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Oral Presentation Agenda

Parallel Session 2 (October 16, 2014: 3.30-5.00 pm)

Time	Seminar Room 3-2. President's Office Building Organizational Behavior and HR Management
Session Chair: Akkapong Kittisarn, Ph.D	
3.30-5.00 pm	Roles of Zakat Distribution for Microenterprises in the Basis of Sustainable Family Empowerment In Indonesia Vita Sarasi and Umi Kaltum
	Leadership Style and Training Development correlated with the Employee Performance of Koja Container Terminal Aswanti Setiawati
	Working Environment, Competence, Motivation, and Organizational Citizenship Behavior in Internal Auditor. Endang Pitaloka

Time	Seminar Room 3-4 President's Office Building Marketing
Session Chair: Assistant Prof. Nuntasaree Sukhto, Ph.D	
3.30-5.00 pm	How to Make Brand Trust to the English Language Institution in Kediri, East Java Indonesia Nur Choirul Aff and Dian Utami Sutiksno
	The Effect of Religiosity, Ethnocentrism, and Corporate Image on Perception of Foreign Product Purchasing Behavior: Experience from Students of University of Suska Riau. Julina, Desrir Miftah, and Lusi Suwandari
	Marketing Strategy of Taxi Leasing Business in Bangkok Katanyu Hiransaomboon and Adilla Pongyeela

Time	Seminar Room 3-5 President's Office Building Operation and Supply Chain Management
Session Chair: Assistant Prof. Charanya Parchareon Ph.D	
3.30-5.00 pm	Air Traffic on Time Performance of PT. Garuda Indonesia Flight Lira Agusinta
	The Effect of Inconvenience of Recycling and the Importance of Recycling toward Recycling Behavior Lusi Suwandari, Julina, Desrir Miftah
	Development Supply Chain Management Model of Horticulture in West Java Umi Kaltum

The Effect of Religiosity, Ethnocentrism, and Corporate Image on Perception of Foreign Product Purchasing Behavior: Experience from Students of University of Suska Riau

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ABSTRACT

This paper attempts to discover the effect of religiosity, ethnocentrism, and corporate image toward students' perception in purchasing foreign product. Total 100 questionnaires were distributed to university students. Religiosity, ethnocentrism, and corporate image denoted as the independent variables, and perception in purchasing foreign product as the dependent variable. After testing its validity and reliability, data was analyzed using multiple regression analysis. It is found that religiosity, ethnocentrism, and corporate image affect perception in purchasing foreign product. Religiosity and ethnocentrism have negative significant impact, while corporate image has positive significant impact on students' perception in purchasing foreign products. This paper will help to highlight the students' behavior in Pekanbaru and can be used to design marketing strategy in distributing foreign product in Pekanbaru.

Keyword - religiosity, ethnocentrism, corporate image, perception in purchasing foreign product

INTRODUCTION

Analyzing consumer behavior is very crucial for a company. Consumers make many buying decisions every day. By understanding consumers' behavior, a company will set up marketing strategy precisely to keep survive in the tight competition. Consumers have their own preference in consuming products and services which is in turn affecting their purchasing behavior. Various factors can affect the preferences, one of which is the religious belief they held. Religion affects consumers' behavior mainly by influencing the consumers' personality structure – their beliefs, values and behavioral tendencies. These personality structures, in turn, affect consumers' marketplace behaviors (Sheth and Mittal, 2004 as cited in Mokhlis, 2009a).

In the context of purchasing foreign product, the level of ethnocentrism will determine consumers' behavior. Ethnocentric individuals will prefer domestic goods than foreign ones. Research by Watson and Wright (1999) suggested that cultural similarity is an important consideration for highly ethnocentric consumers in the evaluation of foreign

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products. Therefore, it can be implied that product imported from other countries which have a larger Muslim population will be preferred by Indonesian consumers with higher ethnocentric level for its religion similarity.

Many researchers in marketing have recognized the critical roles of corporate image and corporate reputation in customer' buying behavior. Weiwei (2007) defined corporate image as the consumer's response to the total offering and is defined as the sum of beliefs, ideas, and impressions that a public has of an organization. It is related to business name, architecture, variety of products or services, tradition, ideology, and to the impression of quality communicated by each person interacting with the organization's clients. Helm (2007) citing on Bloemer and de Ruyter (1998) as well as Martensen *et al* . (2000) find empirical evidence that corporate image influences customers satisfaction and loyalty in retail banking. Albeit not necessarily congruent, information on customer satisfaction and loyalty may provide insights into image's role in determining purchase behavior. Usually, satisfied and loyal customer will purchase and re purchase goods and services from the same producers.

In general, consumer behavior is determined by many factors. This paper focus on the role of religion, ethnocentrism, and corporate image in shaping consumption decisions. Religion, especially Islam in this paper, is a way of life that every Muslim has to observe, thus it will affect their purchase behavior. Ethnocentrism, is widely used to explain human behavior in and between different cultural entities, consequently will affect human behavior in making purchase decision. Corporate image help consumer get better understanding about company's product hence it will also shaping consumption decisions.

LITERATURE REVIEW

Purchase Behavior

A crucial question for companies is what factors that trigger consumers to make a particular purchase of a product. Even they come from the same background and live in particular society, their purchase decision may differ one another. From Islamic perspectives, there are five principles of Islamic consumer behavior, such as Islamic worldview (tasawwur) as consumption mould, ibadah as consumption method, quality consumption as an act of choice, mechanisms of getting benefits in this world (al-dunya) and Hereafter (al-akhirah); and His consent (mardhatillah) as consumption motive (Adnan, 2011). In his paper, Zaman tried to convince Muslim Economist to build up discipline of Islamic Economic not just as an auxiliary, an adjunct, a variation or a critique of neoclassical economics. Empirical studies show clearly that consumers do not behave according to the utility maximization model. Thus, utility maximization will not help us understand consumer behavior. Research by Adnan (2011) has shown that some other factors will be consumption motive that affect consumer behavior.

Islam is a way of life governed by rules and customs built on five pillars, which every Muslim has to observe: shahadah or witnessing, salat or prayer, zakah or charity, sawm or fasting and hajj or pilgrimage. In addition to these, Muslims have to follow a set of dietary laws intended to advance their well being. These laws prohibit the consumption of alcohol, pork, blood, dead meat and meat which has not been slaughtered according to Islamic rulings. In reference to Islam, Halal is an Arabic word meaning lawful or

permitted or that what is permitted and allowed by the lawgiver (Allah) and Haram means unlawful or prohibited (Bonne and Verbeke).

A Study on Malaysian where the population contains four of the world's leading religions (Islam, Buddhism, Hinduism, Christianity) reported that Muslim consumer was more ethnic conscious than Christian to place greater emphasis on traditional family values and display greater fashion conservatism. From the results of this study, it can be seen that religious affiliation has some effects on consumer behavior but not a great one. No significant differences were found across the groups with regards to information sources and shopping orientation, indicating the lack of explanatory power of religious affiliation in explaining variation in these aspects of consumer behavior. This raises an important issue concerning the effectiveness of religious affiliation as a valid predictor of consumer behavior (Mokhlis, 2009a). In the web based shopping online context, information of an online store is an important factor that affects each consumer's site loyalty and purchase behavior (Park and Kim, 2003). Zhou and Hui (2003) present the results of a study of Chinese consumption behaviors involving a foreign, inconspicuous product item (Canadian pork sausage). By using such a privately consumed item, they attempted to demonstrate that symbolic benefits (such as modernity, prestige, and associations with foreign lifestyles) constitute one of the primary motivating forces of PRC consumers' purchases of products of non local origin, including products that may not be commonly regarded as conspicuous.

Religiosity

Religiosity can be defined as the degree of being religious (Run, *et.all.*, 2009). The role of religion and its associated practices is very fundamental in influencing many of the important life transitions that people experience such as births, marriages and funeral rites. Each religion has values that come to be important to them like moral values of right and wrong. In the context of shaping public opinion on social issues, religion has its own rule, for example in premarital sex, family planning, organ donation, etc. Moreover, there are several restrictions in consumption about what is allowed and forbidden, and in many other aspects that relate to everyday life. These norms however vary between different religious faiths and the degree of observance determine to what extent these norms are kept. All of these values, restrictions, norms will affect their purchase behavior (Khraim, 2010). According to Bonne and Verbeke, every religion may impose strict dietary laws, but the amount of people following them may vary considerably. For instance, it is estimated that 90% of Buddhist and Hindus (Dindyal, 2003), 75% of Muslims versus only 16% of Jews in the US strictly follow their religious dietary laws (Hussaini, 1993a). Different levels of religiosity determine cognitive and behavioral differences in individuals purchasing decisions. Within the same religion, codes of behavior are dissimilarly respected between conservative and tolerant. Conservatism may view expensive clothing, flashy cars, or the use of credit cars as symbols of materialistic approach to life that is inconsistent with the laws of God. Liberal interpretations are usually more tolerant for this type of materialism (Assadi, 2003).

Traditionally religiosity has been conceptualized as a unidimensional construct with church attendance and denomination being the primary measure (Bergan, 2001 as cited in Khraim, 2010). Throughout the 1960s, considerable empirical efforts were made to refine

the conceptualization of religiosity and produce valid multidimensional measures. The recognition of the multidimensional nature of religiosity allows for a more thorough understanding of the potential importance of different dimensions or forms of religiosity. Research conducted in the area of psychology has successfully produced a plethora of scales to measure a wide variety of religious phenomena including attitudes, beliefs and values (Hill and Hood, 1999). Most research has focused upon indices of intrinsic (religion as an end), extrinsic (religion as a means) and quest (religion as a search) dimensions of religiosity. But according to Khraim (2010) there is no consensus among experts as to the number of dimensions that make up the religiosity construct. In his paper, he divided religiosity into four dimensions namely, Islamic financial service, seeking religious education, Islamic current issue, and sensitive products. For conclusion, Mokhlis (2009b) drawn a general conclusion that religiosity is a distinct concept which can be measured from various perspectives. While there is some disagreement in the literature regarding the precise number of dimensions to employ in measuring it, most researchers agree that religiosity is multidimensional in nature.

Fam et. al (2004) stated that religion is valuable construct in understanding consumer behavior. In some societies such as in Israel, Iran, India and Saudi Arabia, religion is a major cohesive force, if not the only one. Because it is sacred, its value system is accepted unquestioningly by all members of the society and become a part of daily life (Mokhlis, 2009). A research in Malaysia show that Muslim's motivation in following Islam, his or her gender and their interaction have significant effects in their responses in regards to the behaviors (Muhammad, 2008).

Plenty evidence has been provided that religion influences consumer attitude and behaviour in general (Delener, 1994 ; Pettinger et al., 2004), and food purchasing decisions and eating habits in particular (Mennell et al., 1992 ; Steenkamp, 1993 ; Steptoe et al., 1995 ; Shatenstein and Ghadirian, 1997 ; Asp, 1999 ; Mullen et al., 2000 ; Blackwell et al., 2001). In many societies, religion even plays one of the most influential roles in food choice (Dindyal, 2003; Musaiger, 1993) (Bonne and Verbeke). Recent research by Haque et. al., (2011) found that the higher the religiosity behavior as perceived by the young Muslim consumers, the lower the intention to purchase foreign products. To conclude, the previous discussion about the relationship between the two variables is summarized in the following hypothesis:

H1: Religiosity has significant negative effect on perception in purchasing foreign product.

Ethnocentrism

Sumner (1906) first introduced ethnocentrism as a sociological concept that refers to a tendency to regard the beliefs, standards, and code of behaviour of one's own as superior to those found in other societies. Ethnocentric individuals will prefer their own way of life over all others and will prefer domestic goods over foreign ones. (Ramsaran-Fowdar, 2010). Consumer ethnocentrism focuses on the responsibility and morality of purchasing foreign-made products and the loyalty of consumers to products manufactured in their home country (Shimp and Sharma, 1987). Ethnocentrism which has historically received a good deal of attention by sociologists and psychologists is now becoming important in

the marketing literature (Shimp 1984). Globalization has made the role of so-called 'consumer ethnocentrism' a significant factor in marketing (Caruana 2005).

There are three levels of ethnocentrism: a positive one, a negative one, and an extreme negative one. The positive definition defines ethnocentrism as “the point of view that one's own way of life is to be preferred to all others” (Herskovits, p. 21). There is nothing wrong with such feelings, for “it characterizes the way most individuals feel about their own cultures, whether or not they verbalize their feeling” (Herskovits, p. 21). It is ethnocentrism that which gives people their sense of people hood, group identity, and place in history—all of which are valuable traits to possess. Ethnocentrism becomes negative when “one's own group becomes the center of everything, and all others are scaled and rated with reference to it” (Sumner 1979, p. 13). It reaches its extreme negative form when “a more powerful group not only imposes its rule on another, but actively depreciates the things they hold to be of value” (Herskovits, p. 103). Apartheid, the holocaust, and the genocide of the American Indian are all examples of this third level of ethnocentrism (Rosado, 1994). Karim, et. al., found that the greater level Muslim centricness the greater is the purchase intention to buy Muslim product. In a study that examined the relationship between consumer ethnocentrism and evaluations of foreign sourced products, Lantz and Loeb (1996) found that highly ethnocentric consumers have more favourable attitudes toward products from culturally similar countries.

A research by Haque et. al., (2011) discovered that ethnocentrism plays significant impact on the perception of young Muslim consumer's before purchasing foreign made products. To conclude, the previous discussion about the relationship between the two variables is summarized in the following hypothesis:

H2: Ethnocentrism has significant negative effect on perception in purchasing foreign product.

Corporate Image

Consumer may have several associations in their mind about company's product and services. Some different types of corporate image association that can be used in research are innovativeness, dynamism, imaginativeness, quality of goods and services, perceived honesty and trustworthiness, social responsibility, investment value, quality of management, helpfulness and friendliness, and conservative versus informal corporate culture (Gurhan-Canli and Batra, 2004). What consumer know about a company can influence their beliefs about and attitudes toward new products manufactured by that company (Brown and Dacin, 1997).

Customer satisfaction and corporate image are the drivers of customer loyalty. Though corporate image was found to have only a marginally significant direct influence on customer loyalty, the total effects of corporate image (both direct and indirect) on customer loyalty are much more substantial, as well the influence that corporate image has on core service and customer satisfaction perceptions (Hart and Rosenberger III, 2004). Furthermore, Andreasen (1999) found that corporate image plays a role not only in attracting new customers, but also in retaining existing dissatisfied customers.

From the marketing literature it has been revealed that the concept of corporate image has been devoted largely to goods producing retail stores and firms. Most of the empirical studies identify the firm ideal image, tested on various scales and approaches

that measured the construct and investigated the relationship which exists between customer's perceptions of image and their behavior to a particular firm (Kosslyn, 1975; Yuille & Catchpole., 1977, Dichter, 1985). Corporate image related with tradition, ideology, business name, reputation, variety of services, which ultimately increasing customer's interaction in terms of impression of quality communication (Solomon, 1985).

Corporate image also affects customer's expectation with regard to the quality of the service offering (Yoon et al, 1993). Berens and Van Riel, (2004) identified three main conceptual streams relating to corporate associations. These are the social expectations people have regarding the organization; the corporate personality traits that people have toward a company; and the degree of trust toward the company. (Davies et al., 2004) identified that the corporate character scale mirrored the product brand personality traits. Helm (2005) stated that corporate image composed of ten elements: 1. Quality of products; 2. Commitment to protecting the environment; 3. Corporate success; 4. Treatment of employees; 5. Customer orientation; 6. Commitment to charitable and social issues; 7. Value for money of products; 8. Financial performance; 9. Qualification of management; and 10. Credibility of advertising claims. The building of corporate image is a lengthy process that can be improved rapidly by technological breakthroughs and achievements, or destroyed by neglecting the needs and expectations of the various publics who interact with the company (Herbig et al., 1994). From this perspective, a company needs to identify its image strengths and weaknesses on key attributes for each target group and to take corrective action to better its image (Barich & Kotler, 1991). Bontis, Booker, and Serenko (2007) found that reputation of the company, which is the same meaning with corporate image, partially mediates the relationship between satisfaction and loyalty, and that reputation partially mediates the relationship between satisfaction and recommendation. For complex services, corporate image impacts customer loyalty directly (Andreassen and Lindestad, 1998). We can predict that customer loyalty will influence purchase and even re purchase behavior. Haque *et. all.*, 2011 found empirical evidence in Malaysia that corporate image behavior has significant impact on the perception of young Muslim consumer's before purchasing foreign made products. The following research hypotheses were developed based on the above discussion:

H3: There is a significant positive relationship between corporate image and perception in purchasing foreign product.

METHODOLOGY

In order to investigate the relationship between religiosity, ethnocentrism, and corporate image toward student perception in purchasing foreign product, a structured questionnaire was distributed among students in State Islamic University of Suska Riau in Pekanbaru, using convenience sampling method. The questionnaire was comprised of 20 items. A five-point Likert Scale was used to measure the intensity of responses, where 1 mean strongly disagree and 5 mean strongly agree. The questionnaire is based on research by Haque *et al.* (2011). The demographic profile included three items: age, gender, and faculty. The data collected is tested its validity using Pearson Correlation and its reliability using Cronbach Alpha. Then, effect of religiosity, ethnocentrism, and

corporate image on the perception of foreign product purchasing behavior is tested using multiple regression analysis.

RESULT AND DISCUSSION

Demographic characteristic of the sample are provided in Tabel 1. Majority respondent is between 21-23 years old, female, and from Tarbiyah and Teacher Training Faculty. According to Ramsaran-Fowdar (2010) gender and age were the only two significant demographic variables that were positively related to consumer ethnocentrism. Demographic variables such as occupation, gender, age, education and income can be used as bases for designing market segmentation. Based on validity and reliability test, result show that the overall question is valid and reliable. The validity and reliability for each variable are shown in Table 2. The multiple regression analysis can be seen in Table 3. The main objective of the research was to investigate the effect of religiosity, ethnocentrism, and corporate image toward perception in purchase foreign products.

The findings provide evidence that a relationship exists between these four variables. Of the three hypotheses, all the effects were found to be significant. (H1) Religiosity has significant negative effect on perception in purchasing foreign product. Therefore hypotheses H1 is accepted. It means that the higher the religiosity of the respondent, the lower their intention to purchase foreign made product. This result supports the previous research by Haque *et al.* (2010). H2 stipulated as: Ethnocentrism has significant negative effect on perception in purchasing foreign product. Therefore, this hypothesis is also accepted. Lastly (H3) a significant positive relationship between corporate image and perception in purchasing foreign product is also accepted. Both finding from Hypothesis 2 and 3 also support previous research by Haque *et al.* (2010). From Table 3, among all the significant variables ethnocentrism and religiosity variable is the most influential among the respondents followed by corporate image which affect the consumer's perception to purchase foreign products, while in research by Haque *et al.* (2010), corporate image and ethnocentrism are the most influential and followed by religiosity.

CONCLUSION

The results of this study have important implications for both marketers and managers. Since evidence shows religiosity affects their perception in purchasing foreign products, decision makers need to take that into consideration when marketing their products to consumers. Decision makers need to study their markets carefully if they are to establish a strong presence in these markets. If consumers in these markets are more religious, then the products and the way these products are promoted need to be prepared in accordance with the spiritual and religious dictations and influences that those consumers acknowledge.

Since this area of consumer research remains largely undiscovered, researchers have a plethora of issues that they can investigate. For example, differences in religiosity among the various religious groups and the effect of these differences on perception in purchase foreign products represent a rich field of study. Comparative religiosity and perception in purchase foreign products is also a very interesting area to investigate.

Moreover, religiosity can be investigated in relation to product type, i.e. consumables, electronics, durables, etc. or, it can be investigated in relation to country of origin, since many people have positive or negative religious-based sentiments towards certain countries.

A major limitation of this study is that all respondents were university students with limited disposable income. Therefore, it is anticipated that the strength of their beliefs leans towards idealism, which is also a characteristic of student populations. It is important to note that the consumption patterns and beliefs of consumers tend to change with the increase in their income. What people say that they would do when they are at a certain income level might be significantly different than that if they move to the next level. Therefore, for further research, a more heterogeneous sample composed of different individuals with different incomes, education, and age will be a better predictor of the strength of the relationship between religiosity and purchase of foreign products.

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TABLES

Table 1. Demographical Characteristics of Respondent

Characteristic	Frequency	Percentage
Age		
Under 20	37	37%
21-23	48	48%
More than 23	15	15%
Gender		
Male	46	46
Female	54	54
Faculty		
Tarbiyah and Teachers Training	31	31
Syariah and Law	16	16
Ushuluddin	2	2
Dakwah	8	8
Science and Technology	15	15

Pshycology	5	5
Economic and Social Sciences	17	17
Agriculture	6	6

Table 2: Cronbachs' Alpha and Pearson Correlation

Variables (items)	Pearson Correlation	Cronbachs' Alpha
Religiosity		0.867
I always attend religious activities	0.922	
I continually participate in activities of worship	0.859	
I read Al Qur'an everyday	0.760	
I always watch Islamic religious program	0.626	
I always listen Islamic religious program on the radio	0.724	
Ethnocentrism		0.825
Indonesian consumers who purchase products made in other countries are responsible for putting their fellow Indonesian out of work	0.754	
Buy Indonesian product, keep Indonesian employed	0.608	
Indonesian should always buy Indonesian product instead of other	0.867	
Indonesian product first, last, and foremost	0.696	
It is always best to purchase products made by Indonesian	0.876	
Corporate Image		0.900
Foreign companies always got involved in improving its community's quality of life	0.886	
On the average, foreign companies have positive image	0.892	
Foreign companies got involve in socially responsible activities	0.819	
Foreign companies treat their employees well	0.824	
Facilities and benefit given to employees very well	0.809	
Perception of Purchase Behavior		0.920
When I want to buy a products, foreign products is the first that come into mind	0.939	
The image about foreign products makes me more sure that foreign products fulfill my needs	0.809	
I buy foreign product because it meet my expectation	0.852	
My decision to buy foreign product is the right decision	0.929	
I need relative short time to decide to buy foreign product	0.858	

Table 3. Regression Analysis

Model	B	T	Sig.
Constant	22.569	15.941	.000
Religiosity	-.413	-9.106	.000
Ethnocentrism	-.327	-9.511	.000
Corporate Image	.297	5.927	.000