retailers facing a problem of international divestment (Cairns et al. 2010).

International expansion can result in various consumer reactions, therefore companies should make an effort to understand what can cause consumer bias (Samiee 1994). This is important because local consumers’ reactions and, in particular, their patronage behaviour determines retailers’ success in foreign markets (Alexander and Doherty 2010).

Table 1: Overview of the Revenue and Number of Countries of Operation of Large International Retailers

Retailer	Country of origin	2014		2009	
		No. of countries	Revenue (US \$ mln)	No. of countries	Revenue (US \$ mln)
Wal-Mart Stores Inc.	US	28	485,651	16	408,214
Costco Wholesale Corporation	US	10	112,640	9	71,422
Schwarz Unternehmenstreuhand KG	Germany	26	102,694	25	77,221
Tesco PLC	United Kingdom	13	99,713	13	90,435
Carrefour S.A.	France	34	98,497	36	121,861
Metro	Germany	32	85,570	33	91,389
The Home Depot Inc.	US	4	83,176	5	66,176
Amazon.com Inc.	US	14	70,080	7	24,509
Groupe Auchan	France	13	69,622	14	55,326

Source: Adapted from NRF (2011) and NRF (2016)

For customers, the trend toward openness has resulted in many positive changes, such as a larger choice between domestic and foreign products, goods and services (Netemeyer, Durvasula, and Lichtenstein 1991). However, it has also raised awareness that free access to goods and services brings along. Some literature suggests that consumers have become increasingly concerned about the expansion of foreign products into local markets (Granzin and Painter 2001). This concern can also be observed in everyday life. For example, in the 2016 United States presidential election campaign, Donald Trump stated that “*Globalization (...) left millions of our workers with nothing but poverty and heartache*” (Jackson 2016). Pew Research Centre¹ found that one month prior to Donald Trump launching his presidential campaign *Make America Great Again*, 51 percent of Republican voters believed that free-trade agreements were good for their country, whereas 39 percent stated the opposite. Only 14 months after the presidential campaign was launched, Pew Research Centre found that among Republican voters, 32 percent stated that free-trade agreements have helped the economy, whereas 61 percent believed that they have hurt the country (Pew Research Center 2016b). This indicates a huge change in some consumers’ perception regarding foreign goods and services.

¹ Pew Research Center is a non-profit, non-advocacy and nonpartisan fact tank that conducts research on the issues, attitudes and trends that shape America and the world (Pew Research Center 2016).

Consumer ethnocentrism is a concept that is closely related to consumers' concern for protecting the domestic economy by purchasing domestic products instead of foreign ones (see chapter 2.3., part I). Consumers with higher ethnocentric tendencies believe that buying foreign products is immoral. They perceive that purchasing foreign-made products has negative repercussions on the domestic economy, because these purchases result in domestic job losses and harm the economy (Shimp and Sharma 1987). Most research in the ethnocentric marketing literature focuses on the antecedents of consumer ethnocentrism in indirect models or in models that examine the direct effect of consumer ethnocentrism on behavioural variables (e.g., Nijssen and Douglas 2011; Zeugner-Roth, Žabkar, and Diamantopoulos 2015). However, there is only a handful of studies that examine the relevance of consumer ethnocentrism in the retail sector (see chapter 2.6.3., part I).

Conducting research in the retail sector is relevant, because products and services differ substantially. As explained in a subsequent part of this thesis, retailers can do more to better integrate into the domestic market than product manufacturers (see chapter 2.6.2., part I). Retailers, to a large extent, deliver their service in the domestic market with domestic employees, which may soften the negative perception of harm to the domestic economy.

A theory often used to explain consumer ethnocentrism is social identity theory (see chapter 2.1., part I). In short, social identity theory offers explanations for inter-group conflict. Consistent with this theory, individuals distinguish between in-groups and out-groups (in favour of the in-group) (Turner 1999). In ethnocentric marketing literature, in-group often relates to the domestic country and domestic products/services, whereas out-groups relate to the foreign countries and foreign products/services (Zeugner-Roth, Žabkar, and Diamantopoulos 2015). It is plausible, therefore, that foreign retailers may be perceived as an out-group by local consumers.

Understanding consumer patronage behaviour is crucial to retailers' success (Seock and Lin 2011); understanding how ethnocentric consumers behave towards foreign retailers may aid foreign retailers in positioning their stores in ways that help ensure their success. This investigation is important, in fact, because consumer ethnocentrism can be a curb on globalisation and can also pose a barrier to a successful internationalisation of services (de Ruyter, van Birgelen, and Wetzels 1998; Guo 2013). As explained by Siamagka and Balabanis (2015, p. 66), ethnocentrism may “*act as a self-defense reflex of local economies, governments, organizations, and individuals against the threat of imports and foreign competition*”.

Consistent with the social identity theory, this thesis also argues that by adopting local corporate social responsibility (CSR) activities (see chapter 3., part I) and by having

high perceived brand localness (see chapter 4., part I), retailers can alter consumers' in-group and out-group perceptions. This thesis conceptualises local CSR² activities as CSR activities that are directed to the host country and local community surrounding a retail store, whereas perceived brand localness captures consumers' perceptions of a foreign retailer acting like a local actor and being accepted as a symbol of the local culture. As Zarkada-Fraser and Fraser (2002) observed, many international retailers use patriotic appeals to influence consumer perceptions, while they increasingly globalise. The relevance of both concepts (i.e., local CSR activities and perceived brand localness) can be linked with consumer ethnocentrism not only through the social identity theory but also through other associations. For example, foreign retailers who carry out local CSR activities are likely to be seen as contributing to the well-being of the country (i.e., in-group) and, as a result, to the domestic economy. Retailers' CSR actions, which are localised may become personally relevant to the consumers (Russell and Russell 2010), which may positively influence both consumer perceptions and behaviour. Moreover, these appeals may be especially appreciated by ethnocentric consumers and may positively influence those whose perception is that foreign retailers harm the domestic economy. An example is Aldi Ireland (2016), a subsidiary of a German store, which organises a colour run that aids an Irish Cancer Society. The run is organised for the whole family and is located in at least four cities across the country every year (see Figure 1 A for a sample marketing communication).

Foreign retailers who conduct non-local CSR activities are less likely to create a link between CSR activities and the personal relevance of these activities for the consumers. For example, Lidl Ireland (2016), a subsidiary of a German store, communicates that the stores support the Fairtrade system and that these stores only source from Fairtrade certificated producer organisations in Africa, Asia and Latin America (see Figure 1 B for the sample marketing communication). The store encourages Irish consumers to support foreign farmers, workers and their families by doing this. Although this approach sends a positive message to those consumers, consumers, particularly ethnocentric consumers, may perceive that this message is not as convincing, as it does not show retailers' commitment to the domestic economy, with the result that it may not exert as strong an effect on consumer behaviour as the local CSR activities do.

² Local CSR activities and localised CSR activities are used interchangeably throughout the thesis.

Figure 1: Local and Non-local CSR Activities of Foreign Retailers

Source: Aldi Ireland (2016); Lidl Ireland (2016)

Foreign retailers that achieve a higher perceived brand localness may influence consumer perceptions of foreign retailers' commitment to the country and as result alter their perception of whether the foreign retailer is a part of the in-group. For example, Lidl in Austria, Switzerland and Denmark integrate a national flag in the shape of a heart into their logo (see Figure 2 A for examples). A brand with connections to the local culture is more emotionally appealing (Xie, Batra, and Peng 2015) and should have a stronger influence on consumer behaviour (Steenkamp, Batra, and Alden 2003), in contrast to a brand with no local connections, which instead might be seen as part of an out-group. The brand with the local connections should be particularly appreciated by consumers with higher ethnocentric tendencies who view national symbols with pride (Siamagka and Balabanis 2015). For example, Lidl's logo in Poland does not create a link with the host country, as the logo is standardised. In fact, Lidl uses the same logo across different countries, for example Poland, Germany, Belgium and Finland (see Figure 2 B for an example).

Figure 2: Lidl Logos

Source: Lidl Denmark (2017), Lidl Switzerland (2016), Lidl Austria (2017), Lidl Poland (2016); Lidl Germany (2017), Lidl Belgium (2017) and Lidl Finland (2017)

1.1. Research Objectives

Swoboda, Pennemann, and Taube (2012) observed that there is lack of research investigating how the origin information of a store influences international retailer's evaluation. Darden and Lusch (1983) point out that successful positioning of a store requires retail managers to possess knowledge about consumers' needs, values, shopping orientations, socio-economic characteristics and lifestyles. Therefore, the first objective of this thesis is to investigate the role of consumer ethnocentrism in international retailing, a research setting that has often been neglected, not only in the direct effect models but also in the indirect models (Shankarmahesh 2006).

It is important to highlight that this thesis does not presume that consumer ethnocentrism is a key factor that drives consumers' patronage behaviour. There are many studies that show that functional attributes such as product quality, low price, store atmosphere and friendliness of salespeople (see Pan and Zinkhan 2006) determine consumers' retail choices. However, as in the case of products and brands, extrinsic factors, such as the country of origin, not only may impact quality signalling but also may have a symbolic and emotional meaning to consumers (Botschen and Hemetsberger 1998; Verlegh and Steenkamp 1999). An extant literature exists that attempts to identify the antecedents, moderators, mediators and consequences of consumer ethnocentrism (for an overview see Shankarmahesh (2006)), but most (not all) of the studies are carried out on the product and brand level.

The main objective of this thesis is to investigate whether retailers' attempts to localise certain activities to the domestic market and whether certain consumer characteristics directly and indirectly influence consumers' behaviour. Although the precise research objectives and research gaps are identified in each of the three essays in the subsequent part of the thesis, the thesis aims to address the following research questions:

- (1) Does consumer ethnocentrism have a direct negative influence on patronage behaviour at foreign retailers?
- (2) (a) Do the activities of foreign retailers (i.e., adapting assortment to the domestic market, perceived brand localness and carrying out local CSR activities) reduce the negative influence of consumer ethnocentrism on patronage behaviour?

(b) Do certain consumer attributes, that is, price consciousness and adherence to (ethnocentric) social norms, reduce/strengthen (respectively) the negative influence of consumer ethnocentrism on patronage behaviour?
- (3) Do the localised activities of a foreign retailer (i.e., local CSR activities and activities affecting perceived brand localness) positively influence patronage behaviour at foreign retailers and consumers' willingness to buy from a foreign grocery retailer³?
- (4) Does the influence of local CSR activities and of perceived brand localness on willingness to buy from a foreign grocery retailer vary depending on the level of consumer ethnocentrism?

A short description follows of each of the three essays.

Essay 1's' main purpose is to examine whether and how consumer ethnocentrism influences patronage behaviour at existing foreign retailers (IKEA and Aldi) in the United States. Essay 1 is the first study (as far as the author is aware) that investigates the direct effect of consumer ethnocentrism on consumers' self-reported patronage behaviour at foreign retailers. In contrast to products, foreign stores can more strongly influence consumer perceptions of whether they are perceived as part of the in-group or of the out-group. These influences have not been previously investigated in the literature. This presents an interesting research gap of whether and how foreign retailers' activities, which can be adapted to the domestic market, affect the relationship between consumer ethnocentrism and patronage behaviour at foreign stores. These activities include consumers' perception of adaptation of the assortment to the local market, local positioning of the retail brand (i.e., perceived brand localness) and consumer perception of local CSR activities. It also examines whether these activities directly influence consumers' patronage behaviour, because, higher local CSR activities may have a higher relevance for local consumers.

³ The terms willingness to buy *from* a foreign grocery retailer and willingness to buy *at* a foreign grocery retailer are used interchangeably in this thesis.

Essay 2 aims to examine the influence of localised domestic appeals (i.e., localised CSR activities and perceived brand localness) on the willingness to buy from a foreign fictitious grocery retailer in the United States. By integrating both of these activities to the local market, foreign retailers are likely to positively influence consumers' willingness to buy due to a stronger and more positive influence on the domestic country and due to a higher integration perception that this retailer is part of the country. The essay further analyses whether both of these appeals interact together and enhance the effect further. Lastly, as the purpose of this thesis is to investigate the role of consumer ethnocentrism in international retailing, the author of the thesis tests whether consumer ethnocentrism acts as a moderator. The moderation is tested between each of the three relationships; that is, between the localised CSR activities and willingness to buy from a foreign grocery retailer, between perceived brand localness and willingness to buy from a foreign grocery retailer, and whether it positively influences an interaction between localised CSR activities and perceived brand localness. Answering these research questions is interesting, because there is scant literature that deals with these issues. Moreover, there are no studies (as far as the author is aware) that answer these questions in the context of a fictitious foreign grocery retailer. An advantage of using a fictitious retailer is that consumers are not familiar with the retailer brand; therefore, only the influence of the selected stimuli is investigated, which allows to avoid the noise of the pre-existing knowledge that consumers have about an existing store.

Essay 3 examines the direct influence of consumer ethnocentrism on the patronage behaviour at foreign retailers in three European countries: the United Kingdom, a German-speaking part of Switzerland and in Germany, in two retail categories: food and fashion, based on three existing retailers: Lidl, H&M and Zara. This research setting is interesting, as many studies have been conducted in the United States. As in the first two essays, the third essay captures consumer ethnocentrism in the framework of social identity theory and, additionally, conceptualises consumer ethnocentrism as a social construct and examines the role of social influences, which are an important predictor of consumer behaviour. The study investigates the direct influence of social norms on consumer ethnocentrism and, additionally, its moderating role on the relationship between consumer ethnocentrism and patronage behaviour at foreign retailers. It also tests the influence of two demographic antecedents: income and social class. Furthermore, price consciousness, a variable associated with social variables, is examined as a moderator of the relationship between consumer ethnocentrism and patronage behaviour at foreign stores.

1.2. Outline of the Thesis

The thesis has five parts. Part I introduces the topic and provides a broad overview of the thesis. The introductory part has a two-fold purpose. The first purpose is to provide an overview of the existent scientific literature and to review the literature by providing the key concepts. These concepts are conceptualised in a subsequent part as independent variables that exert an influence on consumers' patronage behaviour at foreign retailers or on their willingness to buy from a foreign grocery retailer (i.e., consumer ethnocentrism, local CSR activities and perceived brand localness). Part I also provides the overview of the main theory – social identity theory – that is used as a framework throughout the thesis. The second purpose is to link theoretical concepts and to give practical examples illustrating the relevance of the topic. Parts II, III and IV present the three essays, which are the fundamental part of the thesis. Part V summarises the thesis and provides core conclusions, managerial implications and the major limitations of the thesis and proposes avenues for the future research.

2. Theoretical Background of Consumer Ethnocentrism

2.1. Social Identity Theory

Social identity perspective was first introduced by Henri Tajfel in the early 1970's. It is described as *"a social psychological analysis of the role of self-conception in group membership, group processes, and intergroup relations"* (Hogg 2006, p. 111). The theory is anchored in an individual's efforts to distinguish one's group in relation to other groups.

Social identity theory aims to help facilitate an understanding of the social-psychological process of inter-group discrimination. It underlies both the development and the maintenance of one's social identity (Hogg 2006), where social identity is described as part of a person's self-concept that stems from membership in a social group (or groups) and that consists of the value and the emotional significance attached to that membership (Tajfel 1981). In the context of social identity theory, social group refers to *"two or more individuals who share a common social identification of themselves or, which is nearly the same thing, perceive themselves to be members of the same social category"* (Turner 2010, p. 15). Tajfel and Turner (1979) propose that individuals can belong to different groups depending, for example, on their social class, family and religion. The nation is a common reference group in the marketing literature (Zeugner-Roth, Žabkar, and Diamantopoulos 2015).

According to social identity theory, two significant psychological processes underlie the formation of the social identity. *Social categorisation* is the first significant psychological process, which is the cognitive basis of social identity (Turner et al. 1987) that captures similarities and differences between the groups. These similarities and differences are related in a meaningful way and can be based on attributes such as perceptions, feelings and behaviours. Moreover, individuals impose boundaries on the groups they affiliate with; these groups are referred to as in-groups, whereas, everything else is referred to as out-groups (Turner 2010). It is important to note that self-categorisation not “*only transforms self-conception and generates a feeling of belonging and group identification, but also transforms how we actually feel and behave to conform to the group prototype. Self-categorization causes our thoughts, feelings, perceptions, and behaviour to conform to our prototype of the in-group*” (Hogg and Reid 2006, p. 11).

Social comparison is the second significant psychological process that underlies the formation of the social identity. Social comparison strives to make and maintain the favourable distinction between one's own group and other groups (Hogg 2006; Tajfel 1981) in order to acquire or enhance one's own self-esteem and a positive social identity.

The groups to which individuals belong, or with which they identify, are an important source of pride and self-esteem. Group membership can provide a sense of social identity and belonging to the social world. It is important to note, however, that group membership does not always lead to inter-group behaviour (such as conflict, cooperation and social change), as this depends on the degree of the individual's identification with the group (Hogg and Reid 2006; Zeugner-Roth, Žabkar, and Diamantopoulos 2015).

Buying Behaviour in the Framework of Social Identity Theory

Consistent with social identity theory, individuals' perceptions that they belong to an in-group can influence their behaviour (Hogg, Terry, and White 1995). General findings of the research on social identity suggest that consumers engage in behaviours that are consistent with their identity (Forehand, Deshpandé, and Reed II 2002). For example, Homburg, Wieseke, and Hoyer (2009) argued that when individuals perceive that a company belongs to the in-group, they are more likely to engage in buying behaviour. They argued this based on three reasons. First, because such behaviour reinforces the feeling of belonging and fulfils their need for self-definition. Second, because people want to increase the status of the group to which they belong, so purchasing from a company may be viewed as helping the company. Third,

identification with a company that belongs to the in-group may fulfil an emotional need for consumers, which, in turn, will influence buying behaviour.

2.2. Ethnocentrism

Ethnocentrism is a sociological concept focused on individuals' personality, cultural and social frameworks (Shimp and Sharma 1987). The ethnocentrism concept was pioneered by William Sumner (1906, p. 13), who defined it as *"the technical name for (...) view of things in which one's own group is the center of everything, and all others are scaled and rated with reference to it (...) Each group nourishes its own pride and vanity, boasts itself superior, exalts its own divinities, and looks with contempt on outsiders"*.

Ethnocentric individuals see and interpret the world from the point of view of the group with which they identify, and they see the in-group members as the centre of the universe (Shimp and Sharma 1987). The in-group members are assumed to be friendly, trustworthy and safe and are placed at the centre in relationship to other groups. The in-group's symbols and practices are objects of attachment and pride. The out-groups' members are assumed to be unfriendly, not trustworthy and dangerous until proven otherwise (Kinder and Kam 2009) and, therefore, are negatively evaluated and are often rejected (Adorno et al. 1950; Shimp and Sharma 1987).

Social environment plays an important role in the development of ethnocentric tendencies, which have been shown to be transmitted from significant others, for example, adults and peers in the early years of an individual's life (Pearl 1954; Siamagka 2010).

The level of ethnocentrism varies depending on the individual, and it can shape their attitudes towards their nation and foreign nations. Higher levels of ethnocentrism can result in both holding positive attitudes towards one's own country and negative attitudes towards other countries (Siamagka 2010). This means that ethnocentric individuals reject culturally different individuals, while they accept those who are culturally similar (Shimp and Sharma 1987).

The ethnocentrism concept was introduced to the literature over a century ago and is still widely used across diverse research disciplines, such as consumer behaviour or political science (Siamagka 2010).

2.3. Consumer Ethnocentrism

Consumer ethnocentrism builds on the ethnocentrism concept. Shimp introduced the term in the marketing literature in 1984; three years later, it was defined as *"the beliefs*

held by [American] consumers about the appropriateness, indeed morality, of purchasing foreign-made products" (Shimp and Sharma 1987, p. 280). The literature associates consumer ethnocentrism with consumers' tendency to fear that buying imported products is morally inappropriate and unpatriotic, as it hurts the domestic economy and results in the loss of the domestic jobs (Fischer and Zeugner-Roth 2016; Siamagka and Balabanis 2015; Zeugner-Roth, Žabkar, and Diamantopoulos 2015).

Consumer ethnocentrism provides individuals with a sense of identity and a feeling of belonging (Shimp and Sharma 1987). It results in standardised perceptions of how individuals should behave and provides them with a sense of direction of which buying behaviour is appropriate (Siamagka 2010). For example, a vast number of studies have shown that, on the one hand, consumer ethnocentrism results in the rejection of foreign brands (Nijssen and Douglas 2004; Siamagka and Balabanis 2015), negatively influences foreign product purchase intentions (Fischer and Zeugner-Roth 2016), and results in the rejection of foreign-owned stores (Good and Huddleston 1995; Zarkada-Fraser and Fraser 2002). On the other hand, it has a positive influence domestic product purchase intentions (Fischer and Zeugner-Roth 2016), positively affects domestic brand preferences (Balabanis and Diamantopoulos 2011) and positively influences preferences for local products (Steenkamp and de Jong 2010) (see Table 2 for consequences of consumer ethnocentrism).

Some scholars note that ethnocentric sentiments are embedded in human values, consumer decision making and strong moral and social considerations. These moral considerations are embedded in moral values or actions, which are likely to be either helpful or harmful to others in the long run (Siamagka and Balabanis 2015; Smith 1992).

Shimp and Sharma (1987) highlight that consumer ethnocentrism is described as a tendency rather than an attitude, because tendency "*captures the more general notion of a disposition to act in some consistent fashion toward foreign products in toto*" (p. 281). Attitude, however, is associated with a specific feeling toward a particular object, such as a consumer product, for example, a car. The distinction between tendency and attitude is important, because it means that demonstrated behaviour caused by consumer ethnocentric tendencies may vary depending on the circumstances. For example, ethnocentric tendencies are not demonstrated when a domestic alternative (to the foreign product) is unavailable (Nijssen and Douglas 2004).

Shankarmahesh (2006) points out that consumer ethnocentrism represents both the affective and normative aspects of consumers' buying behaviour. The affective aspect consists of the sense of belonging and identity with the country and the fear that imported products can harm the country's well-being. The normative aspect deals with

societal forces and how consumers should behave towards imported products. Vida and Reardon (2008) add a third aspect – cognition. The cognitive aspect includes the knowledge of the possible negative effects of foreign competition on the domestic market, such as domestic job loss by purchasing foreign products.

In the extent ethnocentric literature, consumer ethnocentrism has been found to be important in global positioning (Magnusson et al. 2014; Nijssen and Douglas 2011; Westjohn, Singh, and Magnusson 2012), branding (Alden et al. 2013) and in making market entry mode decisions (Fong, Lee, and Du 2013).

Interestingly, some research found that consumer ethnocentrism can exert a stronger influence on the purchase decision of the foreign products than do other factors, such as traditional marketing mix. For example, Herche (1994) found that consumer ethnocentrism and, particularly, perceptions of the morality of purchasing imported products, impacted purchasing decisions of imported products more strongly than lower prices, intense distribution, etc.

Consumer Ethnocentrism in the Framework of Social Identity Theory

Social identity theory (see chapter 2.1., part I) is the most prominent and agreed-upon theory that explains consumer ethnocentrism, because it offers a conceptual umbrella that gives a sound foundation for the construct (Zeugner-Roth, Žabkar, and Diamantopoulos 2015). The core value of the theory stems from the theoretical notion of social categorisation and social comparison, which provide an underlying psychological mechanisms allowing to understand ethnocentric tendencies.

As previously stated social categorisation results in the formation of the in-groups and out-groups. Social comparison results in in-group favouritism (i.e., positive attitudes) and out-group discrimination (i.e., negative attitudes) (Hogg 2006). Consumer ethnocentrism is also considered a pro-in-group and anti-out-group construct. Consistent with the social identity theory individuals with higher ethnocentric tendencies want to protect the domestic economy (i.e., the in-group) by purchasing domestic products (Sharma 2011) and by rejecting foreign ones (i.e., the out-group; Sharma, Shimp, and Shin 1995; Zeugner-Roth, Žabkar, and Diamantopoulos 2015). This is based on the idea that the out-group (i.e., what is foreign), is perceived as a threat to the in-group.

The marketing literature that deals with consumer ethnocentrism often considers nations as a common criterion for making an in-group/out-group distinctions (Orth and Firtasová 2003). From this perspective, the home country is the focal in-group and

foreign countries are considered as the out-group (Shankarmahesh 2006; Verlegh 2007).

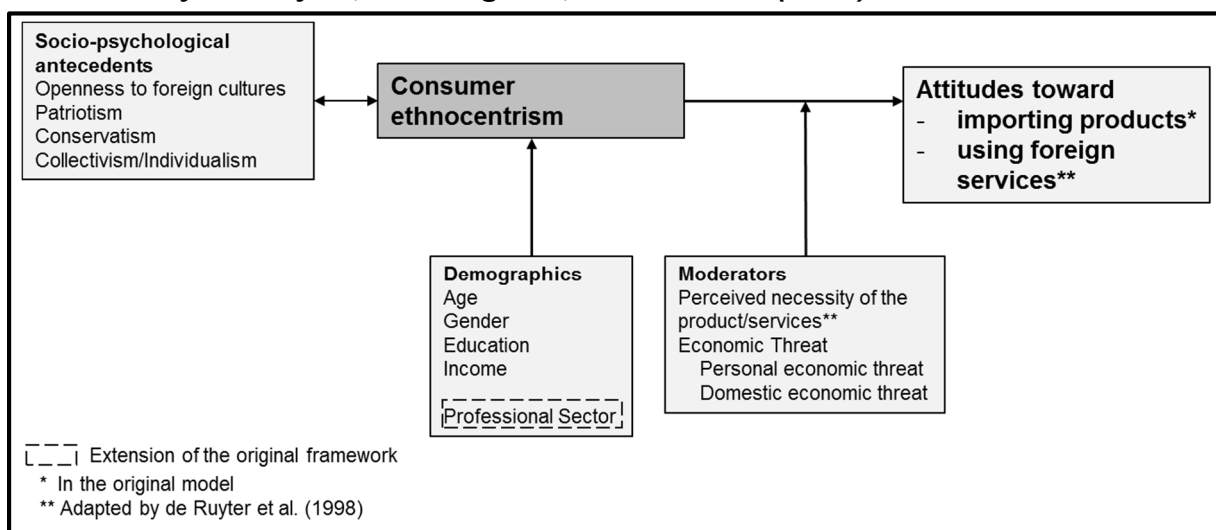
2.4. Antecedents, Moderators and Mediators of Consumer Ethnocentrism

The studies on the antecedents of consumer ethnocentrism have dominated the empirical research with the aim of gaining a better understanding of the concept. The cross-cultural analyses show that there are differences regarding the direction and the strength of the effects, which could be attributed to both external environmental variables and differences in the methodological approach (Siamagka 2010).

Sharma, Shimp, and Shin (1995) proposed the original model that provided the foundation for the antecedents' model. They divided the antecedents of consumer ethnocentrism into two categories: socio-psychological and demographic (see Figure 3). The scholars also included potential moderators of the concept.

Since the model was introduced, many researchers have examined the influence of the variables across countries and cultures to gain a better understanding of the phenomenon. Many researchers have also extended the framework to understand other factors relating to consumer ethnocentrism. This vast research prompted Shankarmahesh (2006) to carry out an integrative review of the antecedents and consequences of consumer ethnocentrism.

Figure 3: Conceptual Framework by Sharma, Shimp, and Shin (1995) Extended by de Ruyter, van Birgelen, and Wetzels (1998)

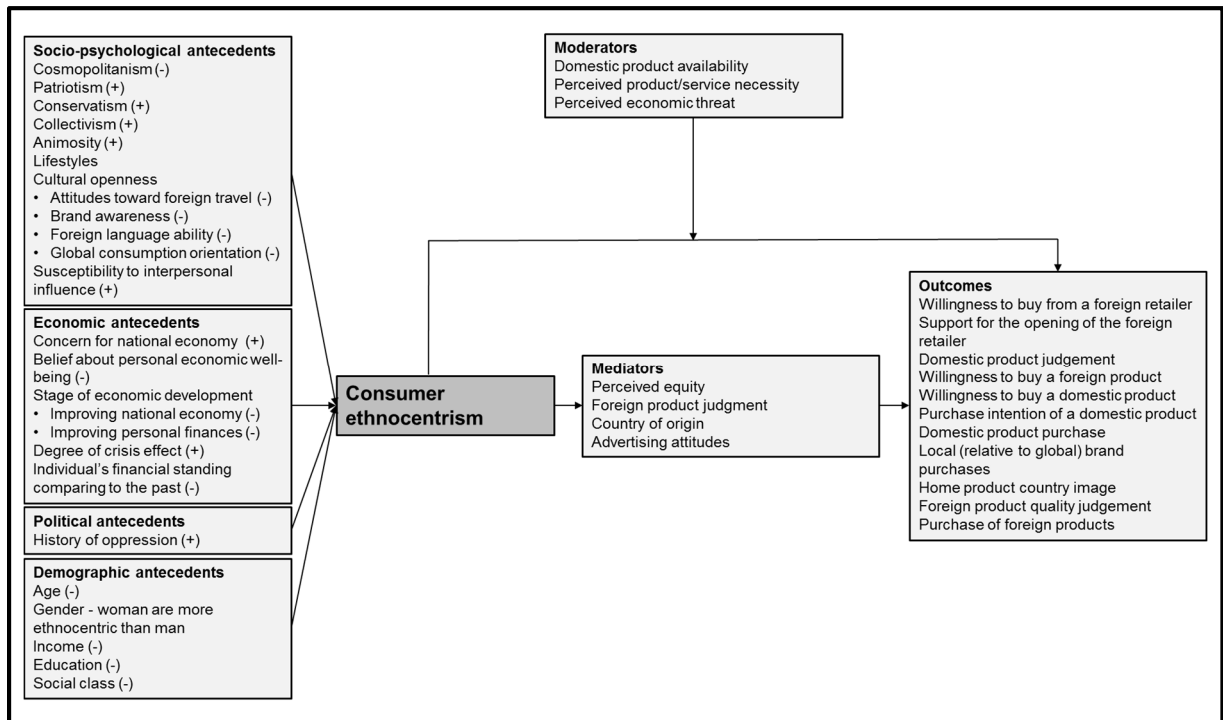


Source: Sharma, Shimp, and Shin (1995, p. 28) adapted by de Ruyter, van Birgelen, and Wetzels (1998, p. 190)

Shankarmahesh (2006) extended the framework proposed by Sharma, Shimp, and Shin (1995) and included additional variables obtained from the literature. He classified

the antecedents into four broad categories: socio-psychological, political, economic and demographic. In the review the author also identified the mediators and moderators of the concept. An extended Figure (see Figure 4) with selected antecedents, mediators, moderators and outcomes is presented below to give a better overview of the focal concept in this thesis. Table 2 provides definitions of these concepts and sample studies that have dealt with each construct.

Figure 4: Overview of Antecedents, Moderators and Mediators of Consumer Ethnocentrism



Source: Adapted and extended from Shankarmahesh (2006)

Table 2: Selected Antecedents, Mediators, Moderators and Consequences of Consumer Ethnocentrism

Variable and definition	Sign	Examples of studies
Socio-psychological antecedents		
Cosmopolitanism – captures the extent to which “a consumer (1) exhibits an open-mindedness towards foreign countries and cultures, (2) appreciates the diversity brought about by the availability of products from different national and cultural origins, and (3) is positively disposed towards consuming products from foreign countries” (Riefler, Diamantopoulos, and Siguaw 2012, p. 287).	(–)	Vida and Reardon (2008); Siamagka and Balabanis (2015); Cleveland, Laroche, and Papadopoulos (2009); Riefler and Diamantopoulos (2009)

Continued

Variable and definition	Sign	Examples of studies
Socio-psychological antecedents		
Patriotism – <i>“is commitment - a readiness to sacrifice for the nation”</i> (Druckman 1994, pp. 47–48).	(+)	Klein and Ettenson (1999); Balabanis et al. (2001); Javalgi et al. (2005); de Ruyter, van Birgelen, and Wetzels (1998); Vida and Reardon (2008); Sharma, Shimp, and Shin (1995); Shimp and Sharma (1987); Fernández-Ferrín et al. (2015)
Conservatism – <i>is “a tendency to cherish traditions and social institutions that have survived the test of time, and to introduce changes only occasionally, reluctantly, and gradually”</i> (Sharma, Shimp, and Shin 1995, p. 28).	(+)	Javalgi et al. (2005); de Ruyter, van Birgelen, and Wetzels (1998); Sharma, Shimp, and Shin (1995); Shimp and Sharma (1987); Kottasz and Bennett (2006)
Collectivism – <i>“stands for a society in which people from birth onwards are integrated into strong, cohesive in-groups, which throughout people’s lifetime continue to protect them in exchange for unquestioning loyalty”</i> (Hofstede 2001, p. 225).	(+)	Javalgi et al. (2005); de Ruyter, van Birgelen, and Wetzels (1998); Sharma, Shimp, and Shin (1995); Kottasz and Bennett (2006)
Animosity – <i>is “the remnants of antipathy related to previous or ongoing military, political, or economic events-will affect consumers’ purchase behavior in the international market-place”</i> (Klein, Ettenson, and Morris 1998, p. 90).	(+)	Klein and Ettenson (1999); Nijssen and Douglas (2004)
Lifestyles – <i>“relates to how people live, how they spend their money, and how they allocate their time among different types of activities”</i> (Kaynak and Kara 2001, p. 458).		Kucukemiroglu, Harcar, and Spillan (2006); Kaynak and Kara (2001)
Cultural openness – <i>Individuals’ “experience with and openness toward the people, values, and artifacts of other cultures”</i> (Sharma, Shimp, and Shin 1995, p. 28).	0 / (–)	Javalgi et al. (2005); Sharma, Shimp, and Shin (1995); Suh and Kwon (2002); Nijssen, Douglas, and Bressers (1999); Vida and Fairhurst (1999); de Ruyter, van Birgelen, and Wetzels (1998); Strizhakova, Coulter, and Price (2008); Kottasz and Bennett (2006)
Attitudes toward foreign travel – Attitudes towards any travel outside the borders of the country of an individual.	(–)	Nijssen, Douglas, and Bressers (1999)
Brand awareness – <i>“An individual’s awareness of or familiarity with international brands served as an indicator of the individual’s cultural openness”</i> (Vida and Fairhurst 1999, p. 325).	(–)	Witkowski (1998); Vida and Fairhurst (1999)
Foreign language ability – Ability to speak any language used in a country other than one’s own.	(–)	Witkowski (1998)

Continued

Variable and definition	Sign	Examples of studies
Global consumption orientation – “four sets of attitudinal responses to the global diffusion on consumption choices (1) assimilation/homogenization/convergence; (2) separation/polarization; (3) hybridization/creolization/glocalization; (4) lack of interest/marginalization” (Alden, Steenkamp, and Batra 2006, p. 228).	(–)	Alden, Steenkamp, and Batra (2006); Guo (2013)
Susceptibility to interpersonal influence – It is “a general trait that varies across persons and that a person's relative influence ability in one situation tends to have a significant positive relationship to his or her influence ability in a range of other social situations” (Bearden, Netemeyer, and Teel 1989, p. 473).	(+)	Siamagka and Balabanis (2015)
Economic antecedents		
Concern for national economy	(+)	Klein and Ettenson (1999); Fernández-Ferrín et al. (2015); Festervand and Sokoya (1994)
Belief about personal economic well-being	(–)	Klein and Ettenson (1999); Festervand and Sokoya (1994)
Stage of economic development		Good and Huddleston (1995); Zhou and Hui (2003); Supphellen and Grønhaug (2003); Klein and Ettenson (1999)
Improving national economy	(–)	Klein and Ettenson (1999)
Improving personal finances	(–)	Klein and Ettenson (1999)
Degree of crisis effect	(+)	Witkowski (1998); Festervand and Sokoya (1994); Saffu and Walker (2005); Ang et al. (2004)
Individual's financial standing comparing to the past	(–)	Klein and Ettenson (1999)
Political antecedents		
History of oppression	(+)	Good and Huddleston (1995)
Demographic antecedents		
Age	0 / (–)	Josiassen, Assaf, and Karpen (2011); Klein and Ettenson (1999); Good and Huddleston (1995); Sharma, Shimp, and Shin (1995); Javalgi et al. (2005); Vida and Fairhurst (1999); Ruyter, van Birgelen, and Wetzels (1998); Cleveland, Laroche, and Papadopoulos (2009); Saffu and Walker (2005); Chryssochoidis, Krystallis, and Perreas (2007); Fernández-Ferrín et al. (2015)

Continued

Variable	Sign	Examples of studies
Gender	Woman are more ethnocentric than man / no effect	Josiassen, Assaf, and Karpen (2011); Klein and Ettenson (1999); Kaynak and Kara (2001); Vida and Fairhurst (1999); Good and Huddleston (1995); Ruyter, van Birgelen, and Wetzels (1998); Sharma, Shimp, and Shin (1995); Saffu and Walker (2005); Chryssochoidis, Krystallis, and Perreas (2007); Fernández-Ferrín et al. (2015)
Income	0 / (–)	Josiassen, Assaf, and Karpen (2011); Klein and Ettenson (1999); Javalgi et al. (2005); Good and Huddleston (1995); Ruyter, van Birgelen, and Wetzels (1998); Cleveland, Laroche, and Papadopoulos (2009); Sharma, Shimp, and Shin (1995); Chryssochoidis, Krystallis, and Perreas (2007)
Education	0/(–)	Javalgi et al. (2005); Good and Huddleston (1995); Ruyter, van Birgelen, and Wetzels (1998); Cleveland, Laroche, and Papadopoulos (2009); Sharma, Shimp, and Shin (1995); Saffu and Walker (2005); Chryssochoidis, Krystallis, and Perreas (2007); Fernández-Ferrín et al. (2015)
Social class	(–)	Klein and Ettenson (1999); Caruana (1996)
Mediators		
Perceived equity		Olsen, Granzin, and Biswas (1993)
Foreign product judgement		Klein, Ettenson, and Morris (1998); Suh and Kwon (2002)
Country of origin		Kucukemiroglu, Harcar, and Spillan (2006); Chryssochoidis, Krystallis, and Perreas (2007); Olsen, Granzin, and Biswas); Orth and Firbasová (2003); Balabanis and Diamantopoulos (2004)
Advertising attitudes		Reardon et al. (2005)
Moderators		
Perceived product/service necessity		Sharma, Shimp, and Shin (1995); de Ruyter, van Birgelen, and Wetzels (1998)
Domestic product availability		Nijssen, Douglas, and Bressers (1999)
Perceived economic threat		Sharma, Shimp, and Shin (1995); de Ruyter, van Birgelen, and Wetzels (1998); Jo (1998)

Continued

Variable	Sign	Examples of studies
Outcomes		
Willingness to buy from a foreign retailer	(–)	Good and Huddleston (1995)
Support for the opening of the foreign retailer	(–)	Zarkada-Fraser and Fraser (2002)
Domestic product judgement	0 / (+)	Huddleston, Good, and Stoel Leslie (2001); Josiassen, Assaf, and Karpen (2011); Strizhakova and Coulter (2015); Verlegh (2007); Dmitrovic, Vida, and Reardon (2009); Fernández-Ferrín et al. (2015)
Willingness to buy domestic products	0 / (+)	Verlegh (2007); Balabanis and Diamantopoulos (2004); Josiassen, Assaf, and Karpen (2011); Sharma (2011); Strizhakova and Coulter (2015); Fernández-Ferrín et al. (2015); Klein, Ettenson, and Krishnan (2006)
Willingness to buy foreign products	0 / (–)	Josiassen, Assaf, and Karpen (2011); Shoham and Gavish (2016); Klein, Ettenson, and Morris (1998); Suh and Kwon (2002); Balabanis and Diamantopoulos (2004); Klein, Ettenson, and Krishnan (2006); Oberecker and Diamantopoulos (2011); Sharma (2011); Verlegh (2007)
Purchase intention of domestic products	(+)	Wang and Chen (2004)
Domestic product purchase	(+)	Dmitrovic, Vida, and Reardon (2009)
Local (relative to global) brand purchases	Supported in high (vs. low) symbolic product categories	Strizhakova and Coulter (2015)
Foreign product judgement	(–) / 0	Huddleston, Good, and Stoel Leslie (2001); Klein, Ettenson, and Krishnan (2006); Klein, Ettenson, and Morris (1998); Oberecker and Diamantopoulos (2011); Verlegh (2007); Oberecker and Diamantopoulos (2011); Sharma (2011)
Home product country image	(+)	Jin et al. (2015)
Foreign product quality judgement	(–)	Shoham and Gavish (2016)
Purchase of foreign products	(–) / 0	Witkowski (1998)

Source: Adapted and extended from Shankarmahesh (2006)

2.5. Scales to Measure Consumer Ethnocentrism

Three scales in the literature (as far as the author is aware) measure consumer ethnocentrism. The first scale, developed by Shimp and Sharma (1987), is the most commonly applied tool in research to measure consumer ethnocentrism. The second and third scales are the new instruments proposed in the literature as multi-dimensional measurements of consumer ethnocentrism. The first recent scale is by Sharma (2015) and the second is by Siamagka and Balabanis (2015).

2.5.1. Consumer Ethnocentric Tendencies Scale

Shimp and Sharma (1987) observed that researchers only investigated the level of ethnocentrism in the studies that dealt with consumer behaviour. As a result there was no psychometrically rigorous scale that measured *consumer* ethnocentrism, and concretely, research was missing that jointly focused on the marketing phenomenon and consumer behaviour. Shimp and Sharma (1987) developed a scale to address this gap, which is currently the most commonly applied scale in the literature that deals with consumer ethnocentrism. They entitled the instrument CETSCALE, which stands for Consumer Ethnocentric Tendencies Scale.

The original CETSCALE was developed to measure consumers' ethnocentric tendencies related to purchasing foreign as opposed to American-made products. In four separate studies, authors provided support that CETSCALE is reliable and has convergent and discriminant validity. The scale comprises 17 items (see Table 3 A for details on the measurement).

Table 3 A: Consumer Ethnocentric Tendencies Scale

Scale items
American people should always buy American-made products instead of imports.
Only those products that are unavailable in the US should be imported.
Buy American-made products. Keep America working.
American products, first, last, and foremost.
Purchasing foreign-made products is un-American.
It is not right to purchase foreign products, because it puts Americans out of jobs.
A real American should always buy American-made products.
We should purchase products manufactured in America instead of letting other countries get rich off us.
It is always best to purchase American products.
There should be very little trading or purchasing of goods from other countries unless out of necessity.
Americans should not buy foreign products, because this hurts American business and causes unemployment.

Continued

Scale items

Curbs should be put on all imports.

It may cost me in the long-run but I prefer to support American products.

Foreigners should not be allowed to put their products on our markets.

Foreign products should be taxed heavily to reduce their entry into the US.

We should buy from foreign countries only those products that we cannot obtain within our own country.

American consumers who purchase products made in other countries are responsible for putting their fellow Americans out of work.

Source: Shimp and Sharma (1987, p. 282)

Numerous studies were conducted after the CETSCALE was introduced to test the CETSCALE's validity outside of the United States and to show that it is psychometrically valid across cultures. Reliability and one-dimensionality of the scale were established, for example, in the United States, France, Japan and West Germany by Netemeyer, Durvasula, and Lichtenstein (1991); in Korea by Sharma, Shimp, and Shin (1995); in Poland and in Russia by Good and Huddleston (1995) and in Malta by Caruana (1996).

The CETSCALE has been also used in a reduced form and has been proven to be a reliable and stable indicator across countries, for example, as a ten-item version by Steenkamp and Baumgartner (1998); as a six-item version by Klein, Ettenson, and Morris (1998) and as a five-item version by Nijssen and van Herk (2009).

Limitations of Consumer Ethnocentric Tendencies Scale

Despite its popularity and the rigorous psychometric and nomological tests, some scholars criticised the CETSCALE. They pointed out that the scale suffers from a number of limitations. This thesis notes three criticisms⁴.

The first criticism of the CETSCALE relates to its one-dimensionality. Although several scholars provided evidence that CETSCALE has only one dimension (see reference above), there are also studies that found that CETSCALE should be multi-dimensional (e.g., Hsu and Nien 2008; Acharya and Elliott 2003; Sharma 2015; Siamagka and Balabanis 2015; Upadhyay and Singh 2006). For example, in Australia Acharya and Elliott (2003) suggested that CETSCALE should be a two-dimensional construct and include emotional and rational ethnocentrism. In India Upadhyay and Singh (2006) established a four-dimensional structure comprising nationalism, socio-economic conservatism, protectionism and ultra-nationalism. In the Netherlands Douglas and

⁴ The list is not exhaustive – this thesis notes only the most prominent limitations.

Nijssen (2003) found that a two-dimensional model consisting of one dimension dealing with the core ethnocentrism and the other with domestic product availability provided a better fit than the one-dimensional model. Similarly, Vida and Reardon (2008) claim that consumer ethnocentrism consists of three attitude elements (see chapter 2.3., part I): affective – the sense of belonging to one's beloved country; cognitive – an individual's knowledge about the effects of foreign competition on the domestic economy; and, lastly and most prevalent, normative – the consumption practices that are appropriate to prevent the negative effect on the domestic economy and domestic job market. As a result there is no consensus on the empirical structure of consumer ethnocentrism and its applicability.

Sharma (2015) proposed that scholars should apply a shorter version of the original CETSCALE to overcome the problem with dimensionality. However, Lindquist, Vida, and Plank (2001) tested whether a reduced ten-item CETSCALE is valid in the Czech Republic, Hungary and Poland. The authors found that a reduced version of the CETSCALE did not have a universal good fit. The best fit of the CETSCALE for Czech Republic included a seven-item scale, for Hungary a five-item scale and for Poland a six-item scale.

The second criticism pointed out by the scholars is the disconnect between the operationalisation of consumer ethnocentrism and its definition. Scholars argue that although consumer ethnocentrism is conceptualised as a set of beliefs, tendency and a trait-like property, this description is not reflected in the CETSCALE. CETSCALE mostly focuses on the socio-normative and economic aspects, in which the key focus is on rejecting foreign products due to their negative influence on the (American) economy (Sharma 2015; Siamagka and Balabanis 2015). Sharma (2015) observed that only one item (i.e., "*it may cost me in the long run but I prefer to support American products*") out of 17 item scale captures the beliefs of an individual consumer. Siamagka and Balabanis (2015) also made this critique. The authors question whether the fact that CETSCALE only captures the general normative aspects and fails to capture belief systems and personal values does not raise a concern about the CETSCALE's validity.

The third and final major criticism of the CETSCALE that emerged from the literature relates to the response style bias and the social desirability bias (de Ruyter, van Birgelen, and Wetzels 1998). Social desirability refers to the tendency of respondents to present themselves favourably, while answering the survey in regards to the cultural norms. De Ruyter, van Birgelen, and Wetzels (1998) observe that the scores of the CETSCALE may be higher than the actual scores, because it is socially desirable to support the domestic economy and own country. Siamagka and Balabanis (2015)

further observe that some of the items in the CETSCALE are extreme, and some have strong leading statements (e.g., “*foreigners should not be allowed to put their products on our markets*” or “*American products, first, last, and foremost*”), which can lead to such a response bias.

2.5.2. Consumer Ethnocentrism Scale

The Consumer Ethnocentrism Scale, the first of the two recent scales, was developed by Piyush Sharma (2015)⁵, who recognised the weaknesses of the CETSCALE. Contrary to Shimp and Sharma’s (1987) concept, this scholar reconceptualised consumer ethnocentrism into a multi-dimensional *attitude* construct. The proposed new construct contains three dimensions and, in total, comprises 18 items (see Table 3 B for details on the measurement). The first dimension is *affective reactions*: This captures emotional reactions to the domestic and foreign products and services. The second dimension is *cognitive bias*: It represents the evaluation bias in favour of the domestic products and services. The third dimension is *behavioural preference*: This represents acceptance of domestic products and services and more favourable buying intentions for these products and services.

Table 3 B: Consumer Ethnocentrism Scale

Scale items
Affective reaction
I love the products and services from (home country).
I am proud of the products and services from (home country).
I admire the products and services from (home country).
I feel attached to the products and services from (home country).
I hate the products and services from foreign countries.
<i>I despise the products and services from foreign countries.*</i>
Cognitive bias
East or West, the products and services from (home country) are the best.
Products from (home country) are examples of best workmanship.
Service providers from (home country) have the best work attitudes.
Products and services from foreign countries are no match for those from (home country).
(Home country) has the hardest working people in manufacturing industry.
<i>Service providers from (home country) are more caring than those in any foreign country.*</i>

Continued

⁵ Subhash Sharma developed the original CETSCALE not Piyush Sharma.

Scale items**Behavioural preference**

For me, it's always the products from (home country) first, last and foremost.

If I have a choice, I would prefer buying products and services from (home country).

I prefer being served by service providers from (home country).

As far as possible, I avoid buying products and services from foreign countries.

I often refuse to buy a product or service because it is from a foreign country.

*I would much rather not buy a product or service, than buy one from a foreign country.**

* Items do not show metric invariance (equal factor loadings) across the groups
Headings in bold relate to the name of the dimension within the scale

Source: Sharma (2015, p. 384)

Sharma (2015) followed the established scale development procedures to develop and test the revised scale and conducted two empirical consumer studies across four countries (China, India, United Kingdom and the United States) to prove scale's reliability, validity and cross-cultural measurement invariance. He also tested the influence of consumers' evaluations and behaviour in five product categories (family car, notebook computer, home furniture, luxury watch, and fine wine) and five service categories (air travel, retail banking, call centre, holiday resort, and personal healthcare). This allowed him to develop and validate a multi-dimensional revised scale. Sharma (2015) argues that the new scale is a more comprehensive and meaningful structure to measure consumer ethnocentrism than a one-dimensional scale, because it allows researchers to differentiate between the influences of the affective, cognitive and behavioural components of consumer ethnocentrism on consumers' perceptions and evaluations of the foreign and domestic products and services. Moreover, the scale has both convergent and discriminant validity and cross-cultural measurement invariance, as it has been tested across diverse cultural and socio-economic backgrounds.

Limitation of Consumer Ethnocentrism Scale

Sharma (2015) notes two limitations of the Consumer Ethnocentrism Scale. The first is that the instrument has been developed and tested based on adult shoppers in four countries that have varying cultural and socio-economic backgrounds. The second is that a potential limitation may arise from using double-barrelled items to capture consumer ethnocentrism towards products and services. Double-barrelled questions touch upon more than one issue but allow for only one answer. For example, one item reads, "*as far as possible, I avoid buying products and services from foreign countries*"; in this case, respondents with different attitudes towards products than towards services cannot properly express their answer on one Likert-like scale.

2.5.3. Consumer Ethnocentrism Extended Scale

The Consumer Ethnocentrism Extended Scale, the second recent scale, was developed by Siamagka and Balabanis (2015). Similar to Sharma (2015), these scholars recognised the weaknesses of the one-dimensional CETSCALE and reconceptualised consumer ethnocentrism into a five-dimensional construct comprising a total of 17 items (see Table 3 C for details on the measurement). The five dimensions include first, *ethnocentric prosociality*, which relates to patriotic devotion, love and sacrifice for the country, where the country's interest is prior to self-interest. Second, *ethnocentric (distorted) cognition*, is an interpretation of the world from the point of view of an ethnic group. Third, *ethnocentric insecurity* captures perceptions of threats when consumers perceive foreign products as threatening to the domestic economy and domestic workers. Fourth, *ethnocentric reflexiveness* relates to ethnocentric tendencies, which are unconscious and automatically activated. Fifth, *ethnocentric habituation* represents the link between ethnocentrism, morality and the role of habit.

Siamagka and Balabanis (2015) followed the established scale development procedure to develop and test the revised scale. They conducted four empirical consumer studies across two countries (the United Kingdom and the United States) and across six product categories (white goods, small electrical appliances, clothing and shoes, cars, beer, and motorcycles), to establish nomological and predictive validity. This allowed the researchers to develop the five-dimensional scale, which they argue better predicts consumers' preferences for local products against foreign ones.

Table 3 C: Consumer Ethnocentrism Extended Scale

Scale items
Prosociality
Buying British goods helps me maintain my British identity.
I believe that purchasing British goods should be a moral duty of every British citizen.
It always makes me feel good to support our products.
A real Briton should always back British products.
British people should always consider British workers when making their purchase decisions.
Cognition
When it comes to British products, I do not need further information to assess their quality; the country of origin is sufficient signal of high quality for me.
British goods are better than imported goods.
British products are made to high standards and no other country can exceed them.
Insecurity
Increased imports result in greater levels of unemployment in this country.
Buying foreign products is a threat to the domestic economy.

Continued

Scale items

Job losses in this country are the result of increased importation of foreign goods.

Reflexiveness

I would be convinced to buy domestic goods if a campaign was launched in the mass media promoting British goods.

If British people are made aware of the impact on the economy of foreign product consumption, they will be more willing to purchase domestic goods.

I would stop buying foreign products if the British government launched campaigns to make people aware of the positive impact of domestic goods consumption on the British economy.

Habituation

I am buying British products out of habit.

I prefer buying the British products because I am more familiar with them.

I am buying British because I am following the consumption patterns as passed to me by my older family members.

Headings in bold relate to the name of the dimension within the scale

Source: Siamagka and Balabanis (2015, p. 74)

The authors also argue that first, the new scale helps to identify the new components of consumer ethnocentrism (the five above mentioned dimensions of the scale) and second, that the new scale helps to identify consumers' behavioural intentions better because it provides a robust scale.

Limitation of Consumer Ethnocentrism Extended Scale

Siamagka and Balabanis (2015) note two limitations of the Consumer Ethnocentrism Extended Scale. First, the scale should be tested on a wider range of product categories beyond the six categories on which it has been already tested to establish its predictive validity. Moreover, the authors note that they did not test the scale in relationship to services. Second, the scale was developed and validated in two economically developed countries that are culturally similar in order to test for the generalisability and validity of the new scale. The research in other countries is, therefore, necessary.

2.6. Consumer Ethnocentrism in Services

Shankarmahesh (2006) observed, in the integrative review of consumer ethnocentrism literature, that a dearth of research exists relating to consumer ethnocentrism in the context of services, with a prominent exception of the study by de Ruyter, van Birgelen, and Wetzels (1998). De Ruyter, van Birgelen, and Wetzels (1998) argued that tangible products and services differ substantially, because there is a higher perceived risk associated with the purchase of services due to a limited availability of the information prior to the purchase. Scholars have also argued that the physical display is impossible

in most circumstances, and the influence of packaging is minimal on the provision of warranties. The empirical study of de Ruyter, van Birgelen, and Wetzels (1998) extended the work of Sharma, Shimp, and Shin (1995) (see chapter 2.4., part I) and investigated whether the original model, which was tested on the products, can also be applied to services. These scholars included a service specific variable – professional environment (see Figure 3), in addition to the original model.

The consumer data for the study by de Ruyter, van Birgelen, and Wetzels (1998) was gathered in the Netherlands. The analysis was based on ten types of services: public transport by bus, banking services, express delivery services, air travel, travel agencies, railroad services, telecommunications, mail services, medicine supply, and public utilities, such as gas and electricity. The study's findings suggest that, as in the original research, the social-psychological antecedents (openness to foreign cultures, patriotism, conservatism and collectivism/individualism) are generalisable to the ethnocentric model for the services sector, whereas the demographic and moderating factors have varying results (see Table 4 for comparison of results). De Ruyter, van Birgelen, and Wetzels (1998) note, however, that the differences can be based on the diverse cultural setting (Korea in the original study vs. the Netherlands in the service based study).

Table 4: Comparison of the Hypotheses on Product Level – Sharma, Shimp, and Shin (1995) and on Service Level – de Ruyter, van Birgelen, and Wetzels (1998)

Relationship	Sharma, Shimp, and Shin (1995)	De Ruyter, van Birgelen, and Wetzels (1998)
	Korea – products	The Netherlands – services
Socio-psychological antecedents		
Cultural openness – Consumer ethnocentrism	Confirmed	Confirmed
Patriotism – Consumer ethnocentrism	Confirmed	Confirmed
Conservatism – Consumer ethnocentrism	Confirmed	Confirmed
Collectivism – Consumer ethnocentrism	Confirmed	Confirmed
Demographic antecedents		
Age – Consumer ethnocentrism	Rejected	Confirmed
Gender – Consumer ethnocentrism	Confirmed	Rejected
Education – Consumer ethnocentrism	Confirmed	Confirmed
Income – Consumer ethnocentrism	Confirmed	Rejected
Professional sector – Consumer ethnocentrism	Not applicable	Confirmed

Continued

	Sharma, Shimp, and Shin (1995)	De Ruyter, van Birgelen, and Wetzels (1998)
Relationship	Korea – products	The Netherlands – services
Interactions		
(Perceived product/service necessity x Consumer ethnocentrism) – Attitude	Confirmed	Confirmed
(Economic threat x Consumer ethnocentrism) – Attitude	Confirmed	Rejected

Source: Adapted from de Ruyter, van Birgelen, and Wetzels (1998, p. 198)

2.6.1. Retailing

Retailing can be considered a service in the sense that “[t]he customer of a retail store (...) buys from the retailer (...) not goods but services, such as the retailer’s anticipation, transactions services, product mix, financing, delivery, and information” (Douglas 1975, p. 220).

“A retailer or retail store is any business enterprise whose sales volume comes primarily from retailing” (Kotler and Keller 2006, p. 504). Numerous definitions of retailing exist in the literature; for example, Kotler and Keller (2006, p. 504) explain that “retailing includes all the activities involved in selling goods or services directly to final consumers for personal, nonbusiness use”, whereas Mulhern (1997, p. 103) posits that “[r]etailing represents the culmination of the marketing process, the contact point between consumers and manufacturer products, marketing communications and customer service”. Lastly, Zentes, Morschett, and Schramm-Klein (2012, p. 1) explain that retailing “involves those companies that are engaged primarily in the activity of purchasing products from other organisations with the intent to resell those goods to private households, generally without transformation, and rendering services incidental to the sale of merchandise”. The retailers are the point of contact between the final consumer and the goods manufacturer. Moreover, retailers often sell third party products and must carry out activities necessary to selling these products.

Retail stores can influence consumer perceptions and how consumers view their stores through marketing communications. Carrying out marketing activities may become particularly important but also more challenging in international retailing, as international retailing is “the management of retail operations in markets that are different from each other in their regulation, economic development, social conditions, cultural environment and retail structures” (Alexander and Doherty 2009, p. 11). This means that retailers must understand consumer cultures, which are likely to differ from those in the home country. According to Dawson and Mukoyama (2006), the market is

local in international retailing (with the exception of internet-based retailers); therefore, retail companies must be aware of the local aspects of consumption and of the particularities of the local culture.

2.6.2. Differences in Selling Services vs. Products to Domestic Consumers and Appealing to Ethnocentric Consumers

Focus on international retailing is interesting from the perspective of localisation of activities to the host country, particularly with the focus on consumer ethnocentrism. International retailers, in comparison to international product manufacturers, can better adapt to the local market. This thesis observes three noteworthy differences between international retailers and international product manufacturers that help retailers to appeal to the host market's consumers.

First, foreign retailers often source from a large number of foreign and domestic suppliers. For example, retailers with a limited range of products with no more than 800 units may source products from over 100 suppliers, whereas retailers who operate department stores may have more than 1'000 suppliers (Dawson and Mukoyama 2006). This is a fundamental difference as compared to foreign products, which are manufactured with a limited number of ingredients/components (this excludes complex products such as machines, boats and cars). Foreign retailers can, consequently, source a large number of products from the domestic market and are more likely to be perceived as supporting the market and as committed both to the market and to the local employees (as opposed to a single product manufacturer). This commitment is likely to be perceived by consumers, particularly by ethnocentric consumers, as a positive contribution to the domestic economy. This, in turn, should convince these consumers that shopping at the particular store does not harm the domestic economy. For example, Biedronka (2014), a retail store chain a subsidiary of the Portuguese company Jerónimo Martins operating in Poland, highlights in one of their marketing campaigns promoting Polish products that 90 percent of their food products come from the Polish producers.

The second difference between retailers and product manufacturers is that foreign retailer's offering is more complex than a foreign product manufacturer's. Foreign retailers build on an assortment of foreign and domestic products and can tailor their assortment to the host country to include local products and brands, whereas a product is manufactured either within or outside the country. This allows foreign retailers, as explained by Ger (1999) and Özsomer (2012) in respect to products/brands, to create a closer link to the national identity, local culture and heritage. For example, in one of their marketing campaigns, Biedronka (2014) points out that the Polish products guarantee not only high quality but also traditional Polish flavours, which are

appreciated by Polish consumers. Such local culture connectedness may be especially valued by ethnocentric consumers who perceive everything associated with the in-group with pride (Siamagka and Balabanis 2015).

The third difference between retailers and product manufacturers is that foreign retailers, in contrast to foreign products, deliver their service in the domestic market mostly with domestic employees. The delivery of consumer services by local employees may be particularly appealing to consumers with higher ethnocentric tendencies, because these consumers reject foreign services based on their concern that it will have a negative effect on the well-being of the domestic economy (de Ruyter, van Birgelen, and Wetzels 1998). In respect to products, product manufacturing is less visible to the local consumers and, again, occurs either within or outside of the country.

2.6.3. Consumer Ethnocentrism in Retailing

There is abundant literature that investigates the phenomenon of consumer ethnocentrism but a scarcity of research focused specifically on consumer ethnocentrism from the perspective of international retailing. The literature review identified four main studies dealing with consumer ethnocentrism in the context of foreign retailing: peer-reviewed journal articles by Good and Huddleston (1995) and by Zarkada-Fraser and Fraser (2002), as well as a doctoral dissertation by Tay (2006) and a working paper by Láng and Láng (2012). Additionally, two studies touch upon but do not specifically focus on consumer ethnocentrism in retailing: Neese and Hult (2002) and Carpenter et al. (2013).

2.6.3.1. Study by Good and Huddleston (1995)

The study by Good and Huddleston (1995) was conducted in Eastern Europe. Scholars observed that cues used by Eastern European consumers to evaluate products for purchase were particularly important to Western manufacturers and retailers. During the time of the research, Eastern European countries represented a market of over 400 million prospective consumers. Due to this high relevance of Eastern Europe, Good and Huddleston (1995) decided to base their study in Poland and Russia, the two largest Eastern European countries. The authors argued that both countries were going through a major economic, political and social transformation at the time, which may have affected the consumers' buying patterns.

The main purpose of the research was to investigate whether Polish and Russian consumers exhibit ethnocentric tendencies and whether these tendencies differ between the two countries, between demographic characteristics (age, gender, income and education) and between store types (state-owned and private-owned stores).

Moreover, the authors examined whether the level of ethnocentric tendencies influence the product selection depending on the country-of-origin information.

The findings most relevant to this thesis suggest that ethnocentric tendencies in Poland and Russia were an important determinant of a store choice. Consumers higher in ethnocentrism were shopping more at the state-owned stores (i.e., domestic) and consumers with a lower level of ethnocentric tendencies were more likely to buy from the private (i.e., foreign) stores. The authors reasoned that the finding was not unexpected, because during the time of the study, state-owned stores received more supplies from the state-owned producers (that is, from the home country – the in-group), whereas, private-owned stores have no history with the domestic suppliers. Most of their assortment was, therefore, foreign (i.e., sourced from the out-group).

2.6.3.2. Study by Zarkada-Fraser and Fraser (2002)

The study by Zarkada-Fraser and Fraser (2002) was conducted in Australia, based on Australian and Greek-Australian female consumers. Scholars had criticised existing country-of-origin research conducted in the advanced, multi-ethnic markets, such as Australia, the United States and Canada, for failing to differentiate between migrant and mainstream consumers. The authors thus explored the sub-cultural differences between these two consumer groups by focusing on two research questions: First, whether a company's country-of-origin influences the support of a store and second, whether attitudes towards the country-of-origin of a new supermarket are related to consumers' ethnic background, level of ethnocentric tendencies, and the level of migrants' (when applicable) identification with their cultural origin. The study design was based on fictitious foreign-owned and domestic-owned retailers.

The findings that are most relevant to this thesis indicate that a retailer's country-of-origin influenced consumers' support of the supermarket's opening. Both Australian and Greek-Australian consumers were more likely to support the opening of an Australian rather than an American store. These scholars highlighted a small correlation between the ethnic backgrounds of the consumers with their support for a foreign store, but they also found that consumer ethnocentrism was a much better predictor. It is important to note that ethnocentric tendencies of Australian consumers were 63 percent higher than those of Greek-Australian consumers (3.24 vs. 1.99, respectively, where 1 represents the lowest possible value and 5 the highest possible value). More importantly, however, the findings suggested that consumer ethnocentrism is negatively correlated with attitudes towards a fictitious foreign-owned store.

Lastly, these scholars argued that the path for foreign stores to penetrate the Australian market is challenging. Foreign retailers that offer attractive prices, product assortment, services and convenience often fail in the Australian market, as they are attacked on their weak point: their foreignness. These authors implied that often these efforts are insufficient to overcome hostility against foreignness.

2.6.3.3. Study by Tay (2006)

Tay's (2006) doctoral dissertation investigated the influence of consumer ethnocentrism on consumers' willingness to shop at foreign grocery retail stores and on purchase of imported products. The main objective was to examine consumers' shopping orientations, particularly whether a utilitarian value impacts the relationship between consumers' ethnocentrism and their willingness to shop at foreign grocery stores. Tay (2006) conceptualised a utilitarian value in a retail context as *"being task-related and rational, where post shopping satisfaction is achieved through the successful acquisition of products, product information and/or services"* (Tay 2006, p. 60). The scholar set the research in Beijing, China, an emerging market.

Tay (2006) collected data using store-intercept surveys in four grocery hypermarkets operating in China: two were domestic (Chinese) and two were foreign (European). The most relevant findings in both samples indicate that consumer ethnocentrism has a strong and negative influence on consumers' willingness to shop in foreign grocery stores.

Interestingly, Tay (2006) notes that more than 70 percent of respondents who shopped at the domestic stores were familiar with the grocery retailers of the foreign origin. However, those respondents were reluctant to shop in foreign grocery stores due to their higher levels of ethnocentric tendencies. Moreover, the relationship between consumer ethnocentrism and willingness to shop in the foreign retail stores was moderated in both samples by the consumers' level of utilitarian value. In particular, when utilitarian value was low, the link between consumer ethnocentrism and willingness to shop was negative and strong. When utilitarian value was moderate, the link became less negative, and when utilitarian value was high, the relationship was neutralised⁶. The author argued that this occurs because Beijing consumers consider grocery shopping to be utilitarian-oriented. The author concluded that utilitarian value is a stronger factor/stimulus than consumer ethnocentrism in predicting Beijing consumers' willingness to shop at foreign grocery stores.

⁶ The wording originates from the thesis by Tay (2006).

2.6.3.4. Study by Láng and Láng (2012)

Láng and Láng (2012) investigated in a working paper whether and how politically motivated *buy from nationals* campaigns in Hungary influenced consumers' retail patronage behaviour. The authors focused on the processes of consumers' retail preference formation from the perspective of the domestic and foreign retailers in food and daily convenience retailing. They differentiated between cognitive/rational influences (i.e., convenience, value prices, merchandise selection, merchandise quality and sales promotions/discounting), affective influences (i.e., patriotism, cosmopolitanism and nationalism) and normative influence (i.e., consumer ethnocentrism).

The authors collected data on-line, which resulted in 619 valid responses. The most relevant findings suggest that discriminatory retail patronage is affective, or emotional, whereas positive patronage behaviour is rational, or cognitive. The authors highlighted that an important contribution of their study indicated that consumer ethnocentrism, which is often described in the literature as a normative influence, can also be an affective factor. They argued that, due to the combination of affective and normative dimensions, consumer ethnocentrism can be best described as *economic nationalism*. Moreover, the authors found that consumer ethnocentrism positively correlates with preference formation for domestic retailers; however, they did not provide information on the influence of consumer ethnocentrism on retail preference from the perspective of foreign retailers.

The main recommendation the authors proposed for foreign retailers to successfully compete with the domestic retailers was to focus on affordable quality, merchandise selection, convenience of access and service excellence. They also noted, however, that the Hungarian market is particular, because Hungary is a small, open economy with a highly internationalised retail industry that has relatively balanced market share of foreign and domestic grocery stores; the findings, therefore, are context specific.

2.6.3.5. Other research investigating the role of consumer ethnocentrism in retailing

Two remaining studies that touch upon consumer ethnocentrism in retailing are the studies by Neese and Hult (2002) and Carpenter et al. (2013).

Neese and Hult (2002) used CETSCALE (see chapter 2.5.1., part I) to segment the local, retail luxury sedan market into pro- and anti-import groups. Based on an experiment, the authors investigated the effectiveness of comparative advertising in the domestic and imported luxury sedan markets. Based on 282 consumer responses,

the scholars found that the pro-import segment, surprisingly, was less prone to accept the hard-hitting, direct comparison advertising format than was the anti-import segment. Neese and Hult (2002) explained that this segment found it less convincing, likable, professional and more boring. However, they stated no conclusion regarding consumer ethnocentrism.

Carpenter et al. (2013) examined the influence of global acculturation on ethnocentrism towards international retailers. These scholars conducted their study in the United States based on a sample of 492 consumer responses. The most relevant results suggest mixed findings between the acculturation to the global consumer culture and its impact on ethnocentrism towards food and fashion retailers. Moreover, the authors found that social interaction reduced the influence of ethnocentrism on food and fashion retailers, whereas an openness to and a desire to emulate global consumer culture along with self-identification with the global consumer culture, had a positive influence on ethnocentrism for both food and fashion retailers. The authors also found that the acculturation to the global consumer culture did not have a consistent influence on ethnocentrism.

3. Corporate Social Responsibility

3.1. Overview of Socially Responsible Consumer Behaviour and Corporate Social Responsibility in the Retail Context

Corporate social responsibility (CSR) focuses on a firm's moral, ethical and social obligations, which go beyond direct economic interests (Ailawadi et al. 2014; Brown and Dacin 1997). It is important that managers consider CSR in their strategy, because CSR can become a source of competitive advantage (Webb, Mohr, and Harris 2008). Öberseder et al. (2014, p. 101) point out that CSR activities are so important that they *"should be the domain of marketing scholars as much as other functional fields such as management and strategy; and that a greater understanding about how stakeholder value can be created by CSR activities is needed"*.

Handelman and Arnold (1999) found in an experiment that consumers have expectations towards retail companies regarding marketing actions that have a social dimension. The effectiveness of a retailer's economically oriented actions are hindered significantly when they do not meet the expected threshold of the actions with a social dimensions. This idea is supported by Mohr, Webb, and Harris (2001), who posited that there is a growing group of consumers for whom CSR activities matter. The authors refer to these consumers as socially responsible.

A socially responsible consumer is one who is *“basing his or her acquisition, usage, and disposition of products on a desire to minimize or eliminate any harmful effects and maximize the long-run beneficial impact on society”* (Mohr, Webb, and Harris 2001, p. 47). These consumers try to purchase from companies that do not have a negative impact on the society. Becker-Olsen, Cudmore, and Hill (2006) also found that more than 80 percent of consumers believe that companies should become involved in social initiatives and demonstrate to the relevant constituents support for the local community, which should be as important as demonstrating the firm’s competitive strategy.

These findings indicate that measuring consumers’ perceptions of CSR activities is important. Research has established that the positively perceived CSR activities of a retailer have a positive influence on consumers’ purchase intentions (e.g., Ailawadi et al. 2014; Russell and Russell 2010) but also that they can drive consumer loyalty and favourable consumer patronage behaviour (e.g., Schramm-Klein et al. 2016). It is also important to point out that consumers’ perceptions of CSR activities can influence consumer behaviour regardless of their accuracy (Magnusson, Westjohn, and Zdravkovic 2011; Öberseder et al. 2014).

Jones et al. (2007) took a closer look into CSR reports of the United Kingdom’s top retailers and found that retailer reports mainly focus on four dimensions of CSR activities, which relate to the environment, the marketplace, the workplace and the community. Ailawadi et al. (2014) observed, consistent with this, that most companies carry out CSR programmes with a wide focus on the (A) environmental sustainability, (B) community support, (C) cause-related marketing and (D) employee enablement. Application of these CSR programmes is not uncommon in practice, as many senior retail managers implement CSR initiatives which have become strategically important. The following four examples illustrate each of the CSR-specific programmes in retailing.

As a part of an environmental strategy (A), Coop – a Swiss retailer – introduced a climate strategy in 2008 aiming for all Coop stores to become CO₂ neutral by 2023. Since the programme was launched in 2008 until 2015, the company reduced CO₂ emissions by 24.8 percent, indicating that the strategy is in line with its vision (see Figure 5 A for a sample marketing communication, the writing on the delivery truck translates to *“Coop Travel with electricity. No CO₂. Less noise”*; Gold Standard 2015).

Figure 5: Marketing Communication of Retailers' CSR Activities

Source: Coop (2017); Tesco Ireland (2016a); CNW (2015)

As a part of a community support programme (B), Tesco Ireland helps local communities through its *Nation-wide Tesco Community Fund*, valued at one million Euros a year, whereby customers across Ireland vote for the causes they want to support (see Figure 5 B for an example of the two-year community fund poster). Funds are then distributed depending on the number of votes each cause receives (Tesco Ireland 2016b). As a part of a cause-related marketing campaign (C), IKEA in cooperation with UNICEF and Save the Children foundations launched a global campaign, *The Soft Toys for Education*, which ran from 2003 until the end of 2015. The campaign aimed to improve children's education in Africa, Asia and Europe (see Figure 5 C for a sample marketing communication). Throughout the campaign IKEA donated 88 million Euro for children's educational projects (IKEA 2016). Finally, Biedronka in Poland introduced an employee enablement programme (D). Biedronka highlights on its web-site that it is a trustworthy employer who offers employment to 47'000 employees throughout Poland. It also points out that it consistently increases wages, provides systematic training to its employees and offers advancement opportunities. In fact, the company posits that 90 percent of Biedronka's management have emerged from within the company (Biedronka 2016).

3.2. Corporate Social Responsibility Literature with Local Focus in the Retail Context

The literature calls for different approaches to CSR. Some scholars argue that local engagement is an optimal form, while others call for globally integrated strategies (Muller 2006). However, since the focus of this thesis is on localisation's relevance, it discusses only those studies relating to CSR activities with a local focus, where localised CSR activities relate to CSR activities that are directed to the host country and the local community surrounding a retail store.

The literature review revealed only two studies in retailing that focus on the geographic scopes of CSR activities. These studies include the studies by Russell and Russell (2010) and by Kim, Ha, and Fong (2014).

3.2.1. Study by Russell and Russell (2010)

Russell and Russell (2010) argued that through their purchases, consumers are the judges of corporations' behaviour and that businesses are paying attention to consumers' responses to CSR strategies. Based on the existent academic literature, the authors noted that there was a lack of empirical research dealing with how CSR initiatives influence consumer behaviour. The scholars attempted to understand how consumers' identities and values influence behaviour to fill in the research gap. The main objective of their study was to assess both consumers' behavioural reactions to CSR activities from the perspective of the geographical focus of these activities and their sense of identity in the framework of egocentric literature.

Russell and Russell (2010) conducted three experiments in the United States in which they manipulated the activities to either a local or a distant focus. In the first experiment, based on a domestic retailer, the authors investigated whether consumers were more likely to patronise the store whose CSR activities were domestic as opposed to foreign. They also investigated whether consumers' sense of global identity moderates that relationship. In the second experiment, based on a domestic retailer, they investigated whether CSR activities that were focused in the home state had a varying influence on consumer behaviour toward the CSR activities that were focused in a distant state. They also analysed whether environmental consciousness moderated that relationship. Lastly, in the third experiment, based on a domestic restaurant chain, Russell and Russell (2010) manipulated the origin of CSR activities between consumers' home city and a distant city and analysed whether the salience and level of consumers' superordinate group identity moderated it.

The findings of all three experiments indicate that the influence on patronage intentions and on actual choices increase when consumers perceive a greater personal relevance from the CSR activities. The findings also indicate that an egocentric bias results in higher purchase intentions (and actual choices).

3.2.2. Study by Kim, Ha, and Fong (2014)

Kim, Ha, and Fong (2014) recognised the lack of research dealing with different aspects of CSR in retailing, which is particularly important because retailers' CSR activities that target community members are becoming more prominent. They argued this because they recognised that by localising CSR activities, retailers create a closer link and emotional relationship with the community where they operate. These scholars investigated consumer perceptions of community- and employee-oriented CSR programmes and whether these programmes result in social support (i.e., legitimisation) and financial support. Moreover, they analysed a moderating role of consumer engagement in community social capital (where social capital relates to *"the collective value embedded in all social networks which enables people to act together for the betterment of society"* (Kim, Ha, and Fong 2014, p. 135)).

The most relevant findings from the perspective of this thesis suggest that the retailer CSR actions that are seen to be coherent with social norms gain legitimacy and support from the consumers within a given community.

3.3. Scales to Measure Corporate Social Responsibility

Three noteworthy scales in the literature measure CSR from a consumer behaviour perspective. First is the scale by Öberseder et al. (2014) measuring consumer perceptions of CSR. Second is the scale by Wagner, Bicen, and Hall (2008) measuring corporate social irresponsibility in the retail context. Third is the scale by Webb, Mohr, and Harris (2008) entitled the Socially Responsible Purchase and Disposal Scale. Since the first instrument that measures consumer perceptions of CSR is most relevant to this thesis, it is described in greater detail, whereas the other two are briefly mentioned.

3.3.1. Consumer Perception of Corporate Social Responsibility Scale

Öberseder et al. (2014) recognised that researchers and managers were lacking a scale that captures consumers' responses to CSR and their overall perceptions of a company's CSR activities. The scholars developed a psychometrically rigorous scale measuring consumers' perceptions of CSR activities to address this gap. The final scale consists of seven dimensions: customer domain, employee domain, environment

domain, societal domain, community domain, shareholder domain and supplier domain (see Table 5 A for details on the measurement).

Table 5 A: Consumers' Perceptions of Corporate Social Responsibility

Scale items	Scale items
Community domain	Employee domain
Contribute to the economic development of the region.	Communicate openly and honestly with employees.
Create jobs for people in the region.	Treat employees equally.
Source products and raw materials locally.	Offer adequate remuneration.
Respect regional values, customs, and culture.	Develop, support and train employees.
Communicate openly and honestly with the local community.	Set decent working conditions.
	Flexible working hours for employees.
Shareholder domain	Environmental domain
Provide sustainable growth and long-term success.	Corporate environmental protection standards are higher than legal requirements.
Communicate openly and honestly with shareholders.	Reduce energy consumption.
Invest capital of shareholders correctly.	Reduce emissions like CO ₂ .
Societal domain	Recycle.
Employ people with disabilities.	Prevent waste.
Employ long-term unemployed.	Customer domain
Make donations to social facilities.	Implement fair sales practices.
Support employees who are involved in social projects during working hours.	Label products clearly and in a comprehensible way.
Invest in the education of young people.	Meet quality standards.
Contribute to solving societal problems.	Set fair prices for products.
Supplier domain	Offer safe (not harmful) products.
Provide fair terms and conditions for suppliers.	Offer the possibility to file complaints.
Communicate openly and honestly with suppliers.	
Negotiate fairly with suppliers.	

Source: Öberseder et al. (2014, p. 107)

The authors argued that developing a scale without sub-dimensions would limit their understanding as well as their measurement of the construct. Öberseder et al. (2014) recommend that marketers and scholars should take into account two levels of analysis: the overall consumer perception of CSR activities (with a higher level of abstraction) and the individual domains of CSR activities (with a lower level of abstraction). These scholars further argued that investigating particular domains of the scale can help researchers and managers to better understand consumer perceptions

of CSR activities, which can help to derive better implications. Moreover, the authors argued that the scale can be applied to different sectors and industries, for example, consumer durables, fast-moving consumer goods, and service industries.

Limitations to Consumer Perception of Corporate Social Responsibility Scale

The scale of consumer perceptions of CSR suffers from two main limitations. First, it was developed and tested in only one country and scale development was based on Austrian consumer responses only. Moreover, the scale was only tested across three industries: manufacturing, fast-moving consumer goods and banking. More research is needed to establish the scale's validity and reliability.

Second, the authors formulated the scale as a reflective instrument. However, it can be questioned whether the scale is reflective or formative. The indicators in formative measures are not interchangeable, because they capture a specific aspect of the construct's domain (Diamantopoulos and Winklhofer 2001). It appears that some items within each domain capture different aspects, for example, within a community domain one of the items posits that the company "*contribute[s] to the economic development of the region*", whereas the other items posit that the company "*respect[s] regional values, customs and culture*" and that it "*communicated openly and honestly with the local community*". It appears that these items capture specific aspects of the construct's domain; hence, they are formative and not reflexive, as the authors proposed.

3.3.2. Corporate Social Irresponsibility Scale

Wagner, Bicen, and Hall (2008) developed a *reversed* scale to measure CSR specifically in the retail context, as they recognised that CSR activities had become particularly important in that sector. The authors entitled their scale the Corporate Social Irresponsibility Scale. Their study's objective was to develop an instrument that would shed light on particular retail business practices that would reveal consumer perceptions of corporate social irresponsibility. They identified 14 factors for that purpose that embody perceptions of corporate social irresponsibility in retailing, which they empirically validated. These factors include the natural environment, local business, foreign economies, local employment, societal rules, employee benefits, employee wages, local working conditions, employee discrimination, foreign labour, sales practices, dishonesty, offensive material and pricing policies (see Table 5 B for details on the measurement).

Table 5 B: Corporate Social Irresponsibility Scale

Scale items	Scale items
Natural environment	Local businesses
Selling products whose production harms the natural environment. ^a	Forcing local small businesses into bankruptcy.
Contributing substantially to environmental pollution.	Selling goods below cost to put local competitors out of business.
Producing extensive amounts of waste.	Creating a local monopolistic position for themselves.
	Forcing local retailers into bankruptcy.
Foreign economies	Societal rules
Shifting capital overseas.	Cheating on taxes.
Selling a majority of products built overseas.	Paying bribes.
Contributing significantly to the national trade deficit.	Ignoring the law.
Buying from companies overseas instead of domestic companies.	Breaking the law.
Local employment	Employee benefits
Increasing unemployment in local communities.	Providing very limited benefits to employees.
Replacing existing jobs with lower wage jobs in local communities.	Providing very limited medical insurance to employees.
Causing local businesses to reduce jobs in local communities.	Making health-care coverage very expensive for employees.
Reducing their own workforce in local communities.	Referring employees to health care provided by the state instead of providing medical insurance themselves.
Employee wages	Local working conditions
Paying employees less than the market average.	Having employees work in an unclean environment.
Paying employees not more than minimum wage.	Having employees work in an unsafe environment.
Not paying employees living wages.	Treating employees disrespectfully.
Paying very low wages to employees.	Providing poor working conditions to employees.
	Not allowing employees to take sufficient breaks.
Employee discrimination	Foreign labour
Discriminating employees based on race.	Paying extremely low wages to workers in developing countries.
Discriminating employees based on gender.	Having workers in developing countries work under very poor conditions.

Continued

Scale items	Scale items
Discriminating employees based on age.	Having workers in developing countries work extensive hours.
Discriminating employees based on looks.	Having workers in developing countries do a very heavy workload.
Sales practices	Dishonesty
Selling customers products they do not really need.	Making misleading claims to customers through advertising.
Selling customers products that are bad for their health.	Having sales people make false claims to customers about products.
Selling customers products they cannot afford.	
Offensive material	Pricing policies
Exposing customers to provocative images through advertising.	Charging customers higher prices than originally advertised.
Exposing customers to products that are offensive to some people.	Charging customers high prices due to a monopolistic position.
Exposing customers to products and images that are not family friendly.	Overpricing products to customers.
<i>Note:</i> ^a Responses to the question “ <i>In my opinion, retail companies act socially irresponsible when... (statement)</i> ” were obtained using 7-point scales, anchored by 1 = I disagree completely and 7 = I agree completely	

Source: Wagner, Bicen, and Hall (2008)

The main limitation of the scale is that it was developed and tested in only one market, the United States; therefore, its generalisability and validity across other countries was not assessed.

3.3.3. The Socially Responsible Purchase and Disposal Scale

Webb, Mohr, and Harris (2008) developed the Socially Responsible Purchase and Disposal Scale. They recognised that at the time of the research, consumers' confidence in corporations was low; as a result, American consumers were more likely to be involved in socially responsible consumption. These researchers developed a scale to measure consumers' socially responsible purchases and disposals, which comprise three dimensions: purchasing based on firms' corporate social responsibility performance; recycling; and avoidance and use reduction of products based on their environmental impact (see Table 5 C for details on the measurement). The authors have tested the scale across three studies to establish its preliminary reliability and validity.

Table 5 C: The Socially Responsible Purchase and Disposal Scale

Scale items	Scale items
CSR performance	Consumer recycling behaviour
I try to buy from companies that help the needy.	I recycle cardboard.
I try to buy from companies that hire people with disabilities.	I recycle plastic containers.
I avoid buying products or services from companies that discriminate against minorities.	I recycle magazines.
When given a chance to switch to a retailer that supports local schools, I take it.	I recycle aluminium cans.
I try to buy from companies that make donations to medical research.	I recycle steel/tin cans.
I make an effort to buy from companies that sponsor food drives.	I recycle paper.
When given a chance to switch to a brand that gives back to the community, I take it.	
I avoid buying products made using child labour.	Environmental impact purchase and use criteria
When given a chance, I switch to brands where a portion of the price is donated to charity.	I avoid buying from companies that harm endangered plants or animals.
I avoid buying products or services from companies that discriminate against women.	Whenever possible, I walk, ride a bike, car pool, or use public transportation to help reduce air pollution.
When I am shopping, I try to buy from companies that are working to improve conditions for employees in their factories.	I avoid using products that pollute the air.
I try to buy from companies that support victims of natural disasters.	I avoid buying products that pollute the water.
I make an effort to buy products and services from companies that pay all of their employees a living wage.	I make an effort to avoid products or services that cause environmental damage.
	I avoid buying products that are made from endangered animals.
	I limit my use of energy such as electricity or natural gas to reduce my impact on the environment.

Headings in bold relate to the name of the factor

Source: Webb, Mohr, and Harris (2008)

Similar to the scale developed by Wagner, Bicen, and Hall (2008), the socially responsible purchase and disposal scale was developed in the United States; therefore, its validity and generalisability across cultures can be questioned.

3.4. Link between Corporate Social Responsibility and Consumer Ethnocentrism

CSR-conscious consumers consider the possession and use of products that have a long-term benefit to the society with a minimal negative impact when making their purchases (Mohr, Webb, and Harris 2001). This refers, at least partly, to the impact at

the local and host-country levels. In this respect, the consumer ethnocentrism and CSR concepts are related.

Retailers who ensure that they act responsibly on the country level simultaneously respond to the concerns of CSR-conscious and ethnocentric consumers. Jones et al. (2007) illustrated that top retailers in the United Kingdom report mainly on four dimensions (see chapter 3.1., part I), three of which are highly relevant in the context of this thesis (i.e., the local marketplace, the workplace and the community).

The link between these dimensions and consumer ethnocentrism is quite evident. For example, in the marketplace dimension, Jones et al. (2007) explain that sourcing local and regional foodstuffs has received widespread attention. These scholars provided an example of J. Sainsbury's commitment to the British farmers, particularly to ensuring that *"customers have access to fresh, tasty and healthy food that is sourced in their local region"* (p. 251). Another example is of Tesco Ireland, which advertises that, as a part of the Taste Bud programme in 2015, 100 percent of the fresh beef, pork, lamb, milk and eggs sold across Tesco stores in Ireland came from local suppliers (Tesco Ireland 2016c). Linking that with consumer ethnocentrism, consumer ethnocentrism captures economic motives for in-group bias and is based on the belief that purchasing foreign products has a negative consequences for the domestic economy. Purchasing domestic products (grown or manufactured in the country) is morally appropriate for ethnocentric consumers, which can lead to a more favourable perception of the retailer. In fact this link is even more evident when taking a closer look at certain items from the CETSCALE; for example, *"[country name] products first, last and foremost"* or *"[i]t is not right to purchase foreign products, because it puts [country name natives] out of jobs"* (Shimp and Sharma 1987, p. 282). A company that ensures its merchandise comes from the in-group (local suppliers) can be rewarded with more positive attitudes by ethnocentric consumers (Verlegh and Steenkamp 1999; Granzin and Painter 2001).

The retailers in the United Kingdom, as noted by Jones et al. (2007), also reported on their commitment to employees. The authors observed that the majority of retailers report that caring for their people is one of their key success factors. They provide an example of DSG International (2007) that states *"the satisfaction and engagement of our people is critical to the success of our business"* (p. 252). The idea of caring for employees and, in fact, hiring local employees, should particularly relate to ethnocentric consumers. As mentioned in chapter 2.6.2. (part I), retailers (vs. product manufacturers) deliver their service in the local market; hence, retailers' concern about their employees is, to some extent, at the host country level. Ethnocentric consumers are fretful about employment of domestic employees, which is measured in some items of the CETSCALE; for example, *"Americans should not buy foreign products, because*

this hurts American business and causes unemployment” (Shimp and Sharma 1987, p. 282). Moreover, in line with social identity theory, and particularly with the process of social comparison, ethnocentric consumers favour the in-group; hence, consumers should more positively perceive retailers who take care of the in-group.

Lastly, the retailers report on their commitment to local communities in which they operate. Kingfisher (in 2007) argued in its CSR report that one of its aims was to make each of its stores a good neighbour in the community it served. This appeal should be particularly relevant to ethnocentric consumers, as it shows that the retailer cares for the social and economic aspects of the local community as a part of its business activities and that it acts responsibly. This corresponds to the idea that consumer ethnocentrism is closely linked to ensuring both the well-being of the domestic economy and the availability of work for the locals.

4. Perceived Brand Localness

4.1. Overview of the Literature on Perceived Brand Localness

Many studies in the literature have focused on the effect of perceived brand globalness on the product, retail and corporate levels (e.g., Steenkamp, Batra, and Alden 2003; Swoboda and Hirschmann 2016; Swoboda, Pennemann, and Taube 2012). It has been established that global brands enjoy a high consumer interest and these brands international availability has been identified as an important source of competitive advantage (Steenkamp and de Jong 2010). However, such positioning is not the only way to success (Halkias, Davvetas, and Diamantopoulos 2016). In fact, although relatively scarce, there is an increasing interest in the literature regarding the effects of the influences of perceived brand localness⁷.

Perceived brand localness can be defined as “*being recognized as a local player and a symbol or icon of the local culture*” (Swoboda, Pennemann, and Taube 2012, p. 72). It is important to note, however, that perceived brand localness does not mean that a brand is active in only one country or that it originates from that country (i.e., it is not restricted by the geographical boundary) but, rather, that it adapts to the host market’s local culture.

⁷ Alternatively, some scholars refer to perceived brand localness as *brand local icon value* (Steenkamp, Batra, and Alden 2003) or *perceived local iconess* (Özsomer 2012).

Brands that are perceived as local have numerous advantages. For example, it was found that such brands are well connected with the local culture and local communities; as a result, brands perceived as local have a cultural iconic value and are more likely to emotionally appeal to domestic consumers (Holt, Quelch, and Taylor 2004; Xie, Batra, and Peng 2015). Furthermore, local brands benefit from perceptions of higher prestige and positive affect because a higher unique value is associated with them (Halkias, Davvetas, and Diamantopoulos 2016; Özsomer 2012; Steenkamp, Batra, and Alden 2003). Lastly, brands perceived as local usually benefit from a higher awareness, image, uniqueness, originality, pride and monetary value (Alden, Steenkamp, and Batra 1999; Ger 1999; Özsomer 2012; Schuiling and Kapferer 2004; Swoboda, Pennemann, and Taube 2012).

Perceived brand localness is relevant and interesting to investigate, because it is important for both the brand's/company's strategy and because it can influence consumer behaviour. Swoboda, Pennemann, and Taube (2012) proposed that companies can build a competitive advantage based on the local identity and local culture, which is consistent with Ghemawat (2007), who posits that one way that companies can gain competitive advantage is by adapting locally and focusing on the local products. In fact, Halkias, Davvetas, and Diamantopoulos (2016) found that applying local brand positioning is an effective strategy for creating brand value and that adopting a local consumer culture positioning strategy (as opposed to the global consumer culture strategy) may be worth exploiting by managers who should create links to the local communities and adapt to the local consumer base. The authors highlight that this strategy can be worthwhile not only for the domestic brands but also for the large international firms, as high association of the brand with localness has a positive impact on both brand attitudes and on consumers' behavioural intentions.

Consumers' perspectives also support the relevance of perceived brand localness. Steenkamp and de Jong (2010) propose that certain consumer groups are against the *bland homogeneity* that stems from the globalisation of world markets. These consumer groups increasingly look for products that are original, authentic and have rich, distinctive local content. Purchasing local products (or products perceived as local) increases these consumers' satisfaction (Steenkamp and de Jong 2010); thus, they focus on purchasing these products to maintain their identity in the fast-changing world. This presents an opportunity for local brands' competitive positioning (Halkias, Davvetas, and Diamantopoulos 2016; Nijssen and Douglas 2011).

The level of perceived brand localness depends on consumers' brand knowledge. Companies can shape that knowledge and influence consumer perceptions of whether the brand is perceived as local through the brand's name, advertising, positioning and

use of symbols. Brands perceived as local create a link to the cultural originality and to consumers' national identification because they are adapted to the particularities of the local market (Özsomer 2012; Steenkamp, Batra, and Alden 2003; Zhang and Khare 2009). Moreover, these products/companies are often perceived to represent and support local communities (Dimofte, Johansson, and Ronkainen 2008; Halkias, Davvetas, and Diamantopoulos 2016; Strizhakova, Coulter, and Price 2008).

4.2. The Literature on Perceived Brand Localness with a Focus on Retailing

In the retail context, perceived brand localness captures consumers' perceptions of a foreign retailer acting like a local actor and being accepted as a symbol of the local culture (Swoboda, Pennemann, and Taube 2012). Retailers who are perceived as local can better integrate into the domestic market and create links with the local culture and heritage (Xie, Batra, and Peng 2015). Local brand positioning can be used by retailers as a source of competitive differentiation (Ailawadi and Keller 2004). Moreover, *"consumers who lack personal experience with a retail brand and thus cannot rely on personal experience when evaluating retailers and their intangible offers (...) may use a brand's origin to evaluate the retailer"* (Swoboda, Pennemann, and Taube 2012, p. 76).

Only one study exists in the literature (as far as the author is aware) that investigates the relevance of perceived brand localness in retailing. This study was conducted by Swoboda, Pennemann, and Taube (2012).

Swoboda, Pennemann, and Taube (2012) posited that many foreign stores, years after entry into China's market, could not rely on the weaknesses of the domestic counterparts. These authors argued that the positioning of the foreign retailers against local stores became increasingly important. The main objective of these scholar's study was to answer the following three research questions. First, what is the underlying mechanism; that is, is it functional values (price and quality) or psychological values (emotional and social) by means of which retailers translate perceived brand globalness and perceived brand localness into patronage in emerging countries? Second, under the assumption that boundary conditions change the route to success, how does the retailer's origin (foreign or domestic) affect the total effects of perceived brand globalness and perceived brand localness and the value mechanism, which translates perceived brand globalness and perceived brand localness into retail patronage? Third, how does consumer identity (global or local) interact with perceived brand globalness and perceived brand localness? These scholars carried out their study in China based on existing Asian, Western and domestic retailers.

The main findings that are relevant to this thesis suggest that perceived brand localness enhances retail patronage behaviour through consumers' functional and psychological value perceptions. These values vary, however, depending on the retailer's origin. Moreover, perceived brand localness was found to be a better positioning for the local than for the international retailers.

4.3. Scales to Measure Perceived Brand Localness

There are two scales in the literature (as far as the author is aware) used to measure perceived brand localness. Steenkamp, Batra, and Alden (2003) developed the first scale, the brand as an icon of local culture, particularly for the brand context. Swoboda, Pennemann, and Taube (2012) created the second scale, perceived brand localness, by extending an existing scale developed by Steenkamp, Batra, and Alden (2003) and adapting it to the retail context. However, since neither of the two articles in which the scales were introduced focus on the scale development, both instruments are only mentioned briefly.

4.3.1. Brand as Icon of Local Culture Scale

Steenkamp, Batra, and Alden (2003) developed a scale to measure perceived brand localness (or what they referred to as *brand as icon of local culture*). Their instrument used three items on the semantic differential scale to indicate consumers' perceptions of the degree to which a particular brand associates with, and symbolises, the local country or culture. The scale has proven to be reliable and valid in two studied countries, the United States and South Korea (both values of Cronbach's Alpha were above .7 threshold; see Table 6 for details on the measurement).

Table 6: Scales to Measure Perceived Brand Localness

Brand as Icon of Local Culture by Steenkamp, Batra, and Alden (2003)	Perceived Brand Localness by Swoboda, Pennemann, and Taube (2012)
I associate this brand with things that are (American/Korean). / I do not associate this brand with things that are (American/Korean).	I associate I associate this retail brand with things that are (Chinese).
To me, this brand represents what (America/Korea) is all about. / To me, this brand does not represent what (America/Korea) is all about.	To me, this retail brand represents what (China) is about.
To me, this brand is a very good symbol of (America/Korea). / To me, this brand is not a very good symbol of (America/Korea).	To me, this retail brand is a very good symbol of (China).

Source: Steenkamp, Batra, and Alden (2003, p. 64); Swoboda, Pennemann, and Taube (2012, p. 81)

4.3.2. Perceived Brand Localness Scale

Swoboda, Pennemann, and Taube (2012) noted that perceived brand localness and perceived brand globalness do not represent opposing points on a continuum, as argued and originally proposed by Steenkamp, Batra, and Alden (2003)⁸. Swoboda, Pennemann, and Taube (2012) proposed that retailers, rather, disclose a portfolio of positioning options of global, local, or hybrid brands (Steenkamp and de Jong 2010). For that reason Swoboda, Pennemann, and Taube (2012) adapted the instrument created by Steenkamp, Batra, and Alden (2003) to the retail context and placed it on a seven-point Likert-type scale. The instrument displayed internal reliability, with a Cronbach's alpha value above .7 threshold and a composite reliability above .8 (see Table 6 for details on the measurement).

4.4. Link between Perceived Brand Localness and Consumer Ethnocentrism

Brands perceived as local create value by adapting to the local tastes and needs, as well as by emphasising connotations with the local culture (Halkias, Davvetas, and Diamantopoulos 2016; Özsomer 2012; Schuiling and Kapferer 2004). These brands should be especially appreciated by ethnocentric consumers.

Good and Huddleston (1995, p. 45) concluded that retailers (to appeal to ethnocentric consumers in Poland and in Russia) need to use in their advertisements *"Polish/Russian actors and need to communicate in a culturally consistent manner, focusing on the countries' rich history and cultural artefacts"*. Consumers with higher ethnocentric tendencies are proud of their home country's brands, symbols and culture. Moreover, these consumers prefer purchasing local brands, as that gives them a sense of identity and belonging (Shimp and Sharma 1987; Siamagka and Balabanis 2015; Steenkamp, Batra, and Alden 2003).

In the social identity theory framework and in particular based on the social categorisation (which captures similarities and differences between the groups; Turner et al. 1987); foreign retailers who integrate into the local market, for example by using domestic symbols, colours, etc. should be associated with the local heritage and country. This may influence consumer perceptions of whether this retailer is similar to the local country and, therefore, can be categorised as an in-group.

Many practical examples exist of foreign retailers in various Western countries who attempt to create a link with the local culture and do so to potentially influence

⁸ This can be contended, however, because Steenkamp, Batra, and Alden (2003, p. 53) posit that *"brand can rate high or low on both the local and the global dimension"*.

consumer perceptions of being part of an in-group. Some of these retailers and examples include Tesco Ireland, who integrated the Irish word *Fáilte* (meaning *welcome*) into the logo on their website (see Figure 6 A). It also incorporated the Irish flag throughout the stores and included the flag on the *Tesco home grown in Ireland products* (see Figure 6 B), whereas on the Irish quality sign, it uses an Irish national symbol, the shamrock (see Figure 6 C; Tesco 2017). In Switzerland Lidl not only incorporates the Swiss flag into its logo (see Figure 2 A) and a map of Switzerland into advertising material, but it also makes connotations with the local culture by hiring Swiss celebrities for promotional activities. Lidl Switzerland launched a programme with a Swiss fitness model *Fit mit Anita Buri* (which translates to *Fit with Anita Buri*) and a programme with a Swiss professional Chef *Rezepte von René Schudel* (which translates to *Recipes from René Schudel*) (Lidl Switzerland 2017a, 2017b). Another example is of Aldi in Switzerland, who integrated a Swiss flag and a picture of the Matterhorn, a well-known Swiss mountain, on the delivery trucks (see Figure 6 D) and added the name Suisse into its logo (see Figure 6 E; Aldi Switzerland 2017).

Consumers' categorisation of a foreign retailer as an in-group should result in higher acceptance, particularly from consumers with higher ethnocentric tendencies. Such categorisation may exert an effect on consumers' behavioural intentions, because ethnocentric consumers need their sense of belonging and identity satisfied (Siamagka and Balabanis 2015). Thus, retailers who have adapted to the local market should enjoy a higher approval by ethnocentric consumers than retailers who follow a more standardised strategy across countries and who are likely to be perceived as the out-group.

Moreover, Steenkamp, Batra, and Alden (2003) argue that consumer ethnocentrism is closely linked with *economic nationalism* (Baughn and Yaprak 1996) and that, from this perspective, a local brand provides a link between the national economy and individuals' well-being. Following that line of reasoning, the authors continued, consumers with higher ethnocentric tendencies may sacrifice potential gains (such as better quality and lower price) to receive the psychological benefit of avoiding contact with the out-group; they can achieve this by purchasing local brands (brands perceived as local). This observation is further supported by Vida and Reardon's (2008) explanation that one of the three underlying processes of consumer ethnocentrism includes an affective element, which deals with individuals' sense of belonging and identity with the beloved country.

Figure 6: *Retailers' Adaptation of Marketing Communications to Domestic Market*



Source: Tesco (2017); Aldi Switzerland (2017)

Part II: Reducing the Negative Effect of Consumer Ethnocentrism on Patronage Behaviour at Foreign Retailers⁹ (Essay 1)

1. Introduction

Foreign retailers often realise innovation or functional advantages in foreign countries (e.g., Gielens and Dekimpe 2001; Swoboda, Pennemann, and Taube 2012), but at the same time, they face competitive disadvantages in comparison to well-embedded local firms (e.g., Denk, Kaufmann, and Roesch 2012). Researchers have found evidence that consumers' acceptance of foreign stores can be partly attributed to the status of the retailer as foreign, as it might be perceived as part of an out-group (e.g., Swoboda and Pennemann 2014; Zarkada-Fraser and Fraser 2002). Therefore, in this study, we analyse the effects of consumer ethnocentrism on patronage behaviour at foreign retailers. Shimp (1984) explains that consumer ethnocentrism captures beliefs held by customers regarding the immorality of purchasing foreign-made products. Such beliefs are the result of a perception that buying foreign-made products has negative repercussions on the domestic economy and results in domestic job losses. Consistent with de Wulf and Odekerken-Schröder (2003), patronage behaviour is conceptualised as the purchasing frequency of consumers and the amount spent at a particular retailer compared with other retailers where the consumers shop.

Scholars have paid considerable attention to the antecedents of consumers' patronage behaviour by addressing such important antecedents as quality, selection, and store atmosphere (see the overview by Pan and Zinkhan 2006). However, to the best of our knowledge, scholars have not yet addressed consumer ethnocentrism as an antecedent of consumers' patronage behaviour at foreign retailers. This relationship may be of importance for foreign retailers because consumer ethnocentrism has previously been shown to pose a barrier to internationalisation for service companies (de Ruyter, van Birgelen, and Wetzels 1998).

Consumer ethnocentrism has been investigated as an antecedent in indirect effect models (e.g., Dmitrovic, Vida, and Reardon 2009; Zeugner-Roth, Žabkar, and Diamantopoulos 2015; Nijssen and Douglas 2011) as well as in models examining the direct effects of consumer ethnocentrism on various behavioural outcome variables, for example, willingness to buy foreign and domestic products (Zeugner-Roth, Žabkar, and Diamantopoulos 2015), brand purchases (Strizhakova and Coulter 2015), or

⁹ This essay is published as: Keane, Marta and Dirk Morschett (2016), "Reducing the Negative Effect of Consumer Ethnocentrism on Patronage Behaviour at Foreign Retailers," *Marketing ZFP*, 38 (4), 228–242.

reluctance to buy foreign products (Siamagka and Balabanis 2015). The findings in the literature are consistent and show that consumers with higher levels of consumer ethnocentrism are more reluctant to purchase foreign products (Siamagka and Balabanis 2015). Surprisingly, only two studies address the influence of consumer ethnocentrism in the retail context. In a study examining Poland and Russia in the period of economic transition, Good and Huddleston (1995) find that consumers who shopped at state-owned stores were more ethnocentric than consumers who shopped at privately owned stores that were mostly foreign-owned. Zarkada-Fraser and Fraser (2002) find that for Australian and Greek-Australian consumers, consumer ethnocentrism is correlated with a negative attitude towards a hypothetical foreign-owned supermarket, while for migrants, this relationship is weaker. However, these studies do not provide insights into the direct effects of consumer ethnocentrism on patronage behaviour.

Therefore, the first aim of this research is to examine whether and how consumer ethnocentrism affects patronage behaviour at foreign retailers based on the social identity theory (Tajfel and Turner 1979). In doing so, we contribute to the literature by taking a novel perspective on the direct effects of consumer ethnocentrism on self-reported patronage behaviour at foreign retailers. Patronage behaviour is known to be affected by consumers' perceptions of offers (e.g., brands, assortment of products or price; Pan and Zinkhan 2006), but foreign retailers might be additionally affected by consumer ethnocentrism. Siamagka and Balabanis (2015) argue that although products can be evaluated based on different criteria, ethnocentric consumers primarily categorise products as domestic or foreign. We argue that this type of categorisation is also relevant for retail stores.

As opposed to manufacturer brands, foreign retailers provide complex assortments of products that may include both foreign and domestic products, and they can integrate themselves in the local market, for example by having local employees provide their service in the host country and by sourcing from domestic suppliers. Such integration may be appreciated by local consumers. In this respect, the second aim of the study is to analyse whether and how certain activities of foreign retailers affect patronage behaviour at foreign stores and whether such activities influence the consumer ethnocentrism-patronage behaviour link. By doing so, we contribute to the literature by analysing the role of the domestic assortment, perceived brand localness and the local corporate social responsibility (CSR) of foreign retailers. We focus on these variables – and do not comprehensively analyse a broad set of further variables – for three reasons. First, those three characteristics are frequently applied by foreign retailers, as shown through anecdotal evidence and the authors' observations in different countries. Second, retailers can use a wide assortment of domestic products

and brand localness to reduce the perception of foreignness (which cannot be achieved by adapting prices or quality), which allows foreign retailers to appeal to the national identity of the local consumers. Third, we choose product assortment because it is known to be frequently adapted to the host country (Swoboda and Elsner 2013), and we choose local CSR because consumers who are CSR-conscious may aspire to minimise any harmful effects and maximise the beneficial impact on society with their purchase decisions (Mohr, Webb, and Harris 2001). CSR can refer partly to global activities and partly to those in the host country and is furthermore closely related to consumer ethnocentrism. We also investigate whether local CSR activities and perceived brand localness directly influence consumers' patronage behaviour at foreign retailers.

In summary, we provide new insights into research on retailing in international marketing by analysing whether consumers with higher (vs. lower) levels of consumer ethnocentrism are less likely to patronise foreign retailers and how certain activities that retailers' can undertake to better integrate themselves in the local market affect patronage behaviour directly or indirectly.

The remainder of this study proceeds as follows: first, the theoretical foundation is introduced, which provides the basis for the hypotheses. Then, the empirical study is described and an overview of the results is provided. The results are then discussed and managerial implications are described. Finally, limitations and avenues for future research are proposed.

2. Theory and Hypotheses

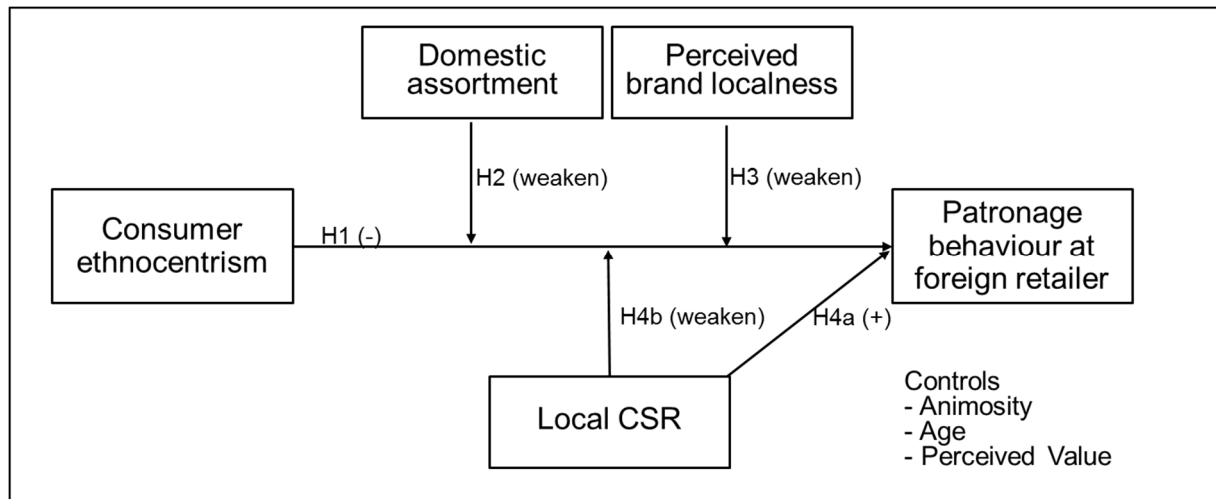
2.1. Theory and Conceptual Framework

Consumer ethnocentrism captures the economic motives for a domestic bias in buying behaviour, an idea that is widely supported in the literature (Sharma, Shimp, and Shin 1995; Shimp 1984; Zeugner-Roth, Žabkar, and Diamantopoulos 2015). Typically, the concept of consumer ethnocentrism has been used to justify consumers' preference for a domestic product compared to foreign alternatives (Zeugner-Roth, Žabkar, and Diamantopoulos 2015). Scholars have shown that consumer ethnocentrism represents the normative belief that purchasing foreign products is incorrect because it hurts the domestic economy, and consumers should support domestic companies by purchasing domestic products (Shimp and Sharma 1987; Siamagka and Balabanis 2015; Zeugner-Roth, Žabkar, and Diamantopoulos 2015).

Social identity theory is considered to explain the roots of consumer ethnocentrism (Zeugner-Roth, Žabkar, and Diamantopoulos 2015). The theory posits that an individual has a need for a positive social identity, which is conveyed by a need to enhance the positive distinctiveness of the in-group compared to out-groups (Turner 1999). Tajfel and Turner (1979) propose that individuals can belong to different groups, depending, for example, on social class, family or religion. The groups to which they belong (or identify with) are an important source of pride and self-esteem. Group membership can provide individuals with a sense of social identity and belonging to the social world. The self-image of individuals is divided into a personal identity and a social identity, with social identity being defined as “*that part of an individual's self-concept which derives from his knowledge of his membership in a social group (or groups) together with the value and emotional significance attached to that membership*” (Tajfel 1981, p. 255). The level of this need depends on the individual's emotional attachment to the group (Oberecker and Diamantopoulos 2011). A common criterion for making in-group versus out-group distinctions is nationality (Orth and Firtasová 2003), whereby the home country is normally perceived as the in-group and foreign countries as an out-group (Verlegh 2007; Zeugner-Roth, Žabkar, and Diamantopoulos 2015). In our context, a foreign retailer is likely to be perceived as belonging to the out-group and therefore as not contributing to a consumer's social identity, which should negatively affect patronage behaviour.

However, retailers have major opportunities to affect consumer perceptions of whether they are part of the in-group as they carry out their operations in the host country. Considering their assortment of products, foreign retailers can increase the local content and offer a more domestic assortment in the host country. They can also use more emotional appeals and localise their retail brand to the host country, for example, by using local national symbols. With regard to local CSR, foreign retailers can support the local communities around their stores, create local employment or buy from domestic suppliers. These activities should reduce the incidences of rejection of the retailer by ethnocentric customers but should also be appreciated by customers in general, thus creating a direct link to patronage behaviour. The direct effects of consumer ethnocentrism and local CSR as well as potential moderators are integrated in our conceptual framework (see Figure 7).

Figure 7: Conceptual Framework



Source: Author

2.2. Hypotheses Development

According to social identity theory, consumers with higher levels of consumer ethnocentrism are more likely to have a negative perception of foreign retailers (because they are seen to harm the domestic economy). These perceptions may negatively affect the preferences consumers have for foreign retailers (shown for products, brands and institutions, Granzin and Painter 2001) and may influence patronage behaviour. Consumers higher in ethnocentrism have a stronger sense of belonging to the group (i.e., the in-group), which guides their behaviour regarding what an appropriate and inappropriate purchasing behaviour is (Siamagka and Balabanis 2015). More importantly, there is a negative relationship between the level of consumer ethnocentrism and the attitude towards foreign-owned stores (Zarkada-Fraser and Fraser 2002). Because a foreign retailer is likely not to belong to the perceived in-group, we expect that consumers with higher consumer ethnocentrism will be less likely to purchase from foreign retailers. We therefore propose as follows:

H1: Consumer ethnocentrism has a negative influence on patronage behaviour at foreign retailers.

A retailer's activities have been shown to have a strong influence on patronage behaviour. Scholars have identified the assortment of products as an important factor in acquiring and retaining customers (e.g., Pan and Zinkhan 2006; Schramm-Klein et al. 2016). Swoboda, Pennemann, and Taube (2012), for example, show that a consumer's response to foreign retailers is influenced by the assortment of products, which can additionally help foreign retailers reduce the perception of foreignness. For the purposes of this study, the domestic assortment is defined as the perceived share of products particular to the market in which the retailer operates. Ethnocentric

consumers tend to favour products that represent their home country's tastes, styles and fashion, even if they are not made domestically. For example, Kipnis et al. (2012) find that Polish consumers associated positive ethnocentric tendencies with the foreign brand Carlsberg because they perceived the brand to be adapted to the country's tastes, which made it more Polish. The scholars further note that consumers' positive reactions were based on their belief that the brand attempted to match the local expectations and conveyed its respect for local traditions. Therefore, foreign retailers who offer products that appeal to local tastes may partially overcome the aversion ethnocentric consumers may feel toward them. We therefore propose as follows:

H2: The higher the perception of the domestic assortment is, the weaker the negative relationship will be between consumer ethnocentrism and patronage behaviour at foreign retailers.

Another strategic instrument that can help foreign retailers be perceived as part of the in-group and thereby appeal to the social identity of ethnocentric consumers is the retail brand. The retail brand has been frequently identified as a source of differentiation from consumers' point of view (Ailawadi and Keller 2004; Swoboda et al. 2013). The retail brand image is comprised of the perceptions and beliefs that consumers hold about the brand (Keller 1993).

The focus of this study is on a specific aspect of the retail brand, namely the perceived brand localness. Perceived brand localness captures consumers' perceptions of a foreign retailer acting like a local actor and being accepted as a symbol or icon of the local culture (Steenkamp, Batra, and Alden 2003; Swoboda, Pennemann, and Taube 2012). Foreign retailers can use emotional appeals to integrate themselves into the domestic market, which can exert an important influence on consumers' behaviour (Steenkamp, Batra, and Alden 2003). This integration can occur by building strong associations with the local culture, national identity, and heritage (Xie, Batra, and Peng 2015). For example, the German retailer Aldi integrated a picture of the Matterhorn, a well-known Swiss symbol, on the delivery trucks of its Swiss subsidiary and a British flag with the slogan *Championing Great British Quality* on delivery trucks in the United Kingdom.

These local appeals should be particularly appreciated by consumers with higher consumer ethnocentrism, as they are attracted to national ideals and view domestic symbols and culture with pride (Siamagka and Balabanis 2015; Steenkamp, Batra, and Alden 2003). Thus, consistent with social identity theory, managers can sway consumers' perceptions of whether the brand is considered local (in-group) by using local symbols (Kipnis et al. 2012). Retailers whose brand is adapted to the host country

can thereby influence ethnocentric consumers' emotional affiliation with the nation (the in-group). Consequently, consumers should have more positive perceptions of the foreign retailer. We therefore propose as follows:

H3: The higher the perceived brand localness is, the weaker the negative relationship will be between consumer ethnocentrism and patronage behaviour at foreign retailers.

Previous research has established that companies' CSR activities have an influence on consumers' purchase intentions (Mohr, Webb, and Harris 2001; Öberseder, Schlegelmilch, and Gruber 2011; Russell and Russell 2010) and, to a lesser extent, on their patronage behaviour (e.g., Schramm-Klein et al. 2016). It has also been shown that patronage behaviour is influenced by the perceived level of support retailers' show towards their employees and the community and that it is a relevant consideration in consumers' purchase decisions (Schramm-Klein et al. 2016).

Consistent with social identity theory, individuals who perceive that the activities of a company positively contribute to the country (i.e., benefits the in-group) are more likely to engage in positive behaviour towards that company because it is consistent with their identity (Forehand, Deshpandé, and Reed II 2002; Russell and Russell 2010). Ailawadi et al. (2014) observe that the perception of a retailer's CSR activities may influence consumer behaviour because of what the CSR activities say about the consumer. Furthermore, Russell and Russell (2010) argue that consumers' patronage intentions increase when they perceive that a retailer's CSR activities are localised because such activities have increased direct personal relevance for a consumer and directly benefit the in-group. In our study, local CSR refers to how well a company contributes to the local economy and creates benefits for local stakeholders (i.e., the in-group).

Jones et al. (2007) find that the top retailers in the United Kingdom primarily include information about their efforts in the local marketplace, the workplace or the community in their CSR reports. For example, in 2007, the British retailer Sainsbury's reported on their commitment to local farmers, particularly their mission to provide consumers with local produce. Consumer ethnocentrism captures economic motives for in-group bias and is based on the normative belief that purchasing foreign products is incorrect because it hurts the domestic economy (Shimp and Sharma 1987; Siamagka and Balabanis 2015; Zeugner-Roth, Žabkar, and Diamantopoulos 2015). By ensuring that they act responsibly in the local environment, retailers specifically respond to the concerns of ethnocentric consumers. In fact, the link between local purchasing (as part of CSR) and ethnocentrism becomes evident when examining some items on the

CETSCALE, which is the instrument that is most frequently used to measure consumer ethnocentrism. For example, “*Americans should not buy foreign products, because this hurts American business and causes unemployment*” (Shimp and Sharma 1987, p. 282). Thus, a company that ensures that its merchandise comes from the in-group (local suppliers) can be rewarded with more positive behaviour from ethnocentric consumers (Granzin and Painter 2001).

Based on this reasoning and consistent with the principles of social identity theory, we expect that the more consumers perceive that a foreign retailer exerts a positive influence on the local economy (i.e., the in-group), the more they are likely to buy from that foreign retailer. These activities should be particularly relevant for consumers with higher ethnocentrism and should result in a lower likelihood of rejecting that foreign retailer. We therefore propose as follows:

H4a: Perceived local CSR activities have a direct positive influence on patronage behaviour at foreign retailers.

H4b: The higher the perceived local CSR activities of a foreign retailer are, the weaker the negative relationship will be between consumer ethnocentrism and patronage behaviour at foreign retailers.

3. Empirical Study

3.1. Sample

An empirical study was conducted in the US market based on two retail companies: Aldi and IKEA. These retailers were chosen because they are the only two foreign retailers on the top 100 retailers list in the US that use their original foreign retail brand for their US stores (NRF 2015). Moreover, both retailers are among the most global retail brands in the world and must compete with mostly domestic retail chains¹⁰.

The data for the study were collected online with the help of a digital service provider. Only American respondents familiar with at least one of the two retailers and who have the opportunity to patronise this retailer (geographic proximity) were asked to fill out the questionnaire. Geographic proximity was assessed based on consumers' perception of store accessibility. Each respondent evaluated one retailer. A total of 662

¹⁰ We have also tested whether other foreign retail chains in the top 100 in the USA that use a local retail brand instead of their foreign name are perceived as foreign or as domestic. The results show that each of these retailers is perceived as domestic by at least 80 percent of the respondents.

questionnaires were collected. After data collection, the sample was revised to eliminate respondents who mistakenly perceived the retailer as domestic. This was based on the logic that otherwise the results would be biased, given that customers would then behave as they would towards domestic retailers. This resulted in the exclusion of 91 Aldi questionnaires and 30 IKEA questionnaires¹¹. Furthermore, respondents with an immigrant background were eliminated because it has been shown in previous research that immigrants display different behaviour towards foreign retailers than consumers without an immigration background due to different perceptions of in-group and out-groups¹². We used a very strict criterion for immigration background and excluded all respondents who had at least one parent born abroad, which resulted in 43 exclusions. The final sample consists of 505 usable responses (for an overview of the sample, see Table 7).

Table 7: Overview of the Sample

Frequency Percent			Frequency Percent		
Retailers			Age		
Aldi	260	51.5	Up to 25	31	6.1
IKEA	245	48.5	26-34	191	37.8
Gender			35-44	156	30.9
Male	255	50.5	45-54	65	12.9
Female	250	49.5	55 and older	62	12.3
N	505	100	N	505	100

Source: Author

Regarding the measurement, we considered a hierarchy of effects by applying an appropriate questionnaire design (e.g., randomising the question order). We relied on previous studies using mostly seven-point Likert-type scales (ranging from 1 to 7, strongly disagree to strongly agree) as well as reflective and formative scales. Following de Wulf, Odekerken-Schröder, and Iacobucci (2001), the dependent variable patronage behaviour was measured with three items (see Table 8). One item was measured on a seven-point Likert scale, one item on a ten-point scale, and one on a one-hundred-percent scale. Following Nijssen and van Herk (2009), a five-item CETSCALE was used to measure consumer ethnocentrism. Perceived brand localness was measured on a three-item scale developed by Swoboda, Pennemann,

¹¹ We have tested this assumption empirically and it is supported by the data: While consumer ethnocentrism has a negative effect on patronage behaviour for those consumers that correctly perceive Aldi or IKEA as foreign retailers, as is shown in the results section, the influence of consumer ethnocentrism on patronage behaviour is positive in the group of consumers that mistakenly perceive the retailers as domestic ($\beta = .191$, $p < .01$).

¹² Zarkada-Fraser and Fraser (2002) found that consumers with immigrant backgrounds were significantly less ethnocentric than consumers with non-immigrant backgrounds (mean values 3.24 vs. 1.99 respectively). Their study also revealed that immigrant consumers were significantly more likely to support the opening of foreign-owned retail shops.

and Taube (2012). The scale used to measure the domestic assortment was developed for this study because no scale existed; it was measured with four items on seven-point Likert-type scales.

Finally, to develop an appropriate local CSR scale, we conducted a pre-test in December 2013 with fifty-six respondents to determine the most relevant dimensions of CSR in the retail context based on a proposed scale developed by Öberseder et al. (2014). The initial scale consisted of seven domains (each containing between 3 and 6 items). Because the focus of our study is on local aspects of CSR, two dimensions were excluded from the pre-test: shareholder domain, because the shareholders of foreign retailers are presumably from abroad and their well-being should not influence the behaviours of ethnocentric consumers, and the customer domain, because perceived value, as an important facet of consumer perceptions, was included in this study as a control variable. Fifty-six respondents were asked to use a seven-point Likert scale to indicate the aspects they considered most relevant when shopping based on questions derived from the scale developed by Öberseder et al. (2014). Then, they were asked to rank the domains in order of importance (i.e., community, societal, employee, supplier and environment). The three most relevant dimensions emerged: employee, supplier and community. Each domain was measured with four items. The dimensions that emerged are largely consistent with those of Ailawadi et al. (2014).

The study design considers three control variables. First, animosity was controlled because consumers may reject companies from a specific country-of-origin but not from abroad in general. Animosity was measured with the single item “*I dislike (country name)*” (according to Klein, Ettenson, and Morris 1998). Second, perceived value was controlled, as it has been determined to be one of the key factors in the decision to patronise a particular store (e.g., Pan and Zinkhan 2006). Perceived value was measured with one item, “*Merchandise at (retailer’s name) stores has very good value*”. We use it only as a control variable because it is not particular to foreign retailers. Third, age was controlled because it may affect the level of consumer ethnocentrism as well as patronage behaviour.

3.2. Method

Methodologically, we proceed in two ways: the measurements were tested for reliability, validity and possible biases. The validation of the multi-item measurement models was assessed following the recommendations of Hair et al. (2014a). First, the internal consistency of the reflective scales was measured by calculating their composite reliability, which prioritises the indicators according to their individual

reliability. Values above .70 are regarded as satisfactory (Nunnally and Bernstein 1994). One value in the domestic assortment was below this threshold. As a result, this item was removed from further analysis. Multicollinearity did not pose a problem, as the variance inflation factors (VIFs) were lower than the commonly accepted threshold of ten (Hair et al. 2014b). To establish convergent validity, the outer loadings were calculated. The loadings were significant and above .708. Further, the average variance extracted (AVE) was calculated. AVE values of .50 or higher are accepted (Fornell and Larcker 1981), which was the case for all scales in the study.

In a formative measure, the indicators are not interchangeable, as each indicator captures a specific aspect of the construct's domain (Diamantopoulos and Winklhofer 2001). The convergent validity, significance, and relevance of the indicators of the second-order formative construct of local CSR were assessed. The presence of multicollinearity among the indicators was also investigated. Multicollinearity did not pose a problem, as all VIFs were lower than 3 (Hair et al. 2014b). Further, the outer weights and their relative importance to the formative construct were assessed using the bootstrap technique of 5'000 samples. Two outer weights were not significant, one from the employee dimension and one from the supplier dimension. However, Hair et al. (2014a) suggest retaining such items in cases where the indicator's outer weight is non-significant but the outer loading is high (i.e., above .50), which was the case here. As a result, all the items were retained. In addition, the collinearity issue for all the predictor constructs was assessed separately (Hair et al. 2014a), with no indication of any problem (see Table 8 for descriptive statistics and details on the measurements and Table 9 for correlation coefficients and VIFs).

Common method variance may be an issue in studies that use questionnaires as the only data collection method, particularly when perceptions are being measured. Common method variance was addressed a priori by using an appropriate questionnaire design, including randomising the question order and using different response formats, which are known to reduce the likelihood of common method variance. Posteriori it was investigated whether common method variance was an issue by applying the marker variable technique. The marker variable "*(Retailer's name) sells medicaments in the United States*" is theoretically unrelated to the constructs of interest. All the correlations between the marker variable and the constructs were below the threshold of $r = .20$ (Malhotra, Kim, and Patil 2006). Then, we applied Harman's single-factor test. If common method variance was present, one general factor would account for most of the variance in the study, which was not the case. Because Harman's single factor has often been criticised for its weak methodological rigour (e.g., Podsakoff et al. 2003) we also employed the *unmeasured latent factor method* suggested by Podsakoff et al. (2003) to extract the common

variance. This procedure suggests the addition of an unmeasured latent factor to the measurement model during confirmatory factor analysis. This factor includes all indicators from the other latent factors so that the variance common to all observed indicators is detected. The indicator loadings on this common latent factor are constrained to be equal to each other to ensure that the unstandardised loadings will be equal. Squaring this unstandardised loading then gives the percentage of common variance across all indicators in the model, i.e., the common method variance. The results of this test showed that 35 percent of the variance could be due to common method variance. Based on this analysis, we conclude that common method variance is not a serious concern in this study (Lowry et al. 2013).

To investigate whether the analysis using pooled data from both retailers could be conducted, the measurement invariance was tested, following the recommendations of Cheung and Rensvold (2002). Cheung and Rensvold (2002) suggest basing the invariance decision on a difference in CFI (ΔCFI), where the difference in CFI values should be lower than .01 (Byrne 2010). The measurement invariance analysis in this study suggested that the Aldi and IKEA models are invariant, thus allowing the analysis with the pooled data (see Table 10).

SmartPLS 3.0, a partial least squares (PLS) software application, was used to analyse the data. Despite its shortcomings, PLS effectively addresses both reflective and formative scales in the same estimated model. Furthermore, PLS has fewer assumptions regarding the distribution of data than does a covariance matrix based structural equation models. As a result, the findings are less sensitive to data skewness and kurtosis (e.g., Nijssen and van Herk 2009).

3.3. Results

To compare contributions and the significance of the effects, we sequentially calculated three models. The analyses were conducted on the pooled data using SmartPLS's bootstrapping option with 5'000 samples.

In the first model, we only included the control variables perceived value, age and animosity. Following Nijssen and van Herk (2009), we retained only the significant control variable – perceived value – in the further models to keep the models parsimonious. Both age and animosity were deleted from further analysis. In the second model, we added the independent variables consumer ethnocentrism, domestic assortment, perceived brand localness and perception of local CSR activities. In the third and final model, we added the three interaction terms between consumer ethnocentrism and the domestic assortment, between consumer

ethnocentrism and perceived brand localness and between consumer ethnocentrism and local CSR activities. The results are displayed in Table 11.

The blindfolding test with the omission distance $D = 7$ to assess the Stone–Geisser criterion (Q^2) was performed (Chin 1998; Hair et al. 2014a). In the structural model, Q^2 values larger than zero indicate the path model's predictive relevance for the particular construct. In this study, the Q^2 are positive ($Q^2 > .00$) in all three models, which suggests that PLS-SEM accurately predicts the data points of the indicators of endogenous constructs. The overall model 3 explained 23.7 percent of the variance in patronage behaviour at foreign retailers. Although this percentage is rather low, it was not the intent of the study to explain patronage behaviour in general but rather to explain the effects of consumer ethnocentrism and local CSR and the moderating factors that impact the influence of consumer ethnocentrism on patronage behaviour at foreign retailers.

Table 8: Descriptive Statistics and Measurement Constructs

Reflective measures	Items	Mean Value	Standard Deviation	Loadings	Composite reliability ^b	AVE ^b	VIF
Patronage behaviour (de Wulf, Odekerken-Schröder, and Iacobucci 2001)		.00 ^a	.95 ^a		.968	.909	
	What percentage of your total expenditures for your (retail category) do you spend at (retailer's name)?	22.28	25.69	.952			6.00
	Of every 10 times you select a store to buy (retail category) at, how many times do you select (retailer's name)?	2.73	2.69	.969			7.77
	How often in comparison to other (retail category) shops do you do the shopping in (retailer's name)?	3.34	1.67	.939			4.01
Consumer ethnocentrism (original scale: Shimp and Sharma (1987); adapted by Nijssen and van Herk (2009))		3.35	1.38		.938	.753	
	Only those products that are not available in America should be imported.	3.32	1.69	.858			2.38
	A real American should always buy American-made products.	2.94	1.56	.869			2.78
	We should purchase products manufactured in America instead of letting other countries get rich off us.	3.62	1.65	.906			3.48
	American should not buy foreign products, because this hurts American business and causes unemployment.	3.05	1.55	.890			3.33
	It may cost me in the long run but I prefer to support American products.	3.82	1.50	.814			2.17
Domestic assortment (new scale)		5.04 ^b	1.11 ^b		.888	.726	
	The range of foods offered by (retailer's name) includes American produce.	5.23	1.21	.793			2.01
	The selection of American products at (retailer's name) is poor. (r)	5.03	1.34	.882			1.74
	There is a wide selection of traditional American products in (retailer's name).	4.87	1.33	.877			2.26
	<i>The selection of products in (retailer's name) is mostly of foreign heritage. (r)</i> (deleted)	4.20	1.50	.640			1.61
Perceived brand localness (Steenkamp, Batra, and Alden 2003; adapted by Swoboda, Pennemann, and Taube 2012)		3.72	1.28		.943	.847	
	I associate the retail brand (retailer's name) with things that are American.	3.55	1.42	.904			2.89
	To me, the retail brand (retailer's name) represents what American is about.	3.89	1.37	.917			2.88
	To me, the retail brand (retailer's name) is a very good symbol of America.	3.74	1.38	.940			3.86

Continued

Formative scale	Items	Mean Value	Standard Deviation	Loadings	Composite reliability ^b	AVE ^b	VIF
Local CSR (adapted from: Öberseder et al. 2014)							
<i>Community dimension</i>	(Retailer's name) creates jobs for people in America.	6.03	0.96				1.82
	(Retailer's name) doesn't respect values, customs, and culture of America. (r)	5.81	1.24				1.21
	(Retailer's name) contributes to the economic development of America.	5.60	1.07				1.85
	(Retailer's name) sources products and raw materials in America.	4.61	1.49				1.09
<i>Employees dimension</i>	(Retailer's name) sets decent working conditions in America.	5.60	1.05				2.70
	(Retailer's name) treats employees equally in America.	5.63	1.06				2.32
	(Retailer's name) doesn't offer adequate compensation for its employees in America. (r)	5.26	1.29				1.61
	(Retailer's name) develops, supports and trains employees in America.	5.86	0.94				1.65
<i>Suppliers dimension</i>	(Retailer's name) provides fair terms and conditions for local suppliers.	5.18	1.09				1.86
	(Retailer's name) negotiates unfairly with the local suppliers. (r)	5.00	1.36				1.35
	(Retailer's name) selects local suppliers thoroughly with regards to respecting decent employment conditions.	4.73	1.09				1.70
	(Retailer's name) communicates openly and honestly with the local suppliers.	4.93	1.02				2.14
Note: (r) Reverse item; ^a Z-scores; ^b Values after item deleted							

Source: Author

Table 9: Correlations

	1	2	3	4	5	6	7	8
1. Patronage behaviour	1							
2. Consumer ethnocentrism	-.186**	1						
3. Domestic assortment	.213**	-.112*	1					
4. Perceived brand localness	.323**	-.062ns	.424**	1				
5. Local CSR	.347**	-.285**	.478**	.363**	1			
6. Perceived value	.406**	-.148**	.448**	.314**	.524**	1		
7. Animosity	-.106*	.159**	.027ns	-.009ns	-.258**	-.184**	1	
8. Age	-.039ns	.074ns	-.039ns	.019ns	-.050ns	-.026ns	-.052ns	1
VIF		1.106	1.526	1.304	1.750	1.518	1.123	1.000
ns = not significant; * $p < .05$; ** $p < .01$; *** $p < .001$, (2-tailed correlations)								

Source: Author

Table 10: Measurement Invariance Assessment for Aldi and IKEA

	χ^2/df	p	TLI	CFI	ΔCFI	RMSEA
Configural invariance	1.853	.000	.937	.947		.041
Metric invariance	1.860	.000	.936	.945	-.002	.041
Scalar invariance	1.891	.000	.934	.940	-.005	.042
Criteria of good fit: $1 < \chi^2/df < 3$; CFI $> .90$; RMSEA $< .06$						

Source: Author

The effect sizes (f^2) allow the assessment of an exogenous construct's contribution to an endogenous latent variable's R^2 value. The f^2 values of .02, .15, and .35 indicate an exogenous construct's small, medium, or large effect, respectively, on an endogenous construct (Cohen 1988; Hair et al. 2014a). The results of model 3 indicate that consumer ethnocentrism has a direct negative influence on patronage behaviour at foreign retailers ($\beta = -.102$, $p < .01$; $f^2 = .024$). Thus, the data support *H1*. The three moderating hypotheses *H2*, *H3* and *H4b* predict that the influence of consumer ethnocentrism on patronage behaviour at foreign retailers differs according to consumers' perceptions of the domestic assortment (*H2*), perceived brand localness (*H3*) and the level of local CSR (*H4b*). However, the data do not indicate support for any of these moderators. Local CSR was found to have a direct positive impact on patronage behaviour ($\beta = .147$, $p < .05$; $f^2 = .019$) with low predictive relevance, but still supporting *H4a*. Furthermore, although not hypothesised, perceived value and perceived brand localness have a direct significant effect on patronage behaviour ($\beta = .282$, $p < .001$; $f^2 = .072$; $\beta = .208$, $p < .01$; $f^2 = .045$; respectively).

Because the effects in our model were rather low, we also tested an alternative model with mediation. Mediation focuses on theoretically established direct path relationships between dependent and independent variables and on additional theoretically relevant

components – the mediators – which indirectly provide information about the direct effect through its indirect effects. As a result, the indirect relationship affects the direct relationship between the independent and dependent variables (Hair et al. 2014a). For mediation to exist, three conditions must be met: (1) variations in the levels of the independent variable account significantly for the variations in the mediator; (2) variations in the mediator account significantly for the variations in the dependent variable; and (3) when the paths between the independent variable and the mediator and the mediator and the dependent variable are controlled, formerly significant influence between the dependent and independent variables changes the value significantly (Hair et al. 2014a). We used domestic assortment, perceived brand localness and local CSR activities as mediators between consumer ethnocentrism and patronage behaviour. With respect to condition (1), consumer ethnocentrism has a significant influence on domestic assortment ($\beta = -.124$, $p < .01$) but it did not have a significant influence on perceived brand localness ($\beta = -.067$, $p > .05$) or on local CSR activities ($\beta = -.003$, $p > .05$). With respect to condition (2) domestic assortment did not have a significant influence on patronage behaviour at foreign retailers ($\beta = -.067$, $p > .05$) suggesting that mediation was not present, as for none of the presumed mediators the three conditions were met. As a result, the proposed alternative model does not yield better results than the original model.

4. Discussion and Implications

This study contributes to the research on international retailing and deepens our understanding of consumer behaviour towards foreign retailers. In particular, the effect of consumer ethnocentrism on patronage behaviour in retailing in a Western country is investigated. By doing so, this study extends the work of Good and Huddleston (1995) and Zarkada-Fraser and Fraser (2002), who also investigated consumer ethnocentrism but did not consider buying behaviour as an outcome variable. Second, this study analyses particular characteristics of foreign retailers that can potentially assuage the relationship between consumer ethnocentrism and patronage behaviour at foreign retailers, which has not been examined before. Third, this study analyses the direct effects of certain activities of retailers that can help to better integrate the retailer into the local market. In particular, our results support the idea that local CSR and perceived brand localness of a foreign retailer positively influence patronage behaviour. As our study covers only two retailers (one in the grocery sector and one in the furniture sector) and one Western country (the United States), we cautiously provide major implications for research and conclusions for managers.

Table 11: Results

	Patronage behaviour								
	Model 1			Model 2			Model 3		
	β	f^2	SE	β	f^2	SE	β	f^2	SE
Controls									
Perceived value	.401***	.003	.030	.282***	.071	.042	.282***	.072	.042
Age	-.032ns	.003	.037						
Animosity	-.035ns	.189	.030						
Independent variables									
Consumer ethnocentrism				-.102**	.024	.038	-.102**	.024	.038
Local CSR				.147*	.019	.052	.147*	.019	.052
Domestic assortment				-.074ns	.007	.044	-.074ns	.007	.044
Perceived brand localness				.206***	.045	.044	.208***	.045	.045
Interactions									
Consumer ethnocentrism x domestic assortment							.004ns	.002	.044
Consumer ethnocentrism x perceived brand localness							-.035ns	.003	.038
Consumer ethnocentrism x local CSR							.037ns	.003	.045
R²		.172			.234			.237	
Q²		.150			.207			.207	
Note: * p < .05; ** p < .01; *** p < .001; ns = not significant; SE = standard error									

Source: Author

The first objective of this research was to provide new insights into the link between consumer ethnocentrism and patronage behaviour at foreign retailers, which has not been investigated previously. Consistent with the theory and previous findings on products and services, the results confirm that a negative relationship exists. Although this negative effect is significant, it is lower than that found in research on consumer reluctance to buy foreign products (e.g., Siamagka and Balabanis 2015). Furthermore, the f^2 value indicates only a weak effect. This result highlights a noteworthy difference between foreign retailers and foreign products. Ethnocentric consumers are primarily concerned that purchasing foreign products has negative repercussions on the domestic economy and on the domestic job market. However, this resistance may be lower towards foreign retailers because foreign retailers deliver their service in the local market with local employees. By doing so, the negative effect may be viewed as less harmful to the domestic market than that of a foreign product that is manufactured outside of the country. Although not strongly, consumer ethnocentrism may still hinder successful retail internationalisation by putting foreign companies at a competitive disadvantage compared to domestic companies.

While consumer ethnocentrism has a weak effect, the strongest influence was exerted by the control variable – perceived value. This result is consistent with previous research in retailing (Pan and Zinkhan 2006). Although the intention of this study was to investigate the factors that are particular to patronage behaviour at foreign retailers, the results demonstrate that this retail attribute exerts a strong influence on consumers, regardless of the retailer's origin. In this respect, managers of foreign retail companies should ensure that they offer good value for money, which seems to be more relevant than specific attempts to overcome foreignness.

The second objective was to investigate potential measures of retailers that may reduce the negative influence of consumer ethnocentrism on patronage behaviour. De Ruyter, van Birgelen, and Wetzels (1998) suggest that managers should recognise the negative role of consumer ethnocentrism in the early stages of strategic marketing planning and consider it in their branding strategies. However, the findings of this study imply that the typical measures that foreign retailers take to overcome a perception of foreignness, that is, using a domestic assortment, integrating the retail brand into the local market and carrying out local CSR activities, do not particularly affect ethnocentric consumers, as these activities do not reduce the negative effects of consumer ethnocentrism on patronage behaviour.

The reasons for this finding are not fully clear. The United States has a very particular retail environment. As shown in the methodology section, only two retailers among the top one hundred in the country are recognised as foreign by a majority of consumers.

As a result, ethnocentric consumers have a large number of domestic alternatives to choose from. Therefore, it seems that even when a foreign retailer is well integrated into the domestic market, it is rejected by ethnocentric consumers merely because of its foreign roots. This finding is in line with the findings of Zarkada-Fraser and Fraser (2002), who conclude that those foreign retailers that address domestic consumers' needs with their product assortments and that look after the local community are still not equally accepted by consumers as domestic retailers. This may be a potential explanation for why no significant moderating effects were found in our study, which would reduce the negative relationship between consumer ethnocentrism and patronage behaviour at foreign stores. Furthermore, the correlations between the variables indicate that ethnocentric consumers do not perceive the efforts exerted by foreign retailers to integrate into the domestic market in the same way as less ethnocentric consumers. For example, there are significant inverse correlations between consumer ethnocentrism and the domestic assortment and between consumer ethnocentrism and local CSR activities. Thus, the ethnocentrism of consumers seems to already influence their perceptions, thus reducing the potential positive effects of a foreign retailer's integration measures.

Third, with regard to direct influences of retailers' activities, two of the investigated variables, namely perceived brand localness and local CSR activities (in addition to the control variable perceived value), were found to have a direct positive influence on patronage behaviour at foreign retailers. The finding that the perception of local CSR has a positive direct impact on patronage behaviour at foreign retailers is consistent with the view that companies that are perceived to contribute to the local economy are supported by consumers. The effect on patronage behaviour is, however, rather weak, which is consistent with previous research that has found that CSR activities have less influence on patronage behaviour than on purchase intentions (e.g., Russell and Russell 2010; Schramm-Klein et al. 2016). Nonetheless, if consumers have positive perceptions of local CSR activities, these perceptions can influence their overall evaluations of the company (Brown and Dacin 1997; Öberseder, Schlegelmilch, and Murphy 2013), and according to our findings, this leads to better patronage behaviour regardless of the level of ethnocentrism. Therefore, to better compete with local retailers, retail managers of foreign companies should appeal to consumers' need for local CSR activities by transmitting an image of a socially responsible company that cares about the host-country employees, community and suppliers. In this way, retail managers will respond to these consumer needs with their marketing efforts by advertising and transmitting an image of itself as a locally responsible social actor. Such actions will not influence the negative relationship between consumer

ethnocentrism and patronage behaviour at foreign retailers but will help attract consumers in general.

Although not hypothesised, our findings also suggest that by building a strong retail brand that is associated with the local market, retail companies are likely to attract consumers. This finding is relevant for two reasons. First, it provides managers with an important implication indicating that the positioning of a foreign retail store should be localised. Second, the perceived brand localness of a foreign retailer can influence the origin recognition of the retailer, which may affect consumers' patronage of the foreign store. As previously mentioned, 18 percent of the responses were excluded from the analysis in this study due to consumers' perceptions of Aldi or IKEA as domestic. Moreover, the other large foreign retail chains in the United States that localise their retail brands are perceived by consumers as domestic and are not even associated with their foreign origin. This result indicates that successful foreign retailers integrate into the domestic market so well that they are no longer perceived as foreign by local consumers. Good and Huddleston (1995) conclude that foreign retail companies should use patriotic messages in their advertising. They explain that it is important to use local actors and to "*communicate in a culturally consistent manner, focusing on the countries' rich history and cultural artefacts*" (Good and Huddleston 1995, p. 45). Our research confirms that such activities have a direct positive effect. In this respect, to organise a successful campaign, marketers should appeal to the host country's national identity and reinforce it as part of their brand image by using symbols in advertising such as flags (Verlegh 2007). As the findings of this study suggest, these activities may not appeal specifically to the ethnocentric consumer segment, but they may attract consumers in general.

The core contributions of this research are that despite the numerous studies published in the area of consumer ethnocentrism, only a few have addressed patronage behaviour at foreign retailers, and no previous study has investigated potential measures to reduce its negative influence. The empirical findings demonstrate that ethnocentric consumers are more likely to avoid buying from foreign retailers, which has not been shown before, but the findings also show that this effect is not as strong as that for foreign products. Furthermore, this study is the first to demonstrate the relevance of localising CSR activities and localising the retail brand, as both have direct positive effects on patronage behaviour at foreign retailers in the investigated sectors, but no moderating effect. These findings therefore imply that foreign retail managers should not specifically try to target ethnocentric consumers but should direct their marketing efforts to consumers in general by creating an image of retail brand localness in the host market and by carrying out local CSR activities.

5. Limitations and Future Research

To better understand predictors and effects of consumer ethnocentrism on patronage behaviour at foreign retailers, additional research is needed, as the present study is not without limitations. We note three issues of this nature.

First, the number of retail formats, retail companies, retail sectors as well as the number of investigated countries limits the scope and generalisability of the results. Analysing further countries is important because ethnocentric tendencies can manifest differently in different markets (for emerging countries, see Swoboda, Pennemann, and Taube 2012; Swoboda and Pennemann 2014). Moreover, given the particularity of the American market, which is dominated by domestic players, it may be worthwhile to conduct the study across several countries. This approach would allow for a more balanced number of domestic and foreign stores, for example. However, the main challenge would be to find several foreign retail companies from different retail sectors that hold a similar market position in different country markets in order to allow for a meaningful comparison and generalisability.

Additionally, we have excluded 43 observations from the analysis due to respondents' immigration background (i.e., when at least one parent was not from the United States). This exclusion was justified, consistent with social identity theory, because of different perceptions of in-groups and out-groups. However, it is a limitation because it may result in potentially misleading managerial implications, as a relevant percentage of consumers in many foreign markets are immigrants. For that reason, investigating immigrants' behaviour would be interesting (e.g., Zarkada-Fraser and Fraser 2002).

Second, consumer ethnocentrism and CSR, for example, are complex constructs, and our attempts to adapt the scales to the retail context were intensive but still to some extent exploratory. We found no existing scales that measure consumer perceptions of the local CSR activities of retailers or perceptions of the domestic assortment. Moreover, a lack of significant results relating to the moderators in the link between consumer ethnocentrism and patronage behaviour at foreign retailers may be attributed to the way in which consumer ethnocentrism was measured. While the well-established CETSCALE of Shimp and Sharma (1987) was used, some scholars have criticised it for its one dimensionality. For example, in a recent paper, Piyush Sharma (2015) proposes a new consumer ethnocentrism scale consisting of three components: an affective component with emotional reactions to domestic and foreign products and services, a cognitive component representing the evaluation bias that favours domestic products and services, and a behavioural component representing more favourable buying intentions for domestic products and services. Furthermore, given the

shortcomings of PLS, questioning a larger number of respondents and providing a variance-based study by comparing foreign and domestic retailers (e.g., Swoboda, Pennemann, and Taube 2012) would be valuable options for further research.

Finally, the extension of the framework and investigations of other potential effects are recommended. In this study, we investigated only three moderating factors, that is, the domestic assortment, perceived brand localness and local CSR activities. For example, the research design does not account for other factors that influence a consumer's choice of retailer, such as a retailer's image regarding special offers (Pan and Zinkhan 2006), in order to reduce the complexity of the model. Investigating a further set of moderators, such as price, taxes paid, quality or assortment selection, would add to our understanding of the influence of consumer ethnocentrism on patronage behaviour at foreign retailers. Furthermore, the relationship between consumer ethnocentrism, patronage behaviour and other variables may be more complex than modelled in this study. Based on the novel insight that perceptions of retail activities may be influenced by consumer ethnocentrism, we also tested an alternative model where local CSR and perceived brand localness were included as mediators between consumer ethnocentrism and patronage behaviour. However, neither of the variables was found to be a significant mediator, and the model had lower explanatory power than the model that we originally tested. Still, the relationship between ethnocentrism and perceptions of a foreign retailer's activities should be investigated in more detail in future research, and testing alternative models may contribute to a more in-depth understanding of consumer behaviour towards foreign retail companies.

Finally, considering the study design, previous research has shown that brand familiarity has a direct impact on purchase intentions and influences the effects of consumer ethnocentrism (Diamantopoulos, Schlegelmilch, and Palihawadana 2011). In this study, existing retail brands were used as stimuli, so the effects of brand familiarity, including knowledge about many different aspects of the retail brand, could not be separated from the investigated variables. Thus, an experimental study based on fictitious foreign retailers would be beneficial to gain more insight into the effects of consumer ethnocentrism and specific retail attributes.

Part III: The Influence of Localised Corporate Social Responsibility and Perceived Brand Localness on Willingness to Buy from a Foreign Grocery Retailer¹³ (Essay 2)

1. Introduction

To be successful, foreign grocery retailers must meet the expectations of local consumers and they must also position themselves as strong retail brands. This may be difficult because foreign firms often face competitive disadvantages in comparison to their local counterparts (Swoboda and Pennemann 2014). This disadvantage may be partly attributed to consumers' perception of local firms as part of the in-group and foreign companies as part of an out-group (Keane and Morschett 2016). This study investigates whether consumers' willingness to buy from a foreign grocery retailer is affected by their perception of both localised corporate social responsibility activities and of perceived brand localness. Consistent with Klein, Ettenson, and Morris (1998), we define willingness to buy as consumers' behavioural intentions to buy from a retailer. CSR is defined as consumer perception of *"a company's commitment to minimizing or eliminating any harmful effects and maximizing its long-run beneficial impact on society"* (Mohr, Webb, and Harris 2001, p. 47); localised CSR is defined as CSR activities that are directed to the host country and local community surrounding a retail store. Perceived brand localness is defined as consumers' perception of a foreign retailer as a local actor and as part of the local culture. It is important to note that perceived brand localness does not indicate that a brand is active only in one country or that it originates from that country but rather that it adapts to the local culture (Swoboda, Pennemann, and Taube 2012). We focus on grocery retailing because it is the category of retailing where consumers spend the most time and a substantial part of their household income. As a result, compared to other retail sectors, they might be more concerned about a grocery retailer's impact on society. Moreover, local food products are often more attractive to consumers because of their strong connotations with local culture (Özsomer 2012), and this culture-boundedness of food may increase the relevance of perceived brand localness.

Scholars have consistently demonstrated the positive effects of CSR on consumer behaviour (see Pelozo and Shang 2011), but they have seldom done so in the context of retailing (see Schramm-Klein et al. 2016). Foreign retailers can use CSR activities

¹³ This essay is published as: Keane, Marta and Dirk Morschett (2017), "The Influence of Localised Corporate Social Responsibility and Perceived Brand Localness on Willingness to Buy at a Foreign Grocery Retailer," *Marketing ZFP*, 39 (1), 27-43.

to meet consumer expectations through localisation. For example, Trader Joe's in the United States (a subsidiary of Aldi) fights hunger in its local communities through food donation programmes. Trader Joe's stores donated more than \$321 million worth of products to local food banks in 2015 (Trader Joe's 2016). To the best of our knowledge, only three studies address the effects of localised CSR in the retail context. Keane and Morschett (2016) find that consumers' perceptions of localised CSR activities have a direct effect on their patronage behaviour at existing foreign retailers in the US. Russell and Russell (2010) show that patronage behaviour increases when an existing domestic clothing retailer's CSR activities are localised. Last, Kim, Ha, and Fong (2014) find that domestic retailers' CSR activities (community- and employee-oriented programmes) lead to social legitimacy and financial support from consumers within the community. However, these studies focus on existing retailers and do not separate the effects of localised CSR from other knowledge that consumers have of these retailers and do not clearly differentiate between localised and non-localised CSR activities.

With regard to brands, scholars have often focused on the effects of perceived brand globalness at the product, retail format and corporate levels (e.g., Steenkamp, Batra, and Alden 2003; Swoboda, Pennemann, and Taube 2012; Swoboda and Hirschmann 2016), but they seldom focus on perceived brand localness. Swoboda, Pennemann, and Taube (2012) show that perceived brand localness is advantageous for domestic (vs. foreign) retailers in China. They study different retail sectors and consider the indirect effects of perceived brand localness on retail behaviour. However, perceived brand localness may be of particular importance in grocery retailing and exert a direct influence on consumer behaviour because food products are culture-bound and relevant to social, cultural and traditional needs (Özsomer 2012). In grocery retailing, retailers try to address the culture-boundedness of their products. For example, Aldi US advertised specific promotions for the 4th of July to "*celebrate the stars & stripes*", including special recipes for cupcakes and cocktails in the US's national colours Aldi USA (2016). perceived brand localness might be of particular interest in mature markets, where consumers may want more original and unique brands (Özsomer 2012) and where local brands enjoy high brand trust (Schuiling and Kapferer 2004).

Finally, foreign retailers that are integrated in a domestic market may simultaneously engage in localised CSR activities and perceived brand localness, which may allow these retailers to send a stronger and more coherent message that they are part of the local market and committed to the host country. For example, Tesco Ireland launched a supplier development programme that helps Irish producers expand. Additionally, it integrates the Irish word *Fáilte* (meaning *welcome*) into the logo on its website; on its *Tesco home grown in Ireland* products, it incorporates the Irish flag; and on the Irish

quality sign, it uses an Irish national symbol – the shamrock (Tesco Ireland 2016b). Scholars have not yet analysed this interaction.

In light of the above summary of previous research, the aim of this paper is to answer the following questions: (1) Is consumers' willingness to buy from a foreign grocery retailer higher when they perceive that the retailer's CSR activities are localised to the domestic market? (2) Does perceived brand localness influence consumers' willingness to buy from a foreign grocery retailer? (3) Do localised CSR activities and perceived brand localness interact in their effects on willingness to buy? In addition, because it is likely that the effects of localised CSR and of perceived brand localness vary depending on consumer groups, we question how consumer ethnocentrism affects the above-mentioned relationships. Consumer ethnocentrism captures beliefs held by customers regarding the immorality of purchasing foreign-made products (Shimp and Sharma 1987), and scholars consistently show that consumers with higher levels of consumer ethnocentrism are reluctant to purchase foreign products, a reluctance that, as an in-group feeling, is theoretically related to normative factors (Siamagka and Balabanis 2015). Thus, consumer ethnocentrism is a well-known moderator but has not yet been analysed in either the CSR context or in the context of the localised CSR-perceived brand localness interaction of foreign grocery retailers. Only Steenkamp, Batra, and Alden (2003) study consumer ethnocentrism moderation on the perceived brand localness-product brand purchase likelihood but without significant results. We, therefore, additionally analyse this well-known moderator. However, because our study does not specify a particular country, we only refer to foreign retailers in general; we do not consider home-country specific effects, which could stem from concepts such as animosity or affinity.

In answering these research questions, we make the following valuable contributions to the literature. First, we analyse whether and how the localised CSR of foreign retailers affects local consumers' willingness to buy. Based on social identity theory (Tajfel 1981), we argue that retailers can localise their CSR efforts to better integrate themselves into the foreign market and to ensure that they are perceived as part of the in-group. Second, in response to calls in the literature for a more nuanced analysis of perceived brand localness (Halkias, Davvetas, and Diamantopoulos 2016), we investigate the perceived brand localness of fictitious foreign grocery retailers because the focus on perceived brand localness in prior literature is relatively low, particularly in mature markets. Perceived brand localness can help to influence consumers' perceptions of whether a retail brand is part of the in-group because the emphasis is on local associations, where the cultural reference group is the local country's culture (Özsomer 2012). Furthermore, we break new ground when testing for the interaction

between localised CSR and perceived brand localness. Third, we shed light on the role of consumer ethnocentrism in the context of foreign retailing and of retailers' attempts to localise their activities to the local market. Because previous research has focused on existing retailers and thus may have had difficulties in isolating the effects of localised CSR and perceived brand localness from consumers' pre-existing knowledge of the retailer and their pre-existing brand familiarity, we investigate fictitious foreign grocery retailers in an experimental design.

The remainder of this study proceeds as follows. Drawing on theory and empirical evidence, we derive hypotheses and test them in three experimental studies. A cumulative sample of 984 responses from US citizens was used for the experiments. After presenting the results, we jointly discuss the findings and derive implications and avenues for further research.

2. Theory and Hypotheses

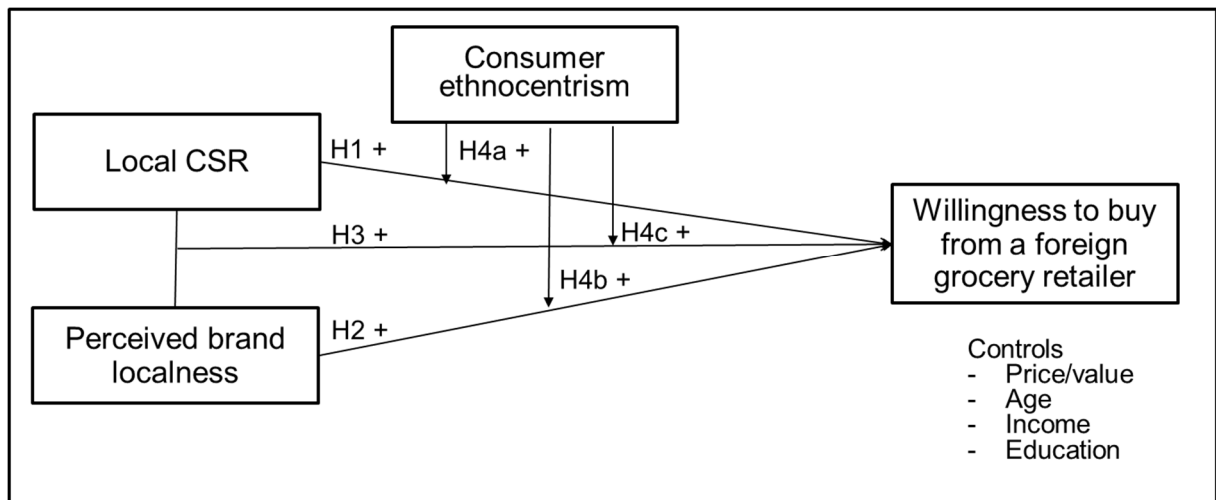
2.1. Theory and Conceptual Framework

To address our research objectives, we conceptualise localised CSR and perceived brand localness as antecedents of willingness to buy. In the literature, scholars often explain localised CSR and perceived brand localness and localisation effects based on various theories such as stakeholder theory, institutional theory, associative network theory, the accessibility-diagnostics framework or social identity theory (Kim, Ha, and Fong 2014; Schramm-Klein et al. 2016; Swoboda, Pennemann, and Taube 2012; Zeugner-Roth, Žabkar, and Diamantopoulos 2015). In this paper, we build theoretically on two research streams: We explain the effects of localised CSR and perceived brand localness based on social identity theory because our focus is on localisation and not on the overall perception of CSR or of the retail brand, and we use empirical studies regarding the role of localised CSR and perceived brand localness in consumer behaviour in the context of retailing (e.g., Russell and Russell 2010; Swoboda, Pennemann, and Taube 2012).

Social identity is defined as *“that part of an individual's self-concept which derives from his knowledge of his membership in a social group (or groups) together with the value and emotional significance attached to that membership”* (Tajfel 1981, p. 255). Social identity theory focuses on discrimination, prejudice, and on other conditions that promote different types of intergroup behaviour (Hogg, Terry, and White 1995). Individuals' categorise in-groups and out-groups on a cognitive basis by capturing

similarities and differences between groups that are related in a meaningful way, for example based on perceptions, feelings and behaviours (Turner 2010). In an international context, the home country is often perceived as an in-group and foreign countries as the out-group (Zeugner-Roth, Žabkar, and Diamantopoulos 2015). Social identity theory suggests that individuals' perceptions of group membership can influence their behaviour (Hogg, Terry, and White 1995). According to social identity theory, individuals strive to raise the status of the group to which they belong. Homburg, Wieseke, and Hoyer (2009) argue theoretically – and show empirically – that if consumers consider a company to belong to their in-group, this positively influences their buying behaviour.

Figure 8: Conceptual Framework



Source: Author

In this study, we expect that a foreign retailer is likely to be perceived as belonging to an out-group. We only observe foreign retailers, and we argue that their localised CSR activities and perceived brand localness, as well as the interaction between the two, reduce the (negative) perception of the foreign retailer as a part of the out-group; consequently, consumers' willingness to buy should increase. With regard to localised CSR, we argue that, through localised activities, retailers directly benefit the in-group. For example, foreign retailers can support the local communities, create local employment and use domestic suppliers. Based on social identity theory, this is likely to exert a direct influence on consumers' patronage behaviour because consumers act in a way that supports their in-group (Russell and Russell 2010). With regard to perceived brand localness, retailers can use national appeals and localise their retail brand to the host country; as a result, they should be perceived as more of a part of the in-group. In this way, a stronger social identification with the retailer develops, which should result in support by consumers. By conducting both activities simultaneously – localising CSR activities and adapting the brand to the local market – a foreign retailer should be able to

further persuade consumers that it is part of an in-group because the effects should interact with each other. Lastly, both appeals should be especially appreciated by ethnocentric consumers (see Figure 8).

2.2. Hypotheses Development

As previously mentioned, foreign retailers can use CSR activities to meet the expectations of consumers. A positive link between CSR activities and consumer patronage is one of the fundamental findings of previous research (e.g., Schramm-Klein et al. 2016). Holt, Quelch, and Taylor (2004) argue that people recognise a strong influence (positive and negative) of international companies on society's well-being. These scholars note that people have expectations that these companies will address social problems that are linked to their core competencies (e.g., as mentioned above, the grocery store Trader Joe's donates products to local food banks). In their study, which was conducted in America, the authors identify social responsibility as one of three dimensions that explain variance in consumers' brand preferences.

In this study, the focus is not on CSR in general but whether consumers perceive CSR activities as directed towards the domestic economy and local society or whether they perceive them as global. Several scholars observe that consumers are becoming increasingly aware of how their purchasing behaviours can improve the well-being of their local community (the in-group) (Kim, Ha, and Fong 2014). For example, Keane and Morschett (2016) find that localised CSR activities positively influence patronage behaviour at foreign retailers, and Russell and Russell (2010) find that patronage behaviour increases when a retailer's CSR activities are localised.

Consistent with the social identity theory, we argue that localised CSR has a positive effect on buying behaviour because such behaviour can be seen as a way of supporting the particular host country, which can raise the status of the in-group (Homburg, Wieseke, and Hoyer 2009). We argue that although consumers are likely to discriminate against the out-group, foreign retailers who carry out localised CSR activities are likely to influence consumers' perceptions that the retailer supports the in-group, and as a result, consumers should be more likely to buy from these retailers. Activities of the foreign retailer should be seen as having increased personal relevance, and as a result, consumers should be more likely to engage in corresponding purchasing behaviour. Therefore, we propose as follows:

H1: The higher the localised CSR activities of a foreign grocery retailer (vs. non-localised CSR activities), the higher consumers' willingness to buy.

Beyond localised CSR activities, foreign retailers can use perceived brand localness appeals to better integrate into the domestic market. This integration can be achieved by building strong associations with local culture, national identity, and heritage (Xie, Batra, and Peng 2015). Consistent with the principles of social identity theory, this integration should help foreign retailers to be perceived as part of the in-group due to emotional affiliation with the domestic country. It should also reinforce the feeling that the retailer belongs to the country, and consumers' patronage behaviour towards that retailer should be more positive as a result.

Perceived brand globalness has been investigated regularly in the literature, and some studies have shown positive effects (Steenkamp, Batra, and Alden 2003; Swoboda, Pennemann, and Taube 2012). However, Steenkamp, Batra, and Alden (2003) and Swoboda, Pennemann, and Taube (2012) argue that perceived brand localness is not the opposite of perceived brand globalness but rather that a *"brand can rate high or low on both the local and the global dimension"* (Steenkamp, Batra, and Alden 2003, p. 56). Thus, the effect of perceived brand localness is worth investigating. Although Swoboda and Pennemann (2014) found that in emerging markets, the perceived brand globalness of retailers helps to build consumer-based retailer brand equity by influencing quality and price values, Özsomer (2012) proposes that establishing strong local symbolism and cultural connections may be more desirable for culture-bound categories such as food.

Perceived brand localness creates brand value by building on local identity and adapting the brand to local tastes and needs (Halkias, Davvetas, and Diamantopoulos 2016). Therefore, retail managers can use particular (local) symbols in their communications to influence consumer perceptions about whether the brand is considered local (in-group) or foreign (out-group). This means that companies can use brands as symbolic and experiential resources to link their identity with the nation. Additionally, brands that provide emotional 'anchors' of integration into the local market convey the message that they are committed to the market. Therefore, we propose as follows:

H2: The higher the perceived brand localness of a foreign grocery retailer, the higher consumers' willingness to buy.

Retailers who demonstrate interest in the well-being of the local market by carrying out localised CSR activities and by simultaneously connecting with consumers by using local symbols and domestic appeals (e.g., Tesco Ireland 2016) (Zhang et al. 2014) communicate a more coherent message of commitment than retailers who use only localised CSR or perceived brand localness. As a consequence, these retailers

convince consumers that they are truly committed to the in-group, and hence the effects should support each other. If both dimensions are high, consumers should be more likely to reward retailers with their patronage behaviour. Therefore, we propose as follows:

H3: There is a positive interaction effect between localised CSR activities and perceived brand localness on consumers' willingness to buy from a foreign grocery retailer.

Research has documented that consumer values influence buying behaviour and that consumers are increasingly aware of the identity cues of both local and global brands (Özsomer 2012). An important value with regard to the receptiveness of foreign retailers is consumer ethnocentrism, which should be considered when investigating consumers' willingness to buy. Consumers with higher consumer ethnocentrism view purchasing imported products as immoral and unpatriotic (Siamagka and Balabanis 2015) and they fear that such purchasing has a negative influence on the domestic economy (Shimp and Sharma 1987). There is a negative correlation between consumers' levels of consumer ethnocentrism and their preference for and willingness to buy foreign brands. As Siamagka and Balabanis (2015) explain, ethnocentric consumers mainly categorise products based on their status as foreign or domestic.

Dmitrovic and Vida (2010) argue that consumer ethnocentrism includes cognitive processes (knowledge of the possible negative effects of foreign competition), affective elements (sense of belonging and identity) and, most important, a normative dimension (consumer behaviour towards foreign companies). Foreign retailers can influence all these dimensions. This allows them to better appeal to the ethnocentric segment of the market, through both cognitive and affective elements. Thus, foreign retailers can lower the negative effects of the normative dimension of how ethnocentric consumers should behave. Consistent with social identity theory, consumers with higher ethnocentrism are less likely to purchase from foreign retailers (Keane and Morschett 2016). To respond to this concern, foreign retailers can implement localised CSR activities. Although these activities, as posited in *H1*, should appeal to all consumers, they should be particularly important to ethnocentric consumers because the main premise of consumer ethnocentrism is that purchasing foreign products negatively influences the domestic economy (Siamagka and Balabanis 2015). Thus, when the retailer is perceived as positively contributing to the community (the in-group), ethnocentric consumers' willingness to support that retailer should increase.

To respond to the affective dimension, foreign retailers can develop high perceived brand localness. As already mentioned in *H2*, a positive effect of perceived brand localness on

willingness to buy can be expected in general. But brands that successfully build a strong connection with the local culture, heritage and country can create an emotional affiliation in particular for consumers who have a strong need to identify with the local community (Xie, Batra, and Peng 2015). Thus, such a connection may be of greater relevance to consumers who have higher ethnocentrism because these consumers are attracted to national ideals and view domestic symbols and culture with pride (Siamagka and Balabanis 2015).

Lastly, retailers that carry out localised CSR activities and perceived brand localness simultaneously should be more convincing regarding their commitment to the local market. These activities, as mentioned in *H3*, should be appreciated by all consumers; however, they may be particularly relevant to consumers higher in consumer ethnocentrism, as these consumers are concerned about the well-being of the domestic economy and the domestic job market, and they also view domestic symbols with pride. Therefore, we propose as follows:

H4a: The higher consumers' level of consumer ethnocentrism, the more positive the relationship between the localised CSR activities of a foreign grocery retailer and consumers' willingness to buy.

H4b: The higher consumers' level of consumer ethnocentrism, the more positive the relationship between the perceived brand localness of a foreign grocery retailer and consumers' willingness to buy.

H4c: The higher consumers' level of consumer ethnocentrism, the more positive is the interaction between localised CSR activities and perceived brand localness and their influence on consumers' willingness to buy from a foreign grocery retailer.

3. Empirical Studies

3.1. Study 1: The Influence of Localised CSR

3.1.1. Experimental Design and Process

The objective of the first experiment was to investigate whether consumers' willingness to buy from foreign retailers is influenced by localised CSR activities (vs. non-localised CSR activities) (*H1*) and whether consumer ethnocentrism moderates that relationship (*H4a*). The experiment was based on a fictitious foreign grocery retailer; it was identified as Natural Foods to avoid the influence of consumers' familiarity with an

actual store. The research was set in the US because it is the world's largest and most advanced economy (Dimofte, Johansson, and Ronkainen 2008). Moreover, previous research has shown that American consumers are more likely to patronise domestic stores when localised CSR activities are focused on the home country as opposed to a foreign country (Russell and Russell 2010). Scholars, however, have not investigated consumers' behaviour towards foreign retailers.

The study relied on a between-subjects experimental design, and the geographic focus (but not the overall CSR) of the retailer's CSR activities was manipulated. The participants, who were US citizens, were randomly assigned to one of two conditions. In condition one, representing high localised CSR, they were exposed to a two-page flyer featuring fresh produce mostly indicated as having a US origin and to stakeholder statements that highlighted the localised CSR activities of the fictitious retailer, for example, *"The company advertises that it donates 1 % of its profits to good causes in the local communities in which it operates"*. In condition two, representing low localised CSR, participants were exposed to a two-page flyer featuring fresh produce mostly indicated as having an international origin and to stakeholder statements that described CSR activities with a non-localised focus, for example, *"The company advertises that it donates 1 % of its profits to global causes"* (Appendices A and B, respectively, contain descriptions of both conditions and flyers).

The study began with a description of the fictitious retailer. The description mentioned several times that the retailer had a foreign origin but had been operating in the USA for many years. The retailer was described as *foreign* to avoid country-specific effects (such as animosity or affinity). After being exposed to one condition, participants completed a questionnaire in which they indicated their overall perception of CSR (Brown and Dacin 1997), willingness to buy (Grewal et al. 2003), perception of localised CSR activities (adapted from Öberseder et al. 2014), level of consumer ethnocentrism (Lindquist, Vida, and Plank 2001; Shimp and Sharma 1987) and perceived value (Ailawadi et al. 2014) (see Appendix C for measurements). Finally, participants indicated their age, gender, nationality, income, and education and had an option to leave a comment.

We used demographic variables as controls because individual consumers' characteristics influence their consumption behaviour (Carpenter and Moore 2006). Perceived value was used because previous research has regularly shown that it plays a detrimental role in the decision to patronise a particular store (e.g., Pan and Zinkhan 2006). We expect this to be similar for foreign retailers, and therefore we control for it.

3.1.2. Pre-test

The two conditions were pre-tested on a sample of 80 US respondents. As intended, the pre-test, based on a two-tailed test, demonstrated that localised CSR activities were perceived to be significantly higher in condition one than in condition two (5.51 vs. 4.68; $t(78) = 3.93$, $p < .001$), whereas the overall level of the retailer's CSR activities did not significantly differ between the two manipulation groups (5.39 vs. 5.35; $t(78) = .184$, $p > .05$). This was important to ensure that, in the main study, only the influence of the localised CSR activities on the willingness to buy was analysed – not the influence of a company's CSR activities in general.

3.1.3. Sample

The data were collected online with the help of a digital service provider. Each participant was compensated with a cash reward (for a discussion of the advantages and disadvantages of cash rewards, see Swoboda and Hirschmann 2016). The data collection resulted in 252 usable questionnaires of US nationals, who correctly recalled that the stimuli retailer was foreign. In total, 50.8 percent and 49.2 percent of respondents were exposed to the localised CSR and non-localised CSR scenarios, respectively (see Table 12 for an overview of the sample).

Table 12: Overview of the Sample

	Study 1	Study 2	Study 3
	Percentage	Percentage	Percentage
Gender			
Male	57.9	50.2	45.1
Female	42.1	49.8	54.9
Age			
16-21	1.6	.4	2.8
22-31	39.7	30.5	28.3
32-41	32.9	31.3	28.7
42-51	12.3	18	16.8
52 and older	13.5	19.7	23.4
Education			
Elementary school and High school	15.5	13.7	12.2
Some College/ University	26.2	27.9	30.7
College/ University degree (e.g., Bachelor etc.)	49.6	46.8	46.7
Graduate degree (e.g., Master's degree, Ph.D., etc.)	8.7	11.6	10.4
N	252	233	499

Source: Author

3.1.4. Results

3.1.4.1. Measurement

The scales displayed good reliability, as Cronbach's alpha was higher than .70 for willingness to buy ($\alpha = .914$), overall CSR ($\alpha = .839$), localised CSR ($\alpha = .897$) and consumer ethnocentrism ($\alpha = .956$) (see Table 13 for correlations and variance inflation factor; VIF's).

Table 13: Correlations and VIF's

	Study 1			
	1	2	3	4
1. Willingness to buy	1			
2. CSR activities	.649**	1		
3. Local CSR	.299**	.377**	1	
4. Consumer ethnocentrism	-.010ns	-.095ns	-.036ns	1
VIF		1.175	1.166	1.009
Notes: Correlations 2-tailed ns = not significant; $p < .10$; * $p < .05$; ** $p < .01$; *** $p < .001$				

Source: Author

To control for common method variance, we employed the unmeasured latent factor method suggested by Podsakoff et al. (2003). This procedure suggests the addition of an unmeasured latent factor to the measurement model during confirmatory factor analysis. The indicator loadings on this common latent factor are constrained to be equal to each other to ensure that the unstandardised loadings will be equal. Squaring this unstandardised loading gives the percentage of common variance across all indicators in the model. The results of this test showed that 22 percent of the variance could be due to common method variance. Based on this analysis, we conclude that common method variance is not a serious concern (Lowry et al. 2013).

3.1.4.2. Manipulation Check

To verify that the manipulation was successful in the main study, an independent sample t-test was applied to confirm that localised CSR differed across the two conditions and that the overall retailer's CSR activities and consumer ethnocentrism did not differ. The manipulation was successful, as the scenarios yielded significantly higher levels of localised CSR in condition one than in condition two (5.60 vs. 4.04, $t(250) = 13.12$, $p < .001$). As intended, there was neither a significant difference in overall CSR activities between the two conditions (5.58 vs. 5.44, $t(250) = 1.21$, $p > .05$) nor between the levels of consumer ethnocentrism of both randomly assigned sub-groups (3.67 vs. 3.70, $t(250) = -.181$, $p > .05$).

3.1.4.3. Findings

To compare successive regression models and determine each one's significance above and beyond the others, hierarchical multiple regression analysis was employed to test the hypotheses (Baron and Kenny 1986). To avoid the problem of multicollinearity, which can arise with the inclusion of the interaction term, the variables were mean-centred (Aiken, West, and Reno 1991). In the first step, perceived value and the demographic variables were included as control variables. In the second step, localised CSR and consumer ethnocentrism were introduced. In the third step, the interaction term between localised CSR and consumer ethnocentrism was added (see Table 14 for an overview of the results).

Effect sizes (f^2) of .02, .15, and .35 indicate the independent variables' small, medium, and large effects, respectively, on the dependent variable (Hair et al. 2014a). Model 2, consisting of the controls and the main effects, explains 32.5 percent of the variance in willingness to buy. Adding the main effects to this model adds low predictive relevance to the explanation of willingness to buy ($f^2 = .084$). Consistent with *H1*, localised CSR shows a positive influence ($\beta = .247, p < .001$). By adding the interaction term between localised CSR and consumer ethnocentrism to model 3, the variance explained increases to 34.6 percent, showing a significant change of 2.1 percent over model 2. The data in model 3 show a significant interaction effect with low predictive relevance ($\beta = .147, p < .01; f^2 = .032$). Thus, *H4a* is supported by the data.

3.2. Study 2: The Influence of Perceived Brand Localness

3.2.1. Experimental Design and Process

The objective of the second experiment was to investigate whether willingness to buy from foreign retailers is influenced by perceived brand localness (*H2*) and whether consumer ethnocentrism moderates that relationship (*H4b*). The experimental design was similar to that of experiment one but the perceived brand localness of a fictitious foreign retailer was manipulated. Participants, who were US citizens, were randomly assigned to one of the two conditions.

In condition one (high perceived brand localness), respondents were exposed to a logo that contained an American flag in the shape of a heart and to a sample two-page flyer with two pictures: an American football player (in action) and a picture of a playground with a boy holding an American flag and wearing a cowboy hat. In condition two (low perceived brand localness) respondents were exposed to a logo that contained a red heart and to a sample two-page flyer with two pictures: a soccer player (in action) and

a picture of the same playground as in condition one, but with the boy holding a pinwheel and not wearing a cowboy hat (see flyer in Appendix D).

The study began with the same description as in experiment one. After being exposed to one of the conditions, participants completed a questionnaire in which they indicated their overall perception of the emotionality of the store's image and perceived brand localness (Swoboda, Pennemann, and Taube 2012). The remainder of the questionnaire was the same as in experiment one (excluding the scales on overall CSR and localised CSR; see Appendix C for measurements).

3.2.2. Pre-test

The two conditions were pre-tested with a sample of 75 US respondents. The pre-test data, based on a two-tailed test, demonstrated that perceived brand localness was significantly higher in condition one than in condition two (4.25 vs. 3.56; $t(73) = 2.16$, $p < .05$), whereas the general perception of the emotionality of the store image did not differ significantly between the two manipulation groups (3.60 vs. 3.08; $t(73) = 1.63$, $p > .05$). This distinction was important to ensure that only the influence of the perceived brand localness on the respondents' willingness to buy was analysed – not their overall perception of the emotionality of the store image.

3.2.3. Sample

Experiment two was conducted with new subjects to avoid learning effects from experiment one. The data collection followed the same procedure as in experiment one, resulting in 233 usable responses. In total, 50.2 percent of respondents were exposed to condition one and 49.8 percent to condition two (see Table 12 for an overview of the sample).

3.2.4. Results

3.2.4.1. Measurement

The scales displayed good reliability, as Cronbach's alpha was higher than .70 for willingness to buy ($\alpha = .924$), perceived brand localness ($\alpha = .924$), emotionality of the store image ($\alpha = .898$) and consumer ethnocentrism ($\alpha = .959$) (see Table 15 for correlations and VIF's).

Table 14: Results

Variables	Willingness to buy									
	Study 1 (N = 252)			Study 2 (N = 233)			Study 3 (N = 499)			
	Model 1	Model 2	Model 3	Model 1	Model 2	Model 3	Model 1	Model 2	Model 3	Model 4
	Controls	Base model	Interaction	Controls	Base model	Interaction	Controls	Base model	Interaction	Interaction
Predictor										
Local CSR		.247***	.259***					.104**	.096**	.094**
Perceived brand localness					.462***	.459***		.521***	.499***	.497***
Consumer ethnocentrism		.000ns	.009ns		.108*	.110*		-.200***	-.197***	-.218***
Interactions										
Local CSR x Consumer ethnocentrism			.147**						.076*	.077*
Perceived brand localness x Consumer ethnocentrism						.017ns			.049ns	.052ns
Local CSR x Perceived brand localness									-.069*	-.072*
Local CSR x Perceived brand localness x Consumer ethnocentrism										.043ns
Controls										
Perceived value	.509***	.473***	.472***	.467***	.374***	.374***	.496***	.229***	.224***	.225***
Education										
Primary/secondary vs. Some college	.035ns	.063ns	.059ns	.078ns	.059ns	.059ns	-.003ns	.037ns	.033ns	.029ns
University										
Primary/secondary vs. College university	.023ns	.029ns	.029ns	.035ns	.033ns	.034ns	-.037ns	.016ns	.006ns	.005ns
Graduate degree										
Primary/secondary vs. Graduate degree	.085ns	.090ns	.090ns	.036ns	.057ns	.058ns	-.077ns	-.050ns	-.063ns	-.066ns
Age	.025ns	-.021ns	-.002ns	.115ns	.079ns	.078ns	-.017ns	-.024ns	-.026ns	-.025ns
Income	.067ns	.078ns	.087ns	.055ns	.031ns	.029ns	-.021ns	.005ns	.013ns	.011ns
R²	.268	.325	.346	.259	.463	.461	.254	.560	.576	.577
ΔR²		.058	.021		.222	-.001		.306	.016	.001
ΔF	14.937***	10.387***	7.685***	13.160***	47.984***	.124ns	27.917***	113.110***	5.851**	1.500ns
f²		.084	.032		.380	-.004		.695	.038	.002

Notes: All the β coefficients are standardised

ns = not significant; p < .10; * p < .05; ** p < .01; *** p < .001

Source: Author

Based on the procedure explained in experiment one, common method variance does not seem to pose a serious concern, as only 10 percent of variance could be due to common method variance.

Table 15: Correlations and VIF's

	Study 2			
	1	2	3	4
1. Willingness to buy	1			
2. General emotionality	.314**	1		
3. Perceived brand localness	.572**	.395**	1	
4. Consumer ethnocentrism	.118ns	.067ns	.100ns	1
VIF		1.186	1.192	1.011
Notes: Correlations 2-tailed ns = not significant; $p < .10$; * $p < .05$; ** $p < .01$; *** $p < .001$				

Source: Author

3.2.4.2. Manipulation Check

Applying the procedure followed in experiment one confirmed that the manipulation in the main study was successful. The two scenarios yielded significantly higher levels of perceived brand localness in condition one than in condition two (4.14 vs. 3.76, $t(231) = 2.29$, $p < .05$). As intended, there was neither a statistically significant difference between the overall emotionality of the retailer's communication (3.40 vs. 3.26, $t(231) = .757$, $p > .05$) nor between the levels of consumer ethnocentrism (3.52 vs. 3.56, $t(231) = -.208$, $p > .05$).

3.2.4.3. Findings

As for experiment one, hierarchical multiple regression was employed. In the first step, perceived value and the demographic variables were included as control variables. In the second step, perceived brand localness and consumer ethnocentrism were introduced. In the third step, the interaction term between perceived brand localness and consumer ethnocentrism was added (see Table 14 for an overview of the results).

Model 2, consisting of the controls and the main effects, explains 46.3 percent of the variance in willingness to buy. The results indicate that including perceived brand localness and consumer ethnocentrism in the model adds a large effect to explaining willingness to buy ($f^2 = .380$). In model 2, perceived brand localness exerts a direct positive influence on willingness to buy ($\beta = .462$, $p < .001$). Thus, $H2$ is supported. Consumer ethnocentrism shows a positive direct effect on willingness to buy ($\beta = .108$, $p < .05$), which is unexpected because the retailer in the experiment is described as foreign. When adding the interaction term between perceived brand localness and consumer ethnocentrism to model 3, there is no significant change in the R^2 value and

the coefficient is not significant ($\beta = .017, p > .05$). Hence, *H4b* does not find support in the data, indicating that the perceived brand localness – willingness to buy relationship does not differ depending on a consumer's level of consumer ethnocentrism.

3.3. Study 3: The Influence of Localised CSR and Perceived Brand Localness

3.3.1. Experimental Design and Process

The objective of the third experiment was to investigate whether localised CSR and perceived brand localness interact (*H3*) and whether there is a three-way interaction between localised CSR, perceived brand localness and consumer ethnocentrism (*H4c*). A further objective was to investigate whether the findings from the first two experiments are robust by testing the main effects and moderating effects with an additional and larger sample at a later point in time.

The study design combined the independent variables from experiment 1 and experiment 2 and relied on a 2 (localised CSR activities vs. non-localised CSR activities) x 2 (high perceived brand localness vs. low perceived brand localness) between-subjects experimental design. The respondents were randomly assigned to one of four conditions: condition one featured high localised CSR activities and high perceived brand localness; condition two, high localised CSR activities and low perceived brand localness; condition three, non-localised CSR activities and high perceived brand localness; or condition four, non-localised CSR activities and low perceived brand localness.

As in the first two experiments, the study began with the short description of the retailer. Then, participants were asked to complete a questionnaire (see Appendix C for measurements).

3.3.2. Sample

The data collection resulted in 499 usable responses from US nationals, with 25.1 percent of the respondents exposed to condition one, 24.2 percent exposed to condition two, 24.8 percent exposed to condition three, and 25.9 percent exposed to condition four (see Table 12 for an overview of the sample).

3.3.3. Results

3.3.3.1. Measurement

The scales displayed good reliability, as Cronbach's alpha was higher than .70 for willingness to buy ($\alpha = .929$), for perceived brand localness ($\alpha = .940$), for localised CSR

activities ($\alpha = .892$) and for consumer ethnocentrism ($\alpha = .964$) (see Table 16 for correlations and VIF's).

Table 16: Correlations and VIF's

	Study 3			
	1	2	3	4
1. Willingness to buy	1			
2. Local CSR	.434**	1		
3. Perceived brand localness	.669**	.498**	1	
4. Consumer ethnocentrism	-.232**	-.032ns	-.009ns	1
VIF		1.331	1.330	1.001
Notes: Correlations 2-tailed ns = not significant; $p < .10$; * $p < .05$; ** $p < .01$; *** $p < .001$				

Source: Author

Based on the procedure explained in experiment one, common method variance does not seem to pose a serious concern as only 6 percent of variance could be due to common method variance.

3.3.3.2. Manipulation Check

The procedure applied in the first two experiments verified that the manipulation was successful in the main study. As intended, there was a significant difference between localised CSR activities high vs. low (5.73 vs. 4.04, $t(497) = 21.35$, $p < .05$) and between the levels of perceived brand localness high vs. low (4.56 vs. 3.84, $t(497) = 5.98$, $p < .001$). However, there was no significant difference between the levels of consumer ethnocentrism in both randomly assigned sub-groups (3.52 vs. 3.58, $t(497) = -.490$, $p > .05$).

3.3.3.3. Findings

As in experiment one and two, hierarchical multiple regression was employed. In the first step, perceived value and the demographic variables were included as controls. In the second step, localised CSR, perceived brand localness and consumer ethnocentrism were introduced. In the third step, the three interaction terms were added between localised CSR and consumer ethnocentrism, perceived brand localness and consumer ethnocentrism and between perceived brand localness and localised CSR. In the fourth step, the interaction between localised CSR, perceived brand localness and consumer ethnocentrism was included (see Table 14 for an overview of the results).

Although there is a high correlation between localised CSR activities and perceived brand localness (see Table 16), the test of multicollinearity via tolerance and VIF revealed that multicollinearity does not pose a problem in interpreting the results, as

tolerance levels are between .639 and .997 and VIF values are between 1.003 and 1.565 (Hair et al. 2014a).

Regarding the main effects, the results from experiment three confirm the findings from previous experiments. Model 2, consisting of the controls and the main effects, explains 56 percent of the variance in willingness to buy. Both localised CSR and perceived brand localness have a direct positive influence on the willingness to buy ($\beta = .104$, $p < .01$ and $\beta = .521$, $p < .001$, respectively), supporting *H1* and *H2*, with perceived brand localness exerting a substantially stronger effect than localised CSR. Moreover, including localised CSR, perceived brand localness and consumer ethnocentrism has a large effect on explaining consumers' willingness to buy ($f^2 = .695$). By adding three interaction terms to model 3, the variance explained increases to 57.6 percent, showing a significant change of 1.6 percent over model 2. *H4a* and *H4b* predict that the influences of localised CSR and perceived brand localness (respectively) on the willingness to buy differ depending on a consumer's level of consumer ethnocentrism. Again, as displayed in model 3, the data show a significant interaction effect between localised CSR and consumer ethnocentrism ($\beta = .076$, $p < .05$) but not between perceived brand localness and consumer ethnocentrism ($\beta = .049$, $p > .05$). *H4a* is supported, while *H4b* again fails to find support in the data.

H3 predicts that there is a positive interaction between localised CSR and perceived brand localness on willingness to buy. However, model 3 shows a significant negative interaction ($\beta = -.069$, $p < .05$), which is contrary to the hypothesis; thus, *H3* does not find support in the data. Due to this unexpected result, the interaction effect was analysed further by the post-hoc probing proposed by Aiken, West, and Reno (1991). First, respondents were divided into three groups of levels of localised CSR. The results indicate that the effect of perceived brand localness on willingness to buy decreases with increasing localised CSR. It is high when localised CSR is low ($b = .551$, $p < .001$) and gets lower when localised CSR is medium ($b = .479$, $p < .001$) and high ($b = .407$, $p < .001$). Second, respondents were divided into three groups of levels of perceived brand localness. In this case, the effect of localised CSR on willingness to buy is high when perceived brand localness is low ($b = .200$, $p < .01$) and gets lower when perceived brand localness is medium ($b = .119$, $p < .01$). It is not significant when perceived brand localness is high ($b = .046$, $p = .325$). Therefore, both post-hoc tests confirm the negative interaction effect.

As shown in model 4, the coefficient for the three-way interaction between localised CSR, perceived brand localness and consumer ethnocentrism is not significant ($\beta = .043$, $p > .05$). Thus, hypothesis *H4c* does not find support in the data.

4. Discussion and Implications

The purpose of this study was to examine whether foreign retailers can enhance consumers' willingness to buy by localising CSR activities and by providing localised brand messages (perceived brand localness). The study also investigated whether consumer ethnocentrism moderates both relationships. Consumer ethnocentrism has rarely been tested in the context of foreign retailing. Including it was particularly interesting because foreign retailers, as opposed to single brands, deliver their services in a host country with local employees and usually sell a mix of foreign and domestic products. The study provides insights into whether foreign grocery retailers should integrate and localise their activities in the domestic market and how this influences consumer behaviour in general and the behaviour of ethnocentric consumers in particular. The hypotheses were tested with three experiments. All hypotheses could have been tested in a single experiment, but conducting three studies allowed us to change the setting in subsequent experiments if necessary. The use of three experiments also allowed checking for the robustness of the findings. In fact, the results of the third study confirmed the results of the previous two studies. As our research covers only one retailer (grocery) and only one country (US), we provide implications for research and management with caution.

The general pattern of findings is consistent with social identity theory. Grocery retailers who localise their CSR activities to the host country (the in-group) increase acceptance from local consumers, which translates into willingness to buy. In fact, the stronger localised CSR activities of a foreign grocery retailer are perceived, the higher consumers' willingness to buy. It is important to note that this influence is not caused by the overall level of CSR activities of a company but by the foreign retailer's contribution to the well-being of the American economy and local society. Similarly, Russell and Russell (2010) found that when the CSR activities of an American clothing retailer were national (US) as opposed to foreign (Cambodian), consumers' intentions to buy from the retailer were higher. The current study extends these findings by demonstrating this effect in relation to a fictitious foreign retailer, based on a non-student sample and with a comparison of localised (US) versus non-localised activities in general, eliminating the potential effect of the specific home country of the retailer. For retailers, this implies that they should localise their CSR activities to the host country, for example by caring for their local employees, doing charity projects in their local communities and supplying locally; they should also actively communicate these activities to their customers.

Retail brands perceived to have higher brand localness significantly influence consumers' willingness to buy. In fact, by including perceived brand localness in the

model, even the strong influence of the control variable perceived value has been reduced. The finding that perceived brand localness exerts an effect on willingness to buy is in line with the social identity theory, indicating that when a retailer is perceived to be a part of the in-group, it is more accepted by consumers, which may stem from an emotional affiliation of the retail brand with the country. These findings are consistent with those of Keane and Morschett (2016), who found a direct effect of perceived brand localness on purchasing behaviour at two foreign retailers in the USA. Our results support the findings of Halkias, Davvetas, and Diamantopoulos (2016), who also demonstrate a positive effect of perceived brand localness, even though, in their model, perceived brand localness indirectly affects purchase intentions via brand attitudes as mediator, and their measurement of perceived brand localness slightly differs from the measurement in our study. These scholars propose that international brand managers should create links with local markets due to the significantly stronger effects of perceived brand localness on brand attitudes and behavioural intentions compared to the effects of perceived brand globalness. Steenkamp, Batra, and Alden (2003) show a direct effect of their variable, brand local icon value (which is conceptualised very similarly to our variable perceived brand localness) on brand purchase likelihood, besides having two indirect effect paths. Their recommendations are, however, targeted at local companies who should apply perceived brand localness as a defence against global brands. In the retail context, Swoboda, Pennemann, and Taube (2012) show a significant indirect influence of perceived brand localness on retail patronage through functional and psychological values but do not find a direct influence. This finding, which differs from the findings of the current study, may stem from the fact that Swoboda, Pennemann, and Taube (2012) focused on an emerging market while we have investigated this effect in the US, a mature market in which consumers are likely to have higher trust in local retailers. More importantly, however, we have tested the hypothesis using an experimental design with a fictitious foreign grocery retailer, and the effect may be more direct in the grocery sector.

In response to increased competition, many global brands try to transmit a message of being part of the in-group (by using local symbols). Özsomer (2012) warns global managers that this strategy may not come across as authentic and credible. Swoboda, Pennemann, and Taube (2012) further note that the retailer's strategy may not be clear to consumers, but consumers may be able to evaluate whether the retail brand is global or local based on the retailer's communication and offers. Retail brand identity should be one of the key aspects of a retailer's strategy in a foreign market. Therefore, grocery retail managers should – cautiously – invest in building a local brand identity in the host country, using emotional anchors localised to the domestic market to attract consumers, as Halkias, Davvetas, and Diamantopoulos (2016) emphasize for product brands as

well. Perceived brand localness can be achieved with national symbols, national celebrities, national sports, etc. In the present study, the inclusion of flags, typical national sports and national clothing elements exerted a strong influence on the respondents.

A closer examination of the interaction between localised CSR and consumer ethnocentrism reveals that localised CSR activities exert a stronger effect for consumers higher in ethnocentrism. Consumer ethnocentrism mainly captures economic motives for in-group bias and is based on a consumer's normative response – on their desire to protect the domestic economy (Dmitrovic and Vida 2010). The core of consumer ethnocentrism lies in the consumer's concern about harming the domestic economy by purchasing foreign products (Shimp and Sharma 1987) and, consistent with social identity theory, individuals do not engage in harmful behaviours towards the in-group. Ethnocentric consumers who perceive that the retailer positively influences the domestic economy and local society are more willing to buy from this foreign retailer, meaning that localised CSR can help to overcome ethnocentric consumers' preferences against buying from foreign stores. This suggests that foreign retail managers should emphasize their commitments to the domestic market in their advertising. They should also transmit an image of a retailer that is well integrated into the country and that looks after the well-being of the domestic economy with socially responsible actions that are focused on the local market. This strategy will help to attract consumers in general, and in particular, consumers with higher ethnocentrism.

While a strong direct influence of perceived brand localness on willingness to buy was clearly shown for consumers in general, no evidence was found that the influence of perceived brand localness on willingness to buy at a foreign retailer is stronger for consumers with higher consumer ethnocentrism. Although unexpected, this is consistent with the finding by Steenkamp, Batra, and Alden (2003), who did not establish a significant difference depending on the level of consumer ethnocentrism in terms of the influence of perceived brand localness on the purchase likelihood of brands. Similarly, Swoboda, Pennemann, and Taube (2012) investigated a moderating variable closely related to consumer ethnocentrism – consumer local identity – and also failed to demonstrate a different total effect of perceived brand localness on patronage behaviour for consumers with a higher local identity than for consumers with higher global and hybrid identities.

This result was unexpected because ethnocentric consumers are attracted to national ideals (Siamagka and Balabanis 2015), and consumer ethnocentrism is argued to have an affective component (Dmitrovic and Vida 2010). Spanjaard and Freeman (2012) note

that a consumer's choice of product is often affected by emotional aspects that help them connect with particular products and brands. Therefore, one explanation for the missing moderating effect may be that perceived brand localness is such an important consideration for all consumers (as evident from the strong direct effect) that it does not exert a stronger influence on highly ethnocentric consumers. In fact, such a strong direct influence of perceived brand localness, regardless of other factors, has also been demonstrated in the study by Halkias, Davvetas, and Diamantopoulos (2016) on product brands. As mentioned, perceived brand localness may be particularly important in the grocery retail category because food is more culturally grounded and local traditions and habits play a powerful role, as they satisfy social, cultural and traditional needs (Özsomer 2012). In addition, it is possible that the emotionality that is expressed in the pictures of the advertising in the experiment, for example, of the children's playground, appeals in particular to ethnocentric consumers, given that it illustrates certain values. This may explain the unexpected finding in study 2 (where no statements from consumers, employees and suppliers were given that additionally highlight the foreignness of the retailer but only the advertising), which shows a direct positive influence of consumer ethnocentrism on willingness to buy. As a consequence, retail managers should ensure that the retail brand includes localised appeals that help local consumers connect with it because this can influence their willingness to buy, regardless of their level of consumer ethnocentrism.

Interestingly, contrary to the proposed hypothesis, the interaction between localised CSR and perceived brand localness is negative and significant. To the best of our knowledge, no previous study has analysed this interaction effect. While we hypothesised that retailers are more convincing when their localisation efforts stem from both high localised CSR and high perceived brand localness, the results of the post-hoc probing seem to indicate that the effect of one of these dimensions is in fact more important when the retailer is not performing well on the other one; for example, when localised CSR is low, perceived brand localness is more important, but when localised CSR increases, the relevance of perceived brand localness decreases. This finding suggests that when the retailer is performing one of these activities on a high level, this is already sufficient to convince consumers of its commitment to the local market. Thus, one implication would be that it is better for a retail manager to strongly focus on one of the two dimensions than to try to satisfy both dimensions without full success. However, the effect size of this negative interaction effect is not very high, so this implication should be viewed cautiously.

It is also noteworthy that although the collinearity analysis indicates that multicollinearity does not pose a serious problem, the high correlation between localised CSR and

perceived brand localness suggests that the perception of these variables by consumers is in fact not fully independent. This is interesting because both dimensions were manipulated strictly independent in the experiment, and yet they seem to be perceived as interlinked, indicating that consumers' perceptions are joined together.

Last, the experiment investigated a three-way interaction between localised CSR activities, perceived brand localness and consumer ethnocentrism. However, the findings did not produce significant results. The lack of this interaction is not surprising, particularly because the interaction between perceived brand localness and consumer ethnocentrism is not significant, the interaction between consumer ethnocentrism and localised CSR is significant, and the interaction between localised CSR and perceived brand localness is negative, although rather weak.

In summary, the core contribution of this study is to demonstrate that consumers rely on both the geographic focus of a foreign retailer's CSR activities and on perceived brand localness when making a buying decision. Foreign retailers who localise CSR activities enjoy higher patronage. This finding is true for consumers in general, but localised CSR activities have a particularly strong effect on consumers with higher ethnocentrism. Finally, perceived brand localness exerts a particularly strong influence, regardless of consumer ethnocentrism.

5. Limitations and Future Research

To better understand the influences of localised CSR activities and perceived brand localness on willingness to buy at foreign retailers and the moderating role of consumer ethnocentrism, additional research is needed. The findings presented herein are subject to a number of limitations. We note three such issues.

First, the data for this study were collected in one market (the US), were based on one retail category (grocery), and the stimuli retailer was foreign. This limits the scope and generalisability of the results. Therefore, it may be worthwhile to extend this research to a diverse set of countries and retail categories to determine whether the findings are generalisable in nature. This extension would be interesting because, for example, Swoboda, Pennemann, and Taube (2012) note that, in China, Western retailers influence consumers emotionally, whereas Asian retailers do so based mostly on functional values. From the perspective of consumer ethnocentrism, this extension of research would also be beneficial. Consumer ethnocentrism can manifest differently across countries, and it has been previously shown that domestic country biases in

diverse product categories vary in importance. Furthermore, other researchers have shown positive effects of perceived brand globalness (Steenkamp, Batra, and Alden 2003; Swoboda and Pennemann 2014), while this study only investigated the effect of perceived brand localness in grocery retailing. Swoboda, Pennemann, and Taube (2012) and Steenkamp, Batra, and Alden (2003) argue that a brand can simultaneously have high brand globalness and high brand localness; thus, studying localness and globalness in diverse retail sectors is important to obtain more comprehensive insights into the effects of these variables. Also comparing foreign and domestic retailers in an experiment might bring interesting results, in particular because our arguments are based on an in-group/out-group distinction. Moreover, investigating the influence of perceived brand localness not only on foreign but also on domestic retailers may contribute to the existing literature. The experimental research design allowed us to avoid the direct influence of brand familiarity on consumers' willingness to buy. It was also possible to demonstrate causal effects and to avoid biases based on actual shopping behaviour. However, exposing respondents to selected information about a retailer can make it difficult for them to make decisions about whether they are willing to buy in a particular store, as many other attributes often play a role (Pan and Zinkhan 2006). Moreover, the messages about the fictitious retailer are positive. Only the level of localisation (of the brand or of CSR) was manipulated, not the overall level of CSR or of a positive emotional brand message. While we considered it important to keep this constant, and a positive brand message conforms more to the real behaviour of a retailer, one may argue that other information sources can spread negative information about the social responsibility of a retailer. Thus, investigating the effect of local CSR activities in the case of negative information may also be worthwhile.

Second, localised CSR, perceived brand localness and consumer ethnocentrism are complex concepts. We have not found any existing scale in the literature that measures localised CSR activities. Therefore, we have adapted the scale from Öberseder et al. (2014). This approach is exploratory. To measure perceived brand localness, we have used the scale by Swoboda, Pennemann, and Taube (2012), which was used in the retail context; these authors argue that when retailers are successfully positioned they can be characterised as hybrid retail brands, i.e., scoring high on the global and the local dimension. In our study, we have only accounted for perceived brand localness, and we have not investigated perceived brand globalness. The third important scale used in the study is CETSCALE (which measures consumer ethnocentrism). Although commonly applied and well-established, CETSCALE has been criticised for its one-dimensionality. There are new prominent multi-dimensional scales to measure consumer ethnocentrism. For example, Siamagka and Balabanis (2015) propose a scale consisting of five dimensions: prosociality, cognition, insecurity, reflexiveness and

habituation. Using this new scale may be interesting, as it may provide new insights into understanding how consumer ethnocentrism interacts with localised CSR and in particular with perceived brand localness.

Third, an extension of the framework is recommended. For example, Steenkamp, Batra, and Alden (2003) not only hypothesised a direct effect of perceived brand localness on brand purchase likelihood but also an indirect effect via perceived brand quality and brand prestige. Swoboda, Pennemann, and Taube (2012) considered the influence of perceived brand localness on retail patronage via two mediators – functional and psychological values. Including these variables in the model would provide more insights into the effects and add to our current understanding. From the perspective of the moderating factors, it may also be interesting to investigate additional influences such as the retailer's origin, consumer identity (Swoboda, Pennemann, and Taube 2012) and consumer cosmopolitanism, for example. In fact, investigating how local consumer identity interacts with consumer ethnocentrism may be valuable in explaining the influence of perceived brand localness on willingness to buy at foreign grocery retailers.

Part IV: Social and Socio-demographic Influences on Ethnocentric Consumer's Behaviour at Foreign Retailers (Essay 3)

1. Introduction

Poor performance has caused many retailers to exit foreign markets, for example, Carrefour ceased operations in Switzerland, Wal-Mart left Germany, and Saturn exited France (Allen 2007; Metro Group 2010; Pioch et al. 2009). To achieve success abroad, retailers must understand what drives retail patronage behaviour (Alexander and Doherty 2010) and they must successfully position themselves against the local competition (Swoboda, Pennemann, and Taube 2012). Research has paid considerable attention to the antecedents of retail patronage and found that patronage behaviour is influenced by retailer attributes such as quality, selection, and store atmosphere (e.g., Pan and Zinkhan 2006).

Foreign retailers, however, must consider additional influence factors; consumer ethnocentrism is one such factor. Consumer ethnocentrism *“denotes consumers’ tendencies to distinguish between products of the in-group (home country) and out-groups (foreign countries) and to avoid buying foreign products due to nationalistic reasons”* (Shankarmahesh 2006, pp. 147–148). Studying consumer ethnocentrism in international retailing is relevant because although, as observed by Siamagka and Balabanis (2015), ethnocentric consumers can assess products based on different attributes, such as price, quality and function; the most prominent means of choosing a product by ethnocentric consumers is dependent on the product categorisation as foreign or domestic.

Despite the fact that international retail activities are common, consumer patronage particularly at foreign retailers has not yet been extensively studied. In this paper patronage behaviour is conceptualised as *“a consumer’s purchasing frequency and amount spent at a retailer relative to other retailers the consumer buys at”* (Odekerken-Schröder, de Wulf, and Schumacher 2003, p. 183). On the one hand, the importance of consumer ethnocentrism has been extensively demonstrated in literature. On the other hand, a clear lack of literature relating to its influence in services, including retailing, reveals an important research gap, as pointed out in the literature overview by Shankarmahesh (2006). The prominent exceptions that investigate consumer ethnocentrism in the context of willingness to buy at the foreign retailers, which are relevant to this study include the work by Good and Huddleston (1995) and Zarkada-Fraser and Fraser (2002).

While some scholars conceptualise consumer ethnocentrism as a moderating variable (e.g., Wang et al. 2000; Klein, Ettenson, and Morris 1998; Nijssen and Douglas 2004;

Supphellen and Grønhaug 2003), previous studies have also found support that consumer ethnocentrism is directly linked to purchasing behaviour and that it has a direct negative influence on the preference and the purchase intentions of foreign products (e.g., He and Wang 2015; Josiassen, Assaf, and Karpen 2011; Siamagka and Balabanis 2015). However, foreign retailers, as opposed to single foreign brands, directly contribute to the domestic economy by providing employment to locals, and their service is provided (to a large extent) by local employees. Therefore, foreign retailers may be able to somewhat overcome the perception of economically harming the domestic economy and causing local job losses. With that in mind, one aim of this research is to investigate the general tendencies of ethnocentric consumers towards foreign retailers.

Consumer ethnocentrism is a social construct and is often explained from the perspective of social identity theory (Zeugner-Roth, Žabkar, and Diamantopoulos 2015). In line with the theory, individuals who identify with social groups, into which they feel they fit, are more likely to adopt the norms and attitudes of that group (Hogg and Reid 2006; Turner et al. 1987). Social norms, which are defined as “*expectations held by a group that persons ought to behave (act, think, believe) in particular ways*” (Schwartz 1975, p. 122), are a form of social influence and have been identified as an important predictor of consumer behaviour. In this respect, exploring the influence of ethnocentric social norms (hereafter social norms) on consumer ethnocentrism, and how they influence the relationship between consumer ethnocentrism and patronage behaviour at foreign retailers, is a research gap worth investigating (Melnik et al. 2013).

Price consciousness is a highly relevant concept when studying patronage behaviour (Lichtenstein, Bloch, and Black 1988) and consumers with higher price consciousness are “*concerned with getting the best value for their money*” (Sproles and Kendall 1986, p. 273). Price consciousness is associated with social variables that affect an individual's patronage decisions. It is particularly interesting to investigate the influence that price consciousness has on the relationship between consumer ethnocentrism and patronage behaviour at foreign retailers, and whether consumer ethnocentrism loses in importance in favour of price consciousness.

The last form of social influences that this study investigates are socio-demographic variables. Both social class and income have been found to influence consumer ethnocentrism and price consciousness (e.g., Shankarmahesh 2006; Wakefield and Inman 2003). Demographic factors (not only psychological constructs) play an important role in studying consumer behaviour as this can lead to direct managerial implications (Josiassen, Assaf, and Karpen 2011).

This paper contributes to the literature by answering the following research questions:

(1) Does consumer ethnocentrism have a direct negative influence on the patronage behaviour at foreign retailers? (2) Do the social norms have a direct positive influence on consumer ethnocentrism? (3) Is the negative relationship between consumer ethnocentrism and patronage behaviour at foreign retailers (a) weakened by price consciousness (b) strengthened by social norms? (4) Are demographic variables (i.e., income and social class) antecedents of (a) consumer ethnocentrism and (b) of price consciousness? By answering these research questions contribution to the literature is made by furthering an understanding of consumer ethnocentrism and in particular of its role in foreign retailing and by exploring the relevance of social norms.

This paper continues as follows. First, an overview of the conceptual framework and theory is given. Then, based on the literature, hypotheses are developed that deal with the research gaps, followed by an overview of the research methodology, and a discussion of the results. Lastly, limitations and avenues for future research are proposed.

2. Theory and Hypotheses

2.1. Conceptual Framework and Theory

This study uses social identity theory as a theoretical foundation. The theory has been introduced by Tajfel (1981) and it *"is a social psychological analysis of the role of self-conception in group membership, group processes, and intergroup relations"* (Hogg 2006, p. 111). Social identity theory attempts to understand the social psychological process of the intergroup discrimination, which is underlining the development as well as the maintenance of the social identity. Social identity is *"that part of an individual's self-concept which derives from his knowledge of his membership in a social group (or groups) together with the value and emotional significance attached to that membership"* (Tajfel 1981, p. 255). Individuals can adopt social identity to maximise the similarities, as well as the differences, between the groups (Hogg and Reid 2006).

The findings of Smith and Henry (1996) suggest that the nature of the in-group impacts an individual, and the characteristic of the in-group can be incorporated into the individual's self-concept. Social identity theory is anchored in the individual's efforts to distinguish one's group in relation to other groups. It explains why there is competition between the groups for resources, status, prestige and distinctiveness (Hogg 2006; Siamagka and Balabanis 2015). Zeugner-Roth, Žabkar, and Diamantopoulos (2015)

points out that in an international context, home country is often perceived by individuals as an in-group, whereas foreign countries as the out-group.

It is also noteworthy to point out that the theory suggests that perception of belonging to the group can alter individual's behaviour (Hogg, Terry, and White 1995). Such influence has been shown empirically in the study by Homburg, Wieseke, and Hoyer (2009) who found that buying behaviour of consumers increased when they perceived that the company belonged to their in-group.

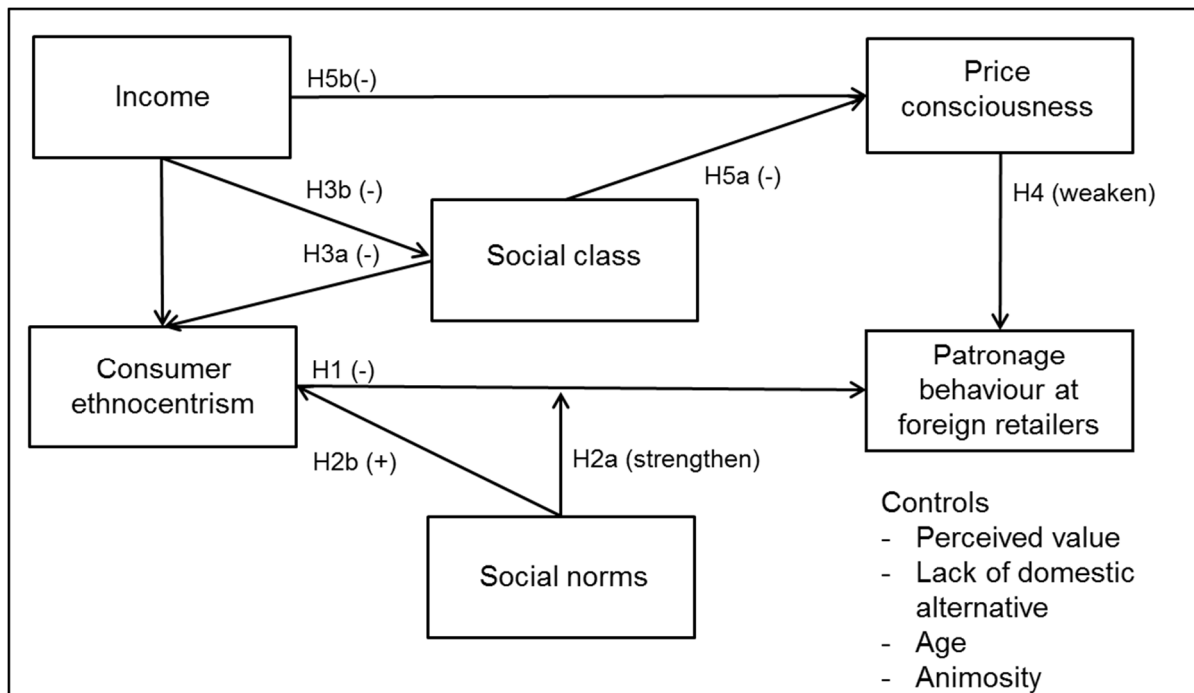
The social identity theory has been extensively used in the literature and is considered the root of consumer ethnocentrism. The term consumer ethnocentrism was first introduced by Shimp (1984) as a pro-in-group and anti-out-group construct (Zeugner-Roth, Žabkar, and Diamantopoulos 2015). Consumer ethnocentrism provides individuals with a sense of belonging to a group and it refers to a general tendency of consumers to reject imported products and services (Shankarmahesh 2006; Shimp and Sharma 1987). Consumer ethnocentrism can act as self-defence mechanism against the threat of foreign imports and foreign competition. This stems from ethnocentric consumers concern that the growth of foreign companies in the domestic market poses a direct threat to the domestic economy and employment. As a result, ethnocentric consumer perceive that purchasing foreign products is inappropriate and immoral and therefore these consumers are unwilling to purchase from foreign companies (Klein, Ettenson, and Morris 1998; Shimp and Sharma 1987; Siamagka and Balabanis 2015).

2.2. Hypotheses Development

The underlying assumption of this study is in line with the social identity theory and related constructs, Figure 9 provides an illustration of the conceptual model.

De Ruyter, van Birgelen, and Wetzels (1998) argued that findings about negative reactions of ethnocentric consumers towards foreign products can be transferred to foreign service providers. The literature review of Shankarmahesh (2006) revealed, however, that studies in the area of consumer ethnocentrism mostly focused on tangible goods and there are only a few published studies that investigated the influence of consumer ethnocentrism in the retail context.

Figure 9: Conceptual Framework



Source: Author

The first notable exception is the study by Good and Huddleston (1995), who examined whether in times of economic transition ethnocentric tendencies existed in Polish and Russian consumers. In both countries, the results indicated a positive relationship between consumer ethnocentrism and purchase intentions at state-owned stores (domestic) and a negative relationship between consumer ethnocentrism and purchase intention at private stores (mostly foreign owned). The second notable exception is the study by Zarkada-Fraser and Fraser (2002) who investigated the attitudes and support of Australian respondents towards fictitious foreign-owned supermarket chains. The findings suggest that the origin of the retailer influenced consumer support for the store, and that consumers with higher level of consumer ethnocentrism were more likely to reject foreign retailers than consumers with lower ethnocentric tendencies. Neither of the studies, however, investigate consumers' patronage behaviour.

Consumer ethnocentrism guides individuals in what appropriate behaviour is (Siamagka and Balabanis 2015). Consistent with the social identity theory, foreign retailers are likely to be perceived as an out-group by domestic consumers and consumers with higher ethnocentric tendencies are likely to reject the out-group. Therefore, in line with the theory and the empirical evidence, which has been found regarding the influence of consumer ethnocentrism on the choice of the foreign products and services, the same is proposed in relations to foreign retailers. In this regard the following hypothesis is posited:

H1: Consumer ethnocentrism has a direct negative influence on patronage behaviour at foreign retailers. Specifically, the higher the level of consumer ethnocentrism, the lower patronage behaviour at foreign retailers.

Previous studies found that the social environment exerts an influence on an individual and on his or her decision-making process. In line with social identity theory, it is plausible to assume that social norms have an influence on the a) behavioural effect of consumer ethnocentrism and b) formation of ethnocentric tendencies.

In the literature social norms “reflect what significant other persons consider appropriate behavior” (Granzin and Painter 2001, p. 76) and they are particularly relevant when consumers are affected by individuals who are important to them.

Consistent with social identity theory, consumers are more likely to follow a behaviour when they perceive it is in accordance with the norms of their group (i.e., the in-group). Conforming to the norms set out by the group, and limiting choices to those that are deemed appropriate within the social sphere to which an individual belongs, is an underlying phenomenon of the influence of social groups on consumers (Coleman 1983).

Melnyk et al. (2013) noted that only a small number of studies have explored the influence of social norms on the purchase of products or services. There are, however, a few exceptions. Previous research has established that social norms were important in increasing the loyalty of young adults towards mobile phone service providers when those norms were imposed by their peers (Lee, Murphy, and Neale 2009). Social norms were also found to influence the adaptation of new products (Homburg, Wieseke, and Kuehnl 2010), and were important in the purchase and consumption of ready-made meals (Mahon, Cowan, and McCarthy 2006).

Consumers who feel that strong social pressure is exerted may be concerned that making incorrect choices can result in negative psychological repercussions (e.g., Lee, Murphy, and Neale 2009). Conforming to group norms results in ethnocentric consumers feeling good about themselves (Christensen et al. 2004). The stronger individuals identify with the in-group, the more susceptible they are to the influence of social norms (Granzin and Painter 2001) and consumers with higher consumer ethnocentrism are vulnerable to the interpersonal influence (Siamagka and Balabanis 2015). In this respect, the more significant others exert social norms on an individual against buying from foreign retailers, the stronger the relationship between consumer ethnocentrism and patronage behaviour at foreign retailers should be. In this regard, the following hypothesis is posited:

H2a: The stronger social norms against buying from foreign retailers, the stronger the negative relationship between consumer ethnocentrism and patronage behaviour at foreign retailers.

Moreover, social norms were found to exert a direct influence on the formation of consumer's attitudes, intentions and preferences (Lee, Murphy, and Neale 2009; Melnyk et al. 2011; White and Simpson 2013). Consumer ethnocentrism is based on social norms, as it guides consumer's consumption behaviour in a way that avoids the negative effects on the domestic economy (He and Wang 2015). Social norms may strengthen a consumer's belief that purchasing at foreign retailers is incorrect and illegitimate and repeated pressures can result in the internalisation of ethnocentric beliefs (Siamagka and Balabanis 2015). Hence, the more social norms are exerted, the stronger is the belief that a consumer should reject foreign products and services, resulting in the formation of an ethnocentric social identity. This is in line with the social identity theory, which states that individuals are prone to align their own tendencies to the norms set out by the reference group with which they identify. As a result, those norms become a standard of judgement, attitude and behaviour (Hyman 1942; Karasawa 1991). In this regard, the following hypothesis is posited:

H2b: Social norms have a direct influence on consumer ethnocentrism. Specifically, the stronger social norms against buying from foreign retailers are perceived by an individual, the higher consumer ethnocentrism.

Beyond social norms, socio-demographic influences may impact the level of consumer ethnocentrism. Sharma, Shimp, and Shin (1995, p. 27) argued that "[e]thnocentric tendencies in consumers do not develop in isolation but rather are part of a constellation of social-psychological and demographic influences". Social class may be one of these socio-demographic factors. Social class can be defined as the standing that an individual has in society (Shankarmahesh 2006), which is a relatively permanent alignment into a homogeneous group. The literature supports the view that people who consider themselves as working class are more likely to hold higher ethnocentric tendencies than people who consider themselves as middle class. The argument behind it is that the quality of life and economic livelihood of consumers from the working class are assumed to be more dependent on the well-being of the domestic economy. As a result, those consumers are more threatened by foreign competition (Shimp and Sharma 1987), and are therefore more likely to have higher ethnocentric tendencies.

Several studies have investigated the effect that social class has on consumer ethnocentrism, but the results are inconclusive. On the one hand, scholars have found

support for an inverse relationship, that is, higher social class results in a lower level of consumer ethnocentrism. For example, Klein and Ettenson (1999) found (marginal) support that working-class people were more likely to have higher ethnocentric beliefs than those in the middle class. In line with that, Wall and Heslop (1986) found that blue collar workers were more willing to pay a premium price for domestic products compared to white collar workers. On the other hand, the study by Caruana (1996) did not establish a significant influence of social class on the level of consumer ethnocentrism amongst Maltese consumers.

A demographic variable that is positively correlated with social class, and that may also affect consumer ethnocentrism, is income. Shankarmahesh (2006) posits that the conclusions regarding the influence of social class on consumer ethnocentrism can be transferred to the influence that income has on consumer ethnocentrism. Most researchers agree that there is a negative relationship between income and consumer ethnocentrism, but there is no consensus regarding the effect. The rationale for an inverse relationship, that is higher income levels result in a lower level of consumer ethnocentrism, is that individuals with higher incomes can explore more products (with diverse origins), resulting in a more open attitude (e.g., Wall and Heslop 1986; Sharma, Shimp, and Shin 1995). Those consumers are also more cosmopolitan and can travel more (Balabanis et al. 2001). The negative relationship was supported in numerous studies (e.g., Good and Huddleston 1995; Klein and Ettenson 1999; Richardson 2012; Sharma, Shimp, and Shin 1995). However, other research did not establish a significant relationship (e.g., Javalgi et al. 2005; Josiassen, Assaf, and Karpen 2011), whereas a study by Balabanis et al. (2001), found inconclusive results, with a positive relationship in a Czech sample, and a negative effect in a Turkish sample. Nevertheless, based on the theoretical arguments and the previous findings in the literature, the following hypotheses are posited:

H3a: Social class has a direct negative influence on consumer ethnocentrism. Specifically, the lower the social class, the higher the level of consumer ethnocentrism.

H3b: Income has a direct negative influence on consumer ethnocentrism. Specifically, the lower the income, the higher the level of consumer ethnocentrism.

An additional construct which may be relevant in the context of consumer ethnocentrism and patronage behaviour, which is associated with social variables is price consciousness. Price consciousness is a highly relevant concept particularly when studying patronage behaviour (Lichtenstein, Bloch, and Black 1988). A number of scholars established that low price is an important determinant of patronage

decisions (Moore and Carpenter 2006; Pan and Zinkhan 2006; Shimp, Dunn, and Klein 2004), however the level of price consciousness varies depending on an individual. Consumers who are higher in price consciousness look for the best value for their money, and there is a positive relationship between price consciousness and a consumer's search intentions (Alford and Biswas 2002; Sproles and Kendall 1986).

Consistent with Alford and Biswas (2002), we argue that the importance of the other attributes may diminish as price plays a more prominent role in the purchase decision. We argue that consumers who are more price conscious, and at the same time have higher level of consumer ethnocentrism, may put more emphasis on finding lower prices than on purchasing according to their ethnocentric tendencies. This is based on the assumption that often a limited number of domestic alternatives are available and, as a result, a consumer's search for the lowest prices may not be satisfied. Consequently, price conscious ethnocentric consumers may expand their search for lower prices to foreign retailers. Thus, even consumers who would normally not purchase at foreign retailers may exhibit higher patronage behaviour at foreign retailers if they are highly price conscious. In this regard, the following hypothesis is posited:

H4: The higher the level of price consciousness, the weaker the negative relationship between consumer ethnocentrism and patronage behaviour at foreign retailers.

The level of consumer price consciousness may depend on an individual's social class and income but the findings related to these constructs are inconclusive. Trier, Smith, and Shaffer (1960) and Murphy (1978) found that price consciousness is not significantly related to consumer income. Many scholars argued, however, that in line with economic theory, there is a negative relationship between income and price consciousness (e.g., Blattberg et al. 1978) as budgetary constraints are higher in households with lower levels of income, resulting in higher price consciousness. For example, Ailawadi (2001) found that consumers who enjoy higher incomes are usually less price conscious and have less financial constraints, and are therefore more likely to purchase more expensive brands. In line with this, Urbany, Dickson, and Kalapurakal (1996) indicated that price search has a negative relationship with household income. Furthermore, Jones, Chern, and Mustiful (1994) examined scanner data in two distinct socio-economic areas (low-income and high-income areas) to investigate demand elasticities for five categories of breakfast cereals. The results show an inverse relationship between lower-income shoppers and the price paid for four out of five types of cereal, while the results for the fifth type (a snack cereal) were not significant. In this regard, the following hypotheses are posited:

H5a: Social class has a direct negative influence on price consciousness. Specifically, the lower the social class, the higher the level of consumer's price consciousness.

H5b: Income has a direct negative influence on price consciousness. Specifically, the lower the income, the higher the level of consumer's price consciousness.

3. Empirical Study

3.1. Sample

Consumer data was collected in September and October 2014 in three countries: the United Kingdom, Germany, and the German speaking part of Switzerland. The selection of the countries was based on the economic and cultural similarity between the markets. Furthermore, Kale (1995) classified these three markets into one cluster based on Hofstede's cultural dimensions. The data were collected with an on-line questionnaire by a professional data collection agency following specific quotas for age and gender in order to ensure accurate representation of each of the three surveyed markets.

The survey instrument included two retail categories: food and fashion. Each questionnaire dealt with only one category. Different retailers were used as stimuli. For food, Lidl was chosen, while for fashion, Zara and H&M were used. In Germany, Lidl was not used as it originates in that market (and is part of the in-group)¹⁴. Only potential respondents who were familiar with the retailers and who had a real opportunity to patronise the store (geographical proximity) were selected to participate in the study. This resulted in 526 responses. This sample had to be revised. The respondents who incorrectly perceived the retailer as domestic, respondents who were not host-country nationals and respondents who did not have at least one parent originating from the host-country were excluded from the analysis to correct for potential distortions due to different perceptions of the in-group and out-group¹⁵. As a result, 334 usable questionnaires were retained (see Table 17 for an overview of the sample).

¹⁴ No foreign food retailer holds a relevant position on the German food retail market; hence the data in Germany was collected only for foreign fashion retailers.

¹⁵ Zarkada-Fraser and Fraser (2002) found that consumers with immigrant backgrounds were significantly less ethnocentric than consumers with non-immigrant backgrounds and that immigrant consumers were significantly more likely to support the opening of foreign-owned retail shops.

3.2. Measurements

Two language versions of the questionnaire were prepared. The questionnaire was created in English and pre-tested with native English speakers. The English version was distributed to the British respondents. The English-language items used to measure the constructs were translated, and back translated, to and from German (with minor distinction between the Swiss-German and the German versions of the questionnaire), which resulted in modifications to ensure comprehension (Nijssen and van Herk 2009). The German versions of the questionnaire were then distributed to the German and Swiss-German respondents.

Table 17: Overview of the Sample

	Frequency	%		Frequency	%
Countries			Social class		
United Kingdom	120	35.9	Working class	95	28.4
Switzerland	124	37.1	Middle class	178	53.3
Germany	90	26.9	Middle-upper and higher class	61	18.3
Retail categories			Age		
Food	133	39.8	16-24	65	19.5
Fashion	201	60.2	25-34	72	21.6
Retailers			35-44	71	21.3
Lidl	133	39.8	45-54	63	18.9
H&M	133	39.8	55-older	63	18.9
Zara	68	20.4	N	334	100
Gender					
Male	136	40.7			
Female	198	59.3			
N	334	100			

Source: Author

All scales in the study were taken from previous research (see Table 18 for details on the measurements). The CETSCALE of Shimp and Sharma (1987) was used to measure consumer ethnocentrism. Following Nijssen and van Herk (2009), five core items from the shortened CETSCALE were applied. The items of the CETSCALE, of price consciousness, and of social norms scales were measured on seven-point Likert scales. In the case of the dependent variable, patronage behaviour, items were measured out of one hundred percent, and on a seven-point Likert scale. Originally, patronage behaviour consisted of a three item scale, but due to high inter-item correlation it appeared that two items measured the same thing. As a result, one item was deleted. To determine social class, individuals were asked to self-categorise their family either into working class, middle class, upper middle class, or higher class. Due to the low number of respondents from the higher social class, the upper middle class and upper class were merged. In relation to income, individuals were asked to select their net income per year and had seven possibilities to choose from. The income brackets were adjusted to average income for each market where the data was collected.

Table 18: Reliability and Validity of Measurement

Latent variable Indicator	Loadings	Composite reliability ^a	Cronbach's alpha ^a	AVE [*]	r ² _{max} ^a	Fornell-Larcker criterion ^a
Consumer ethnocentrism (Nijssen and van Herk 2009; Shimp and Sharma 1987)		.920	.891	.697	.509	.835
Only those products that are not available in (country name) should be imported.	.809					
A real (native of the country) should always buy (country name's)-made products.	.869					
We should purchase products manufactured in (country name) instead of letting other countries get rich off us.	.851					
(Country name) should not buy foreign products, because this hurts (country name's) business and causes unemployment.	.869					
It may cost me in the long run but I prefer to support (country name's) products.	.772					
Patronage behaviour (de Wulf, Odekerken-Schröder, and Iacobucci 2001)		.946	.887	.897	.129	.947
What percentage of your total expenditures for your (retail category) do you spend at (foreign retailer's name)? %	.945					
How often in comparison to other (retail category) shops do you do the shopping in (foreign retailer's name)?	.932					
Of every 10 times you select a store to buy your (retail category) at, how many times do you select (foreign retailer's name)? (Deleted)	.950					
Price consciousness (Lichtenstein, Ridgway, and Netemeyer 1993)		.890	.850	.619	-.193	.787
I am not willing to go to extra effort to find lower prices. (r)	.762					
I go to more than one (category) shop in order to find (category) at lower prices.	.799					
The money saved by finding low prices is usually not worth the time and effort. (r)	.768					
I would never shop at more than one store to find low prices. (r)	.792					
Finding low prices is usually not worth the effort. (r)	.809					
Social norms (Granzin and Painter 2001)		.895	.765	.809	.509	.900
Most people who are important to me think I should not purchase at foreign retailers. (r)	.889					
Other people I know say I should not purchase imports if domestic alternative is available.(r)	.822					
Sometimes my friends recommend me to buy items from foreign retailers. (Deleted)	.327					
My friends and relatives think, buying imported products is overall good for me. (Deleted)	.306					

Notes: ^a After item(s) deleted, (r) reversed coded

Source: Author

The study design included four control variables, namely the perceived lack of domestic alternatives, animosity, perceived value offered by the retailer and age (all of which, with the exception of age, were measured on seven-point Likert scales). The perceived lack of domestic alternatives was included because even consumers with higher level of consumer ethnocentrism are likely to shop at foreign retailers when they perceive that domestic alternatives do not exist. Animosity was included to control whether consumers were hostile towards a particular country of origin from which they perceived the retailer to originate (Klein, Ettenson, and Morris 1998). Not controlling for animosity could bias the results, as some consumers may not reject foreign retailers in general, but may reject those from a specific country of origin. Perceived value was also included as research has determined that it is one of the key factors in the decision to patronise a particular store (e.g., Pan and Zinkhan 2006). Lastly, age was included because it has been shown to affect consumer ethnocentrism and patronage behaviour in previous studies (Shankarmahesh 2006). In the case of the control variables, single-item scales were applied. While Loo (2002) warned that researchers and practitioners should use single-item measures with caution, Bergkvist and Rossiter (2007) noted that although multi-item variables are preferred, single-item measures can be as good. Therefore, single-item measurements are applied for the control variables only.

3.3. Method

Validation of the multi-item measurement models was assessed following the recommendations of Hair et al. (2014a). To ensure internal consistency, the composite reliability was calculated. All of the values were accepted as they were above .70, which is regarded as satisfactory (Nunnally and Bernstein 1994). Convergent validity was established by calculating outer loadings and average variance extracted. Outer loadings must be significant and above .708 to be accepted. In this study, all outer loadings, except for two items in the social norms scale, were significant and above .708. The two items from the social norms scale were excluded from further analysis. The final measurement, therefore, consisted of two items. This approach was deemed appropriate considering that several previous studies used even one-item scales to measure social influence (e.g., Netemeyer, Bearden, and Teel 1992; Mahon, Cowan, and McCarthy 2006; Lee et al. 2010). With respect to average variance extracted, values of .50 or higher are accepted (Fornell and Larcker 1981; Hair et al. 2014a), which was the case for all scales in this study. Lastly, discriminant validity was established by assessing the Fornell-Larcker criterion, which posits that the square root of the average variance extracted of each construct should be higher than its

highest correlation with any other construct. This was the case for all measures in this study (see Table 18). Together, these results suggest that the measures are acceptable and meet the criteria of convergent and discriminant validity.

The mean values of ethnocentric tendencies differ slightly across the three markets, with Switzerland having the highest values, and Germany the lowest. The Swiss market also displays the lowest level of price consciousness, whereas the United Kingdom has the highest level (see Table 19 for the descriptive statistics and Table 20 for the correlation matrix). This is consistent with Krafft et al. (2005), who showed that (out of the three countries) price orientation was highest in the United Kingdom, followed by Germany and was lowest in Switzerland.

Table 19: Descriptive Statistics

	Consumer ethnocentrism	Social norms	Price consciousness
Mean			
United Kingdom	3.23	2.77	5.04
Switzerland	3.46	3.37	4.22
Germany	2.85	2.77	4.61
Standard deviation	1.32	1.34	1.24

Source: Author

Table 20: Correlations Matrix

	1	2	3	4	5	6
1. Patronage behaviour	1					
2. Consumer ethnocentrism	-.152**	1				
3. Social norms	-.006ns	.501**	1			
4. Social class	-.025ns	-.064ns	.040ns	1		
5. Income	-.092ns	-.029ns	.027ns	.449**	1	
6. Price consciousness	.106ns	-.206**	-.126*	-.209**	-.174**	1

** Correlation is significant at the .01 level (2-tailed); * correlation is significant at the .05 level (2-tailed)
ns = not significant

Source: Author

Common method bias may be an issue in studies that use questionnaires as the only data collection method, particularly when perceptions are being measured. This potential problem was addressed in two ways. First, Harman's single-factor test was employed. If common method bias was present, one general factor would account for most of the variance, which was not the case in this study. Second, a marker variable was added. No major changes in path coefficients were observed, indicating that common method bias does not pose a serious problem (Podsakoff et al. 2003).

Before testing the hypotheses on the pooled data, tests for measurement invariance were done to ensure that the measures do not vary across countries and across retail

categories, and that the results are not misleading (Singh 1995). Steenkamp and Baumgartner (1998) recommend fitting a sequential set of increasingly constrained multi-group structural equations. First, the test for metric invariance was done (i.e., equal loadings) following the test for scalar invariance (i.e., equal intercepts) for every multi-item scale in the study. Full metric and scalar invariance were supported for consumer ethnocentrism, patronage behaviour, and social norms, while partial metric invariance and partial scalar invariance were supported for price consciousness; one factor loading and intercept had to be relaxed. Overall, the tests indicate that measurement models between the United Kingdom, Switzerland, and Germany are comparable (see Table 21 for further detail). Measurement invariance was tested in the same way comparing food retailers and fashion retailers. Here, full metric invariance was confirmed for all measures and partial scalar invariance for consumer ethnocentrism and price consciousness.

SmartPLS 3.0, a partial least squares (PLS) software application, was used to analyse the data. Following the procedure applied by Nijssen and van Herk (2009), only significant control variables were retained (i.e., lack of domestic alternative and perceived value) to keep the model parsimonious. PLS was applied because it has less assumptions about the data distribution than covariance matrix based structural equation models. This means that the data is not as sensitive to data skewness and kurtosis (e.g., Nijssen and van Herk 2009).

Table 21: Measurement Invariance for United Kingdom, Switzerland and Germany

Construct	$\Delta\chi^2$		$\Delta\chi^2$	
	Metric vs. configural	Relaxed item loadings	Scalar vs. configural	Relaxed item intercepts
Consumer ethnocentrism	$\Delta\chi^2(8) = 3.866, p = .869$	-	$\Delta\chi^2(16) = 22.815, p = .119$	-
Patronage behaviour	$\Delta\chi^2(4) = 6.399, p = .171$	-	$\Delta\chi^2(8) = 11.183, p = .192$	-
Social norms	$\Delta\chi^2(4) = 4.682, p = .322$	-	$\Delta\chi^2(8) = 10.821, p = .212$	-
Price consciousness	$\Delta\chi^2(6) = 8.395, p = .211$	Item 1	$\Delta\chi^2(12) = 14.481, p = .271$	Item 1

Source: Author

3.4. Results

To test the effects and statistical significance of the hypothesised paths in the structural model, and to obtain stable results, SmartPLS's bootstrapping option with 5'000 samples was applied. The analyses were conducted on the pooled data.

The blindfolding test with the omission distance $D = 7$ to assess the Stone–Geisser criterion (Q^2) was carried out (Chin 1998; Hair et al. 2014a). In the structural model, Q^2 values larger than zero indicate the path model's predictive relevance for the particular

construct. In the current study, the Q^2 is always positive ($Q^2 > .00$), which suggests that PLS-SEM accurately predicts the data points of indicators of endogenous constructs.

Table 22 displays the results of the structural equation model analysis. The results indicate that consumer ethnocentrism has a direct negative influence on patronage behaviour at foreign retailers ($\beta = -.142$, $p < .01$). The effect sizes (f^2) allow assessing an exogenous construct's contribution to an endogenous latent variable's R^2 value. The f^2 values of .02, .15, and .35 indicate an exogenous construct's small, medium, or large effect, respectively, on an endogenous construct (Cohen 1988; Hair et al. 2014a). Consumer ethnocentrism has only a low relevance in explaining patronage behaviour at foreign retailers ($f^2 = .020$). Still, the data supports *H1*. The strongest and highly significant effect was exerted by social norms on consumer ethnocentrism (*H2b*) with a positive influence ($\beta = .514$, $p < .001$) and with a strong predictive relevance ($f^2 = .360$). Thus, the data supports *H2b*. However, social norms did not impact the relationship between consumer ethnocentrism and patronage behaviour at foreign retailers (*H2a*) as the results were not statistically significant ($\beta = -.068$, $p > .1$). *H3a* and *H3b* posit that the effect of social class and income (respectively) on consumer ethnocentrism is negative. The data found marginal support for the former ($\beta = -.092$, $p < .1$) and no significant result for the latter ($\beta = -.003$, $p > .1$). Neither social class nor income are significant predictors of consumer ethnocentrism ($f^2 = .000$ in both cases). *H5a* and *H5b* further argue that social class and income have a negative influence on price consciousness. The results indicate that social class (*H5a*) has a significantly negative effect ($\beta = -.175$, $p < .01$) with at least a low predictive relevance for price consciousness ($f^2 = .026$), whereas income (*H5b*) was only marginally significant ($\beta = -.112$, $p < .1$) with no predictive relevance for price consciousness ($f^2 = .011$).

Lastly, the moderating influence of price consciousness on the relationship between consumer ethnocentrism and patronage behaviour at foreign retailers (*H4*) was statistically significant ($\beta = -.119$, $p < .05$) with at least a low predictive relevance ($f^2 = .020$).

Table 22: Results

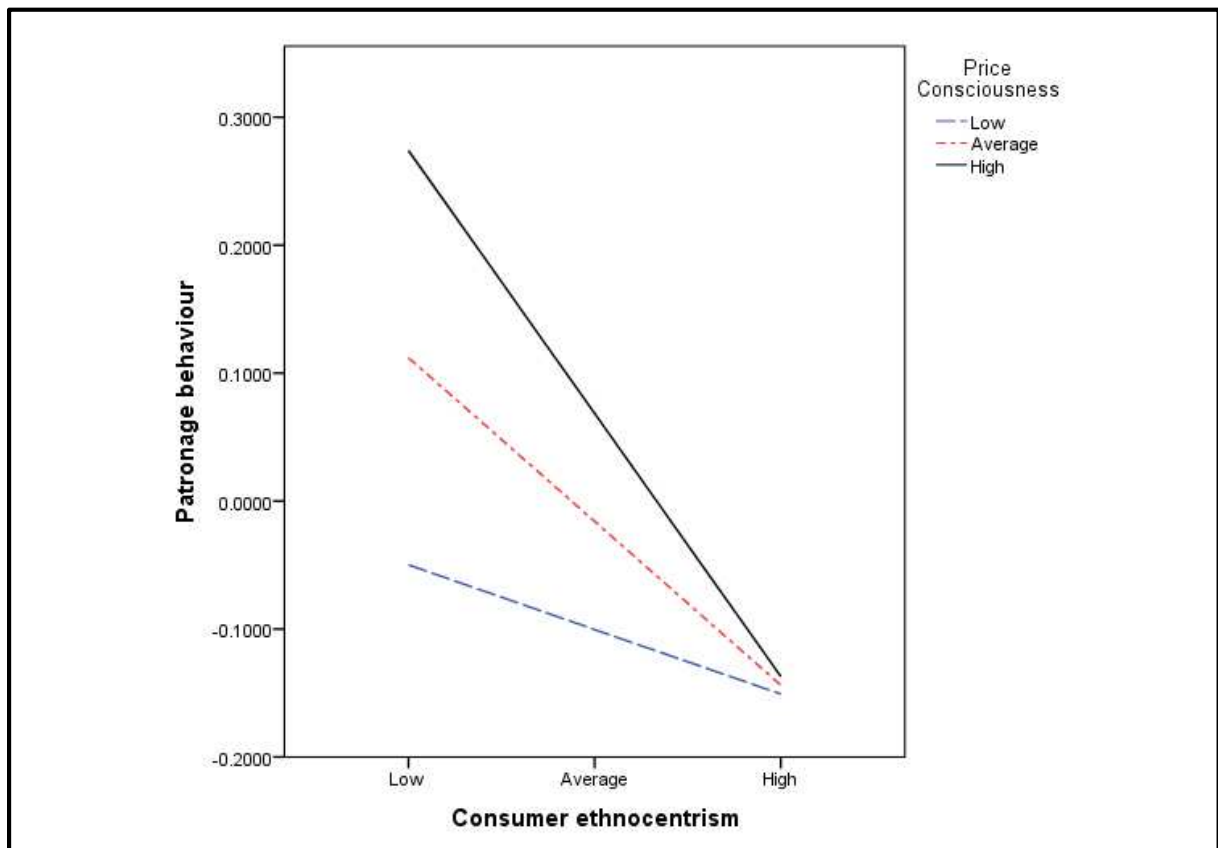
	Dependent constructs											
	Consumer ethnocentrism			Patronage behaviour			Price consciousness			Social class		
	β	f^2	se	β	f^2	se	β	f^2	se	β	f^2	se
Independent constructs												
Consumer ethnocentrism				-.142**	.020	.053						
Social class	-.092†	.000	.053				-.175**	.026	.063			
Income	-.003ns	.000	.052				-.112†	.011	.060	.447***	.249	.051
Price consciousness				.049ns	.003	.051						
Social norms	.514***	.360	.048	.08ns	.006	.056						
Interactions												
Consumer ethnocentrism x Price consciousness				-.119*	.020	.051						
Consumer ethnocentrism x Social norms				-.068ns	.008	.043						
Controls												
Perceived value				.437***	.248	.039						
Lack of domestic alternative				.171**	.039	.052						
R²	.268			.263			.060			.199		
Q²	.182			.227			.028			.187		
Notes: † p < .1; * p < .05; ** p < .01; *** p < .001												
se = standard error; ns = not significant												

Source: Author

Following Aiken, West, and Reno (1991), post-hoc probing was conducted to analyse the interaction between consumer ethnocentrism and price consciousness. The plot of the interaction pattern of the simple slope analysis, as depicted in Figure 10, shows that for consumers with a high level of price consciousness, the negative relationship between consumer ethnocentrism and patronage behaviour at foreign retailer is stronger (slope $-.1515$, $p < .01$) than for the consumers with a moderate level of price consciousness (slope $-.0755$, $p < .05$). For consumers with a low level of price consciousness, the relationship between consumer ethnocentrism and patronage behaviour at foreign retailers is not significant. This pattern contradicts *H4*, which is rejected.

The R^2 values of patronage behaviour at foreign retailers ($R^2 = .263$) and consumer ethnocentrism ($R^2 = .268$) are considered moderate (Hair et al. 2014a). It was not, however, an intention of this research to provide a comprehensive explanation for patronage behaviour at foreign retailers but to investigate the influence of consumer ethnocentrism and other social constructs on patronage behaviour at foreign retailers.

Figure 10: Post-hoc Probing



Source: Author

4. Discussion and Managerial Implications

This study investigated the social and socio-demographic influences on ethnocentric consumer patronage behaviour at foreign retailers. By doing so the study fills two niches recognised in the literature. The first niche, noted by Shankarmahesh (2006), relates to the dearth of research that deals with the influence of consumer ethnocentrism in services. The second niche, noted by Melnyk et al. (2013), relates to the observed lack of studies that explores the influence of social norms on the purchase of products and services.

This research draws on social identity theory and in line with it, finds support that an inverse relationship exists between consumer ethnocentrism and patronage behaviour at foreign retailers. This relationship is rather weak, however as previously mentioned, this may partly be attributed to foreign retailers' contribution to the domestic economy by providing jobs to the domestic employees who deliver the service to local consumers.

Further, the impact that social norms have on the relationship between consumer ethnocentrism and patronage behaviour at foreign retailers was investigated but the results were not significant. A possible explanation for the lack of an effect may stem from the finding that social norms have a strong direct significant influence on consumer ethnocentrism. Christensen et al. (2004, p. 1296) noted that "*when people define themselves as group members they incorporate the group norms into their own identity. These norms then serve as standards against which they evaluate their own behaviour*". It is then possible that ethnocentric consumers have already incorporated the social norms into their perception of *self* (in their tendencies and attitudes). This idea is further supported by Siamagka and Balabanis (2015) who noted that ethnocentrism can be already established in an early age through exposure to ethnocentric behaviours of family or friends, and individuals who are exposed to prolonged ethnocentric behaviours that are frequently repeated (such as purchasing behaviour) can develop ethnocentric biases. As a result, social norms have no additional effect on the relationship between consumer ethnocentrism and patronage behaviour at foreign retailers (as they are already expressed in the individual's ethnocentric tendencies and attitudes). These findings are important for retail marketers who should understand the role of social norms and the impact that social norms have on the creation of an ethnocentric social identity. A potential strategy to appeal to the ethnocentric segment, from the perspective of foreign retailers, may be to apply social norms marketing. Melnyk et al. (2011, p. 710) noted that "*[s]ocial norms marketing is based on the idea that consumer behaviour is to a large extent influenced by perceptions of what is 'normal' or 'typical' in a social context*". Therefore, it may be

useful to use a significant other, from the domestic market, in order to influence the perception of what represents an appropriate behaviour in the given social context (i.e., that it is socially acceptable to purchase from foreign retailers).

This study also finds that social class is a (marginally) significant predictor of consumer ethnocentrism, whereas income does not have a statistically significant effect. However, neither of the antecedents are a discriminant factor for predicting consumer ethnocentrism. Furthermore, both social class and income are statistically significant antecedents of price consciousness, as hypothesised. Josiassen, Assaf, and Karpen (2011) noted that incorporating demographics into research is important because these variables are easy to measure, and they increase managerial relevance of the study results. However, in order to ensure effective advertising, it is important that managers also consider the predictive relevance of those variables prior to allocating resources to target consumer groups. For example, the common assumption that social class and income are good predictors of consumer ethnocentrism is not supported in this study.

The most unexpected finding relates to the moderating effect that price consciousness has on the relationship between consumer ethnocentrism and patronage behaviour at foreign retailers. The hypothesis was proposed that price consciousness weakens the effect, however the results indicate the contrary. Post-hoc probing showed that for consumers with a low level of price consciousness, the relationship between consumer ethnocentrism and patronage behaviour at foreign retailers was not statistically significant. The authors considered whether this result is the consequence of using retailers that apply a low-cost strategy as stimuli (Lidl, H&M and Zara). This potential justification does not hold as the direct effect of price consciousness on patronage behaviour at foreign retailers was not statistically significant. That means that consumers with higher levels of price consciousness are not more likely to shop at selected retailers than consumers with lower level of price consciousness. Therefore, the choice of the retailers does not bias the results. For consumers with moderate and high levels of price consciousness, the relationship between consumer ethnocentrism and patronage behaviour at foreign retailers became significantly stronger. These findings are counterintuitive, warranting further investigation to explore the influence (avenues for future research, which can aid in gaining a better understanding into this relationship are discussed in the following section).

This study has furthered the understanding of the influence of consumer ethnocentrism at foreign retailers, which has rarely been investigated. It supported a (weak) negative effect of consumer ethnocentrism on patronage behaviour, confirming that findings from studies on products can indeed be transferred to retailers. The importance of

social norms in the formation of ethnocentric identity was also examined and it was illustrated that although some findings are statistically significant, they do not have high predictive relevance, meaning results must be interpreted with caution by practitioners. The study also provides interesting findings relating to the influence of price consciousness, which needs to be explored further. As such, it adds to the existing body of literature on consumer ethnocentrism and on patronage behaviour.

5. Limitations and Further Research

The results of this research suggest that several other questions should be studied further, while also acknowledging a number of limitations.

First, the generalisability of the results was controlled by demonstrating measurement invariance across countries and retail categories enabling data to be analysed in a pooled way. However, the relatively small sample size did not allow for comparisons amongst the countries and retail categories. The number of formats, retailers and countries, limits the scope and generalisability of the results. Analysing further countries is important because ethnocentric tendencies can manifest differently in different countries, and it has previously been shown that domestic country biases vary in their importance in different product categories (e. g., Balabanis and Diamantopoulos 2004). In the study only retailers that apply a low-cost strategy were used as stimuli. That means that the differences between, for example, discounters, category specialists, and department stores could not be accounted for. Investigating the differences between store formats would be interesting, because it may provide marketers with more insights with respect to the relationship between consumer ethnocentrism and patronage behaviour at foreign retailers, depending on the price levels of the store.

Second, the extension of the framework and investigations of other potential effects are recommended. Testing for alternative models may contribute to a more insightful understanding of consumer behaviour towards foreign retail companies. For example, in order to advance an understanding of the influence of price consciousness on patronage behaviour, it may be interesting to build on Prasad (1975)'s study. Prasad (1975) found that different socio-economic backgrounds have varying attitudes towards discount stores and towards product categories. Consumers belonging to a higher social class have the tendency to patronise discount stores less frequently than consumers from lower social classes when it comes to products with higher social risk.

However, when social risk is low, consumer behaviour does not differ significantly between the higher and lower social classes. Investigating perceived social risk of purchasing at different foreign retailers may advance an understanding of the influence of consumer ethnocentrism on patronage behaviour at foreign retailers, and the interaction effect of price consciousness.

Moreover, several studies have shown contradicting results when focusing on different types of purchases: hedonic vs. functional. It may be also worthwhile to investigate how the ethnocentric tendencies of consumers at foreign retailers change depending on the perception of shopping (hedonic vs. functional), and how these perceptions influence price consciousness. Wakefield and Inman (2003) suggested, based on their findings, that price consciousness is dependent on an individual's perception about whether the product is functional or hedonic. Scholars refer to functional goods as "*goods and/or situations in which consumption is primarily valued on the basis of its utilitarian aspects or instrumentality*", while hedonic goods are described as "*goods and/or situations wherein consumption is predominantly valued in terms of experiential affect*" (Wakefield and Inman 2003, p. 200). For example, Mulhern, Williams, and Leone (1998) investigated the price elasticity of liquor purchases and found that price sensitivity was higher in higher income areas. While the authors argued that consumers who enjoy higher incomes could take advantage of price deals via stockpiling, Wakefield and Inman (2003, p. 204) added that "*the product (liquor) is seen as more of a hedonic good by low-income consumers (e.g., splurge) and as a functional good (e.g., cupboard or wet bar stock) by high-income consumers*". The inconsistent finding of the study already cited by Jones, Chern, and Mustiful (1994), regarding the fifth type of cereal, was also justified in terms of hedonic and functional goods because scholars argued that the snack cereal might have been bought for hedonic rather than functional purposes. The current study only investigated the general tendency of ethnocentric consumer's towards patronising foreign retailers.

Furthermore, accounting for consumer involvement in each product category in further research may also be beneficial. Lichtenstein, Bloch, and Black (1988) explained that even price conscious consumers may not focus on the negative aspect of price for categories in which they are highly involved. Hence, capturing consumer involvement in a particular product or service category may further the understanding of the effect price consciousness has on consumer ethnocentric behaviour at foreign retailers.

Third, in this study many responses had to be deleted due to respondents' immigrant background, which may to some extent result in misleading managerial implications. The exclusion of the immigrant consumers can be justified based on the social identity theory and is consistent with the findings of Zarkada-Fraser and Fraser (2002), which suggest that immigrant consumers have different in-group and out-group perceptions. Investigating the behaviour of immigrant consumers, from perspective of consumer ethnocentrism and patronage behaviour brings an interesting avenue for future research.

Part V: Overall Conclusion

1. Core Results

Understanding consumer behaviour from the perspective of international retailers is crucial to those retailers' success. There is an increasing number of consumers who believe that supporting their home country is important and who perceive that purchasing from domestic companies is preferable to purchasing from the foreign ones (Siamagka and Balabanis 2015). Regardless of whether consumers' choices of domestic products/services are driven by moral factors, by their perception of the uniqueness of the local products or simply by their perception that these choices better fit their individual needs, it is important that foreign retailers understand not only what factors drive consumers to their stores but also whether localisation of retail activities can influence consumer behaviour.

The research in this thesis contributes to the existing literature by identifying and filling in several research gaps. Although many studies have been published in the area of consumer ethnocentrism, only a few examine its direct and indirect effects in the retail context (Good and Huddleston 1995; Zarkada-Fraser and Fraser 2002). The previous research was rarely focused on patronage behaviour and rarely based in an experimental setting. The research focusing on the importance of local CSR activities and perceived brand localness in retailing has also often been neglected (Kim, Ha, and Fong 2014; Russell and Russell 2010; Swoboda, Pennemann, and Taube 2012).

This thesis particularly addresses these lacunae in the research on international retailing and in consumer behaviour towards foreign retailers by exploring the following research questions:

- (1) Does consumer ethnocentrism have a direct negative influence on patronage behaviour at foreign retailers?
- (2) (a) Do the activities of foreign retailers (i.e., adapting assortment to the domestic market, perceived brand localness and carrying out local CSR activities) reduce the negative influence of consumer ethnocentrism on patronage behaviour?

(b) Do certain consumer attributes, that is, price consciousness and adherence to (ethnocentric) social norms, reduce/strengthen (respectively) the negative influence of consumer ethnocentrism on patronage behaviour?
- (3) Do the localised activities of a foreign retailer (i.e., local CSR activities and activities affecting perceived brand localness) positively influence patronage

behaviour at foreign retailers and consumers' willingness to buy from a foreign grocery retailer?

- (4) Does the influence of local CSR activities and of perceived brand localness on willingness to buy from a foreign grocery retailer vary depending on the level of consumer ethnocentrism?

The first research question focuses on investigating whether consumer ethnocentrism has a negative influence on patronage behaviour at foreign retailers. This question was explored in essays 1 and 3. In both essays the author applied partial least squares analyses to test the hypotheses. The analyses were based on a sample of 505 American consumer responses and 334 consumer responses from three European countries, respectively. Consistent with the hypothesis, the data analyses provide support and contribute to answering the first research question, suggesting that consumer ethnocentrism has a negative influence on patronage behaviour at foreign retailers. This means that consumers who have higher ethnocentric tendencies are less likely to shop at foreign stores.

These findings build on and extend the existing knowledge regarding the relevance of consumer ethnocentrism by examining the effect of consumer ethnocentrism on the actual (self-reported) patronage behaviour at foreign stores, which has not been done before. This makes it impossible to compare the results of essays 1 and 3 with the previous studies. However, the results seem to be consistent with the findings of existing research conducted in the retail context (see chapter 2.6.3., part I). First, the results are consistent with the study by Good and Huddleston (1995), who found that consumers higher in ethnocentrism are more willing to shop at the state-owned stores (i.e., domestic) than consumers with lower ethnocentric tendencies, who are more willing to buy from the private stores (i.e., foreign). Second, the results are consistent with the findings of the study by Zarkada-Fraser and Fraser (2002), whose research suggests that consumers with higher ethnocentric tendencies have more negative attitudes towards a fictitious foreign owned store. Third, the results are consistent with the study by Tay (2006), who found support for a negative influence of consumer ethnocentrism on the willingness to shop at foreign retailers.

Although the findings in this thesis are consistent across the two essays (each essay is based on a different consumer sample), these findings also imply that the effect is rather weak. In fact, the influence of consumer ethnocentrism in this thesis has been found to be weaker in the retail context when investigating (self-reported) patronage behaviour than its effect both on the willingness to shop at foreign retailers (Tay 2006) and on the product/brand level (e.g., Nijssen and Douglas 2004; Zeugner-Roth, Žabkar, and Diamantopoulos 2015).

The weak effect of consumer ethnocentrism on patronage behaviour may be attributed to two things. First, the two essays that investigate the influence of consumer ethnocentrism on patronage behaviour examine consumers' perceptions of self-reported patronage behaviour and not consumers' intentions or their willingness to buy. Consistent with the theory of planned behaviour, Ajzen (1991) posits that intentions precede behaviour. Moreover, Solomon et al. (2006, p. 156) state that "[t]he basic assumption that behaviour is intentional may be invalid in a variety of cases including those of (...) simple repeat-buying". This means that the willingness and the intentions do not always translate into behaviour. The reason for this weaker effect may stem from the fact that the two essays investigated the actual (self-reported) patronage behaviour and not the intentions. Although this justification is consistent with the findings of Tay (2006), who found that consumer ethnocentrism exerts a strong negative effect on the willingness to shop at foreign retailers (with the coefficients higher than $-.50$), the findings from essay 2, which analysed the relationship between consumer ethnocentrism and willingness to buy from a foreign grocery retailer, do not support the argument above.

Essay 2's findings from the first experiment indicate that the effect of consumer ethnocentrism is not significant; the effect is positive and weak in the second experiment; and the effect is negative and stronger than in the preceding experiment in the third experiment. These results are inconsistent and may be attributed to a study design that differs from other research. Essay 2 is based on an experimental design, and on a fictitious foreign grocery retailer. Only selected information about the retailer, which is rather positive, is displayed in the three studies. Therefore, in experiment two, whose results are particularly unexpected (i.e., consumer ethnocentrism has a positive influence on willingness to buy from a foreign retailer), the respondents were not exposed to any information about the potential influence of the foreign retailer on the domestic economy, which is the primary concern of ethnocentric consumers (Shimp and Sharma 1987). The respondents of the study were only shown a two-page flyer with either localised or non-localised images; the products' origins (i.e., foreign or domestic) were not displayed (see Appendix D). The respondents who were exposed to the non-localised scenario with children playing in the playground (but with no American flag or a cowboy hat) may have still associated it with the United States. As a result even ethnocentric consumers were willing to buy from that foreign retailer, because they may have associated some values with the United States, which they view with pride (Siamagka and Balabanis 2015).

The varying results between essay 2 and the study by Tay (2006) (which also focuses on the grocery retailing) can be further attributed to a different research setting. Tay (2006) has based his research on existing retailers operating in China, an emerging

country, whereas essay 2 is based on the fictitious retailer operating in the United States, a developed market. This may have influenced the results, because as previous research has shown, consumer ethnocentrism may have a different impact on willingness to buy in developed and developing countries (Wang and Chen 2004).

The second potential reason why the findings in this thesis yielded a weak effect of the influence of ethnocentrism on patronage behaviour may be related to the diverse origins and layered nature of product assortment. As opposed to a single product that is manufactured within or outside of the country, retailers provide a complex offer that combines both foreign and domestic assortments. Therefore, ethnocentric consumers who perceive that the product is foreign and manufactured outside of the domestic market may perceive that purchasing this product is harmful to the domestic economy, particularly if a domestic alternative exists; these consumers are less likely to buy it, as a result (Siamagka and Balabanis 2015). Consequently, this exerts a stronger effect of consumer ethnocentrism on the purchase of the product, whereas this distinction maybe less pronounced in the case of foreign retailers. International retailers can potentially reduce the perception of having a strong negative effect on the local economy by delivering their services in the domestic market (e.g., they have to pay taxes to the local government). Foreign retailers also often hire local employees for their stores located in the domestic market and adapt part of their assortment to better suit the local market. Assortment is one of the key attributes that determine consumers' patronage choices, as established in a meta-analysis of the determinants of patronage behaviour (Pan and Zinkhan 2006). All of these aspects potentially weaken the negative effect that consumer ethnocentrism might have on patronage behaviour at foreign retailers. This justification, however, should be viewed with caution because, as explained subsequently, the chosen moderating factors on the retail level (i.e., domestic assortment, perceived brand localness and local CSR activities) were not found to reduce the negative effect of consumer ethnocentrism on patronage behaviour.

The aim of the second research question part (a) is to investigate whether foreign retailers can reduce the negative influence of consumer ethnocentrism on patronage behaviour by conducting certain activities, that is, by adapting assortment to the domestic market, integrating the retail brand into the local market (i.e., perceived brand localness) and carrying out local CSR activities. This question was explored in essay 1. The author applied partial least square analysis to test the hypotheses on a sample of 505 American responses. The hypotheses did not find support in the data. This indicates that foreign retailers do not successfully assuage the negative effect of consumer ethnocentrism on patronage behaviour by adapting the above stated activities. It implies that foreign retailers' attempts to reduce the negative relationship

between consumer ethnocentrism and patronage behaviour at foreign retailers are ineffective, because they do not influence ethnocentric consumers' patronage behaviour. The reasons for these findings are unclear and, since essay 1 is the first to study these relationships, it is impossible to compare the results with other research.

These findings may be partly attributed, however, to the United States, the country where the study was conducted. The United States has a very particular retail scene. As the findings of the study in essay 1 indicate, only two retailers among the top 100 in that market are perceived as foreign by a majority of respondents. In the sample of 505 American respondents, Stop & Shop (a subsidiary of the Dutch Ahold Delhaize Group) was perceived as domestic by 84.6 percent of respondents but as foreign by only 15.4 percent. Giant Food (also a subsidiary of the Dutch Ahold Delhaize Group) was perceived as domestic by 80.8 percent of respondents but as foreign by only 19.2 percent. Trader Joe's (a subsidiary of German Aldi) was perceived as domestic by 81.6 percent of respondents but as foreign by only 18.4 percent¹⁶. It is possible that ethnocentric consumers perceive that they have a large number of domestic alternatives to choose from and, therefore, do not need to look for foreign alternatives. This may also suggest that foreign retailers (which are perceived by ethnocentric consumers as foreign) may be rejected by ethnocentric consumers on the grounds of their foreign origin (Zarkada-Fraser and Fraser 2002). This is consistent with Siamagka and Balabanis (2015, p. 69), who argued that *"for ethnocentric consumers, the prominent means of categorizing products is through their status as domestic or foreign"*.

Essay 3 addressed part (b) of the second research question. It investigates whether consumer attributes – price consciousness and adherence to (ethnocentric) social norms – reduce/strengthen (respectively) the negative influence of consumer ethnocentrism on patronage behaviour. This research question was answered by applying the partial least square analysis and testing the hypotheses on a sample of 334 consumer responses from the United Kingdom, Germany and Switzerland (collectively).

According to the analysis, social norms do not strengthen the relationship between consumer ethnocentrism and patronage behaviour at foreign retailers. This may be justified with what has been posited in the previous research. Ethnocentric tendencies, in particular, are transmitted from significant others (Pearl 1954), and the influence of social norms plays an important role in the early years of an individual's life, particularly when consumers are affected by people who are important to them (Granzin and

¹⁶ These figures were not reported in essay 1.

Painter 2001). It is possible, therefore, that social norms may not exert any additional influence on consumers with higher ethnocentric tendencies, because those norms had already become a standard for judgement, attitude and consumer behaviour in the early years of those consumers' lives (Hyman 1942; Karasawa 1991). These norms are internalised in their ethnocentric beliefs (Siamagka and Balabanis 2015); thus, social norms have no additional influence on the relationship between consumer ethnocentrism and patronage behaviour at foreign retailers, but they do strongly influence consumer ethnocentrism (as essay 3's findings indicate). No other studies exist, however, that deal with the moderating effect of social norms on the discussed relationship; therefore, it is impossible to compare the results with previous research.

Price consciousness is the only moderator of the relationship between consumer ethnocentrism and patronage behaviour at foreign retailers that is found to be statistically significant. The analysis showed, however, that the higher the level of price consciousness, the stronger the relationship between consumer ethnocentrism and patronage behaviour. This effect is opposite to the proposed hypothesis.

In fact, there is one study in the literature, as far as the author is aware, that looks into price consciousness (which is investigated in the context of consumer life styles) and consumer ethnocentrism. That study, conducted by Kaynak and Kara (2001), was based on Azeri and Kyrgyz consumers. Although the authors provide little information about the relationship between the two variables, they suggest that the correlation between price consciousness and consumer ethnocentrism was positive and significant in the Kyrgyz consumer sample, whereas in the Azeri sample there was no significant correlation between the two variables. These results differ from the results in this thesis, as in this thesis the correlation between price consciousness and consumer ethnocentrism is found to be negative and significant. The contradicting results may stem from the different samples used in both studies. Kaynak and Kara (2001) collected the data in less developed countries (Kyrgyz Republic and Azerbaijan) by means of personal interviews. In this thesis the data were collected in developed countries (i.e., the United Kingdom, Germany and Switzerland) via on-line questionnaires. Nevertheless, the contradicting sign to the proposed hypothesis is unexpected and warrants further research. Avenues for future studies are proposed (see chapter 3, part V) to further explore this relationship, which can help to gain further insights into that relationship.

The third research question focuses on investigating whether localised activities of a foreign retailer (i.e., local CSR activities and activities affecting perceived brand localness) influence patronage behaviour at foreign retailers and consumers' willingness to buy from a foreign grocery store. Essays 1 and 2 dealt with the research

question. In essay 1 the author applied partial least square modelling and based the analysis on a sample of 505 US consumer responses. In essay 2 the author applied multiple hierarchical regression analyses (across three studies) and tested hypotheses on the samples of 251, 233 and 499 US consumer responses. The results consistently demonstrate that both local CSR activities and perceived brand localness directly influence patronage behaviour and willingness to buy at foreign retailers.

Regarding the influence of local CSR activities, the results suggest that these activities have a low explanatory power in explaining patronage behaviour from existing foreign retailers. Moreover, local CSR activities have a positive influence on consumers' willingness to buy from a fictitious foreign grocery store. Both of these influences are plausible and, as far as the author is concerned, this thesis is the first that provides empirical support for these relationships and tests them in the experimental research setting and/or with respect to foreign retailers. The previously mentioned studies by Russell and Russell (2010) and Kim, Ha, and Fong (2014) (see chapter 3.2., part I) investigated the influence of localised CSR activities in respect to domestic (not foreign) retail stores.

The findings in this thesis also consistently show that perceived brand localness positively influences consumer behaviour. The findings in essay 1, although not hypothesised, provide support that by building a strong retail brand, foreign retailers are likely to attract consumers by associating it with the local culture. Also, in essay 2, which investigates the influence of perceived brand localness on willingness to buy from a foreign grocery retailer, the findings are consistent and imply that perceived brand localness is a relevant consideration. Although the direct positive effect of perceived brand localness on consumer behaviour has been previously shown in the research relating to brands (e.g., Steenkamp, Batra, and Alden 2003) and indirectly through mediators (i.e., functional and psychological values) on retail patronage (Swoboda, Pennemann, and Taube 2012), this thesis is the first to investigate the direct influence of perceived brand localness on consumer behaviour based on the experimental research design and/or in the retail setting.

Another interesting and relevant finding of both essays 1 and 2 is that perceived value, which was measured as a control variable, was found to exert a strong influence on consumers' behaviour. This finding is unsurprising, as Pan and Zinkhan (2006) have shown that price is one of the main determinants of patronage choice. Interestingly the effect of perceived value was significantly reduced when perceived brand localness was introduced into the model. This suggests that perceived value loses in importance once consumers perceive that the foreign store's positioning is local. This shows again the importance of the local positioning, but it is important to note that such a positioning

may be particularly relevant in the grocery retailing market. As Özsomer (2012) argued, food products have stronger connections with the local culture. Essay 1's analysis was conducted based on two types of retail categories, food and furniture (and analysed in a pooled way). However, the studies in essay 2, where a strong influence is demonstrated, were conducted on the grocery retailer, demonstrating consistent results.

Regarding the third research question, it is worth mentioning that the influence of perceived brand localness on both willingness to buy and on patronage behaviour at foreign retailers is significantly stronger than that of local CSR activities. This seems to suggest that perceived brand localness is more important in determining retail patronage than are local CSR activities. Again, there is no previous research that investigates both of these influences; therefore, it is difficult to make any comparisons with the previous studies.

The fourth research question aimed to investigate whether the influences of local CSR activities and of perceived brand localness on willingness to buy from a foreign grocery retailer vary, depending on the level of consumer ethnocentrism. Essay 2 explored the hypotheses by applying multiple hierarchical regression analyses. The first relationship (i.e., the effects of local CSR activities on willingness to buy from a foreign grocery retailer vary, depending on the level of consumer ethnocentrism) was tested in studies one and three (within essay 2) on the sample of 252 and 499 US consumer responses, respectively. The data in both studies found support for the hypothesis. This suggests that when a foreign grocery retailer conducts more localised CSR activities (as opposed to non-localised activities), that becomes more appealing to consumers with higher ethnocentric tendencies, and those consumers are more likely to buy from that retailer. A caveat should be added that the perception of retailers' CSR activities refers to the geographic scope of these activities and not to the overall perception of CSR.

These results suggest that ethnocentric consumers appreciate CSR efforts carried out by foreign retailers who localise their activities to the domestic market because, as the results indicate, this seems to soften those consumers' perceptions that the foreign retailer has a negative influence on the domestic economy (Siamagka and Balabanis 2015). This is important to foreign retailers because it allows them to influence the cognitive aspect of consumer ethnocentrism (Dmitrovic and Vida 2010) and influence consumer perception of how they should behave towards foreign retailers. As in the previous research questions, comparing the results of these studies with the existing results from the literature is impossible, because no previous study has investigated this relationship.

The analyses investigating the existence of the second relationship (i.e., the perceived brand localness and willingness to buy from a foreign grocery retailer vary depending on the level of consumer ethnocentrism), were tested in studies two and three (within essay 2) and were based on a sample of 233 and 499 US consumer responses (respectively). Both studies found no evidence supporting the relationship, suggesting that consumers with a higher level of consumer ethnocentrism are not more likely to purchase from a foreign grocery retailer that has a higher perceived brand localness.

This result is somewhat unexpected, because consumer ethnocentrism consists of affective processes, and ethnocentric consumers view domestic symbols and culture with pride (Siamagka and Balabanis 2015). This finding may be partly attributed to the strong direct effect that is exerted by perceived brand localness on the willingness to buy from a foreign grocery retailer. Perceived brand localness seems to be important (as explained while discussing research question three) to all consumers and does not seem to play a greater role with consumers with higher ethnocentric tendencies. Hence, foreign retailers who successfully establish a link with the local culture become attractive to all consumers (Xie, Batra, and Peng 2015).

The finding in this thesis is further consistent with the finding of Steenkamp, Batra, and Alden (2003) in relationship to brands. Those researchers also did not establish that the relationship between perceived brand localness and brand purchase likelihood varies, depending on the level of consumer ethnocentrism. The authors, however do not discuss the potential justifications for the lack of the interaction (see Table 23 for the summary of key conclusions and contributions).

Table 23: Summary of Key Conclusions and Contributions

Research question	Key conclusions and contributions
1	<p>Consumer ethnocentrism has a weak negative influence on patronage behaviour at foreign retailers.</p> <p>The weak negative influence can be attributed to:</p> <ul style="list-style-type: none"> Investigating consumers' (self-reported) patronage behaviour, not intentions, as previous research has done – intentions do not always translate into behaviour; The diverse origins and layered nature of product assortment, which consists of foreign and domestic products. <p>No previous study empirically investigated the influence of consumer ethnocentrism on (self-reported) patronage behaviour at foreign retailers.</p>
2 (a)	<p>Foreign retailers do not successfully assuage the negative effect of consumer ethnocentrism on patronage behaviour by adapting assortment to the domestic market, by integrating the retail brand into the local market (perceived brand localness) and by carrying out local CSR activities.</p>

Continued

Research question	Key conclusions and contributions
	<p>The lack of the moderating influence may be partly attributed to:</p> <ul style="list-style-type: none"> • The country in which the study was conducted – the United States, where only two stores among 100 top retailers were perceived as foreign – therefore, ethnocentric consumers do not have to look for foreign alternatives and retailers may be rejected based on their foreign origin. <p>No previous study empirically investigated the moderating influence of domestic assortment, perceived brand localness and local CSR activities on the relationship between consumer ethnocentrism and patronage behaviour at foreign retailers.</p>
(b)	<p>Social norms do not strengthen the relationship between consumer ethnocentrism and patronage behaviour at foreign retailers.</p> <p>Lack of a significant relationship may be partly attributed to:</p> <ul style="list-style-type: none"> • A significant, strong direct influence of social norms on consumer ethnocentrism. <p>Price consciousness does not weaken but strengthens the relationship between consumer ethnocentrism and patronage behaviour at foreign retailers.</p> <ul style="list-style-type: none"> • Need for further research to explain that moderating effect. <p>No previous study empirically investigated the moderating role of social norms and of price consciousness on the relationship between consumer ethnocentrism and patronage behaviour at foreign retailers.</p>
3	<p>Local CSR activities have a positive, direct influence on patronage behaviour and on willingness to buy at foreign retailers.</p> <p>Perceived brand localness has a strong, positive and direct influence on patronage behaviour and on willingness to buy at foreign retailers.</p> <p>Perceived brand localness weakens the influence of perceived value on consumers' patronage behaviour and on willingness to buy at foreign retailers.</p> <p>Perceived brand localness exerts a stronger influence on consumers' patronage behaviour and on willingness to buy at foreign retailers than local CSR activities.</p> <p>The thesis is the first to empirically investigate the direct influence of local CSR activities and of perceived brand localness on consumer behaviour, based in the foreign retail setting and based on an experimental research design.</p>
4	<p>Consumer ethnocentrism strengthens the relationship between local CSR activities and willingness to buy at foreign grocery retailer.</p> <p>Consumer ethnocentrism does not moderate the relationship between perceived brand localness and willingness to buy at foreign grocery retailer.</p> <p>Lack of a significant interaction may be partly attributed to:</p> <ul style="list-style-type: none"> • The strong, direct effect that is exerted by perceived brand localness on the willingness to buy from a foreign grocery retailer. <p>No previous study empirically investigated whether consumer ethnocentrism influences the relationship between local CSR activities and perceived brand localness on the willingness to buy at foreign grocery retailer, respectively.</p>

Source: Author

Table 24: Summary of the Hypotheses and Findings

No.	Hypothesis	Hypothesized relationship	Finding	Essay No.
Direct effects				
H1	Consumer ethnocentrism – Patronage behaviour at foreign retailers	Negative	Supported	1, 3
H4a	Local CSR activities – Patronage behaviour at foreign retailers	Positive	Supported	1
H1	Local CSR activities – Willingness to buy from a foreign grocery retailer	Positive	Supported	2
H2	Perceived brand localness – Willingness to buy from a foreign grocery retailer	Positive	Supported	2
H5a	Social class – Price Consciousness	Negative	Supported	3
H5b	Income – Price consciousness	Negative	Marginally supported	3
H2b	Social norms – Consumer ethnocentrism	Positive	Supported	3
H3a	Social class – Consumer ethnocentrism	Negative	Marginally supported	3
H3b	Income – Consumer ethnocentrism	Negative	Rejected	3
Interactions				
H2	(Consumer ethnocentrism – Patronage behaviour at foreign retailers) x Domestic assortment	Positive	Rejected	1
H3	(Consumer ethnocentrism – Patronage behaviour at foreign retailers) x Perceived brand localness	Positive	Rejected	1
H4b	(Consumer ethnocentrism – Patronage behaviour at foreign retailers) x Local CSR activities	Positive	Rejected	1
H4a	(Local CSR activities – Willingness to buy from a foreign grocery retailer) x Consumer ethnocentrism	Positive	Supported	2
H4b	(Perceived brand localness – Willingness to buy from a foreign grocery retailer) x Consumer ethnocentrism	Positive	Rejected	2
H3	(Local CSR activities x Perceived brand localness) – Willingness to buy from a foreign grocery retailer	Positive	Rejected*	2
H4c	(Local CSR activities x Perceived brand localness x Consumer ethnocentrism) – Willingness to buy from a foreign grocery retailer	Positive	Rejected	2
H2a	(Consumer ethnocentrism – Patronage behaviour at foreign retailers) x Social norms	Negative	Rejected	3
H4	(Consumer ethnocentrism – Patronage behaviour at foreign retailers) x Price consciousness	Positive	Rejected*	3
* The finding indicates an opposing sign to the proposed hypothesis				

Source: Author

A number of other questions were answered beyond the main research questions. These questions dealt with such issues as the influence of demographic variables on consumer ethnocentrism and on price consciousness (essay 3); the influence of the two-way interaction between local CSR activities and perceived brand localness; and a three-way interaction between local CSR activities, perceived brand localness and consumer ethnocentrism on the willingness to buy from a foreign grocery retailer (essay 2); and the influence of social norms on consumer ethnocentrism (see Table 24 for the summary of all hypotheses).

2. Managerial Implications

International retail managers must understand local consumers and what drivers their behaviour to be successful on the foreign market. The findings in this thesis should be of interest to decision makers who formulate international retail strategies. Although some foreign retail managers have already implemented the tools studied in this thesis (e.g., local CSR activities, integrating the foreign brand into the local market), this thesis is the first to test their effect empirically.

Retail managers can better comprehend consumers' buying behaviour by understanding consumer ethnocentrism. Studying consumer ethnocentrism in the retail context is important, because its effect differs between products and services (de Ruyter, van Birgelen, and Wetzels 1998). The findings of this thesis find support that consumer ethnocentrism negatively, although not strongly, influence local consumers' patronage at foreign retailers, which can put foreign stores (which are perceived as foreign) at a competitive disadvantage.

The relatively weak effect of consumer ethnocentrism on consumers' behaviour suggests that retail managers should not specifically focus on targeting ethnocentric consumers but should, instead, direct their marketing efforts at a broader consumer base. This is important to know because, as de Ruyter, van Birgelen, and Wetzels (1998) have argued, it can affect branding strategies and resource allocation. This managerial implication stems, furthermore, from the finding which indicates that the typical measures taken by foreign retailers (i.e., adaptation of the assortment to the local market and localisation of the retail brand) do not convince ethnocentric consumers and do not reduce the negative influence of consumer ethnocentrism on patronage behaviour.

The findings in this thesis imply, furthermore, that foreign retail managers should target a broader consumer base by conducting local CSR activities and/or by integrating the retail brand into the domestic market.

As mentioned in chapter 3.1. (part I), Ailawadi et al. (2014) observe that most companies carry out CSR programmes with a wide focus on environmental sustainability, community support, cause-related marketing and employee enablement. Consistent with the empirical findings in this thesis, foreign retailers should make an effort to localise at least a part of these activities to the domestic market. Retail stores can appeal not only to consumers with higher ethnocentric tendencies (as shown in essay 2) but also to a broader consumer base (as shown in essays 1 and 2) by conducting local CSR activities.

Retail managers should, therefore, highlight their store's commitment to the domestic market in their marketing efforts and portray an image of a retailer who looks after the well-being of the domestic economy. Retail managers can attain this through the community support programmes, cause-related marketing programmes, employee enablement programmes and other socially responsible actions. Based on the empirical findings in this thesis, it seems plausible that, for example, the CSR strategies of Tesco in Ireland, which focus on local CSR programmes (e.g., community oriented programmes, supporting local charities and supplier development programmes), are effective in attracting local consumers (see chapter 3.4., part I). This managerial implication is further consistent with the findings of the studies of Russell and Russell (2010) and Kim, Ha, and Fong (2014), who conducted their research based on the domestic stores. For example, Russell and Russell (2010) argue and find that consumers who perceive that a retail store's CSR activities are beneficial to them and to the in-group are more likely to reward the store with higher patronage behaviour.

The findings in this thesis also suggest that foreign retail managers should invest in building a retail brand that is localised to the domestic market. This would allow local consumers to emotionally connect the retail brand with their country and could help the foreign retail stores to transfer the favourable associations to their brand (Xie, Batra, and Peng 2015). This is consistent with the finding of the study by Halkias, Davvetas, and Diamantopoulos (2016) in relation to brands, who suggest that by adopting a high perceived brand localness strategy, managers can positively impact consumers' brand attitudes and behavioural intentions. Although these implications are plausible and, as explained, for example in part I of this thesis, many foreign retailers already try to create a link with the local culture (see Figure 6), this thesis is the first to show empirically that a direct link exists between perceived brand localness and consumers' willingness to buy (essay 2) and their patronage behaviour (essay 1).

Retail managers should transmit a message of being part of the in-group by using local symbols such as flags and national sports, etc., to achieve higher perceived brand localness of their retail brand. Foreign retail managers can achieve two important things by localising their foreign retail brand. First, successfully localising the brand allows managers to influence the origin recognition of the retail store, which can help to *mask* the store's foreignness (if desired). As explained in essay 1 and in chapter 1 (part V), only two retailers, Aldi and IKEA, among top 100 retailers in the American market, were perceived as foreign by the majority of surveyed respondents, while 18 percent of respondents still perceived the store's origin as domestic. Moreover, foreign retailers, such as Stop & Shop, Giant Food and Trader Joe's, were, to a large extent, not associated with their foreign origin. Second, by integrating the grocery retail brand into the domestic market, retail managers can reduce the strong influence of perceived value on consumers' behaviour, which can potentially allow the retailer to charge higher prices. These results indicate that this might be a successful strategy in both influencing consumers' patronage behaviour at foreign retailers and their willingness to buy.

Another managerial implication of this thesis is that performing both of these activities (i.e., local CSR activities and perceived brand localness) without the full success is not as effective as carrying out one of the activities on a good level. Therefore, when consumers perceive that the foreign retailer conducts local CSR activities or its brand is perceived to be localised, it can sufficiently convince consumers that the retailer is committed to the local market. Notably, given the significantly stronger effect of perceived brand localness than of local CSR on consumer behaviour, retail managers should first consider investing more heavily in positioning their store so it creates links with the domestic market (i.e., in perceived brand localness). This implication seems to be particularly important (although not fully demonstrated in this thesis) to foreign grocery retailers, as previous studies have indicated (e.g., Özsomer 2012).

Lastly, taking into consideration the findings from all three essays, this thesis' author cautiously suggests that the influence of social norms on consumer ethnocentrism is not particularly important on the retail level. Although social norms were found to exert a strong influence on the formation of ethnocentric tendencies (as indicated in essay 3), the author recommends that retail managers allocate resources to other marketing activities than those that focus on affecting social norms and those that transmit the message that buying at foreign retailers is socially acceptable. This recommendation stems from the findings from essay's 1 and 3, which suggest that the influence of consumer ethnocentrism does not seem to exert a strong effect at the retail level. Previous research has shown, however, that consumer ethnocentrism seems to be an important consideration on the product/brand level, where consumer ethnocentrism

exerts a much stronger influence on consumers' behaviour (e.g., Klein, Ettenson, and Krishnan 2006). Hence, this might be a more important consideration for product managers.

3. Limitations, Challenges and Future Research

Three essays comprising the fundamental work in this thesis only address a handful of research gaps and attempt to overcome some research gaps that were associated with the previous studies. The research in this thesis is among the first to investigate the role of consumer ethnocentrism, local CSR activities and perceived brand localness in the retail sector. However, some limitations and challenges remain and pose interesting opportunities for future research. Other avenues for future research that emerged while performing the literature review and were not addressed in this work are also noted.

First, one of the main challenges of this thesis was to find suitable scales to measure the key constructs. The constructs that have been measured throughout the thesis are complex and, although a considerable effort has been made to apply the best measurement instruments, some scales were exploratory, to some extent. For example, the author found no existing scales in the literature to measure consumer perceptions of domestic assortment and local CSR activities.

An instrument was created specifically for the purpose of the thesis to measure domestic assortment; therefore, the scale's validity and reliability can be questioned. Moreover, although the items from the local CSR scale have been adapted from Öberseder et al. (2014) and pre-tested in several countries, it can be argued that Öberseder et al. (2014) originally invented the scale of consumer perception of CSR to be applied to a broader context than the scope of this thesis. Furthermore, as explained in chapter 3.3.1. (part I), the scale by Öberseder et al. (2014) was conceptualised as a reflective instrument, and it was used as a formative instrument in essay 1. Although the author chose the scale that seemed best suited for the purpose of the thesis, the choice of that particular scale can be contended as, for example, Wagner, Bicen, and Hall (2008) specifically developed a reversed CSR scale for the retail context. Their scale (see Table 5 B), however, is very detailed and seems to be more relevant when investigating (reversed) CSR activities on a lower level of abstraction, that is, in more detail, as it looks closely into 14 dimensions of corporate social irresponsibility. The lack of a suitable instrument to measure consumer perception of CSR activities with a particular focus on the geographic scope of these activities presents an interesting avenue for future scale development research.

Moreover, the well-established scale by Shimp and Sharma (1987) to measure consumer ethnocentrism was applied in the three essays but, as previously discussed, the scale has been criticised in the literature (see chapter 2.5.1, part I). The author considered that the scale was the best alternative to measure consumer ethnocentrism due to its wide applicability and validity. Moreover, to reduce some of the criticism of the scale, the author followed the suggestion by Sharma (2015) and applied a shorter version of the original CETSCALE to avoid dimensionality problem. In fact in all three essays the CETSCALE items loaded on one factor. However, one may argue that applying a multi-dimensional scale to measure the concept of consumer ethnocentrism would bring more insights into understanding the phenomenon. Measuring consumer ethnocentrism on a multi-dimensional scale might have added to a better understanding of the moderating factors, which were found to be either insignificant or contrary to the proposed hypothesis. Moreover, particular dimensions of consumer ethnocentrism might better explain consumers' behaviour at foreign retailers. Future research would benefit from applying different instruments to measure consumer ethnocentrism and from comparing the results across the studies.

A second group of limitations in this thesis involves the number of formats, retailers, origins and countries used in the analyses, which limit the results' scope and generalisability. The research in this thesis was performed across different retail categories (grocery, furniture and fashion) and in four countries (the United States, the United Kingdom, Germany and German-speaking part of Switzerland). The author controlled for the results' generalisability by demonstrating measurement invariance across countries and retail categories (where applicable), which enabled data to be analysed in a pooled way; however, the relatively small sample size did not allow comparisons across the countries and retail categories. Moreover, only foreign retailers were tested in the analyses, and no comparisons were made with consumer behaviour towards domestic stores.

Comparing the results in respect to retail categories may be valuable, as it has been previously shown that, for example, consumer ethnocentrism differs depending on the product type (Balabanis and Diamantopoulos 2004; Evanschitzky et al. 2008). It is also plausible to assume that consumer ethnocentrism, local CSR activities and perceived brand localness exert a stronger effect on consumers' behaviour in the grocery context. This is particularly true for perceived brand localness: Its relevance can be observed in practical examples, illustrated in part I of the thesis (see Figure 6), which in fact stem from grocery retailing and not from other retail categories that are more scarce and difficult to find. Analysing the influence of the factors tested in this thesis (consumer ethnocentrism, local CSR activities and perceived brand localness) by comparing their effects across retail categories could bring a better understanding of the factors that

determine consumers' patronage choices. This could also be important when analysing the moderating factors because, for example, for ethnocentric consumers it may be more important to purchase from a domestic grocery retailer, whereas less important when it comes to buying from a domestic fashion store (as just stated, ethnocentric tendencies differ depending on the product type).

Regarding the countries used in this research, only the well-developed markets were used in the analyses, and the domestic market in some countries is dominated by the local players, particularly in grocery retailing (e.g., in the United States, Germany and Switzerland). Therefore, conducting research across several countries, comparing domestic and foreign retailers and comparing the results across the countries may also be worthwhile in furthering the understanding of the studied relationships. This might also be particularly important when studying consumer ethnocentrism, as previous research has shown that the level of consumer ethnocentrism varies across countries (Cleveland, Laroche, and Papadopoulos 2009; Zeugner-Roth, Žabkar, and Diamantopoulos 2015).

The third recommendation for future research is to extend the frameworks and examine other potential effects. Although the thesis focused on the factors that impact consumer behaviour, particularly at foreign retailers, and investigated the selected moderators on the consumer level, other factors are also important for consumers when making a patronage decision. Therefore, it may be worthwhile to analyse other influences, such as mediators and moderators. For example, in respect to ethnocentric consumers, Tay (2006) (see chapter 2.6.3.3., part I) found that utilitarian value significantly moderates the relationship between consumer ethnocentrism and willingness to shop at foreign retailers. Other potential moderators can include, for example, diverse retail formats (e.g., discounters, specialists and department stores), consumer socio-economic background, social risk, origin of the retail store, consumer background (e.g., mainstream consumers and immigrant consumers) and consumer involvement in the retail category. Extending the framework might be particularly beneficial to further understanding of the influence of price consciousness, which was found to strengthen (not weaken) the relationship between consumer ethnocentrism and patronage behaviour at foreign retailers. Essay 3 proposes other potential avenues for the further research that are more detailed and may help to gain a better understanding into that relationship.

Including other phenomenon may be interesting. For example, patriotism, conservatism and nationalism are concepts that are closely related to consumer ethnocentrism and can facilitate gaining further insights into consumers' behaviour at foreign retailers (see Table 2 for definitions). Moreover, looking into other variables that

are often discussed together with consumer ethnocentrism may also be beneficial, for example, consumer animosity (e.g., Klein, Ettenson, and Morris 1998), consumer cosmopolitanism (e.g., Zeugner-Roth, Žabkar, and Diamantopoulos 2015) (see Table 2 for definitions) and cultural identity (i.e., the extent to which people recognise and identify with a set of principal elements that set one culture apart from others, e.g., He and Wang (2015)). Furthermore, it may be of interest to both scholars and retail managers to add consumer identities, such as consumers' local and global identities (Zhang and Khare 2009), into the model while investigating the influence of consumer ethnocentrism, local CSR and perceived brand localness and also extending it to perceived brand globalness (i.e., *"being recognized as a global player with a global reach"*, Swoboda, Pennemann, and Taube 2012, p. 72) and investigating the influence on consumer behaviour not only at foreign but also at domestic retailers.

Fourth, essay 2's findings suggest that local CSR activities and perceived brand localness are highly correlated. The author of this thesis manipulated both dimensions separately, and the multicollinearity analysis showed that multicollinearity does not pose a problem. However, it seems that consumer perceptions of those influences are not fully independent. Another interesting avenue for future research may be to investigate consumer perceptions of both dimensions, how these constructs are related, and the nature of their relationship.

Regarding challenges, the author realises that the data used in essay 3 for the analyses are not ideal. As previously mentioned, the author conducted a measurement invariance test to investigate whether the data could be analysed in a pooled way to ensure there is no bias in the results and tested for the validity and reliability of the measurements. However, conducting separate analyses on one or two large countries and on one or two retail categories and comparing the results would provide more insight. In fact, the data originally collected by the data collection agency, which were used in essay 3, were intended to be also used in essay 1. However, the data quality, the country choice and the retailer choice were the main criticism in the peer-review journals. Therefore, the author decided to avoid that criticism by collecting new data in only one market (the United States) based on two retailers from the top 100 list who were perceived as foreign by the respondents. The main problems with the sample, for which the data were criticised, are evident in essay 3. Many cases had to be deleted because the respondents were not nationals of the particular host country, had immigrant background and many respondents perceived selected retailers as domestic (none of which could have been checked a priori to gathering the data). It is worth pointing out, however, that essay 1's original results showed similar results to the findings presented in this thesis (based on the new sample). The exception was the finding relating to the perceived brand localness (which was originally measured on a

scale developed by the author of this thesis) that was found to moderate the relationship between consumer ethnocentrism and patronage behaviour at foreign retailers. Nevertheless, the data used in essay 3 can be considered a weakness of this thesis to some extent.

In respect to other avenues for future studies, as indicated in the introduction, there is an overwhelming body of research dealing with consumer ethnocentrism, but there is only one prominent study by Shankarmahesh (2006) that provides an integrative literature review. Since the Shankarmahesh article was published over a decade ago (in 2006), ample new studies have been conducted and published in many prominent journals, including the *Journal of International Marketing* (e.g., Cleveland, Laroche, and Papadopoulos 2009; Siamagka and Balabanis 2015; Zeugner-Roth, Žabkar, and Diamantopoulos 2015), the *Journal of Business Studies* (e.g., Sharma 2015) and the *Journal of Business Research* (e.g., He and Wang 2015; Jain and Jain 2013). Therefore, conducting a meta-analysis or another integrative review would be particularly beneficial to the current research, because many additional mediating and moderating factors have been investigated.

Future researchers may find it interesting to investigate whether foreign retailers entering new markets that exhibit higher ethnocentric tendencies would benefit from more cooperative entry modes. However, the author makes this recommendation cautiously. For example, Good and Huddleston (1995) proposed in their study to the Western retail managers that seeking cooperation with the formerly state-owned stores may be desirable, because state-owned stores have good locations and attract many consumers. Consumers with higher ethnocentric tendencies may, thus, become accustomed to foreign products, which may result in a decrease of their ethnocentric tendencies (de Ruyter, van Birgelen, and Wetzels 1998). It must be noted, however that the research by Good and Huddleston (1995) was conducted over 20 years ago; hence, the implications of their studied countries may not hold anymore, particularly because in Poland, for example, most retailers are foreign and Polish consumers are already exposed to many foreign products (Fakt24 2016).

De Ruyter, van Birgelen, and Wetzels (1998), citing Steenkamp (1993), argued that consumer ethnocentrism may be dynamic in nature, indicating that ethnocentric tendencies may change over time. Studying the change in ethnocentric tendencies (if any) may be interesting, especially since most research in the area of consumer ethnocentrism is based on cross-sectional studies (e.g., Balabanis and Diamantopoulos 2004; Zeugner-Roth, Žabkar, and Diamantopoulos 2015). Therefore, researchers may consider studying ethnocentric tendencies in a longitudinal study across product categories, services and economies. Two notable exceptions exist of

longitudinal studies investigating the stability of CETSCALE overtime. First is the study by Nielsen and Spence (1997), who carried out their research over an eight-week period (a period that included two patriotic events). Scholars found that the mean scores of overall populations were stable over time; however, they varied depending on the specific sub-groups. Second is the study by Fraering (2007), who conducted research based on the student sample in the years 2000 and 2005-2006 and determined there was no significant change in the CETSCALE scores. Both studies were conducted in particular regions of the United States. Conducting another longitudinal study may be interesting, however, while investigating different countries with varying economic environments, particularly in emerging markets. This is based on an argument that the impact of consumer ethnocentrism on willingness to buy, for example, is different between developed and developing countries (Wang and Chen 2004) and capturing the change could bring more insights into understanding the phenomenon of consumer ethnocentrism and strategies that managers should implement.

Regarding the research that deals with CSR issues in general and with the local level focus in particular, it may be interesting for future studies to focus on the different dimensions of CSR activities. In this thesis the author only investigated consumers' overall perceptions of CSR activities. Öberseder et al. (2014) propose, however (see chapter 3.3.1., part I) that considering individual domains of CSR activities would provide marketers and scholars with more insights. Therefore, analysing particular domains of local CSR activities based on those dimensions would use a lower level of abstraction than using a scale as a whole. Findings relating to the influences of different dimensions of consumers' perceptions of CSR would be particularly relevant for developing more targeted, localised CSR strategies for foreign and domestic retailers; hence, such research would be highly valuable not only to academics but also to practitioners.

Lastly, another interesting avenue for future research is from the perspective of perceived brand localness. Researchers may consider investigating the degree of localisation of retailers' brands to a local market. In other words, would it be more beneficial for the retailers (foreign and domestic) to localise activities on the national level or to follow a more region-centric approach, or maybe a mixture of the two? For example, a foreign retailer Trader Joe's operating on the American market to some extent localises its stores to that market by having employees wear Hawaiian shirts (which may be perceived by consumers as American). However, it also localises to a region where it operates by hiring artists who create unique signage for a particular store location. For example, Trader Joe's renamed its sampling station, at its store in Union Square, New York, as "*Grand Central Sampling Station*," because that iconic

station is near the store's location (Berman 2011). Therefore, investigating effectiveness of different localisation strategies may be of interest to both academics and in particular to retail managers in particular because the findings of this thesis imply that perceived brand localness exerts a strong influence on consumers' behaviour.

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Appendices

Appendix A

Description:

As part of a market study for a foreign supermarket chain that has been in business in the USA for many years, we have been asked to investigate which aspects consumers perceive as important when evaluating retail brands. To get an unbiased picture, we have used a fictitious name for that retailer instead of its real name.

The retailer – Natural Foods (NF) – is a foreign supermarket that plans to further expand its operations in the United States. In most states, Natural Foods can be easily reached using public transport, but stores also offer free parking to those customers who drive. The stores offer a high quality product range, with prices that are set marginally higher than the prices of other supermarket chains. Natural Foods is committed to recycling and ensuring that waste is kept to a minimum.

To give you a better idea of Natural Foods as a retailer, we have collected a series of anonymous statements from different stakeholders, namely an employee, a supplier and a customer. Please read their statements carefully.

Condition 1 (localised CSR activities)

Employee (39), California: *“Natural Foods treats employees fairly and the store respects our American culture. The staff are well looked after, although there are not many opportunities for promotion. The work is intense but Natural Foods offers a competitive salary. Most of the managers in our headquarters are Americans. Natural Foods also offers an internship program that was created specifically for young Americans. The program aims to teach the youth about different aspects of stores operations. I think this experience is very valuable.”*

Supplier (55), Arkansas: *“Natural Foods is our biggest customer. We have established a long term relationship with them, which is great because we have a large customer for our American produce all year round. In fact, Natural Foods has committed to source products mainly from American suppliers, which means that they can sometimes be a challenging customer because they demand a very efficient supply chain from us. The benefit of this is that since we started working together our business has grown and we were able to hire more employees at our plant in Arkansas.”*

Customer (45), Illinois: *“I like shopping at Natural Foods. The prices are reasonable and the employees are friendly. I appreciate that Natural Foods gets involved in local charities; too few retailers do that. The company advertises that it donates 1 % of its profits to good causes in the local communities in which it operates. I think this is both a great form of marketing as well as a way to give back to American society.”*

Condition 2 (non-localised CSR activities)

Employee (39): *“Natural Foods treats employees fairly. The staff are well looked after, although there are not many opportunities for promotion. The work is intense but Natural Foods offers a competitive salary. The management team in our headquarters is mainly from abroad. Natural Foods also offers an internship program that was created specifically for international youth. The program aims to teach the youth about different aspects of stores operations. I think this experience is very valuable.”*

Supplier (55): *“Natural Foods is our biggest customer. We have established a long term relationship with them, which is great because we have a large customer for our produce all year round. In fact, Natural Foods has committed to source products from around the world, which means that they can sometimes be a challenging customer because they demand a very efficient supply chain from us. The benefit of this is that since we started working together our business has grown and we were able to hire more employees.”*

Customer (45): *“I like shopping at Natural Foods. The prices are reasonable and the employees are friendly. I appreciate that Natural Foods gets involved in charity initiatives; too few retailers do that. The company advertises that it donates 1 % of its profits to global causes. I think this is both a great form of marketing as well as a way to give back to society.”*

Condition 1 (Localised CSR activities)





Produce

Fresh



Hot Peppers
Grown in Guatemala

2.99
/ each



77¢
/ lb.

Baby Carrots
Grown in Canada



2.45
/ lb.

Tomatoes on the Vine
Grown in Spain



99¢
/ each

Celery
Grown in USA



2.55
/ lb.

Potatoes
Grown in Poland



1.50
Each

Cauliflower
Grown in France

Eat fresh!

4



Produce

Fresh



4.99
/ lb.

Bananas
Grown in Costa Rica



4.50
/ 4 lb.

Navel Oranges
Grown in USA



3.99
/ lb.

Strawberries
Grown in Argentina



2.99
/ 3 lb.

Fuji Apples
Grown in Chile



4.74
/ 3 lb.

Seedless, Green Grapes
Grown in Mexico

Vitality for you and yours!



5

Appendix C

Willingness to buy (Grewal et al. 2003)

The likelihood that I would shop in Natural Foods store is high.

I would be willing to buy merchandise at Natural Foods stores.

I would be willing to recommend Natural Foods stores to my friends.

Perceived brand localness (Swoboda, Pennemann, and Taube 2012)

I associate this retail brand with things that are American.

To me, this retail brand represents what America is all about.

To me, this retail brand is a very good symbol of America.

Local CSR (adapted from Öberseder et al. 2014)

Natural Foods mainly contributes to local economic development in the United States. / Natural Foods mainly contributes to the economic development of countries outside of the United States. [r]

Natural Foods creates jobs for American people.

Natural Foods sources products and raw materials mainly from American suppliers.

Natural Foods is generous by giving charitable donations to American causes. / Natural Foods is generous by giving charitable donations to worldwide causes. [r]

Natural Foods develops, supports and trains American employees.

The workforce at Natural Foods are mostly from America.

Natural Foods invests in the education of young Americans.

Consumer ethnocentrism (Lindquist, Vida, and Plank 2001; Shimp and Sharma 1987)

Only those products that are unavailable in the US should be imported.

American products, first, last, and foremost.

Purchasing foreign-made products is un-American.

It is not right to purchase foreign products, because it puts Americans out of jobs.

A real American should always buy American-made products.

We should purchase products manufactured in America instead of letting other countries get rich off us.

Americans should not buy foreign products, because this hurts American business and causes unemployment.

It may cost me in the long-run but I prefer to support American products.

We should buy from foreign countries only those products that we cannot obtain within our own country.

American consumers who purchase products made in other countries are responsible for putting their fellow Americans out of work.

Perceived value (Ailawadi et al. 2014)

I can get the same items at lower prices in other stores than Natural Foods.

Prices at Natural Foods are good compared to other stores.

