The Effects of Cosmopolitanism on Consumer Ethnocentrism, Product Quality, Purchase Intentions and Foreign Product Purchase Behavior

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Abstract

The purpose of this study is to investigate the effects of consumer cosmopolitanism on domestic vs. foreign product purchase behavior in three categories of consumer products (alcohol products, clothes, furniture). We develop a conceptual model and identify three additional constructs for foreign purchase behavior, i.e., consumer ethnocentrism, product quality and purchase intentions. The measurement model is examined using a data set of 271 and 261 consumers in Estonia and Slovenia, and tested via structural equation modeling. Study confirms the direct effect of consumer cosmopolitanism in foreign purchase behavior, but rejects the direct relationship between cosmopolitanism and product quality.

Keywords: cosmopolitanism, consumer ethnocentrism, product quality, purchase intentions, foreign *versus* domestic product purchase behavior, Estonia, Slovenia

1. Introduction

Cosmopolitanism is one of the key concepts in consumer behavior like confirmed by Riefler et al. (2012) recent research. Samiee et al. (2005) and Bruning (1997) revealed country of origin effect relates to group affiliation and offers a unique influence on consumers' perceived product quality, purchase intentions, and actual purchase behavior towards foreign *versus* domestic products. Higher level of cosmopolitanism can make consumers more open to try foreign products, because Riefler and Diamantopoulos (2009) found in their literature review that cosmopolitanism is relevant consumer characteristic for explaining foreign product preference and choice.

Cosmopolitanism is defined here using a recent conceptualization suggested by Riefler et al. (2012): "Cosmopolitanism is a three-dimensional construct capturing 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." (p. 287).

In the marketing literature, the concept has been advanced by many prominent scholars (Caldwell et al. 2006; Cannon and Yaprak 2002; Cleveland et al. 2011; Riefler et al. 2012; Riefler and Diamantopoulos 2009; Thomson and Tambyah 1999; Yoon et al. 1996) who argue that cosmopolitanism is a consumer orientation with substantial implication for marketing practice. Cosmopolitanism can lead consumers to better perceptions of foreign products, including their quality (Rawwas et al. 1996), and induce a greater desire in individuals to travel as they attempt to seek new insights into other cultures (Cannon and Yaprak 2002; Thompson and Tambyah 1999).

Cosmopolitanism (CP) has been measured to a wide extent, but originality of the study is to focus on the direct effects of cosmopolitanism on foreign product purchase behavior (FPPB) and product quality evaluations. Relatively new is the direct link between consumer cosmopolitanism and product quality that was proposed by Lee and Chen's (2008) study.

As a result of the gaps identified in the literature on consumer foreign vs. domestic purchase behavior and the central construct – CP – the authors designed a study to address some of the unresolved issues. The objective of this research is to examine direct effects of consumer cosmopolitanism on FPPB by conceptual model, and explore its indirect effects (through consumer ethnocentrism, product quality, and purchase intentions) in three major categories of consumer products (alcohol products, clothes and furniture).

Conceptual model is created in the logic of different influencers exist in consumer decision process. These are affective, cognitive, conative and behavioral influencers like suggested by Vida and Reardon (2008). Cosmopolitanism is an affective component in consumer behavior, because it makes consumers more opened to try foreign products from different national origins.

The paper is structured as follows. First, the authors give a brief overview of the concepts used in this article. Next, conceptual model to measure hypothesized relations will be developed. Then it is possible to read an overview of measure development, data collection and analytical procedures. The findings of the study are presented, contributions are explained, implications and future research proposals are introduced.

2. Literature review

In an attempt to understand consumer behavior for either foreign or domestic product alternatives available in the marketplace, the researchers resorted to various socio-psychological constructs that help disentangle consumption motivations. The two most commonly applied socio-psychological constructs in existing empirical work examine how individuals relate to their social in-group (family, local community, nation and its artifacts) and how they relate to what they consider their out-group (e.g., other cultures, ethnic groups, nations). The concept of cosmopolitanism is a manifestation of positive orientation towards the out-groups, and consumer ethnocentrism captures individuals' in-group vs. out-group orientation. Both constructs have been introduced to marketing from the field of sociology.

The concept of cosmopolitanism was formulated in sociology by Merton (1957) who related cosmopolitanism to a "world citizen" — an individual whose orientation transcends any particular culture or setting. He posited that there are people who view themselves as citizens of the nation rather than the locality; the world rather than the nation; the broader, more heterogeneous rather than the narrower, more homogeneous geographic or cultural group (Cannon and Yaprak 2002; Merton 1957). The concept of cosmopolitanism has been applied to strategies of multinational corporations and their managers frequently faced with conflicting pressures for global integration and local responsiveness (e.g., Bartlett and Ghoshal 1990), as well as in examinations of consumer use of international media and consumption practices, including preference for foreign products (Cleveland et al. 2011; Crawford and Lamb 1982; Lee and Chen 2008; Riefler et al. 2012).

The first signs of ethnocentrism in consumer behavior literature can be identified at the beginning of 1970s, but the conception was still totally socio-psychological (Levine and Campbell 1972). Major advancement with respect to the application of the concept to marketing research was in 1987 when CETSCALE instrument was developed to measure consumer ethnocentric tendencies (Shimp and Sharma 1987). The tendency of ethnocentric consumers to exhibit preferences for domestic products has been confirmed in several studies (Cleveland et al. 2009; Dmitrović et al. 2009; Rawwas et al. 1996; Sharma et al. 1995; Vida et al. 2008), moreover, ethnocentrism gives less promise in predicting consumer preferences for foreign products (Balabanis and Diamantopoulos 2004).

Foreign product purchase behavior (FPPB) is the outcome variable in the current study and connected with the country of origin effect research field in marketing. More than five decades of research in this field provide evidence that consumers carry diverse perceptions about products based on the (stereotyped) national images of the country where the brand/product is believed to be created/produced, and that these perceptions affect consumer attitudes, purchase intentions and behaviors (see for example Peterson and Jolibert 1995; Verlegh and Steenkamp 1999). There is a stream of research that focuses on consumers choices regarding products from specific foreign countries (i.e., country-image studies; for recent reviews, see Dmitrović and Vida 2010; Roth and Diamantopoulos 2009); another stream of research broadly delves into factors that lead consumers to prefer either foreign or domestic (local) products/brands (e.g., Crawford and Lamb 1982; Sharma et al. 1995; Verlegh 2007; Vida et al. 2008).

Product quality has been measured to a wide extent (Han and Terpstra 1988; Klein et al. 1998; Lee and Chen 2008; Wang and Chen 2004).

All these mentioned researchers have measured product quality with the most common items used in the literature: overall quality of product, reliability, workmanship, value for money. Consumers' intention to purchase domestic/foreign products is influenced by perceived quality. As a product comprises many different physical and symbolic attributes, the country-of-origin is regarded as an extrinsic cue often used by consumers in the process of evaluation. A significant proportion of consumers are interested in country-of-origin information before making a purchase. The country-of-origin cue helps also consumers to make inferences about quality, and affects their beliefs about product attributes (Wang and Chen 2004).

The effect of cosmopolitanism on product quality has been studied very rarely. Lee and Chen (2008) were successful in confirming this direct relation, but consumer ethnocentrism relationship with product quality is much more researched in the literature (Acharya and Elliott 2003; Hamin and Elliott 2006; Huddleston et al. 2001; Klein 2002; Klein et al. 1998; Pecotich and Rosenthal 2001; Verlegh 2007; Wong et al. 2008; Yelkur et al. 2006; Yoo and Donthu 2005). Klein et al. (1998) and Yoo and Donthu (2005) have focused only on ethnocentrism and foreign product quality evaluations. Some of the authors have examined both effects of consumer ethnocentrism together on domestic and foreign product quality (Acharya and Elliott 2003; Klein 2002; Yoo and Donthu 2005). Purchase behavior has been influenced by consumer *intentions to buy domestic versus foreign products* (Balabanis and Diamantopoulos 2004; Javalgi et al. 2005; Kaynak and Kara 2001; Klein et al. 2006; Rawwas et al. 1996).

The early behavioral scientists placed intent as an essential element of the tripartite attitude structure (belief, affect, intent) and regarded it as the most accurate predictor of purchase behavior (Morwitz and Schmittlein 1992). This tradition has been followed in the country of origin literature. A number of studies have shown that respondent's attitude towards a country's products leads to purchase intent that in turn leads to actual purchase. However, it appears that purchase intention has previously been examined in isolation or as a function of a limited number and type of cues (Pecotich and Rosenthal 2001; Peterson and Jolibert 1995). Purchase intention is widely used as a tendency measure for performing behavior in consumer decision models (e.g., Ajzen and Fishbein 1980; Hui and Zhou 2002).

Shankarmahesh (2006) composed a literature review about ethnocentrism studies, where is also described the measurement of intentions in various studies and concluded that researchers have used different constructs such as "purchase intentions" (Han and Terpstra 1988; Hui and Zhou 2002), "attitudes towards buying domestic *versus* foreign products" (Sharma et al. 1995), "willingness to buy domestic *versus* foreign products" (Klein et al. 1998). Country image (Acharya and Elliott 2003; Kaynak and Kara 2001; Wong et al. 2008) and economic development (Huddleston et al. 2001; Wang and Chen 2004; Wang and Lamb 1983; Wong et al. 2008) play also an important role and affect consumer intentions and motives in selecting products of different origins.

Domestic product purchase intentions are negatively related to FPPB. People who intend to buy domestic products also buy actually domestic goods (Balabanis and Diamantopoulos 2004; Kaynak and Kara 2001). On the other hand, people who have intentions to buy foreign products actually buy more of them as it has been confirmed by different researchers (Javalgi et al. 2005; Klein et al. 2006; Rawwas et al. 1996). Consumer ethnocentrism is also a very good predictor of behavioral intentions (see for instance Han and Terpstra 1988; Javalgi et al. 2005; Pecotich and Rosenthal 2001; Saffu et al. 2010; Sharma et al. 1995). Ethnocentric tendencies reduce consumers' intentions to purchase foreign products has been found in several studies (Klein et al. 2006; Vida et al. 2008).

3. Conceptual model and hypotheses development

Figure 1 shows the conceptual model for the study that is derived from the logic of Ajzen and Fishbein (1980) and Zajonc (1984) models. For example, theory of reasoned action suggests that if person intends to behave in a certain way (conative aspect), then it is likely that the person will do that (Ajzen and Fishbein 1980). Cosmopolitanism is traditionally treated to the current model as an affective component and product quality as a surrogate for cognitive component. Zajonc third model suggests that the affect can be primary in explaining different behavioral aspects in consumers' decision making (Zajonc 1984). Conceptual model in Figure 1 illustrates that the first two hypotheses are related to the two socio-psychological constructs (e.g., consumer cosmopolitanism and ethnocentrism) directly and/or indirectly affecting behavioral outcomes. We did not create the direct relationship between consumer ethnocentrism and foreign purchase behavior to the model, because of the critics of Balabanis and Diamantopoulos (2004) study where they found consumer ethnocentrism is not efficient predictor for foreign product purchases.

With a few exceptions, direct effect of cosmopolitanism or related constructs on behavioral outcomes has been rarely investigated in existing research (e.g., Cannon and Yaprak 2002; Cleveland et al. 2011; Crawford and Lamb, 1982; Lee and Chen 2008; Rawwas et al. 1996). For example, the direct impact of what was termed worldmindedness on Taiwanese consumers' willingness to buy products from neighboring countries was demonstrated by Lee and Chen (2008). Crawford and Lamb (1982) examined the effect of worldmindedness on willingness to buy foreign products among professional buyers, and found that an individual's attitude towards foreign countries is in fact related to a person's willingness to buy products from these countries. On the other hand, Cannon and Yaprak (2002) concluded in their study that while consumers are becoming more cosmopolitan, this does not necessarily result in their behavior transcending their local culture. Riefler et al. 2012 examined the positive link between cosmopolitanism and willingness to buy foreign products, where the last construct was conceptualized as behavioral latent variable and this aforementioned relationship was confirmed. Hence, the following hypothesis is posited:

H1: Cosmopolitanism (CP) has a direct and positive effect on foreign product purchase behavior (FPPB).

Contrary to the above, the role of cosmopolitanism or related constructs (e.g., cultural openness, internationalism, global mindedness, worldmindedness, etc) as drivers of consumer ethnocentrism has been widely examined in the literature (Shankarmahesh 2006). However, empirical examinations of the antecedent nature of cosmopolitanism have produced only equivocal results. While theoretically posited negative relationship between cosmopolitanism and ethnocentrism has been demonstrated in several studies (Cannon and Yaprak 2002; Dmitrović et al. 2009;; Sharma et al. 1995; Vida and Reardon 2008), there is evidence to the contrary as well. Non-significant relationship between these two constructs are identified when examining cultural openness (Javalgi et al. 2005; Vida et al. 2008). Based on above-mentioned results the following hypothesis was formulated:

H2: Cosmopolitanism (CP) has direct and negative effect on consumer ethnocentrism (CE).

Cosmopolitan consumer behavior has its own effect on consumption through evaluating product quality of different origins. The following hypothesis concentrates on how cosmopolitanism affects domestic product quality evaluations. The relationship of cosmopolitanism with product quality has been rarely examined in the empiric literature and mainly in relation to foreign products (Lee and Chen 2008; indirectly Rawwas et al. 1996). Lee and Chen (2008) concluded that consumers with high levels of worldmindedness have preference for foreign products over domestic products. This fact is also confirmed by using indirect effects by Rawwas et al. (1996). Based on the above mentioned studies the following hypothesis was made:

H3: Cosmopolitanism (CP) has a direct and negative effect on domestic product quality (PQ).

The effects of consumer ethnocentrism on domestic and foreign product quality have been widely examined in empiric literature (Acharya and Elliott 2003; Hamin and Elliott 2006; Huddleston et al. 2001; Klein 2002; Klein et al. 1998; Pecotich and Rosenthal 2001; Verlegh 2007; Wong et al. 2008; Yelkur et al. 2006; Yoo and Donthu 2005). Klein et al. (1998), Yoo and Donthu (2005) have focused only on ethnocentrism and foreign product quality evaluations. Some of the authors have examined both effects of ethnocentrism together on domestic and foreign product quality (Acharya and Elliott 2003; Klein 2002; Yoo and Donthu 2005).

Positive and direct effect of consumer ethnocentrism on domestic product quality has been found in several studies (Huddleston et al. 2001; Klein 2002; Verlegh 2007; Wong et al. 2008; Yelkur et al. 2006). The role of consumer ethnocentrism in domestic product quality evaluations depending on product group was confirmed by Acharya and Elliott (2003) and Hamin and Elliott (2006). Pecotich and Rosenthal (2001) have found that consumer ethnocentrism does not influence product quality evaluations. This led to the hypothesis:

H4: Consumer ethnocentrism (CE) has a direct and positive effect on domestic product quality (PQ).

The effect of consumer ethnocentrism on domestic product purchase intentions (INT) has been examined in various studies (Funk et al. 2009; Good and Huddleston 1995; Güneren and Özturen 2008; Huddleston et al. 2000; Saffu et al. 2010; Sharma et al. 1995; Yelkur et al. 2006). According to these studies, the positive and direct effect of ethnocentrism on domestic purchase INT has been researched and confirmed by Güneren and Özturen (2008); Saffu et al. (2010), Sharma et al. (1995). Yelkur et al. (2006) found that the impact of consumer ethnocentrism on domestic purchase INT varies and depends on a product group. Good and Huddleston (1995) and Huddleston et al. (2000) did not find any influences between consumer ethnocentrism and domestic purchase INT. Previous findings give an idea for hypothesis:

H5: Consumer ethnocentrism (CE) is directly and positively related to domestic product purchase intentions (INT).

Researchers have asked how domestic product quality and domestic purchase INT are related (Hui and Zhou 2002; Kumar et al. 2009; Pecotich and Rosenthal 2001; Wong et al. 2008). Domestic product quality has been found to be a vital factor influencing domestic product purchase INT in several studies (Hui and Zhou 2002; Pecotich and Rosenthal 2001). Hui and Zhou (2002) examined evaluative variables on purchase intentions where product quality's indirect relation to purchase intentions was measured via perceived value. Pecotich and Rosenthal (2001) investigated in the context of consumer ethnocentrism effects on the country of origin on a number of extrinsic cues that affect product quality evaluations.

Kumar et al. (2009) and Wong et al. (2008) did not find any support to that relationship. Kumar et al. (2009) studied Indian consumers' purchase behavior of U.S. *versus* local brands. Wong et al. (2008) reached the opposite result when they examined the impact of ethnocentrism and COO sub-components on high involvement products in China. According to findings above, the hypothesis is as follows:

H6: Domestic product quality (PQ) has a direct and positive effect on domestic product purchase intentions (INT).

Domestic purchase INT is negatively related to foreign product purchase behavior (FPPB). People who have greater purchase intentions for domestic products usually prefer domestic ones in actual consumer behavior (Balabanis and Diamantopoulos 2004; Kaynak and Kara 2001). On the other hand, people who have intentions to buy foreign products actually buy more foreign goods like it has been confirmed by different researchers (Javalgi et al. 2005; Klein et al. 2006; Rawwas et al. 1996). This led to the hypothesis:

H7: Domestic product purchase intentions (INT) have direct and negative effect on FPPB.

4. Instrument development and measures

Cosmopolitanism is measured with three items from the worldmindedness scale used by Rawwas et al. (1996). The items for final model are consistent with the recent specification of the conceptual domain of cosmopolitanism related to (1) general open-mindedness, (2) diversity appreciation, and (3) consumption transcending borders (Riefler et al. 2012; p. 287; Riefler and Diamantopoulos 2009; p. 415). Rawwas et al. (1996) scale has been used in a study by Lee and Chen (2008).

To measure *consumer ethnocentrism*, the reduced five item version of CETSCALE (Shimp and Sharma 1987) is used, consistent with recent studies investigating this concept (e.g., Balabanis and Diamantopoulos 2004; Evanschitzky et al. 2008). A seven-point Likert-type scale ranging from 1 − absolutely disagree, to 7 − absolutely agree, is used for measuring both socio-psychological variables (ethnocentrism and cosmopolitanism).

Foreign (vs. domestic) product purchasing behavior (FPPB) construct in the model is measured for alcohol products, clothes, and furniture using five-point semantic differential scale, whereby one extreme indicates "I buy only domestic products in this product category," and the other extreme "I buy only foreign products in this product category" (EIER 2009).

Domestic product quality is adapted from Klein et al. (1998) where they found that the most important key issues that affect product quality are product overall quality, reliability, and workmanship. Semantic differential scale was used from 1 to 7. For example, reliability was measured as 1 − unreliable, to 7 − reliable etc.

Domestic product purchase intentions. is adapted from Balabanis and Diamantopoulos (2004). The respondents are presented with the choice of domestic country and five foreign countries in each of the three product groups (alcohol, clothes and furniture) as a matrix and they have to evaluate their intentions to buy products from different origins in their home market from the list of six countries for each product group provided in the questionnaire in alphabetic order of local language. Scale ranges from 1 − the least preferred country of origin, to 6 − the most preferred country of origin for the specific product group. In addition, they have to presume that domestic and foreign products have all similar attributes, features and are sold at the same price. The countries of origin are selected so that countries' producers have strong positions in Estonian or Slovenian market and consumers should be able to evaluate their own intentions to buy products of these origins according to their previous experiences or images that they have perceived. Different origins are used in research of two markets, because these countries are quite dissimilar in trading.

Estonian consumers purchase INT to buy alcohol products is examined across the following countries: Estonia, Netherlands, Latvia, Finland, Hungary, and Russia. Clothes purchase INT is investigated according to origins from Estonia, Spain, Lithuania, Latvia, Finland, and Sweden. Furniture purchase INT is asked by using origins Estonia, Poland, France, Germany, and Finland. Slovenes purchase INT to buy alcohol products has to be evaluated with the following countries of origin: Italy, Germany, Netherlands, Russia, Slovenia, and Scotland. Clothes purchase INT is examined by Croatian, Italian, German, Slovenian, Spanish, and American origin. Finally, furniture purchase INT is identified by France, Italy, Germany, Poland, Slovenia, and Sweden.

5. Sampling and data collection

The conceptual model for the study is tested via a store and outdoor intercept survey method based on a sample of adult consumers in Estonia and Slovenia. A quota sampling method based on gender, age, income, place of living is applied. People in various parts of the countries are intercepted in and in front of the shopping areas of cities and towns and asked to respond to the survey. Personal interviews take, on the average, about 15–20 minutes. The final sample consists of 261 and 271 respondents in Estonia and Slovenia.

Table 1 provides demographic characteristics of the study samples. The average age of the respondents is near to 45 years in both countries with the standard deviation of slightly over 17 years. There are a few more women than men in the sample. Respondents who claim to have above-average or below-average income are almost equally represented in the sample (the difference is slightly bigger in Estonia). The majority of the respondents live in towns with the population of over 100.000. Respondents are all Slovenes in Slovenia, but 74.2% Estonians and 25.8% Russians were welcomed to participate in the survey in Estonia. The questionnaire was translated into Estonian as well as to Russian in Estonia.

6. Statistical analysis and hypotheses testing

Data is analyzed by structural equation modeling (SEM) method using Lisrel 8.8 software. Following Gerbing and Anderson's (1988) recommendations, the analysis is conducted in two steps. A measurement model is analyzed first, followed by the evaluation of a structural model in order to assess the hypothesized relationships between latent constructs. Initially, an exploratory factor analysis is conducted to ensure unidimensionality of the latent variable measurements, specifically principal factor analysis (varimax rotation) is applied.

Final model items, scale reliability, average variance extracted and factor loadings are presented in Table 2. Reliability of the scales is established using composite reliability (rho), which ranged from 0.70 to 0.92 for Estonian and from 0.74 to 0.94 for Slovenian data. The validity of each of the scales is tested with confirmatory factor analysis (CFA). The final measurement model includes five latent constructs and 17 indicators used to measure them.

Table 3 shows that the fit statistics of the measurement model indicate acceptable fit for Estonian results and very good fit to Slovenian data. RMSEA value is lower than the cut off value 0.08 as suggested by Browne and Cudeck (1993). The convergent validity of scales is tested through examination of the t-values of the Lambda-X matrix, ranges from 2.61 to 17.75 in Estonia and from 3.41 to 17.20 in Slovenia, all values are well above the 2.00 level specified by Kumar et al. (1992), indicating a convergent validity of the scales. The average variance extracted (AVE) ranges from 0.53 to 0.75 in Estonia and from 0.57 to 0.78 in Slovenia, exceeding 0.50 for all constructs (Fornell and Larcker 1981). Discriminant validity is assessed by setting the individual paths of the Phi matrix to 1 and testing the resultant model against the original (Gerbing and Anderson 1988) using the D statistics (Joreskog and Sorbom 1993). The high D squared statistics indicates that the confirmatory factor model for the scales fit significantly better than the constrained models for each construct, thus showing discriminant validity in both countries.

Once the construct reliability, convergent validity and discriminant validity is established, the structural model is run to test the hypothesized relationships between constructs. Final structural model includes five latent constructs with 17 indicators used to measure them. Structural model fit statistics are presented in Table 4. The Chi-Squared statistic is significant, but this can be used only as an omnibus test and it is incorrect to make conclusions only based on that indicator. Additional fit statistics have to be taken into account. The Chi-square statistic is sensitive to departures from multivariate normality (particularly excessive kurtosis), sample size and also assumes that the model fits perfectly in the population. Table 4 illustrates that structural model fit is in acceptable level in Estonian and in a very good level in Slovenian data.

Hypotheses are tested using t-statistics from the structural model. As depicted in Table 5, six hypotheses out of seven are confirmed, only the negative direct effect of cosmopolitanism on domestic product quality (H3) is not confirmed by current research. Lee and Chen (2008) have confirmed a directly opposite result for H3. This relation is quite unresearched and needs additional research.

7. Findings of cosmopolitanism on consumer behavior

Based on findings, important conclusions can be drawn with respect to the role of cosmopolitanism in consumer purchase behavior for foreign vs. domestic products. The results confirm that cosmopolitanism exhibits a direct and positively significant effect on FPPB, suggesting that the segment of consumers characterized as the "world citizen" has a greater tendency to purchase foreign rather than domestic products in the three product categories investigated, i.e., alcohol, clothes, and furniture. According to that H1 is confirmed and it has been confirmed in several studies as well (Cannon and Yaprak 2002; Cleveland et al. 2011; Lee and Chen 2008; Rawwas et al. 1996, Riefler and Diamantopoulos 2009).

In addition, indirect effects of cosmopolitanism on FPPB are measured via consumer ethnocentrism, product quality and purchase intentions. Cosmopolitanism is negatively related to consumer ethnocentrism (H2) and this finding is in line with Cannon and Yaprak (2002); Dmitrović et al. (2009); Vida and Reardon (2008). Model shows that consumer ethnocentrism has positive and direct effects on domestic product quality and domestic product purchase (INT) and both hypotheses are confirmed (H4 and H5). H4 results are in line with the previous findings (Huddleston et al. 2001; Klein 2002; Verlegh 2007; Wong et al. 2008; Yelkur et al. 2006). H5 is also confirmed by Güneren and Özturen (2008). Domestic product purchase (INT) is influenced by domestic PQ, which influences consumer behavior in both countries. H6 is confirmed and the result is similar to several studies (Hui and Zhou 2002; Pecotich and Rosenthal 2001).

Finally, the negative direct effect of domestic product purchase INT on FPPB (H7) is measured and confirmed. Perceived and actual behavior is similar in the hypothesized model like suggested by Ajzen and Fishbein (1980), according to the findings of the current study in Estonia and Slovenia. People who have greater intentions for foreign products actually buy more foreign ones, like it has been confirmed by different researchers (Javalgi et al. 2005; Klein et al. 2006; Rawwas et al. 1996).

Negative and direct effect of cosmopolitanism on domestic product quality (H3) is rejected by the research in both countries and this relationship has a serious gap in the literature, for that reason it is an important venue for further studies. Lee and Chen (2008) concluded consumers with higher levels of world mindedness will give higher quality evaluations to foreign products. This fact was also confirmed using indirect effects by Rawwas et al. (1996). Cosmopolitan respondent behavior requires additional research to find out whether or not these consumers attach lower quality value to domestic products and higher value to foreign products.

8. Further research venues

In this research, deliberate efforts have been undertaken to utilize externally valid consumer sample, solid measures, and relevant analytical methods to test the composed model. However, several limitations still apply, which, in turn, open questions for future research venues.

Firstly, consumer foreign vs. domestic purchase behavior was explored in three categories of consumer products, i.e., alcohol, clothes, and furniture. While the selection of product categories was consistent with the availability of domestic and foreign choice alternatives in the small markets under investigation, future examinations should include other relevant product categories and examine the model of cosmopolitanism effects separately for each product category.

Secondly, additional research is required how cosmopolitanism influences product quality evaluations. This is an unresolved issue in theoretical and empirical side of the research field and the current study did not find any support to cosmopolitanism negative relationship between domestic product quality.

Thirdly, comparison between the mature and emerging markets would enable a deeper understanding of differences in the cosmopolitanism effects across markets based on their economic development and for extending the external validity for the composed model.

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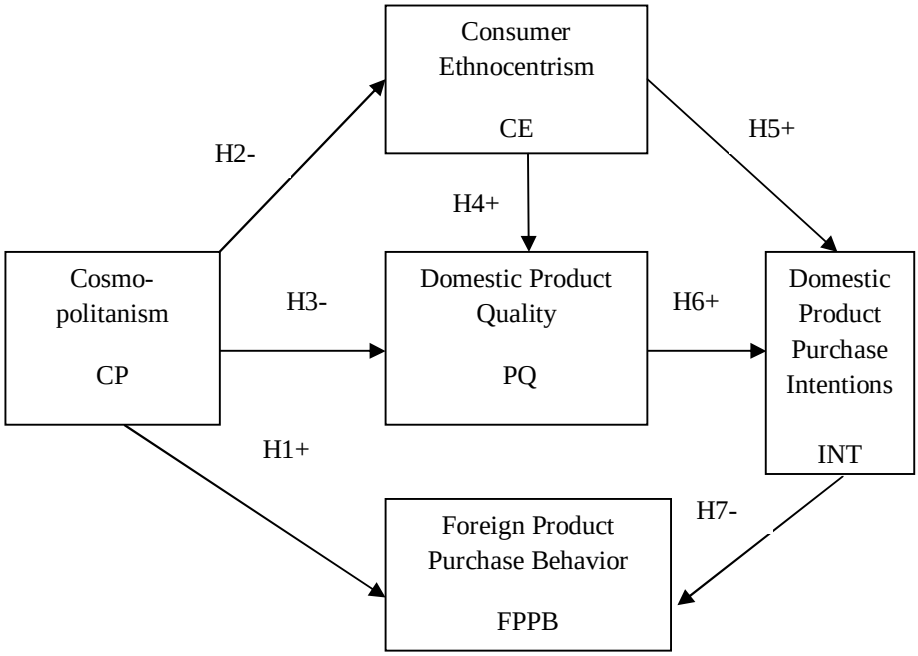

Figure 1. Conceptual Model for the Study

Table 1. Sample characteristics

Characteristic	Item	Estonia	Slovenia
Size	Number of respondents	271	261
Gender	Female	53.10%	52.90%
	Male	46.90%	47.10%
Age	Average in years	44.86	45.04
	Standard deviation	17.57	17.29
Ethnicity		Estonian 74.20% Russian 25.80%	Slovenian 100%
Social status	Employed	55.00%	53.10%
	Unemployed	8.60%	3.90%
	Retired	26.00%	27.10%
	Studying	10.40%	15.90%
Income	Proportion claiming above-average income	25.50%	18.00%
	Proportion claiming below-average income	31.00%	15.70%
Place of living	Town over 100.000 citizens	70.80%	65.10%
	Town between 10.000 to 99.999 citizens	18.80%	17.70%
	Village (less than 10.000 citizens)	10.30%	17.20%

Table 2. Scale properties, items, reliabilities, factor loadings			
Constructs & coefficients	Items	Factor loadings	
AVE (□vc) and CR (□r)		Estonia	Slovenia
Cosmopolitanism CP (adapted from Rawwas et al. 1996)	*Likert-scale from 7 – absolutely agree to 1 absolutely disagree*		
EST* □vc = 0.53; □r = 0.70 SLO* □vc = 0.57; □r = 0.74	I prefer to be a citizen of the world rather than of any particular country.	0.702	0.786
	My government should allow foreigners to immigrate here.	0.702	0.647
	Production location of a product does not affect my purchasing decision.	0.554	0.645
Consumer Ethnocentrism CE (adapted from Shimp and Sharma 1987)	*Likert-scale from 7 – absolutely agree to 1 absolutely disagree*		
EST □vc = 0.74; □r = 0.92 SLO □vc = 0.77; □r = 0.94	Estonian/Slovenian consumers who purchase products made in other countries are responsible for putting their fellow Estonians/Slovenians out of work.	0.858	0.885
	Estonians/Slovenians should not buy foreign products because this hurts Estonian/Slovenian business and causes unemployment.	0.894	0.868
	It is not right to purchase foreign products because it puts Estonians/Slovenians out of jobs.	0.831	0.865
	A Estonian/Slovenian should always buy Estonian/Slovenian-made products.	0.861	0.863
	We should buy from foreign countries only those products that we cannot obtain within our own country.	0.744	0.827
Foreign Product Purchase Behavior FPPB (adapted from EIER 2009)	*Semantic differential scale for typical purchase in specific product category (anchored 5 – only foreign to 1 only domestic)*		
EST □vc = 0.57; □r = 0.74 SLO □vc = 0.59; □r = 0.76	Clothes	0.688	0.790
	Furniture	0.760	0.773
	Alcohol products	0.638	0.563
Domestic Product Quality PQ (adapted from Klein et al. 1998)	*Semantic differential scale for product quality (anchored 7 – the most positive value to 1 the most negative value)*		
EST □vc = 0.75; □r = 0.88 SLO □vc = 0.79; □r = 0.91	Bad quality to good quality	0.842	0.876
	Unreliable to reliable	0.883	0.875
	Poor workmanship to good workmanship	0.817	0.867
Domestic Product Purchase Intentions INT (adapted from Balabanis and Diamantopoulos 2004)	*Semantic differential scale for measuring domestic product purchase intentions in alcohol products, clothes and furniture product groups (scale from 6 – the most preferred country of origin to 1 the least preferred country of origin*		
EST □vc = 0.66; □r = 0.82 SLO □vc = 0.66; □r = 0.82	Furniture	0.817	0.826
	Alcohol products	0.863	0.820
	Clothes	0.810	0.684
**EST – Estonia, *SLO – Slovenia*			

Table 3. Measurement model fit statistics

Fit statistic	Estonia	Slovenia
GFI	0.920	0.940
NFI	0.910	0.950
NNFI	0.910	0.990
CFI	0.940	0.990
RFI	0.900	0.940
RMSEA	0.070	0.028
sRMR	0.061	0.041

Table 4. Structural model fit statistics

Fit statistic	Estonia	Slovenia
GFI	0.915	0.924
NFI	0.920	0.935
NNFI	0.900	0.968
CFI	0.900	0.974
RFI	0.908	0.921
RMSEA	0.070	0.048
sRMR	0.063	0.053

Table 5. Hypotheses testing and results

Hypothesis	Antecedent	Criterion variable	Estonian t-value	Slovenian t-value	Result
H1	CP	FPPB	2.05	3.25	Confirmed
H2	CP	CE	-2.30	-3.39	Confirmed
H3	CP	PQ	1.80	0.78	Not confirmed
H4	CE	PQ	3.45	3.23	Confirmed
H5	CE	INT	2.47	2.52	Confirmed
H6	PQ	INT	3.81	4.59	Confirmed
H7	INT	FPPB	-2.50	-4.49	Confirmed