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Country Of Origin Effect On Consumer Behaviour

European Products on Nepalese Market

Supervisor: Alexander Josiassen

Author: Hari Prasad Parajuli (116303) and Irina Casianenco (114732)

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Abstract

One of the challenge that companies faces when going global is the rising level of country of origin biases. In this context this study aims to find out how COO biases can effect product judgement and eventually on product purchase decision. Being exposed to a wide range of products, how do Nepalese consumers form their preferences? The present research examine this question through different developed scales and existing literature on country of origin. This paper solves many uncertainties when it comes to globalization and expanding to new markets. Compared to researches done in other countries, the Nepalese field is still in its infancy. In particular, the concepts of consumer xenophobia, ethnocentrism and affinity are conceptualized, analyzed and validated, thereby constituting an intial contribution to understand Nepalese consumers and those willing to buy foreign products.

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1. Introduction

In today's globalized world, big companies want to spread over various countries to increase their presence, hence increase their sales. It has been a challenging issue for them since consumer behavior is not those easily predictable and hard to judge the factors that influence this social phenomenon.

The country of origin (COO) effect refers to the influence on a buyer considering a product or service from another country due to the stereotyping of that country and its outputs. The COO effect can add to or detract from the associations made with individual products and brands (Han & Terpstra, 1988; Sauer, Young, & Unnava, 1991). The major studies that have been carried out in the field of COO biases by different researchers are on consumer affinity, consumer xenophobia, consumer ethnocentrism and country image.

There have been studies about consumer affinity by Jaffe and Nebenzahl (2006), Oberecker, Riefler, and Diamantopoulos (2008). Similarly, there have been studies about consumer xenophobia by Kock, 2018, consumer ethnocentrism by Shimp & Sharma, 1987, and country images models by (Josiassen et al., 2013).

In this study, we have gathered the models from different authors in the field of consumer affinity, consumer ethnocentrism, and consumer xenophobia; and compared with previous studies in other territories. Several studies are done in these areas in different countries, but we were not able to find any investigations carried out to find the relevance of these models in Nepal. Therefore we aimed to test these models in Nepalese territory for EU brands, and thus, this study is more likely to be a confirmatory test in Nepal. Bases of hypotheses made on our study were on the different studies made by scholars as they are already confirmed in some countries.

1.1. Problem Statement

As we discussed above, there exists a gap in research regarding the concept of consumer affinity, consumer xenophobia, and consumer ethnocentrism. Thus in this regard, we asked the following question:

How consumer affinity, consumer xenophobia, and consumer ethnocentrism impact on product judgment and subsequently affects product judgment on willingness to buy?

1.1.1. Research question

In able to get answers for our problem statement, we have formulated hypothesis and models. Following research questions are investigated with the help of this model.

- What is the level of consumer affinity in Nepal for EU products? Does it have any impact on product judgment?
- By this, we will be investigating Nepalese consumers affinity towards EU products
- How is consumer xenophobia amongst Nepalese consumer? How can it influence product judgment?
- Are Nepalese consumers ethnocentric? Any roles of consumer ethnocentrism on product judgment.
- Are Nepalese consumers concerned about cultural similarities? Do cultural similarities weaken ethnocentrism?
- Does favorable product judgment increase the willingness to buy?

2. Theoretical Framework

This chapter will cover the theoretical framework for our model, including consumer affinity, consumer ethnocentrism, and consumer xenophobia. Several relevant literatures are reviewed in regards to our model's formulation.

Many researchers have spent many years to study the factors that influence likes or dislikes of products and brands. The majority of these studies reflect mainly consumers harboring negative attitudes towards the purchase of foreign products (Shimp & Sharma 1987).

2.1. Consumer Affinity

The notion of affinity is derived from the Latin expression “affinitas”, meaning “related” or, more literally, “bordering on”; the term is defined as “a spontaneous or natural liking or sympathy for someone or something or someone or something” or as “an attraction to or liking for something likeness based on relationships or causal connection (Oberecker, Diamantopoulos, and Riefler (2008, p. 24)

The term “affinity” has been used in at least three contexts in marketing and management in addition to consumer affinity for foreign countries (affinity marketing, cultural affinity, intercultural communication affinity) (Nes, Yelkur, and Silkset, 2014). First, the term “affinity marketing” is used in the marketing literature to describe a concept of combining benefits for an affinity group with interests for the individual. Second, findings within the international marketing and management literature suggest that “cultural affinity” is related to psychic distance, to the adaptation to foreign market needs and wants, to perceived ease of adoption of new western technology in China, and global umbrella brands and responsible marketing. Third, developed the intercultural communication affinity scale to assess expatriates’ affective fit in host countries. Furthermore, the concept of international affinity captures a central place in international relations research in political science (Nes, Yelkur, and Silkset, 2014).

Jaffe and Nebenzahl (2006) introduced the term “consumer affinity,” but their model was not empirically tested (Nes, Yelkur and Silkoset, 2014). Consumer affinity is more about consumers natural liking about the products, services, or brands. Oberecker, Diamantopoulos, and Riefler (2008, p. 26) defined consumer affinity as a ‘feeling of liking, sympathy, and even attachment toward a specific foreign country that has become an in-group as a result of the consumer’s direct personal experience and/or normative exposure and that positively affects the consumer’s decision making associated with products and services originating from the affinity country’.

Different drivers of consumer affinity are discussed by many researchers, some of which are lifestyle, culture and culture similarities, politics, study abroad, travel contact, etc. Oberecker et al. (2008) focused on consumer affinity in a series of qualitative studies. In their definition, consumer affinity is referred to as affect-based feelings of liking for a specific foreign country. Such liking develops from personal experience with a given country, as well as a product originating from it. Their qualitative studies included interviews and focus group in several European countries explored seven bases for consumer affinity, which they classified, into macro (lifestyle, scenery, culture, politics, and economics) and micro-drivers/sources of affinity (contact, stay abroad and travel).

Oberecker et al. (2008, p. 49) revealed seven stable categories of affinity drivers, which captured direct (i.e., micro drivers) and/ or indirect (i.e., macro drivers) experiences with a country. They also showed that direct experiences with a country and country attributes, such as lifestyle and scenery, are the significant drivers of affinity, whereas political or economic aspects do not induce affinity. In terms of consumption-related consequences of consumer affinity, insights gained from the qualitative studies point to a heightened willingness of particular consumer segments to buy products from the affinity country. They found that this heightened willingness is largely derived from a desire to consume products as a means to stay connected to the affinity country as well as a means to lower perceived risk. Lifestyle, scenery, and staying abroad were key drivers for affinity and could be used to direct marketers’ efforts in the search for affinity for their countries (Asseraf and Shoham, 2017).

Figure source: Oberecker & Diamantopoulos (2011).

The Consumer Affinity Model of Foreign Product Purchase

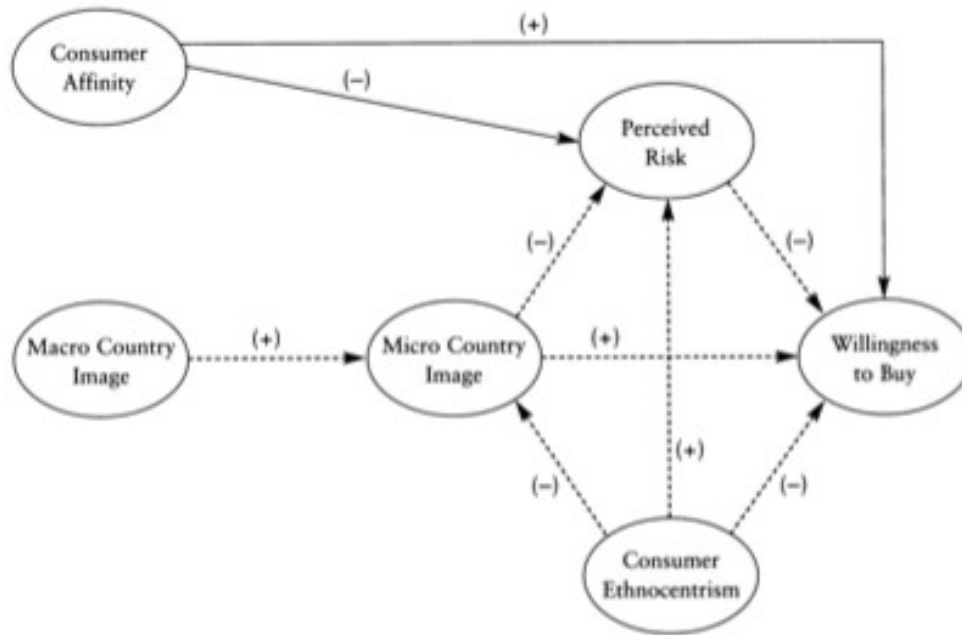


Figure 2-1: Consumer affinity model

2.2. Consumer Ethnocentrism

The term "consumer ethnocentrism" is adapted from the general concept of ethnocentrism introduced more than 80 years ago. Though originally a purely sociological concept to distinguish between in- groups (those groups with which an individual identifies) and out-groups (those regarded as antithetical to the in-group), ethnocentrism has become a psychosocial construct with relevance to individual-level personality systems as well as to the more general cultural- and social analytic frameworks. In general, the concept of ethnocentrism represents the universal proclivity for people to view their group as the center of the universe, to interpret other social units from the perspective of their group, and to reject persons who are culturally dissimilar while blindly accepting those who are culturally like themselves. The symbols and values of one's own ethnic or national group become objects of

pride and attachment, whereas symbols of other groups may become objects of contempt (Shimp and Sharma, 1987).

Ethnocentrism refers to a general consumer belief about the appropriateness of purchasing foreign-made products (Shimp & Sharma, 1987) and country-specific consumer animosity reflects remnants of antipathy related to historical tensions between two countries (Klein et al., 1998). Numerous studies have confirmed the negative effects of ethnocentrism and animosity on purchases of foreign products. Hence, although globalization made it possible to find foreign brands everywhere, international marketers have been struggling with negative forces that influence consumer attitudes toward foreign brands.

Jaffe and Nebenzahl (2006) suggested that consumers can be segmented by their attitudes toward their country versus other countries and identified four segments. Patriots are ethnocentric, who feel that their duty is to buy local products only; cosmopolitans have no bias toward imported goods; traitors have clear preferences for imported goods, and hostiles do not buy goods from certain countries they dislike or feel animosity toward them.

Jaffe and Nebenzahl (2006) argued that ethnocentric consumers might exhibit conflicting attitudes affecting purchase decisions, as they are reluctant to buy foreign goods but, at the same time, harbor positive attitudes toward a specific foreign country.

Several different perspectives exist to understand how people from one culture might view the products from another due to their appreciation or otherwise of a second country's cultural output (Suh, Hur, and Davies, 2016). One is of psychic distance, variously defined and at least partly understood in terms of cultural difference, while not being synonymous with it (Evans & Mavondo, 2002).

2.3. Consumer Xenophobia

2.3.1. Introduction

There is a common thread running through the rise of the right-wing parties across the world, and that thread is xenophobia. United States election campaign (2016), the

Brexit vote, anti-immigrant politics in Europe and the U.S. are events that all have been cited as signs of this upsurge. According to Dictionary.com, xenophobia was chosen as word of the year 2016, reflecting its resonance in public consciousness. Globally, the number of Google searches for the term increased by 998% following the Brexit vote and by 2,100% on the U.S. election, after President Obama used the word in a campaign speech against Donald Trump. Despite an upward trend, xenophobia it is not a new phenomenon, and history provides us with enough examples of discrimination of people and things because of their foreignness (Wedek, 1929).

Much has been said about xenophobia's antecedents and consequences in many research fields including psychological studies (Boehnke et al., 1998), political and economic studies (Roemer & Straeten, 2005) as well as educational research (Harrison & Peacock, 2010). However, there has been little mention of it in a consumption context.

Since xenophobia is one of the concepts that portrays the repulsion towards everything foreign (Josiassen, 2011), it is possible that the construct of xenophobia might as well explain the phenomenon of repulsion towards foreign products purchase.

2.3.2. Conceptual Framework

Humans are skeptical; they treat things they do not know differently from things they know (Kurzban and Leary 2001). Xenophobia is "the denigration of individuals or groups based on perceived differences" (Hjerm, 1998, p.335). It is not just about resenting people from foreign countries, but, it is about resenting towards everything that perceived as foreign (Campbell, 2003). The basis of this resentment is due to the differences in ethnic groups, culture, religion, or disease that causes individuals to be afraid to interact with someone who is not "one of them" (Campbell, 2003; Sanchez-Mazas and Licata, 2015). A person looks, dress, or any weird behavior that people unconsciously characterized them as different, also contribute to manifestation xenophobic attitudes (Veer et al., 2011). These stereotypical thinking or prejudice

attitudes against people or groups of people can be considered as xenophobia (Helbing, 2010).

The term of xenophobia is increasingly popular in western countries because they find it necessary to have a different term to characterize their system of race relations (Wells, 1970; and Hjerm et al., 1998). People might have the impression that their nationalities are superior to others. The perception of a native-born individual should be held in higher position than foreigner highlights the maintenance of the status quo in society (Yakushko, 2009). For example, the belief of Anti-American, Francophobia, Islamophobia, as well as the Apartheid system are among critical events that nourishing the strong feelings of suspicious towards foreigners in the worldwide societies (Amine, 2008; Soldatova, 2007; Lee et.al., 2009; Yakushko, 2009; and Graf, 2011).

Campbell (2003) separated the roots of xenophobia into two types: 1) politics-based xenophobia, and 2) economy-based xenophobia. The political-based xenophobia is identified in those persons who place high importance on behavior and cultural adaptation, as well as persons who consider ethnicity to be more important (Diehl & Tucci, 2011).

On the other hand, the economy-based xenophobia is caused by intense economic competition in a market which is dominated by foreigners (Charman & Piper, 2012). For local business owners, foreign traders represent strong competitors who focus on offering good prices, seeking lower profit margins and exploiting the opportunities existing in the local market (Abdi, 2011). This phenomenon creates rivalry against the distribution of power and limited resources amongst the in-group (indigenous people) and the out-group (foreigners) in the country that leads to prejudice against the out-group (Yakushko, 2009).

Day-to-day, people engage in consumption decision-making. As consumers, they may engage in xenophobic behavior by discriminating against foreign companies and avoiding foreign products. Xenophobia among consumers can be easily attributed to negative experiences or stigma. People tend to justify their discriminatory behavior to

themselves and others by relating it to other circumstances (Sears and Henry 2003). In turn, they may engage in discriminatory behavior when they believe their actions can be justified by reasons other than xenophobia (Kunda and Spencer 2003). Hence, CXO may be more widespread than person-targeting xenophobia, and xenophobic consumer behavior may be seen as an adaptation to the evolving norm that exhibiting blatant prejudice toward human beings is not socially desirable (Kock, pg.95, 2018).

In their role as consumers, individuals may act more readily on their xenophobic bias while maintaining a non-xenophobic appearance to others and themselves. Besides, CXO may demand less commitment from the individual than blatant xenophobic actions because people express bias more easily toward inanimate entities toward human beings (Harris and Fiske, 2006). Accordingly, it may be easier to decide not to buy foreign products than to move actively against foreigners. We propose that CXO may even occur among people who do not express xenophobic predispositions against foreign individuals or groups; CXO enables consumers to act out a contextualized xenophobic bias against foreign companies without showing themselves publicly as blatant xenophobes (Kock, 2018).

Due to the increasing number of immigrants in most countries, the objects of xenophobic consumers are foreign companies that enter the domestic marketplace and try to establish their businesses.

2.3.3. Conceptualizing CXO

Social psychologists conceptualize and measure out-group biases, such as racism, through perceived stereotypical threats ascribed to the discriminated out-group (Cottrell and Neuberg 2005; Fiske et al. 2002; Riek et.al.2006). Perceived intergroup threat refers to a belief that a given out-group is in some way detrimental to the individual or his or her in-group. Furthermore, “the core notion of threat seems to be consistently associated with the xenophobia phenomenon and is present in most theoretical approaches of its social-psychological roots” (Sanchez-Mazas and Licata 2015, p.802). Hence, the concept of CXO is identified as a host of perceived threats that exist as stereotypes in consumers minds; this concept being comprises of both symbolic and realistic threats (Riek et al.2006) that consumers attribute to foreign

companies operating in the domestic markets of consumers (Kock, 2018). Following Fiske and Lee's (2011) suggestion regarding xenophobia as a systematic bias that is predictable in the context in which it occurs, CXO can be defined as a latent concept that reflects peoples needs to orient and protect themselves in a globalized marketplace (Kock, 2018).

Xenophobic consumers likely hold stereotypes about foreign companies that manifest themselves as symbolic threats. This symbolic threat reflects consumers judgment of the ways in which foreign companies affect the socio-cultural environment of the individual consumer. Foreign companies are regarded as carriers of a foreign culture; representatives of potentially conflicting value systems (Aaker et al.2001).

Symbolic threats reflect concerns and fears that foreign companies will contaminate the domestic social and cultural environment, affecting consumers soul, integrity and way of life (Cottrell and Neuberg, 2005 and Tybur, Lieberman and Griskevicius 2008).

Along with symbolic threats, xenophobic consumers may associate foreign companies with realistic threats. Psychologists suggest that real threats emerge from preoccupation about the loss of, or competition for resources, which ultimately would hurt an individual's or group's well-being (Riek et al. 2006). These resources can be tangible (e.g., money) or intangible (e.g., knowledge). For instance, xenophobic consumers may be concerned that foreign companies are not prioritizing domestic stakeholders, such as employees or consumers, but are exploiting domestic resources. Hence, realistic threats consign to the incompatibility between in- and out-group goals and an attributed lack of morality (Alexander et al. 1999).

2.3.4. Integration and Delimitation of CXO Concept in Marketing

By investigating the phenomenon of xenophobia in a consumption context, we contribute to the stream of research that deals with CBB. Researchers have dedicated noticeable effort to understanding the impact of country-related predispositions in consumer behavior. Although the country image associated with a product can affect consumers quality judgments and behavioral intentions (Verlegh, Steenkamp and

Meulenberg 2005), consumers predisposition toward domestic and foreign products can also be influenced by country-related “inferences other than those about product quality” (Gurhan-Canly and Maheswaran 2000, p.310).

For the last three decades, researchers have significantly enhanced understanding of why consumers are positively or negatively biased toward the purchase of domestic or foreign products, for reasons other than mere product quality. Recently, Josiassen (2011) structured existing CCB research by producing a consumer attraction-repulsion matrix that distinguishes between positive and negative biases toward domestic and foreign products (Kock, 2018).

Consumer ethnocentrism, the first concept of the bias, absorbed most of the attention in the marketing literature. Ethnocentric consumers have the goal of supporting their domestic economy; they are attracted to domestic products and believe that the purchase of imported products is wrong because it corrupts the domestic economy and destroys jobs (Shimp and Sharma 1987). The second bias concept, consumer disidentification, refers to consumers who disidentify with their domestic country because they feel dissimilar to the dominant forces in the society in which they live. Consequently, domestic products repulse them because such products are signals of inclusion in the national group (Josiassen 2011). In addition to these two biases that refer to domestic products, researchers have looked at positive and negative biases toward particular foreign countries. Consumer affinity is a positive bias that refers to a “feeling of liking, sympathy, and even attachment toward a specific foreign country” (Oberecker, Riefler and Diamantopoulos 2008, p.26), and animosity is a negative bias, which represents individuals’ repulsion toward a specific foreign country because of previous or ongoing military, political, or economic events (Klein et al. 1998).

The fifth concept, CXO, was labeled, for the first time, like the one that conceptualizes and measure consumer repulsion related to all foreign market entities.

These concepts are central to the CCB and relevant for the present research. In the tradition of social psychology, Brewer 1999 argued that a positive bias toward

domestic market entities should be disentangled from a negative bias against foreign market entities. Outlining the perspectives from psychology, game theory, and neuroscience Kock, 2018 concluded that CE and CXO are two conceptually distinct concepts with independent effects on consumers' predispositions toward domestic and foreign products.

2.4. Distinguishing CXO and CE

Most psychologists claim that these two biases, CXO and CE, are distinct and independent (e.g., Howstone et al. 2002; Lowery et al. 2006). However, some marketing researchers currently have applied the CE concept to explain consumers' predispositions toward both domestic and foreign products, while others have noted that CE is not equally good at predicting consumer responses to domestic and foreign products (e.g., Balabanis and Diamantopoulos 2004; Evanschitzky, Woisetschlager and Blut 2008; Witkowski 1998). The usefulness of CE to explain consumers' positive bias toward domestic products is documented well in the article, but it is less useful to predict consumers' negative bias against foreign products. Two arguments support this: 1. The findings regarding an insignificant or weak link between CE and foreign product purchases may be caused by an erroneous inference that positive in-group bias, reflected by CE, implies a similar but inverse negative out-group bias toward foreign products; 2. Researchers have not had access to an alternative that captures an out-group bias (Kock et al. 2018). To make use of research on both CE and CXO phenomena, we present the key arguments from which we bring out a clear distinction between CE and CXO.

First, a consensus within the psychology literature indicates that in-and out-group biases are distinct phenomena that operate independently. A problematic but common assumption in extant research is that positive predispositions toward the in-group and negative predispositions toward an out-group are causally related (Kock, 2018). This assumption can be observed in Sumner's (1906) conceptualization of ethnocentrism, which is the foundation of CE (Shimp and Sharma 1987). Sumner held that ethnocentrism with negative predispositions toward the in-group is necessarily associated with negative predispositions toward out-groups. As Bizumic and Duckitt

(2012, p.889) outline, Sumners view “had a very strong influence on subsequent theorists and researchers, who have largely uncritically accepted this idea and included out-group negativity in their definitions, operationalization, or measures of ethnocentrism.” Contradicting Sumner’s view though, researchers have long argued that attachment to one’s in-group does not necessarily imply a negative predisposition toward out-groups but that “the reciprocal attitude towards out-groups may range widely” (Allport 1954, p.42).

Second, game theory disentangles the motivational structure of CE and CXO as functionally distinct phenomena by observing individuals incentive-compatible choices with experimental resource distributions. Considering the avoidance of foreign products and preference for domestic products as a reciprocal process is anchored in the unlikely assumption that any gains for one group must be at the expense of the other group, that is, the assumption of a zero-sum setting (Brewer 1999). Controlling for zero-sum perceptions, the two motives frequently linked to in-group favoritism and out-group derogation are the achievement of maximum in-group profit and maximum differentiation (Scheepers et al. 2006).

Third, CE and CXO are distinct because they are linked to different neural correlates. An emergent trend in contemporary psychology focuses on understanding how mental processing is represented in neural activity. Through non-invasive imaging of the human brain, researchers investigate the neural correlates of in- and out-group bias that may have evolved in human brains as a result of complex social group living. Social neuroscience provides compelling indications that positive biases toward in-groups and negative biases toward out-groups occur in different brain regions and involve different neural processes (Amodio 2014). For negative out-group threats and biases, but not positive in-group biases, researchers document a significantly increased activity of the amygdala (Checkrout Everett, Bridgeand and Hewstone 2014). In contrast, positive in-group biases, but not negative out-group biases, are linked to an increase of oxytocin, a hormone that acts as a neuromodulator in the brain (Cikara and Van Bavel 2014). Hence, these indications of neurophysiological support the affirmation that CE a CXO are distinct phenomena.

2.5. Country image

2.5.1. Introduction

When choosing between buying a watch made in Switzerland and one made in China, most people will have a positive bias towards the Swiss product. Similarly, many buyers will have positive biases towards German cars and France wines. This bias is often called the country-image effect, also referred to as the country-of-origin (COO) effect, or the made-in effect (Josiassen, Lukas, Whitwell and Assaf, 2013).

People are no longer happy to pay for something superficial and hollow. Therefore the origin of a product has never been more important in the minds of consumers (Winter, 2004, p.46).

The first researcher who confirmed empirically about the country image and its impact on product evaluation was Schooler in 1965. He showed that consumers differentiated products based on country of origin in situations when the products were identical in all the other aspects. Many authors consider the country of origin being a signal for quality: “A products national origin acts as a signal of product quality...and affects perceived risk as well as likelihood of purchase” (Li and Wwyer, 1994).

It is generally accepted that country image refers to beliefs that consumers hold regarding particular countries (Kotler et al., 1993; Martin and Eroglu, 1993; Gurhan – Canli and Maheswaran, 2000; Oberecker et al., 2008). In conducting a review of the relevant literature, we found out three different perspectives about a country image, and all assumptions behind each perspective are different. Hence, the first perspective is called the basic-origin perspective and assumes that the origin-image effects stem from an image attached to the origin in general. The second perspective assumes that the main or entire origin-image effect stems from an image attached to products in general associated with an origin, or from the product-relevant capabilities and/ or characteristics of the origin and/ or people; this perspective is known as product-origin perspective. The literature reflecting the third perspective focuses on the image attached to specific groups of products from a particular origin. Therefore, researchers call it the category-origin perspective (Josiassen, Lukas, Whitwell and Assaf, 2013).

The second perspective is relevant for the present paper; therefore, the study outlines its main characteristics.

2.6. The product-origin perspective

Placing emphasis on products associated with a country in defining origin images, Nagashima (1970, p.68) defined country image as “the picture, the reputation, and the stereotype that businessmen and consumers attach to products of a specific country.” Besides Nagashima, several other scholars have chosen this product-oriented perspective of origin image. Bilkey and Nes (1982, p.12) stated that country of origin image refers to buyers, opinions regarding the relative qualities of goods and services produced in various countries. This stream of literature (e.g., Nagashima, Pisharodi and Parameswaran 1999, Pereira 2005) emphasizes products of a country defines origin images from the product-origin perspective (Josiassen, Lukas, Whitwell and Assaf, 2013).

The premise of product-origin perspective is that origin-image effects stem from the product-related capabilities/characteristics of the origin/people, or from images attached to the products in general, which originate from a particular origin. It must be pointed out that the term “product” in product-origin perspective refers to any product from an origin and not just one individual product. Therefore, this perspective is the dominant perspective in the academic literature; is more inclusive than the category-origin perspective and less inclusive than the basic-origin perspective (Josiassen, Lukas, Whitwell and Assaf, 2013).

In terms of Country of Origin (COO) measures in the literature, Roth and Romeo’s (1992) scale reveals a product-origin perspective; basically, their scale measures consumers country image concerning design, craft, prestige, and innovativeness (Josiassen, Lukas, Whitwell and Assaf, 2013).

2.7. The halo and summary effect

Han (1989) identifies to major functions of the country image. Buyers can use the country image in product evaluations when they are unable to detect the true quality of a country’s products before purchase. As such, the CI indirectly affects product

attitudes through inferential beliefs, which can be described as a halo effect. When this effect occurs, the consumers link country-specific associations to products, independent of the products' implicit product attributes. The second function, the summary effect, represents associations based on accumulated experience with products from a country over time. Accordingly, the summary effect is more likely to occur under conditions of high product-country familiarity (Iversen, Kleppe, and Stensaker, 1998).

2.8. Cultural similarities

The impact of globalization shortens the geographical distance between countries; national boundaries are gradually fading away; the penetration among many sectors in countries is increasing rapidly, leading to uncontrollable results, etc.

Culture also is encountering new opportunities and new challenges. The cultures of each nation have never had the opportunity before to receive elements of cultural elites and values of other nation in such a rapid and multidimensional way as the one in the present. However, culture in the past has never been confronted with a higher risk of corrosion as now, including suppression policies toward national cultural values in certain countries. Therefore, similarities among cultures in the modern world also bear an equal fate (Tien, 2017).

“Cultural similarities are based on the presence, or absence, of certain types of ceramic wares; are the premise of the integration of cultures; are alien to the identification and isolation. (dictionary.cambridge.org; Tien 2017)”.

2.8.1. The effect of cultural similarity on product judgment and willingness to buy

Social identity theory has been used to explain the in-group favoritism and out-group prejudice. The in-group and out-group concepts can be traced back to the concept of “ethnocentrism” introduced by Sumner (1906). Sumner (1906) distinguished “ourselves,” “we group,” or “in-group” from “everybody else,” or “the other group,” “out-group.” Sumner (1906) also stated that “the insiders in a ‘we-group’ are in a relationship of peace, order, law, government, and industry, to each other. Their relation to all outsiders, or others-groups, is one of war and plunder.” When

individuals categorize themselves into a social group, it implies the motivation to define oneself in terms of that group membership and to achieve and remain inclusion in the group. So, social identity and in-group positivity are engaged in the interests of enhancing self-esteem (Tajfel, 1978; Turner, 1975). Therefore, attachment of the self to the group leads to a positive valuation of the group (Greenwald and Banaji, 1995).

According to the social identity theory, consumers in one nation tend to share the values and pride that the home country stands for, and they seek out ways to distinguish their national social identity from others. Therefore, when dealing with foreign products from a similar cultural value system, consumers will project their national identity to the similar nations, as evidenced by findings reported by Lantz and Loeb (1996) and Watson and Wright (2000). In other words, consumers are expected to identify more with products from a more culturally similar nation than with those from a less culturally similar nation. When such a stronger identification, consumers will be more likely to evaluate positively and more willing to purchase foreign products from a culturally similar nation.

Past studies have discussed the impact of products from culturally similar countries on consumers' evaluations toward purchasing foreign products (Balabanis & Siamagka, 2017). Ma, Wang, and Hao (2012) examined cultural similarity effects on consumers' products judgment and their willingness to purchase foreign products. They used Hofstede's model of cultural difference to measure cultural similarities between Taiwan, as the home country, and the USA, China, and Japan as foreign countries. They chose these countries because they were different from the origin country, Taiwan. China is culturally similar in this regard because of historical reasons, such as the fact that the majority of the population in Taiwan are Chinese and therefore, share a similar cultural background and speak the same language.

On the other hand, Taiwan and Japan are culturally closer than the USA because they share a similar Asian culture, and their geographical location is closer (Ma et al., 2012). The findings showed that foreign products from a culturally similar country were positively correlated with consumer evaluation of, and willingness to buy, the

products. The cultural similarity is an important factor and has a significant impact on ethnocentrism tendency.

Researchers have attempted to investigate the impact of consumer ethnocentrism on consumer purchasing behavior toward foreign products when domestic products are not available. According to Shimp et al. (1995), the impact of consumer ethnocentrism and consumer attitude toward foreign products may be conditioned by the lack of availability of domestic alternatives. Empirical evidence shows that cultural similarity weakens the adverse effects of consumer ethnocentrism on foreign products (Evanschitzky et al., 2008; Ma, Wang, & Hao, 2012; Watson & Wright, 2000). For example, Watson and Wright (2000) have examined the moderating effect of cultural similarity on the relationship between consumer ethnocentrism and willingness to buy foreign products in New Zealand. Their findings showed that ethnocentric consumers positively evaluated products from culturally similar nations because they were familiar with the countries concerned and geographically closer than other dissimilar countries. Watson and Wright (2000) conclude that cultural similarity plays an important role in evaluating foreign products by ethnocentric consumers.

In contrast, other studies found that cultural similarity did not mitigate the negative effects of consumer ethnocentrism on consumer purchase intention toward foreign products (Balabanis et al., 2001; Balabanis & Siamagka, 2017). The research by Ramadania, Gunawan, and Rustam (2015) examined the impact of cultural similarity on the relationship between consumer ethnocentrism and attitudes toward Malaysian products in Indonesia. The findings showed that consumer ethnocentrism has a negative impact on consumer attitudes toward purchasing foreign products, and cultural similarity did not play a role to reduce the negative impact of consumer ethnocentrism toward purchasing foreign products. Similarly, Smaiziene and Vaitkiene (2015) found that ethnocentric consumers did not prefer to purchase foreign-made dietary supplements from culturally similar countries to Lithuania, regardless of the quality of foreign products.

3. Framework and hypothesis

The base of our framework is surrounded by four consumer attributes, i.e., affinity, ethnocentrism, and xenophobia leading to product judgment. We have also added cultural similarities towards consumer ethnocentrism to see if there is any relation between these two. In the final hypothesis, we aim to find out any relation between positive product judgment and willingness to buy.

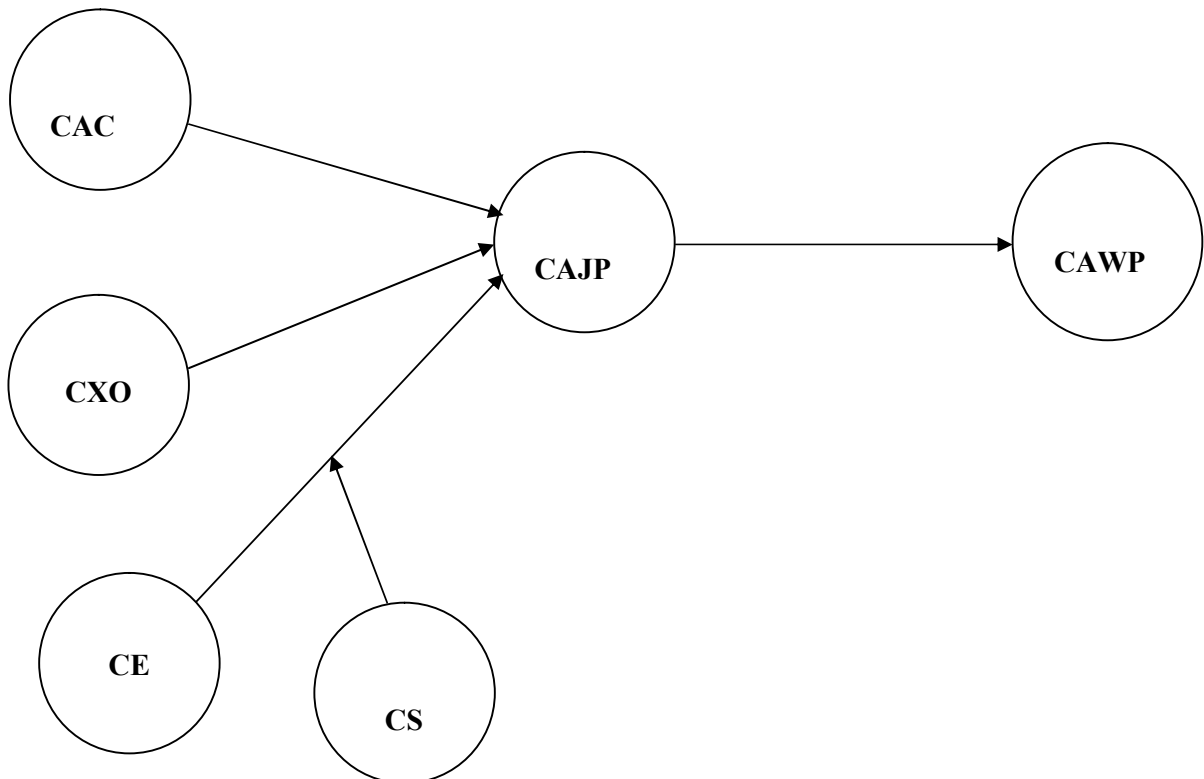


Figure 3-1: The model framework for a country of origin biases

3.1. Consumer affinity and product judgment

Hypothesis 1: Consumer Affinity has a positive impact on product judgment.

The theoretical roots of consumer affinity can be traced to the Social Identity Theory (Tajfel, 1982). This theory distinguishes between in-groups and out-groups. In Social Identity Theory, a person has not only one “personal self,” but also several social selves. These selves correspond to widening circles of a group membership. (Tajfel, 1982)

Hence, consumers might consider the focal foreign country a part of their in-group, eventually leading to a greater willingness to buy products from the affinity country. (Goldberg and Baumgartner 2002; Oberecker, Riefler, and Diamantopoulos 2008). In this regard, we are trying to find out if Nepalese consumers positive affinity towards EU products or brands can lead to positive product judgment.

Oberecker and Diamantopoulos's (2011) findings empirically support the proposition that consumer affinity for a country translates directly into shopping preferences and show the consumer affinity directly affects perceived risk and willingness to buy as well as intentions to visit or invest in the affinity country. Thus affinity is an important predictor of consumer behavior and emphasizes the role feeling is affecting it. It further shows that countries from the European Union, in particular, might benefit from inducing affinity feelings through emotion-based advertise.

3.2. Consumer xenophobia and foreign products judgment

Hypothesis 2: Consumer xenophobia has negative effects on foreign products judgment.

To date, there is a dearth of study empirically documented the effects of xenophobia on purchase behavior. However, media have generally provided hints on the effects of xenophobic attitudes in business and consumer consumption. For instance, Clewley (1998) reported the controversial „Buy Thai“ campaign featured the negative nature of imported goods gained complaints from several foreign embassies in Thailand. Meanwhile, Chura (2002) reported American consumers became suspicious in terms of their behavioral purchasing after the September 11 attacks on World Trade Centre (WTC) as result of psychological effect of xenophobia. Moreover, international students who admitted to study in United States were reported to have difficulties in obtaining visa application due the restrictions and tighter immigration rules as consequences of xenophobia (Lord, 2001). Based on this discussion, it is expected that consumer who harbors xenophobic tendencies tend to have less favorable judgments on foreign-made products. Therefore, this study postulates that xenophobia will affect consumer evaluation of foreign-made products.

3.3. Consumer Ethnocentrism and product judgment

Hypothesis 3: Consumer ethnocentrism has a negative effect on Product judgment

It was hypothesized that individuals with high levels of consumer ethnocentrism would have more favorable attitudes toward products from culturally similar countries in comparison to products from culturally dissimilar countries (Watson and Wright, 2000).

*According to this, if Nepalese have a higher level of consumer ethnocentrism, it will result in a low level of willingness to buy EU products.

3.4. Moderating Effect of Cultural Similarity and perception of product judgement

Social psychology theories, such as social identity theory (Tajfel, 2010), describe the effect of in-group favoritism and out-group prejudice. This notion can be traced back to the concept of ethnocentrism developed by Sumner (Ma et al., 2012). Sumner (1906) stated that other groups that share the same values, language or environment can be categorized as in-group; these characteristics become a concern to the international marketer seeking to understand consumers' attitude toward, and evaluation of, foreign products from similar cultures to that of the consumer's home country. According to Ma et al. (2012), consumers tend to accept foreign products that are made in similar countries to the host country. Prior studies found that cultural similarity has a moderating role regarding the relationship between consumer ethnocentrism and purchase intention (Shankarmahesh, 2006). There is empirical evidence (Bruning & Saqib, 2013; Fenwick et al., 2003; Sharma et al., 1995; Watson & Wright, 2000) which suggests that cultural similarity on the relationship between consumer ethnocentrism and consumers' evaluation and intention of purchasing foreign products in New Zealand. They also found that cultural similarity has a significant influence on ethnocentric consumerism. However, other studies found otherwise (Balabanis & Diamantopoulos, 2004; Balabanis & Siamagka, 2017).

Based on the above discussion, the following hypothesis is, therefore proposed:

Hypothesis 4: Cultural similarity has a moderating effect on the relationship between consumer ethnocentrism and purchase intention/product judgment.

This hypothesis is believed to be true because cultural similarities help to weakened consumer ethnocentrism towards product judgment. In other words, consumer ethnocentrism is weakened due to cultural similarities. People prefer to buy foreign products with similar cultures.

3.5. Product judgment and willingness to buy

Consumers often evaluate cues from extrinsic attributes of a product before showing their willingness to pay (Cordell, 1997). The product evaluations have a significant impact on the beliefs held by the consumer towards their purchase action (Bredahl, 2001) and this is supported by findings from previous researches which have consistently found the positive relationship between product judgments and willingness to buy (Klein et al., 1998; Shoham et al., 2006; Rose et al., 2009; Mostafa, 2010; and Guido et al., 2010). A consumer with positive judgments of foreign-made products will report a stronger intention to purchase such products, whereas consumers with negative judgments of foreign products will report a weaker intention to purchase such products. On the basis of the above discussion, we have hypothesized following hypothesis.

Hypothesis 5: Consumers with positive product judgment are more willing to buy

4. Methodology

This section presents the methodology applied throughout the research paper. The first section identifies and considers the positivistic, ontological, and epistemological perspectives. In the proceeding sub-chapters, the research approach and methods are identified, and factors of reliability and validity are discussed.

4.1. Research philosophy

The philosophical perspective of this research project reflects the positivistic approach, relying specifically on social reality. From an ontological standpoint, the reality is considered objective and independent of social actors. Epistemologically, knowledge is observable and quantifiable, and cause-effect relationships are developed, to provide general insight into the field of research. In terms of axiology, the data collected is analyzed independent of the researcher and maintains an objective point of view (Saunders, Lewis & Thornhill 2009).

Under the positivistic point of view, the paper creates knowledge using existing knowledge and seeks to prove new knowledge through the use of hypothesis. However, whether the result is positive or not, new knowledge will be developed based on quantitative research.

4.2. Deductive vs. Inductive research approaches

In theory, authors suggest two types of research approaches, deductive and inductive. In the deductive approach, a theory and hypothesis must previously have been developed before it can be tested. The contrary to deduction is the inductive research approach, which builds on observation first and follows with the development of the theory (Saunders, Lewis & Thornhill, 2009; Trochim, 2008; Hair Jr., Bush & Ortinau 2009).

In this thesis, a deductive research approach is primarily pursued, following this process: theory-hypothesis-data collection-confirmation/rejection of the hypothesis.

The research uses existing theories on the country image, consumer xenophobia, and consumer ethnocentrism and consumer affinity, to develop new hypotheses related to the conceptual framework. Based on the collected data, hypotheses are tested and after that confirmed or rejected.

4.3. Research methods

4.3.1. Sample and data collection

The primary data necessary for the research were collected through a survey-based method, among Nepalese consumers. The survey consists of five major sections, each representing an area related to the hypothesis that has been developed. First one includes basic items relating to the consumers gender, age, income and qualification. The second related to consumer xenophobia dimensions (symbolic and realistic threat dimensions). The third related to consumer ethnocentrism (measuring willingness to buy domestic products and avoid foreign products; willingness to provide negative word of mouth regarding foreign products); fourth one about cultural similarity and finally, characteristics related to consumer affinity (judgment of products, willingness to purchase).

Participants and procedures: We obtained data for the survey in Nepal, applying a public-intercept approach near grocery stores and malls. We collected 192 responses from respondents; 63,39% being males and 36,61% females.

4.4. Measures

The measurement items will be adapted from the previous studies. However, it will be undergone through deliberate changes and modifications to suit the context of the current study. The 7-point Likert scale of “strongly disagree” and “strongly agree” as suggested by Vagias (2006) will be used throughout the questionnaire. The 7-point Likert scale is more likely to reflect a respondent’s true evaluation of usability of items in the questionnaire because it appears to balance between sensitivity and efficiency of scale in survey construction (Finstad, 2010). The questionnaire consists of CXO scale newly developed by Kock et al. 2018 (8 items scale: three for symbolic threats (ST) and five for realistic threats (RT)), as well as the full 10-item CETSCALE. We adapted WTB and WTA from Josiassen (2011), willingness to

provide PWOM from Arnett, German and Hunt (2003) and willingness to provide NWOM from Zhang, Feick, and Mital (2014). We also measured consumer affinity by adapting from Oberecker & Diamantopoulos, 2011.

4.4.1. Reliability and Validity of the study

Reliability and validity are very important criteria to evaluate a study, and reliability is usually referred as repeatability, which means that each stage of study has to be indicated, to be able to repeat the process for any researcher. The researcher who repeats the process should arrive at the same conclusion, which means that a reliable study can be repeatable (Vogt, 2007). Hence, the survey should make sure that other researchers could repeat their results. Additionally, according to Malhotra (2012), validity is a measurement representing characteristics that exist in the phenomenon under investigation. Meanwhile, the validity is related to reliability; Bryman (2012) mentioned that the assessment of measurement validity presupposes that a measure is reliable. Validity asks if questions measure the right things, the findings are reliable, transferable to other contexts, and there is objectivity (Bryman & Bell, 2011). In this survey, all the questions are adapted from previous research, already tested, with small changes regarding country name. Therefore the study achieves a large degree of reliability and validity.

4.5. Data Processing

This part explains procedures and techniques, which were used before analyzing the data. These steps included the software used, coding done for the results, and making variables from original data sets.

4.6. Software: Excel, SPSS statistics 25 and Qualtrics

The questionnaire data were collected on Qualtrics, and all the data were first transferred to excel. Later on SPSS was used to calculate different calculation for a set of Consumer Xenophobia (CXO), Consumer Ethnocentrism (CE), Consumer Affinity (CA) and Cultural Similarities (CS). The excel data set are available with researcher as well as questionnaire set are available in Appendices.

4.7. Data Coding and filter

After the data collected in excel, coding was done for all the questionnaire in the Likert scale. Number 1 to 7 and number 1 to 5 were assigned for answers to get consistent results. No codes were assigned for first four questionnaire, which were related to age, gender, qualifications, and income.

After coding was done, out of 192 responses, 18 responses were deleted since they were incomplete. Thus a total of 174 responses is used for analysis.

4.8. The Samples

As shown in figure 5.1, gender distribution among the final samples, 108 (62%) respondents represented male population, whereas 66 (38%) respondents were female respondents. We can say samples were not distributed equally in terms of gender distribution.

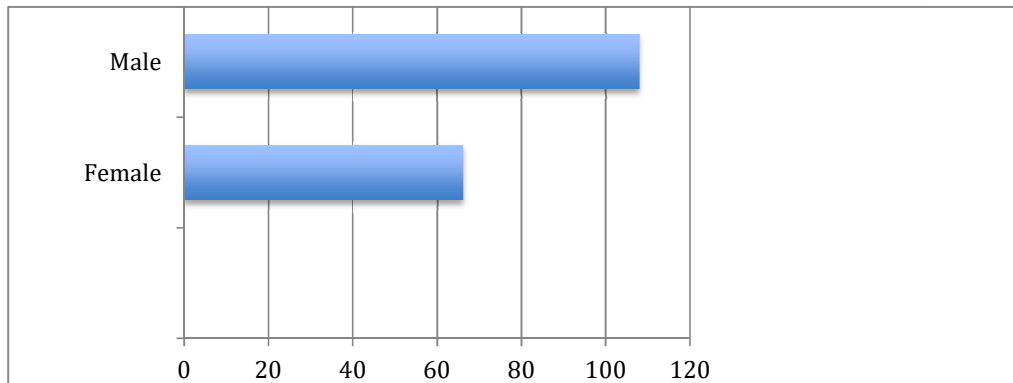


Figure 4-1: Gender distribution of the respondents

Similarly, in terms of gender distribution, there was clear overweight of the age group between 16 years and 23 years old with 115 respondents in this group. The group counted for 66% of the total final samples. Likewise there were 43 respondents of age group between 24 years and 35 years This represented 25% of total samples. The smallest age group was 36 years or above which counted 16 respondents. It was 9% of total samples. Figure 5.2 shows the results for age distribution.

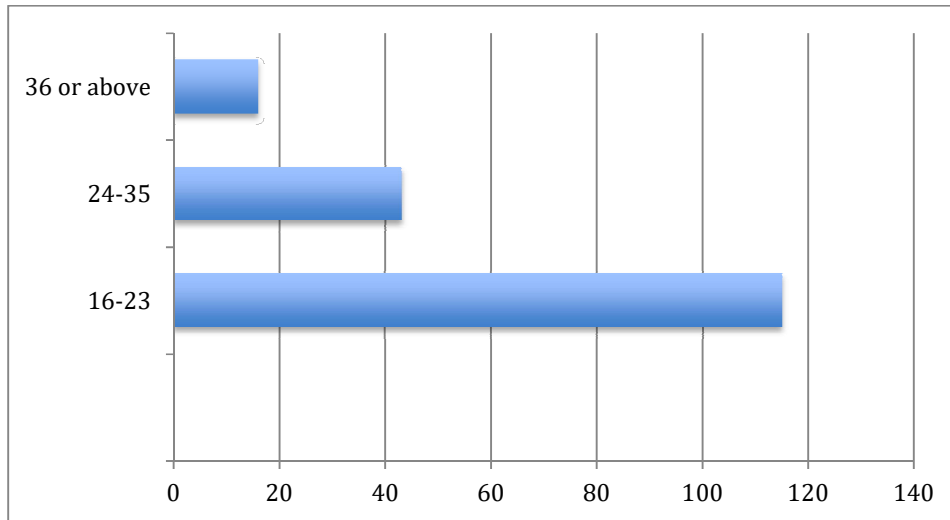


Figure 4-2: Age distribution of the respondents

The data in figure 5.3 reflects the qualification distribution of the final samples. The majority of respondents were with higher school or bachelors degree qualification counting 134. 77% of samples represented a population with education under bachelor degree. It also has some reflection on age group since 66% of respondents were under 23 years. It shows that young people under 23 years with bachelors degree were the major respondents of the final sample. The smallest qualification group was the secondary school with about 2% of total samples.

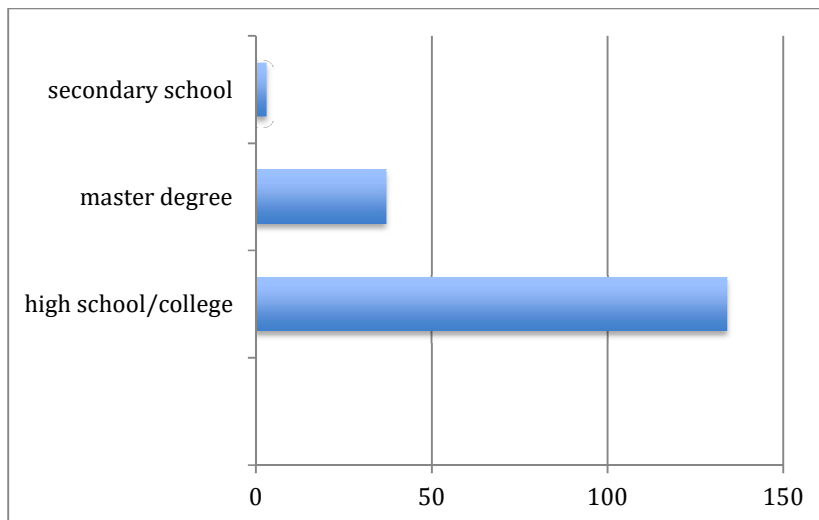


Figure 4-3: Distribution of respondents by education

5. Data Analysis

5.1. Reliability test - Cronbach Alpha

The first part of data analysis begun with the calculation of cronbach's alpha. Lee Cronbach developed this in 1951, measures reliability or internal consistency. Alpha was developed by Lee Cronbach in 1951 to provide a measure of the internal consistency of a test or scale; it is expressed as a number between 0 and 1. Because reliability is a ratio of two variances, it would seem at first glance that it should always be a number between 0 and 1 (Streiner, 2003). Internal consistency describes the extent to which all the items in a test measure the same concept or construct, and hence it is connected to the inter-relatedness of the items within the test. Internal consistency should be determined before a test can be employed for research or examination purposes to ensure validity (Tavakol and Dennick, 2011).

Any research based on measurement must be concerned with the accuracy or dependability or, as we usually call it, reliability of measurement. A reliability coefficient demonstrates whether the test designer was correct in expecting a certain collection of items to yield interpretable statements about individual differences (Cronbach, 1951).

Reliability can be defined on a conceptual level as the degree to which "measurements of individuals on different occasions, or by different observers, or by similar or parallel tests, produce the same or similar results" (Streiner & Norman, 1995, p. 6). In order to assess the reliability of the scales, we calculated the coefficient alpha (Cronbach, 1951), Reliability as the 'accuracy or precision of a measuring instrument' (Hinkin, 1998, p. 112) is an important indicator of the instrument's quality and a necessary condition for construct validity (Hair et al., 1998).

Cronbach alpha was calculated for consumer xenophobia, consumer ethnocentrism, and consumer affinity. All scales are robust in terms of their reliability since the Cronbach's alpha of each construct exceeded the threshold value of 0.7. The table below shows the results.

Cronbach alpha reliability test values		
Consumer Xenophobia	Consumer Ethnocentrism	Consumer Affinity
.803	.892	.702

Table 5-1: Cronbach alpha reliability test values

Cronbach alpha reliability tests satisfied the criteria of 0.7, and thus, the likert scale is consistent with good values. Internal consistency is acceptable with cronbach's alpha exceeding the minimum requirement of 0.7 (Suh, Hur, and Davies, 2016).

5.2. Hypothesis tests using Linear Regression Model

Variables: Once coding was done, variables were made for calculation of linear regression. Variables were made for consumer xenophobia, consumer ethnocentrism, consumer affinity, willingness to purchase, the judgment of products and cultural similarities and ethnocentrism

5.2.1. Hypothesis tests using Linear Regression Model

In the framework, the two-level of dependent variable is used. The first one product judgment being dependent on consumer xenophobia, consumer ethnocentrism and consumer affinity, and cultural similarities; thus being the later biases independent variables. Whereas in the second level willingness to purchase is dependent on product judgment, here independent variable is willingness to purchase. In the first part, we have multiple linear regression there are four explanatory or independent variables whereas in the second part it's a simple linear regression since it has only one independent variable.

Linear regression is a linear approach to modeling the relationship between a scalar response (or dependent variable) and one or more explanatory variables (or independent variables). The case of one explanatory variable is called a simple linear regression. For more than one explanatory variable, the process is called multiple linear regression (Speed, 2010).

The beta coefficient is the degree of change in the outcome variable for every 1-unit of change in the independent variable. If the beta coefficient is positive, the

interpretation is that for every 1-unit increase in the predictor variable, the outcome variable will increase by the beta coefficient value. If the beta coefficient is negative, the interpretation is that for every 1-unit increase in the predictor variable, the outcome variable will decrease by the beta coefficient value.

Hypothesis	Independent variable	Standardised coefficients Beta	P Value	Results
H1: Consumer affinity has a positive impact on product judgment.	CAC	1.014	0.00 ***	Confirmed
H2: Consumer xenophobia has negative effects on foreign products judgment	CXO	.037	0.364 (n.s)	Rejected
H3: Consumer ethnocentrism has a negative effect on product judgment	CE	-0.173	0.05 *	Confirmed
H4: Cultural similarity has a moderating effect on the relationship between consumer ethnocentrism and product judgment.	CE X CS	0.023	0.875 (n.s)	Rejected

H5: Consumers with positive product judgment are more willing to buy.	CAJP	0.288	0.00 **	Confirmed
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Table 5-2 : Linear regression results

5.3. Beta coefficient and p-values in the framework

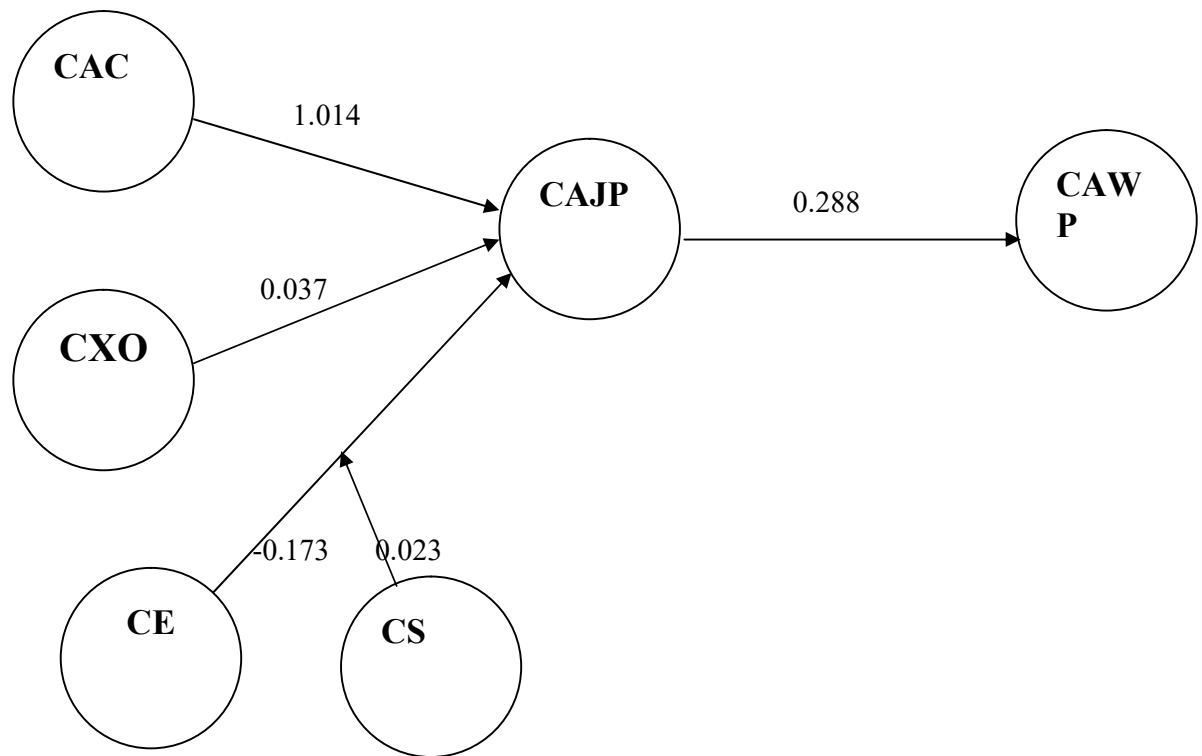


Figure 5-1: Standardized beta coefficients values

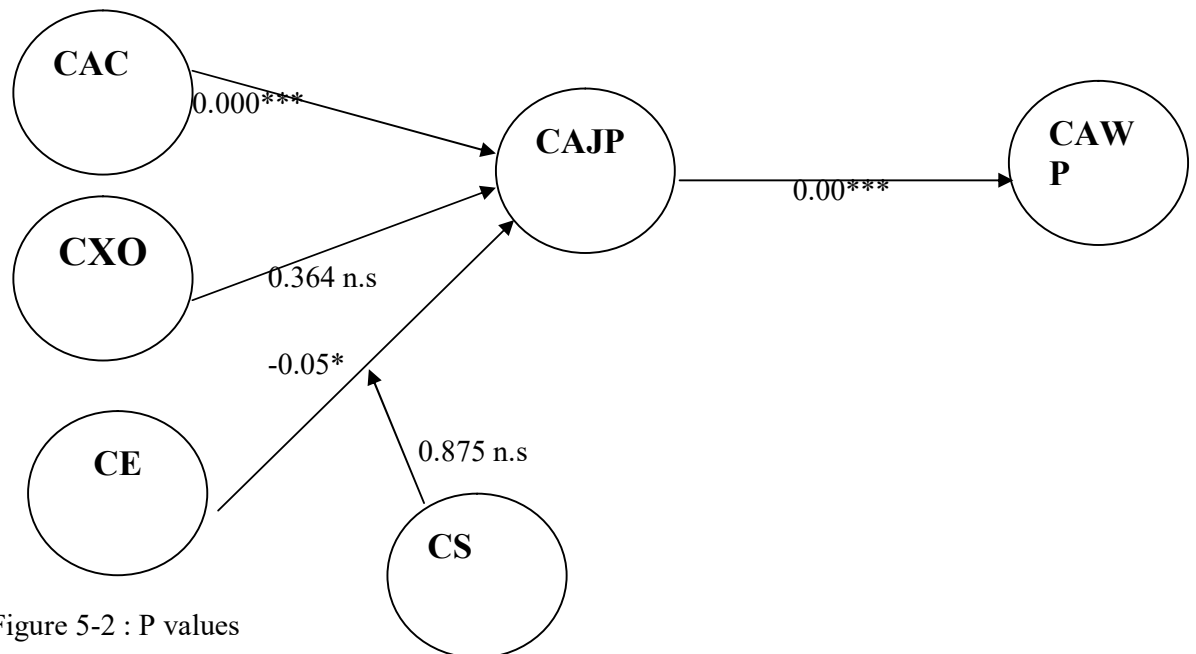


Figure 5-2 : P values

5.4. Hypothesis Test

5.4.1. Consumer Affinity and Product judgement

Hypothesis 1: Consumer Affinity has a positive impact on product judgment.

In order to find out the significance of consumer affinity on product judgment, we have 174 respondents data responding to nine questions for consumer affinity. The calculation for linear regression is in figure 5.1. Data shows that consumer affinity and product judgment are significant as p-value is 0.000. There exist statistical significance between consumer affinity and product judgment. If the significance is higher than .05, we could conclude that there is no significance, so it indicates that consumer affinity for has a positive impact on product judgment and hence, hypothesis 1 is confirmed. Beta value 1.014 denotes that for every unit change in consumer affinity, there is 100.14% positive change in the product judgment.

5.4.2. Consumer Xenophobia and Product Judgment

Hypothesis 2: Consumer xenophobia has negative effects on foreign products judgment.

In response to 8 questions of consumer xenophobia, we had 174 responses. The p-value was high .364, meaning there is no significance between consumer xenophobia and product judgment. Similarly beta value is .037, which means, one unit increase in consumer xenophobia will have a positive effect of less than 3.7%. Thus this implies that our hypothesis consumer xenophobia has negative effects on foreign products does not seem significant on Nepalese consumers and is therefore rejected. There is a very low positive effect on foreign products, with no significance level. Thus hypothesis consumer xenophobia has negative effects on foreign product judgment rejected.

5.4.3. Consumer Ethnocentrism and Product Judgement

Hypothesis 3: Consumer ethnocentrism has a negative effect on product judgment

In response to consumer ethnocentrism effect towards product judgment, p-value as .05 is significant since its equal to 05. Similarly, beta value is -.173, which means one unit increase in ethnocentrism would result increase negative 17.3% of product judgment. This implies that the hypothesis 3: consumer ethnocentrism has a negative effect on product judgment is confirmed. It also implies that Nepalese consumers are ethnocentric.

5.4.4. Cultural similarities and perception of product judgment.

Hypothesis 4: Cultural similarity has a moderating effect on the relationship between consumer ethnocentrism and product judgment.

We hypothesized cultural similarities help to weaken consumer ethnocentrism effects on consumers. In other words, people favor products from culturally similar countries. In response to this hypothesis, P-value is not significant with .875 since it's higher than .05. Also the beta value is 0.023, which implies that there is 2.3% increase in product judgment when one unit of cultural similarities is added to ethnocentrism. Even though there are some favors for products from culturally similar countries, its not significant enough to accept the hypothesis. Therefore hypothesis cultural similarity has a moderating effect on the relationship between consumer ethnocentrism and product judgment is rejected.

Also, referring to data on table 5.2, it seems cultural similarity itself has direct relationship on product judgement. The beta value is -0.225 and p value is 0.039 which means it is significance to have direct relationship with product judgement.

5.4.5. Product judgment and willingness to buy

Hypothesis 5: Consumers with positive product judgment are more willing to buy.

The data in the table 5.2 shows the relevance of product judgment and willingness to buy. P-value is 0.00, which means that it is highly significant. The beta value is 0.288 which implies that one unit of increase in positive product judgment will increase 28.8% of the increase in willingness to buy. Since there is positive relation between

product judgment and willingness to buy with p-value highly significant, hypothesis 5: consumers with out-group product judgment are more willing to buy is confirmed.

Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-0.382	0.266		-1.438	0.152
	CXO	0.035	0.038	0.037	0.911	0.364
	CAC	1.355	0.048	1.014	28.29	0
	CE	-0.144	0.074	-0.173	-1.931	0.055
	CExCS	0.004	0.023	0.023	0.157	0.875
	CS	-0.18	0.087	-0.225	-2.077	0.039
a Dependent Variable: CAJP						

Table 5-3: Linear regressions values (CXO, CAC, CE and CS) Source: SPSS

Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.512	0.177		14.161	0
	CAJP	0.237	0.06	0.288	3.937	0
a Dependent Variable: CAWP						

Table 5-4: linear regressions values (CAWP and CAJP) Source: SPSS

6. Limitations and directions for further research

Despite adding new avenues to the well-researched Country Of Origin (COO) effects, the current study has some limitations that future research may address.

First, given that we conducted our study in a single country (Nepal), the results of the study should be treated with caution when further replication in other settings and with other countries (e.g. varying in terms of cultural distance or geographical proximity) will occur. There is a need to replicate the current research in developed countries in order to compare the results, and arrive to new conclusions, that can contribute to the field of Country Of Origin (COO) research. For many decisions, what is known about consumers in one part of the world, is not applicable to consumers from other part of the world.

Second, in line with previous research (Josiassen 2011; Oberecker and Diamantopoulus 2011), we focused on overall COO effects on product judgment (PJ) and willingness to buy (WTB) to mitigate potential confounding differences of specific product lines or brands. Further research could explicitly acknowledge such differences, focus on a specific category/industry of products, take a more fine-grained approach. Although results are likely to be similar across all products, findings may differ in other product categories.

Thirdly, the number of participants (174) used for the research could be seen as a limitation. The relatively small sample may reduce the generalizability of the results.

7. Implications

In this study, the main object was to understand the influence of consumer xenophobia, ethnocentrism and affinity on product judgment and subsequently on willingness to buy foreign products. The study found that consumer affinity has a significant positive impact on product judgment, but no effect was found regarding consumer xenophobia and it's negative influence on foreign products judgment. Opposite to xenophobia, consumer ethnocentrism has a strong negative effect on product judgment, and it's link with cultural similarities being more stronger than just

between a simple moderator. This means that cultural similarities do not weaken consumer ethnocentrism effects on consumers, but have a direct impact on their perception of product judgment. When domestic products alternatives are not available, Nepalese tend to buy products from cultural similar countries. This may be due to Nepalese consumers already having been exposed to many Indian/Chinese products and eastern hypermarkets, which, in turn, makes different Asian products more familiar to consumers. Another explanation is that consumers may consider other product attributes when they make their purchase: price. Even if those consumers don't have xenophobic tendencies, and foreign products are of better quality, most of Nepalese make their purchase based on price. Hence, this study confirms the results of previous studies (Evanschitzky et al., 2008; Shankarmahesh, 2006; Watson & Wright, 2000) that ethnocentric consumers tend to buy foreign products from culturally similar countries once domestic products are not available. This also alligns with the total imports from Nepal amounting 58% of all imports being done from India (Tradingeconomics.com, 2019).

8. Managerial implications

Our findings regarding COO has important implications for marketing managers as well. In increasingly globalized world, expanding into new markets is the most common growth strategy of a company, but doing so marketing managers carry the risk of potentially facing biases such as xenophobia, affinity and ethnocentrism. This paper shows that potential barriers regarding foreign products do exist in the minds of Nepalese consumers. Managers who sell their products abroad have no choice but to include country of origin information on their products label. Hence, the aim of marketing management is to understand the role of xenophobia, ethnocentrism and affinity in consumer behavior and the ability to detect this biases before entering a new market; to add value to goods and services relaying on strengths and uniqueness of products and it's Country Of Origin. Our research can help managers using appropriate marketing tools considering COO biases as since Nepal can be emerging market for their products and services for EU countries.

9. Conclusion

Country of origin is not a new concept. This concept is widely adopted in the world and many studies have been conducted in this field. However, in Nepalese context, COO concept is relatively new. Enough researches are yet to be done in this issue, especially in the context of Nepal embracing globalization and Nepalese consumers choosing between so many foreign products.

The objective of this thesis was to analyze the impact of consumer xenophobia, affinity, and ethnocentrism on product judgment and consumer's willingness to buy foreign products. The general findings of our research are that consumer affinity and ethnocentrism influences the decision taken by Nepalese consumers while purchasing foreign products. Ethnocentric consumers non-favorable evaluate the attributes of foreign products compare to domestic ones. And when none of domestic products are available, consumers tend to buy from cultural similar countries.

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Appendix

Questionnaire

Q1

How old are you?

Q2

What's your gender?

- ☐ Male
- ☐ Female

Q3

What is your educational qualification?

- ☐ Secondary school
- ☐ High school/college
- ☐ Master degree

Q4

What is your household income per month?

Consumer Xenophobia

Q1

I am afraid that with more foreign companies expanding to Nepal, the way of life here will change.

Strongly agree	Agree	Somewhat agree	Neither agree nor disagree	Somewhat disagree	Disagree	Strongly disagree
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Q2

I am concerned that foreign companies expanding to Nepal affect our culture here.

Strongly agree	Agree	Somewhat agree	Neither agree nor disagree	Somewhat disagree	Disagree	Strongly disagree
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Q3

Foreign products pose a threat to the Nepalese way of life.

Strongly agree	Agree	Somewhat agree	Neither agree nor disagree	Somewhat disagree	Disagree	Strongly disagree
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Realistic threat dimension

Q1

Foreign products make a profit at the expense of Nepalese consumers.

Strongly agree	Agree	Somewhat agree	Neither agree nor disagree	Somewhat disagree	Disagree	Strongly disagree
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Q2

Foreign companies in the Nepal care less than domestic companies about their Nepalese employees.

Strongly agree	Agree	Somewhat agree	Neither agree nor disagree	Somewhat disagree	Disagree	Strongly disagree
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Q3

Foreign companies do not act as sustainably as Nepalese firms because they can leave Nepal whenever they want.

Strongly agree	Agree	Somewhat agree	Neither agree nor disagree	Somewhat disagree	Disagree	Strongly disagree
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Q4

Foreign companies take more from Nepal than they can give back.

Strongly agree	Agree	Somewhat agree	Neither agree nor disagree	Somewhat disagree	Disagree	Strongly disagree
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Q5

Foreign companies care less than Nepalese companies about the well-being of Nepal.

Strongly agree	Agree	Somewhat agree	Neither agree nor disagree	Somewhat disagree	Disagree	Strongly disagree
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Consumer Ethnocentrism

Q1

Purchasing foreign-made products is un-Nepalese.

Strongly agree	Agree	Somewhat agree	Neither agree nor disagree	Somewhat disagree	Disagree	Strongly disagree
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Q2

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

Strongly agree	Agree	Somewhat agree	Neither agree nor disagree	Somewhat disagree	Disagree	Strongly disagree
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Q3

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

Strongly agree	Agree	Somewhat agree	Neither agree nor disagree	Somewhat disagree	Disagree	Strongly disagree
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
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Q4
Buy Nepalese-made products. Keep Nepal working.

Strongly agree	Agree	Somewhat agree	Neither agree nor disagree	Somewhat disagree	Disagree	Strongly disagree
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Q5
We should buy from foreign countries only those products that we cannot obtain within our own country.

Strongly agree	Agree	Somewhat agree	Neither agree nor disagree	Somewhat disagree	Disagree	Strongly disagree
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Q6
Nepalese consumers who purchase products made in other countries are responsible for putting their fellow Nepalese out of work.

Strongly agree	Agree	Somewhat agree	Neither agree nor disagree	Somewhat disagree	Disagree	Strongly disagree
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Q7
Nepalese products, first, last, and foremost.

Strongly agree	Agree	Somewhat agree	Neither agree nor disagree	Somewhat disagree	Disagree	Strongly disagree
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Q8
A real patriot should always buy Nepalese-made products.

Strongly agree	Agree	Somewhat agree	Neither agree nor disagree	Somewhat disagree	Disagree	Strongly disagree
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Q9
It may cost me in the long-run but I prefer to support Nepalese products.

Strongly agree	Agree	Somewhat agree	Neither agree nor disagree	Somewhat disagree	Disagree	Strongly disagree
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Q10
Nepalese should not buy foreign products, because this hurts Nepalese business and cause unemployment.

Strongly agree	Agree	Somewhat agree	Neither agree nor disagree	Somewhat disagree	Disagree	Strongly disagree
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Willingness to Avoid Foreign Products

Q1

I do not like the idea of owning foreign products.

Strongly agree	Agree	Somewhat agree	Neither agree nor disagree	Somewhat disagree	Disagree	Strongly disagree
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Q2

If it was an option, I would avoid purchasing foreign products.

Extremely likely	Moderately likely	Slightly likely	Neither likely nor unlikely	Slightly unlikely	Moderately unlikely	Extremely unlikely
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Q3

Whenever possible, I avoid buying foreign products.

Strongly agree	Agree	Somewhat agree	Neither agree nor disagree	Somewhat disagree	Disagree	Strongly disagree
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Willingness to Buy Domestic Products

Q1

Whenever available, I prefer to buy products that are made in Nepal.

Always	Most of the time	About half the time	Sometimes	Never
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Q2

I always seek Nepalese products.

Always	Most of the time	About half the time	Sometimes	Never
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Q3

Whenever possible, I buy Nepalese products.

Always	Most of the time	About half the time	Sometimes	Never
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Willingness to provide positive word of mouth

Q1

I talk up EU products to people I know.

Extremely likely	Moderately likely	Slightly likely	Neither likely nor unlikely	Slightly unlikely	Moderately unlikely	Extremely unlikely
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Q2

I bring up EU products in a positive way in conversation I have with friends and acquaintances.

Extremely likely	Moderately likely	Slightly likely	Neither likely nor unlikely	Slightly unlikely	Moderately unlikely	Extremely unlikely
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

☐
☐
☐
☐
☐
☐
☐

Q3

In social situations I often speak favorably about EU products.

Extremely likely Moderately likely Slightly likely Neither likely nor unlikely Slightly unlikely Moderately unlikely Extremely unlikely
☐
☐
☐
☐
☐
☐
☐

Q4

Negative information about EU companies does not change my view of them.

Extremely likely Moderately likely Slightly likely Neither likely nor unlikely Slightly unlikely Moderately unlikely Extremely unlikely
☐
☐
☐
☐
☐
☐
☐

Willingness to provide negative word of mouth

Q1

If a friend asks you about buying a foreign product, to what will you tell or not tell something negative about foreign products?

Certain not to tell something negative Certain to tell something negative Very unlikely to tell something negative Very likely to tell something negative Probably will not tell something negative Probably will tell something negative
☐
☐
☐
☐
☐
☐

Q2

Positive information about foreign companies does not change my view of them.

Extremely likely Moderately likely Slightly likely Neither likely nor unlikely Slightly unlikely Moderately unlikely Extremely unlikely
☐
☐
☐
☐
☐
☐
☐

Q3

Negative information about Nepalese companies does not change my view of them.

Strongly agree Agree Somewhat agree Neither agree nor disagree Somewhat disagree Disagree Strongly disagree
☐
☐
☐
☐
☐
☐
☐

Consumer Affinity

Judgement of products

Q1

Products from EU are carefully produced and have fine workmanship.

Strongly agree Agree Somewhat agree Neither agree nor disagree Somewhat disagree Disagree Strongly disagree
☐
☐
☐
☐
☐
☐
☐

Q2

Products made in EU have high degree of technological advancement.

Strongly agree	Agree	Somewhat agree	Neither agree nor disagree	Somewhat disagree	Disagree	Strongly disagree
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Q3
Products made in EU have good use of colour and design.

Strongly agree	Agree	Somewhat agree	Neither agree nor disagree	Somewhat disagree	Disagree	Strongly disagree
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Q4
Products made in EU are more reliable and lasts longer.

Strongly agree	Agree	Somewhat agree	Neither agree nor disagree	Somewhat disagree	Disagree	Strongly disagree
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Q5
Products from EU are good value for money.

Strongly agree	Agree	Somewhat agree	Neither agree nor disagree	Somewhat disagree	Disagree	Strongly disagree
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Willingness to purchase

Q1
I would like to buy domestic products whenever possible.

Always	Most of the time	About half the time	Sometimes	Never
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Q2
I would go for Chinese/Indian products if domestic products are not available.

Always	Most of the time	About half the time	Sometimes	Never
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Q3
I would avoid EU products wherever possible.

Extremely likely	Moderately likely	Slightly likely	Neither likely nor unlikely	Slightly unlikely	Moderately unlikely	Extremely unlikely
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Q4
I would go for EU brands wherever possible.

Extremely likely	Moderately likely	Slightly likely	Neither likely nor unlikely	Slightly unlikely	Moderately unlikely	Extremely unlikely
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>