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## Article

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Global Business & Finance Review (GBFR)

## Provided in Cooperation with:

People & Global Business Association (P&GBA), Seoul

*Suggested Citation:* Oh, Eunji; Lee, Jiwon; Shin, M. Minsuk (2020) : An investigation of Korean consumers service quality perception of imported retail services: Implications of consumer ethnocentrism, Global Business & Finance Review (GBFR), ISSN 2384-1648, People & Global Business Association (P&GBA), Seoul, Vol. 25, Iss. 1, pp. 33-47, <https://doi.org/10.17549/gbfr.2020.25.1.33>

This Version is available at:

<https://hdl.handle.net/10419/224441>

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## An Investigation of Korean Consumers' Service Quality Perception of Imported Retail Services: Implications of Consumer Ethnocentrism

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### ABSTRACT

**Purpose:** This study analyzes how consumers' level of ethnocentrism influences their perceived quality on an imported service.

**Design/methodology/approach:** In order to do so, this study firstly utilizes five measurement items to assess consumers' level of ethnocentrism. Then, SERVQUAL (Tangibles, Reliability, Responsiveness, Assurance, and Empathy) is employed to evaluate consumers' perceived quality on the imported service. Lastly, consumers' level of ethnocentrism and their evaluation on the imported service is comparatively analyzed in order to identify the relationship between the ethnocentric customers and their evaluation on the service. Starbucks was used as the sample of an imported service. The data was collected from general Korean consumers and a total of 220 respondents participated in the survey.

**Findings:** As a result, Reliability, Responsiveness, and Empathy factors were empirically proved to have significant relationship between consumer's ethnocentrism and consumer's perceived quality of the imported service. Based on the results, this study suggests focusing on localization of Reliability, Responsiveness, and Empathy factors when an international company expands their market to the countries with high tendency of ethnocentrism, such as: South Korea, China and the United States of America.

**Research limitations/implications:** The sample size that was used for this study is rather small and the survey was conducted and analyzed in relatively short time period. Also, if traditional Korean coffee shops can be compared to as Starbucks in the future study, more meaningful result will be drawn.

**Originality/value:** By demonstrating that ethnocentrism influences consumers' purchase intentions in the decision-making process through Reliability, Responsiveness, and Empathy, this study re-emphasizes the importance of localization when expanding services to countries with high levels of ethnocentrism.

*Keywords: Consumer Behavior, Imported Retail Service, Consumer Ethnocentrism (CET), Service Quality, SERVQUAL*

## I . Introduction

The current study defines imported services as the services of foreign origin that importers bring into a country. If the service system is made somewhere with an established brand and then replicated in another country under the same brand, it is an imported service (Marks, 2017). Compared to tangible products, consumers have difficulties in intuitively understanding services before they make actual purchase. In addition, services may deliver different levels of quality, depending on the conditions of both the service providers and the customers (Shin et al., 2017). Due to this intangibility and inconsistency, consumers assume higher risks when purchasing services rather than products (Kang et al., 2014; Shin et al., 2017). Particularly for imported services, customers take even higher risks because of differences in space, culture, time, exchange rates, and other factors (Lee, 2012; Song et al., 2016). Thus, compared to tangible products, consumers tend to make more subjective evaluations during their decision-making processes on imported services. As one of the most crucial factors influencing consumer's subjectivity toward imported services, this study focuses on consumer ethnocentrism.

Ethnocentrism can be defined as the phenomenon where consumers prefer to purchase domestic products, or avoid purchasing imported products (Sharma et al., 1995). Ethnocentrism makes consumers reluctant to purchase imports, since they perceive that doing so may negatively affect their country's economy (Dursun et al., 2019; Nervik et al., 2018). Since consumer ethnocentrism influences consumers' decision-making processes, importers and exporters have to consider the level of ethnocentrism in their target consumer market when making international marketing decisions. During their service decision-making processes, depending on their levels of ethnocentrism, consumers may have different perceptions of service quality for the same level of service delivery.

Although ethnocentrism has been considered as one of the most powerful motives for some social groups (Hammond & Axelrod, 2006; Valentino et

al., 2013), there has not been many studies focusing on the relationship between ethnocentrism and international service marketing, since the term "ethnocentrism" was first introduced only in 19th century and national service profit has become competitive in global market quite recently. Therefore, most of the studies on ethnocentrism and international marketing focus on the relationship between ethnocentrism with tangible products, rather than with services (Evanschitzky et al., 2008; Zeugner-Roth et al., 2015)

This study analysed the relationship between consumers' levels of ethnocentrism and their perception of the quality of imported services. In this regard, this study firstly evaluated the consumers' levels of ethnocentrism and divided them into high-ethnocentric and low-ethnocentric groups. Then, this study measured the two groups' evaluations of the service quality on the same imported service. Lastly, by comparing the differences in consumers' evaluations, this study assessed the impact of ethnocentrism on the perceived quality of an imported service.

The data was collected from general customers in South Korea. Since many researchers consider the Korean market to be one of the most ethnocentric markets (Chiu et al., 2015; Han, 2017; Kwak et al., 2006), South Korea makes a good place to conduct the test.

This study selected Starbucks as an example of imported service. According to Oberoi & Hales (1990), service is an activity which is produced simultaneously with purchase and the service providers are often present and visible to the consumer. In this sense, Starbucks can be considered as a good example of an imported service since it has created their own culture and markets the premium brand image, which are developed from a foreign country (USA) and replicated in the local markets (Bramantyo, 2017; Chuang, 2019; Purkayastha et al., 2019).

Based on the data from imported service consumers in South Korea, this study offers meaningful theoretical and practical implications.

## II. Literature Reviews

### A. Intangibility of Imported Services

One of the most noticeable features of services that differentiate them from tangible products is the intangibility (Ekawati, 2018; Kindström 2010; Moeller 2010; Ryu & Han 2010). The intangibility of services makes it rather difficult for consumers to understand the service quality as they do with tangible products (Shin et al., 2017). Due to its intangible features, it is difficult for consumers to have thorough understanding of a service's quality before the actual purchase is made (Chen, 2010; Wong et al. 1999). Thus, consumers of services assume greater risks than consumers of tangible products. Service providers must reduce these risks and promote consumption by providing a better understanding of their service's quality (Phung & Mai, 2017). With imported services in particular, consumers assume even greater risks due to differences in space, culture, time, foreign exchange, and other factors. As a result, the subjective evaluations of service consumers affect their decision-making processes more than the subjective evaluations of tangible product consumers, due to the above-mentioned uncertainty in imported services. This study, using SERVQUAL, utilizes ethnocentrism (a factor in consumers' subjective evaluations) and analyses how it influences the relationship between consumers' decision-making processes for imported services and their perceptions of service quality.

### B. Consumer Ethnocentrism

Ethnocentrism is a sociological term that was introduced by Sumner (1906). Sumner defined ethnocentrism as "the technical name for the view of things in which one's own group is the center of everything, and all others are scaled and rated with reference to it". Ethnocentrism can be expressed in many ways, including in one's political and social roles. Shimp & Sharma (1987) introduced consumer ethnocentrism as the "beliefs held by consumers about

the appropriateness, indeed morality, of purchasing foreign-made products". Consumer ethnocentrism is one of the factors that multinational enterprises must consider before expanding their businesses abroad. When ethnocentric customers make purchases, they prefer to purchase domestic products, and are reluctant to buy imported products. They believe purchasing imported products is inappropriate, immoral, and possibly harmful to their domestic economy (Asgari & Hosseini, 2015; Sharma et al., 1995). Consumer ethnocentrism exercises the same impact on purchasing services as it does on buying tangible products. Therefore, highly ethnocentric consumers are anxious that purchasing imported services may negatively affect their domestic economy, increase the domestic unemployment rate, and eventually interfere with their individual lives. Consequentially, high levels of ethnocentrism lead customers to prefer domestic services and avoid imported services.

### C. Service Quality

Traditionally, service quality has been defined as the perceived difference between consumer expectations and the actual service (Grönroos, 2001; Parasuraman et al., 1988). In order to measure the perceptual gap (e.g., in service quality), Parasuraman et al. (1988) proposed a measurement tool called SERVQUAL, which consists of Tangibles, Reliability, Responsiveness, Assurance, and Empathy. Although researchers have studied and developed many other tools to measure service quality (Byun & Lee, 2016; Cronin & Taylor, 1992; Demirci & Kara, 2014), SERVQUAL is still the most widely and frequently used measurement tool for calculating service quality. In this study, we adopted SERVQUAL to determine how ethnocentrism levels influence the perceived quality of services.

### D. Hypothesis Development

SERVQUAL utilizes five factors in order to evaluate how consumers perceive the quality of a

service. The first factor, Tangibles, evaluates the service's visible features, such as whether the service makes good use of contemporary designs, the facility's visual attractiveness, how the service's facilities match the type of activity, and the tidiness of the employees. The prior studies suggested that the standards for evaluating these tangible parts are highly subjective, as the standards are subject to timely, cultural, and other affective attributes (Malkin et al., 1999). Since standards vary by individual, an evaluator's subjective tendencies have a large effect on the decision-making process.

According to social identity theory, national identification is strong enough for some people who prefer domestic products over imported products (Fischer & Zeugner-Roth, 2017; Zeugner-Roth et al., 2015) and ethnocentrism relates to social identity theory in a very similar fashion, when the social-identity group of interest is the nation whilst the ethnocentric group of interest is the one's own groups (Lantz & Loeb, 1996).

According to the two theories, the evaluation standards of consumers with high level of ethnocentrism are focused principally on their domestic culture, and they will rate an imported service's visible features more negatively than consumers with low levels of ethnocentrism. Therefore, we established the following hypothesis:

**H1:** Consumers with high levels of ethnocentrism will make lower evaluations of the Tangibles of imported services than consumers with low levels of ethnocentrism.

The second factor in SERVQUAL is Reliability. This factor evaluates how well the service company keeps its promises, shows sincerity in order to solve its consumers' problems, provides appropriate services, maintains punctuality, and provides services without mistakes. Many scholars have indicated that high consumer trust decreases the consumer's risk and creates a sustainable relationship between the service provider and the customer (Jiménez & San Martín, 2010; Morgan & Hunt, 1994). This is even more important to services because of the intangible nature

of services, since consumers sense greater risks than they do during their decision-making processes with respect to tangible products. Thus, consumer trust plays a more prominent role in the marketing process for services (Shin et al., 2017).

According to Dunn & Schweitzer (2005), consumers' emotional statuses have major effect on consumer trust, and consumer trust has major effect on the consumers' purchase intentions. In this respect, since the consumers with high level of ethnocentrism are concerned about the possible negative effects on the domestic market that are caused by the purchases of imported services, these negative effects will lower the consumer's perceived reliability of the imported service (Dunn & Schweitzer, 2005; Jiménez, & San Martín, 2010). Based on this theory, we established the following hypothesis:

**H2:** Consumers with high levels of ethnocentrism will make lower evaluations of the Reliability of imported services than consumers with low levels of ethnocentrism.

The third factor in SERVQUAL is Responsiveness, which evaluates a service's non-verbal components. These include accurateness of the service's estimated time, speediness of the service, the willingness of the service provider to help customers, and how willing employees are to help customers. These non-verbal components translate differently, according to one's own culture (Kirch, 1979). Since consumers with high level of ethnocentrism assess and scale things based on their group's standards (i.e., their country's standards), the non-verbal components of service offerings may not be delivered properly. As a result, consumers with high levels of ethnocentrism will evaluate the value of the Responsiveness on imported services lower than the consumers with lower level of ethnocentrism. Under this premise, we developed the following hypothesis:

**H3:** Consumers with high levels of ethnocentrism will make lower evaluations of the Responsiveness of imported services than consumers with low levels of ethnocentrism.

The fourth factor in SERVQUAL is the service's Assurance. The measurement items for Assurance are related to lowering the consumer's perceived risks. These include employee's confidence, the consumer's safety while dealing with the service provider, employee's courteousness, and employee's professionalism. As repeated in this study, it is generally more difficult for consumers to intuitively understand services than tangible products and this causes service customers to assume more risks than tangible product consumers during their decision-making process (Kang et al., 2014). Besides, consumers with high levels of ethnocentrism would assume even higher risks when purchasing imported services. Thus, consumers with high levels of ethnocentrism will give lower evaluation to the Assurance of imported services, compared to the consumers with low levels of ethnocentrism (Dunn & Schweitzer, 2005; Jiménez & San Martín, 2010). Accordingly, we established the following hypothesis:

**H4:** Consumers with high levels of ethnocentrism will make lower evaluations of the Assurance of imported services than consumers with low levels of ethnocentrism.

The last factor in SERVQUAL is Empathy. Ordinarily, empathy refers to the ability to share the same emotions as other people (Hoffman, 1977). The Empathy in SERVQUAL evaluates how much attention the service provider gives to each customer, how well and how conveniently the service is provided in accordance with the customer's needs, the employees' humane interest toward the customers, how much the service provider considers the consumer's benefit, and how well employees understand each customer's specific requirements. In other words, for the Empathy factor, customers assess the quality of the interaction between the service customer and the provider. This trust and positive interaction between two individuals (e.g., the service provider and the customer) is called Rapport (Demir et al., 2019). Rapport is created when two individuals find common ground or feel sympathy for each other. Shechter et al. (2007) insisted that people with high levels of ethnocentrism have a greater tendency to consider their nation first, so

their empathy is lower towards the people who could harm their country. Since one of the features of consumers with high levels of ethnocentrism is that they believe purchasing imported products can destroy their domestic market and eventually decrease their employment rate, consumers with high levels of ethnocentrism will have less empathy towards imported services. Accordingly, we established the following hypothesis:

**H5:** Consumers with high levels of ethnocentrism will make lower evaluations of the Empathy of imported services than consumers with low levels of ethnocentrism.

### III. Data and Method

#### A. Sample Characteristics

In this study, it was analysed to identify how consumers perceived the service quality of Starbucks differently, depending on their levels of ethnocentrism. Starbucks was chosen to be the example because: (1) Starbucks is one of the most frequently used imported services in Korea and (2) Starbucks is a service with high substitutability and flexibility. According to Sharma et al. (1995), for Koreans in particular, the necessity of a particular product can moderate the effects of ethnocentrism. Thus, economic necessities that have low substitutability and flexibility may lessen the effects of ethnocentrism and will not produce proper research findings. Therefore, this study used Starbucks, which corresponds to (1) luxury service which sells its premium image and the culture and (2) with high substitutability and flexibility in order to improve the accuracy of the experiment. For the purpose of this study, we directly surveyed general consumers who had had prior experiences with Starbucks. The consumers' socio-demographic characteristics such as, age, gender were not controlled in order to examine the general consumers' attitudes, in accordance with previous studies (Chicu et al., 2016; Shergill et al., 2010).

The survey consisted of three sections: (1) respondents' levels of consumer ethnocentrism, (2) respondents' beliefs regarding the service quality of an ideal café, and (3) respondents' perceptions of Starbucks' service quality.

## B. Survey Questionnaires

This study employed five measurement items from Shimp & Sharma (1987) to quantify the respondents' levels of ethnocentrism, and then employed Parasuraman's (1988) SERVQUAL to analyse the respondents' evaluations of the quality of the imported service. Finally, this study compared the respondents' levels of ethnocentrism and their perceived service quality. The survey also collected the following demographic information on the respondents: (1) gender, (2) age,

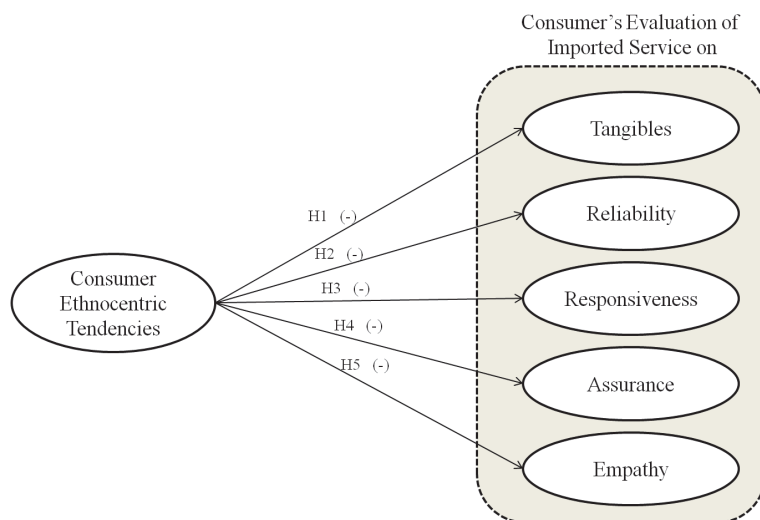
(3) how often they visited Starbucks, (3) average time spent in Starbucks per visit, and (4) average amount of money spent per visit.

## C. Research Model

Based on the hypothesis 1-5, the research model has been developed as Figure 1. The research model represents how consumer's level of ethnocentrism will affect the consumer's evaluation on imported services, compared to their perception of ideal service.

### 1. Shimp & Sharma's Five Measurement Items

Table 1 shows the actual questionnaires with Shimp & Sharma (1987)'s five measurement items. The items were measured on a Likert scale, from 1 (strongly



**Figure 1.** Research Model

**Table 1.** Shimp & Sharma's five measurement items (Level of Ethnocentrism)

#	Questionnaires
1	Nationals should always buy domestic products instead of imported products
2	Purchasing of domestic products is beneficial to the domestic economy
3	Domestic products are the best of the best
4	I prefer domestic products rather than foreign ones when purchasing products
5	I am highly satisfied with domestic products

disagree) to 7 (strongly agree), and the respondent's level of ethnocentrism was classified as either high or low using median split. In this case, we did not use continuous variable since South Korea is considered as one of the most ethnocentric countries in the world (Chiu et al., 2015; Han, 2017; Kwak et al., 2006). Thus, the size of the two sample groups cannot be equivalent in the comparison with continuous variable (the size of the high level of ethnocentrism takes the most portion in the sample).

In order to proceed the test in South Korea (since it is highly important to take a test in the countries with high tendency of ethnocentrism), this study selected median split to identify the relative level of ethnocentrism.

## 2. SERVQUAL

In order to analyse the respondents' evaluations of

service quality depending on their levels of ethnocentrism, this study utilized Parasuraman's SERVQUAL to examine the service quality perceived by the respondents. Then, Shimp & Sharma's five measurement items were applied to assess the respondents' levels of ethnocentrism.

The components of SERVQUAL are as shown in the Table 2. Each component was asked two times, firstly regarding the quality of ideal service, and secondly regarding the quality of the imported service.

First, as shown in Table 2, this study employed SERVQUAL to ask the respondents what the ideal coffee shop would be like using five factors, with a total of 22 measurement items. Second, this study re-employed SERVQUAL measurement items to ask the respondents how well Starbucks matched their ideal coffee shop (total 44 questions). For instance, regarding the Tangibles factor of "visual attractiveness", first the survey asked respondents to answer, on a

**Table 2.** SERVQUAL Components (Consumer's Perceived Service Quality)

Factor	Components of the questionnaires
Tangibles	The service's appearing parts (e.g. contemporary designs)
	Facilities' visual attractiveness
	The service's facilities' harmony with the type of occupation
	Employees' neat features
Reliability	How well the service company keeps the promises
	Show sincerity in order to solve the problem for consumers
	Service's appropriateness
	The company's punctuality
	How well the service company provide the service without mistakes
Responsiveness	Accurateness of the estimated offer time of the service
	Speediness of the service
	Willingness of the service provider to help customers
	How busy are the employees to help customers
Assurance	The employee's confidence
	Safeness in dealing process with the service provider
	Employee's courteousness
	Employee's professionalism
Empathy	How much attention does the service provider give to each customer
	How well the service is being provided in accordance with the customer's needs and their convenient time
	Employee's humane interest toward the customers
	How much the service providers consider the consumer's benefit
	How well the employees understand the customer's specific requirements



7-point Likert scale, whether “the ideal coffee shop must be visually attractive”. Then, the survey asked respondents whether “Starbucks is visually attractive”. By doing this, we analysed how well Starbucks matched the respondents’ ideal of a coffee shop.

#### D. Research Subjects and Time Period

The data was collected over 26 days, from December 3rd to December 28th, 2018. 250 questionnaires were distributed, and 235 of were returned. Of those, 220 were valid and used in the analysis (collection rate: 94%, valid collection rate: 88%). ANOVA analysis was used to analyse the relationships between the five SERVQUAL factors and the consumers’ levels of ethnocentrism.

## IV. Results

### A. Demographic Information

Table 3 displays the demographic information for the 220 respondents. Among the respondents, there were more females than males in the sample. According to a report by KOSTAT (2019) on the most frequently used leisure spaces, females go to coffee shops more than males; 58% of coffee shop customers were female, and 42% were male. Similarly, respondents in their 20s and 30s were the most common. According to the same report by KOSTAT (2019), people in their 20s and 30s accounted for 63% of coffee shop customers. This does not perfectly match the demographic ration in our survey, but it is consistent.

**Table 3.** Demographic information N(%)=220(100)

	Item	Frequency	Ratio
Gender	Male	85	38.6%
	Female	135	61.4%
Age	Under 19	1	0.5%
	20-25	186	84.5%
	26-30	26	11.8%
	31-35	3	1.4%
	36-40	2	0.9%
	Over 40	2	0.9%
Frequency to visit Starbucks	Everyday	0	0.0%
	2-3 times a week	26	11.8%
	Once a week	40	18.2%
	Less than once a week	154	70.0%
Average time to spend in Starbucks per visit	Less than 30 minutes	57	25.9%
	30 minutes to an hour	39	17.7%
	More than an hour and less than 2 hours	81	36.8%
	More than an hour	43	19.5%
Average amount of money spent per visit	Less or US\$ 2-3	6	2.7%
	US\$ 3-5	36	16.4%
	US\$ 5-10	154	70.0%
	US\$ 10-20	24	10.9%
	More than USD 20	0	0.0%

## B. Hypothesis testing

This study utilized SERVQUAL to analyse how consumers' perceptions of the service quality of an imported service (a coffee shop) differed depending on the respondents' levels of ethnocentrism (Low/High).

### 1. Tangibles

Examining the Tangibles factor, the hypothesised effect between the imported service (Starbucks) and customers' levels of ethnocentrism was not found. No statistically significant result was found in the comparison between an ideal cafe and Starbucks,  $F=.425$  ( $p=.515$ ). Similarly, no statistically significant relationship was found with the consumers' levels of ethnocentrism,  $F=.784$  ( $p=.376$ ). No interaction effect was found between levels of ethnocentrism and coffee shops (ideal/imported), with  $F=.425$  ( $p=.515$ ). Therefore, hypothesis 1 was not supported and the detailed information is provided in Table 4.

### 2. Reliability

In Reliability, the hypothesised effect between the imported service (Starbucks) and customers' levels of ethnocentrism was not found,  $F=.002$  ( $p=.967$ ). No statistically significant result was found in the analysis comparing an ideal cafe and Starbucks,  $F=2.334$  ( $p=.127$ ). However, the interaction effect between the level of ethnocentrism and coffee shops (ideal/imported) was found to be statistically significant,

as  $F=18.485$  ( $p=.000$ ). Specifically, customers with high levels of ethnocentrism indicated that the Reliability of Starbucks (the imported service) was lower ( $M=4.332$ ) than that of their ideal coffee shop ( $M=4.835$ ). In contrast, customers with low levels of ethnocentrism indicated that the Reliability of Starbucks (the imported service) was higher ( $M=5.030$ ) than that of their ideal coffee shop ( $M=4.507$ ). Therefore, hypothesis 2 was supported, and detailed information is provided in Table 5.

### 3. Responsiveness

For Responsiveness, the hypothesised effect was found in the comparison between the ideal coffee shop and the imported service (Starbucks); with  $F=3.490$  ( $p=.062$ ), it passed the 90% confidence level. However, no effect was found in the analysis between Responsiveness and levels of ethnocentrism, with  $F=0.581$  ( $p=.446$ ). The interaction effect between levels of ethnocentrism and coffee shops (ideal/imported) was found to be statistically significant, with  $F=7.548$  ( $p=.006$ ). Specifically, customers with high levels of ethnocentrism indicated that the Responsiveness of Starbucks (the imported service) was lower ( $M=4.317$ ) than that of their ideal coffee shop ( $M=4.797$ ). In contrast, customers with low levels of ethnocentrism indicated that the Responsiveness of Starbucks (the imported service) was higher ( $M=4.524$ ) than that of their ideal coffee shop ( $M=4.432$ ). Therefore, hypothesis 3 was supported. Table 6 provides more detailed information.

**Table 4.** Level of ethnocentrism on the evaluation of Tangibles

Source	Type III Sum of Squares	df	Mean Square	F	Sig.
Corrected Model	1.944	3	.648	.556	.644
Intercept	10779.126	1	10779.126	9247.872	.000
Ethno	.913	1	.913	.784	.376
CAFÉ	.495	1	.495	.425	.515
Ethno * CAFÉ	.175	1	.175	.150	.699
Error	508.192	436	1.166		
Total	12457.188	440			
Corrected Total	510.136	439			

**Table 5.** Level of ethnocentrism on the evaluation of Reliability

Source	Type III Sum of Squares	df	Mean Square	F	Sig.
Corrected Model	32.064	3	10.688	7.761	.000
Intercept	8616.763	1	8616.763	6257.142	.000
Ethno	3.215	1	3.215	2.334	.127
CAFÉ	.002	1	.002	.002	.967
Ethno * CAFÉ	25.456	1	25.456	18.485	.000
Error	600.419	436	1.377		
Total	10297.640	440			
Corrected Total	632.484	439			

**Table 6.** Level of ethnocentrism on the evaluation of Responsiveness

Source	Type III Sum of Squares	df	Mean Square	F	Sig.
Corrected Model	9.602	3	3.201	3.000	.030
Intercept	8050.920	1	8050.920	7546.920	.000
Ethno	.619	1	.619	.581	.446
CAFÉ	3.723	1	3.723	3.490	.062
Ethno * CAFÉ	8.052	1	8.052	7.548	.006
Error	465.143	436	1.067	7.548	.006
Total	9371.250	440			
Corrected Total	474.745	439			

**Table 7.** Level of ethnocentrism on the evaluation of Assurance

Source	Type III Sum of Squares	df	Mean Square	F	Sig.
Corrected Model	5.254	3	1.751	1.281	.280
Intercept	6788.707	1	6788.707	4966.507	.000
Ethno	2.607	1	2.607	1.908	.168
CAFÉ	.296	1	.296	.217	.642
Ethno * CAFÉ	2.856	1	2.856	2.089	.149
Error	595.967	436	1.367		
Total	8061.720	440			
Corrected Total	601.222	439			

#### 4. Assurance

For Assurance, the hypothesised effect between Starbucks (the imported service) and the customers' levels of ethnocentrism ( $F=.217$   $p=.642$ ) was not found. No statistically significant result was found

in the analysis comparing respondents' ideal cafes and Starbucks,  $F=2.334$  ( $p=.127$ ). No interaction effect was found between levels of ethnocentrism and coffee shops (ideal/imported), with  $F=2.089$  ( $p=.149$ ). Thus, hypothesis 4 was not supported. The detailed information is provided in Table 7.

### 5. Empathy

For Empathy, the hypothesised effect was found in the comparison between respondents' ideal coffee shops and Starbucks (the imported service), with  $F=3.619$  ( $p=.0558$ ), it passed the 90% confidence level. However, the hypothesised effect was not found in the analysis between Empathy and with the level of ethnocentrism, with  $F=0.086$  ( $p=.769$ ). The interaction effect between levels of ethnocentrism and coffee shops (ideal/imported) was found to be statistically significant, with  $F= 4.575$  ( $p=.033$ ). Specifically, customers with high levels of ethnocentrism indicated that the Empathy of Starbucks (the imported service) was lower ( $M=4.601$ ) than that of their ideal coffee shop ( $M=5.051$ ). In contrast, consumers with low levels of ethnocentrism indicated that the Empathy of Starbucks (the imported service) was higher than that of their ideal coffee shops. Thus, the hypothesis 5 was supported. Detailed information is provided in Table 8.

### C. Hypothesis Test Results

This study investigated the relationship between consumers' levels of ethnocentrism and their perception of the quality of an imported service, and how a consumer's perception of the quality of an imported service can vary depending on the consumer's level of ethnocentrism. Compared to consumers with low levels of ethnocentrism, those with high levels of ethnocentrism evaluated the imported service (Starbucks) as worse than their ideal coffee shop along three SERVQUAL factors (Reliability, Responsiveness, and Empathy). However, no statistically significant relationship was found in the other two SERVQUAL factors (Tangibles and Assurance) between the consumers' levels of ethnocentrism and the imported service. A summary of the hypothesis test results are given in Table 9.

**Table 8.** Level of ethnocentrism on the evaluation of Empathy

Source	Type III Sum of Squares	df	Mean Square	F	Sig.
Corrected Model	7.661	3	2.554	2.087	.101
Intercept	9124.828	1	9124.828	7458.291	.000
Ethno	.105	1	.105	.086	.769
CAFÉ	4.428	1	4.428	3.619	.058
Ethno * CAFÉ	5.598	1	5.598	4.575	.033
Error	533.423	436	1.223		
Total	10666.688	440			
Corrected Total	541.084	439			

**Table 9.** Hypothesis results

#	Hypothesis	Supported/Rejected
H1.	Consumers with high ethnocentrism will make lower service quality evaluation toward Tangibles of imported services than consumers with low ethnocentrism.	Rejected
H2.	Consumers with high ethnocentrism will make lower service quality evaluation toward Reliability of imported services than consumers with low ethnocentrism.	Supported
H3.	Consumers with high ethnocentrism will make lower service quality evaluation toward Responsiveness of imported services than consumers with low ethnocentrism.	Supported
H4.	Consumers with high ethnocentrism will make lower service quality evaluation toward Assurance of imported services than consumers with low ethnocentrism.	Rejected
H5.	Consumers with high ethnocentrism will make lower service quality evaluation toward Empathy of imported services than consumers with low ethnocentrism.	Supported

## V. Conclusions

This study selected Starbucks as an example of an imported service, and analysed how high and low levels of ethnocentrism influenced in consumers' decision-making processes. The five dimensions from Shimp & Sharma (1987) were utilized to measure the respondents' levels of ethnocentrism. Parasuraman et al.'s (1988) SERVQUAL was employed to measure the service quality perceived by the respondents. Lastly, we analysed the relationship between the respondents' perceptions of service quality and their levels of ethnocentrism.

### A. Theoretical Implications

Assuming that consumers with high levels of ethnocentrism take on greater risks in their decision-making processes with regard to imported services, highly ethnocentric consumers will evaluate the quality of imported services lower than the consumers with low levels of ethnocentrism. This study found significant results in three factors (Reliability, Responsiveness, and Empathy), proving that levels of ethnocentrism do affect consumers' perceptions of the quality of imported services.

In Reliability, this study proved that the consumers' risk of the imported service caused by the intangible nature of services becomes worse when it is converged with the anxiety of the highly ethnocentric consumers and produces negative effect on Reliability.

With regard to Responsiveness, consumers with high levels of ethnocentrism, who evaluated based on their culture's values and habits, gave lower assessments to the non-verbal meaning conveyance of the imported service than consumers with low levels of ethnocentrism.

With regard to Responsiveness, consumers with high levels of ethnocentrism, who evaluated based on their culture's values and habits, gave lower assessments to the non-verbal meaning conveyance of the imported service than consumers with low

levels of ethnocentrism.

Lastly, with respect to Empathy, consumers with high levels of ethnocentrism perceived a lower Empathy factor in the quality of the imported service, since they had relatively less rapport with the employees of the imported service than consumers with low levels of ethnocentrism.

### B. Practical Implications

By demonstrating that ethnocentrism influences consumers' purchase intentions in the decision-making process through Reliability, Responsiveness, and Empathy, this study re-emphasizes the importance of localization when expanding services to countries with high levels of ethnocentrism. According to the previous literatures, China, South Korea, and the United States are the countries that had high levels of ethnocentrism. When a service company plans to expand into the countries with high levels of ethnocentrism, it would be an efficient way to utilize a localization strategy with regard to Reliability, Responsiveness, and Empathy. This will help the company to integrate with the local culture and allow it to succeed in the new market.

In case of Starbucks, however, the company chose to flaunt its overseas identity rather than hiding it. According to this study's test result, this end up found to cause negative effects on Starbucks' Reliability. In contrast to Starbucks, YOGIYO utilized a localization strategy with regard to its Reliability factor and succeeded in the Korean market. Although YOGIYO is run by a worldwide German company called Delivery Hero, they named the service YOGIYO in order to make it look like a local Korean company. They also reflected Korean culture in their internal application UI and customer service, as if it was a Korean service. This turned out to increase their Reliability, since Korea is a country with high levels of ethnocentrism. Many of Korean consumers tend to have high levels of ethnocentrism, and evaluate imported services lower than domestic services.

With respect to Responsiveness, on the other hand,

Starbucks made one of the best examples of localization strategy in Korea with Starbucks' siren order service. Siren order is only offered in Korea, in accordance with the Korean environment, as internet and Wi-Fi services are highly developed in the Korean market. Using siren order, customers do not need to line up to order. They sit down at a table and order food and drinks on the dedicated application. Siren order not only penetrated fast in Korean culture, but also has reduced personnel expenses. Moreover, siren order has built the image of Starbucks as a leading IT coffee shop. This reveals that Starbucks actually pursued a localization strategy by focusing on non-verbal cultural elements in order to improve its Responsiveness.

Lastly, Starbucks's "call my name" campaign is a good example of localization strategy on the Empathy factor. Unlike Western cultures, in many situations Korean people prefer to call others by their positions rather than their names. Therefore, applying the "call my name" campaign from American Starbucks regardless of Korean culture was a poor choice that resulted in Korean customers to feel uncomfortable. Indeed, in the results of this study, consumers with high levels of ethnocentrism evaluated Starbucks' Empathy factor negatively. In this sense, it would be a better choice for Starbucks to use general appellations in the Korean market, rather than keeping the "call my name" campaign from Western cultures.

### C. Limitations and Future Research

This study has following limitations. First, the sample size was rather small, as it had only 220 respondents. If a larger sample is used in future analyses, it would achieve better results. Second, the survey was conducted and analysed over relatively short time period. If future studies conduct more surveys over longer period, it will lead to more accurate results. Third, this study chose Starbucks as an example of an imported service for its analysis. In future studies, it would be more meaningful to survey and compare Starbucks with traditional Korean

beverage shops. Thirdly, the participants of this study were collected mainly in Seoul, which is the capital city of South Korea. However, consumers in rural areas may have different ideas about ethnocentrism. Lastly, the example in this study (i.e. Starbucks), belongs to the coffee shop category. Since coffee is already seen as a service with a cultural character, more culturally-neutral services, such as public restaurants or hypermarkets, would be good subjects for future studies.

### Acknowledgement

This paper was supported by Konkuk University in 2017 (2017-A019-0247).

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