

The Impact of Culture on Brand Loyalty - A Study of the Young Affluent Chinese

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Abstract

This article examines the factors which determine the brand loyalty of the young affluent Chinese consumer. Specifically, using survey data from 316 consumers, it investigates the relative influence of perceived quality, perceived value and trust on their attitudinal loyalty. It further investigates the moderating effects of the cultural value orientations of consumers on the relationship between brand loyalty and its antecedents. The findings demonstrate that perceived value does not influence the brand loyalty of Chinese consumers and that collectivists are significantly more loyal to a focal brand than individualists, especially when quality and trust are at relatively low levels. This provides support for the influence of culture in determining the loyalty attitudes of consumers. The findings contribute to the understanding of brand loyalty in the Chinese market place and should allow practitioners to better focus their marketing strategies towards the Chinese consumer.

Keywords: Brand Loyalty, Culture, China

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Introduction

Before the introduction of economic reforms in 1978, situational constraints such as a lack of viable alternatives or limited convenience evoked only spurious loyalty by Chinese consumers towards brands. However, this has changed with an influx of foreign direct investment and the rapid development of the domestic industry. Over the last two decades intense market competition has resulted in a proliferation of brands in the Chinese market. In the face of such competition marketers have begun to recognize that in order to attract and retain Chinese customers they need to find effective means by which to secure their brand loyalty (Fournier and Yao, 1997). In developing suitable strategies for the Chinese market organisations must realise that they may not simply adopt the same strategies as they do in Western cultures to evoke brand loyalty. Such strategies could potentially be ineffective in China due to cultural differences, which have been found to have significant effects on consumer attitudes and behaviour (Yoo, 2009). For example, in collectivist cultures, such as China, in-groups influence purchasing behaviour much more than in individualistic cultures (Wong and Ahuvia, 1998).

This study contributes to the literature in two ways. First, it examines the factors which determine brand loyalty of Chinese consumers. Specifically, it investigates the relative influence of perceived quality, perceived value and trust on their attitudinal loyalty. Second, the moderating effects of culture on the relationship between brand loyalty and its antecedents are examined. Recent reviews of the marketing literature suggest that the cultural value orientations of individual consumers may play an important role in determining how they react to brands (Soares et al., 2006). In particular, the processes by which the collectivist orientation of the consumer affects their brand loyalty are investigated in this study.

Brand Loyalty

The concept of brand loyalty is at the centre of the marketing strategy of any organization as it is a measure of the commitment by a consumer to repurchase a brand (Aaker, 1991). It is vital for organizations in the face of highly competitive markets with increasing unpredictability and reducing product differentiation (Fournier and Yao, 1997) and brings with it benefits such as greater sales and revenues, increased profitability, a customer base that is less sensitive to the marketing efforts of competitors and substantial barriers to entry (Delgado-Ballester and Munuera-Aleman, 2001). For the purposes of this study, attitudinal loyalty is chosen as the focus as it has been found to be the key predictor of a brand's purchase and repeat patronage (Uncles et al., 2003).

Culture and Marketing

Numerous studies have discussed the choice of dimensions most appropriate for conceptualizing and operationalising culture (Bond, 1987; Hofstede, 1991; Schwartz, 1994; Steenkamp, 2001). Hofstede's framework however, is the most widely used and incorporates four cultural dimensions: 1. Individualism/collectivism, 2. power distance, 3. masculinity/femininity and 4. uncertainty avoidance (Hofstede, 1980). Of the four cultural dimensions, individualism/collectivism has received the greatest attention in the literature (Triandis, 1995), especially in the context of Asian Confucian-based cultures such as China, which are highly collectivistic in nature (Hofstede and Bond, 1988). Collectivism refers to the tendency of individuals to view themselves as being interdependent with others in society. Collectivists typically place greater concern on the consequences of their behaviour for people

in the same social group, exhibit conformity, and show a willingness to sacrifice personal interests for group welfare (Holt et al., 1994; Nakata and Sivakumar, 2001). Furthermore, collectivism supports the creation of long-term buyer-seller relationships which in turn supports the creation of loyalty behaviour (Yoo, 2009).

Research Hypotheses

Brand Trust

Brand trust refers to the willingness of the consumer to rely on the brand to deliver on what it promises in the face of risks to the contrary (Chaudhuri and Holbrook, 2001). When consumers make purchasing decisions they weigh up the relative costs and benefits of making those decisions.

Only a small number of studies have investigated the relationship between brand trust and consumer loyalty (Garbarino and Johnson, 1999; Lau and Lee, 1999; Chaudhuri and Holbrook, 2001). These studies overwhelmingly find evidence of a positive influence of trust on brand loyalty. Despite this growing stream of empirical literature, as far as we know, no work has been conducted which looks at how trust influences the brand loyalty of Chinese consumers. Our study aims to fill this gap.

H1: Trust will be positively related to brand loyalty

Perceived Quality

Perceived quality is generally regarded as one of the main antecedents of brand loyalty in the literature (Jacoby and Olsen, 1985). It is defined as the consumer's evaluation of the overall excellence of the brand with reference to a series of intrinsic and extrinsic factors (Rao and Monroe, 1989; Kirmani and Baumgartner, 2000). Quality has previously not played an important role in Chinese consumption behaviour, as very few quality standards and laws had been in place to produce and enforce any kind of quality levels. Since joining the WTO however and opening up their domestic market to foreign firms and their products, international quality standards are increasingly being complied with in China (Zhou and Hui, 2003). This suggests that consumers are starting to place a greater emphasis on perceived quality when purchasing products and brands, than before. This leads to the following hypothesis:

H2: Perceived quality will be positively related to brand loyalty

Perceived Value

Perceived value has been found to be a factor influencing brand loyalty (Zeithaml, 1988; Kirmani and Baumgartner, 2000). It is defined as 'the consumer's overall assessment of the utility of a product based on perceptions of what is received and what is given' (Zeithaml, 1988: 14). In other words it is about value for money, i.e. the utility gained by the consumer per unit of money spent.

Tse, Wang and Tan (1989) found that consumers in Chinese economies placed more emphasis on perceived value than consumers in other Asian countries. Fan (2000) argues that this is one of the reasons why there is a strong tendency among the Chinese to save. However, it's important not to confuse perceived value with low price. Instead, the emphasis is on the product's overall utility compared to its price, not the price itself. The overall utility is likely to stem from both symbolic and functional dimensions. For example, compared to consumers

in the West, Asian consumers tend to exhibit a greater willingness to pay a premium price when purchasing brands, especially for those products which are conspicuous in nature (Wong and Ahuvia, 1998; Li and Su, 2007). In contrast to the findings from previous studies conducted in mature Western markets the relationship between perceived value for money and brand loyalty should be weaker in China due to distinct cultural differences, hence leading to the following hypothesis:

H3: There will be no significant relationship between perceived value for money and brand loyalty

Moderating Effects of Collectivism on the Relationship between Brand Loyalty and its Antecedents

Collectivist cultures consider brands that reinforce group membership and affiliation more attractive, whereas individualistic cultures favour brands that reinforce their independence and provide individual gratification (Roth, 1995). Furthermore, collectivist societies value consensus, which makes them loyal to the dominant brand (Robinson, 1996). Collectivistic consumers have been shown to exhibit greater brand loyalty than individualists (Yoo, 2009). This has been attributed to the fact that they tend to make greater reference to their in-group when making purchasing decisions, and mind the opinions of others over their own (Liao and Wang, 2009). Compared to individualists they are less likely to act opportunistically in their own self-interest, due to the perceived costs associated with such behaviour (Doney et al., 1998). They hold group values and beliefs and tend to stress collective interests over individual ones (Hofstede, 1984; Singh, 1990). As a result it is relatively more difficult for them to give up their loyalty to a focal brand than individualists when they are not satisfied with the brand. This leads to the following hypotheses:

H4: Collectivism will moderate the relationship between trust and brand loyalty in such a way that relationships are weaker for those high in collectivism

H5: Collectivism will moderate the relationship between perceived quality and brand loyalty in such a way that relationships are weaker for those high in collectivism

Methodology

Chinese university students from Zhejiang Province, in the Southeast of China, were used as the sample in this research study. Zhejiang was chosen because it is one of the most developed provinces in China, with high levels of income per capita, and therefore has large potential for brand marketers. It was made clear that participation in this study was entirely voluntary and data would be kept confidential. A total of 316 responses were obtained. The age of respondents ranged from 18 to 27, with an average age of 21. Around three-quarters of the respondents were female.

Data Analysis and Results

Two sets of analysis were conducted on the data. Firstly, confirmatory factor analysis (CFA) was conducted to assess the reliability of the multiple item scales used in the study. The measurement model indicated a good fit to the data (Chi Squared/d.f. = 2.03, RMSEA = 0.051, NNFI = 0.98, IFI = 0.98, CFI = 0.98). Further, the results of the one-factor model were unacceptable (Chi Squared/d.f. = 5.54, RMSEA = 0.13, NNFI = 0.86, IFI = 0.87, CFI = 0.87) and significantly poorer than those of the five-factor model, indicating that common method bias is not a significant problem in this study.

Secondly, hierarchical regression analysis was conducted to test the main hypotheses of the study. The results are presented in Table 2. In the first step of the regression control variables were entered. Female consumers exhibited significantly higher levels of brand loyalty than male consumers ($\beta=-.130$, $p<0.05$) and those with higher incomes were also more loyal towards their chosen brands ($\beta=.130$, $p<0.05$). In line with previous work (Zhou and Wong, 2008), consumers exhibited greater loyalty to foreign brands than domestic brands ($\beta=.171$, $p<0.01$).

Table 2: Hierarchical Regression Analysis (n=316) Dependent variable: Brand Loyalty

	Regression 1	Regression 2 H1, H2 and H3	Regression 3 H4	Regression 4 H5
Step 1: Control variables				
Age	-.106*	-.076*	-.071*	-.072*
Gender	-.130**	-.094**	-.099**	-.097**
Income	.130**	.082**	.074*	.074*
Foreign experience	-.022	.025	.032	.026
Foreign brand	.171***	.088**	.107***	.095**
ΔR^2	.073	.073	.073	.073
Step 2: Independent variables				
Trust		.403***	.383***	.407***
Perceived quality		.279***	.255***	.248***
Perceived value		.037	.025	.022
Collectivism		.137**	.134***	.127***
ΔR^2		.472	.472	.472
Step 3: Interactive effects				
Trust x collectivism			-.130***	
Perceived quality x collectivism				-.091**
ΔR^2			.014	.007
Overall Model				
R^2	.073	.545	.559	.552

*, **, *** indicate significance at the 10%, 5% and 1% levels respectively.

In the second step of the regression the independent and moderating variables were added. All variables to be used as a component of an interaction term in subsequent analysis were mean-centered (Aiken and West, 1991) to deal with potential multicollinearity problems. In line with what was hypothesised, brand loyalty was significantly related to two variables, trust ($\beta=.403$, $p<0.01$) and perceived quality ($\beta=.279$, $p<0.01$). No significant correlation was found between perceived value and brand loyalty in line with hypothesis 3. A positive relationship was also found between the collectivism orientation of respondents and their brand loyalty ($\beta=.137$, $p<0.01$).

In the third step of the regression the interactive terms were added. Two hierarchical regressions (Regressions 3 and 4) were carried out to examine the moderating effects of collectivism on the relationship between trust and perceived quality, and brand loyalty. As predicted by hypothesis 4 the collectivism orientation of respondents negatively moderated the relationship between trust and brand loyalty to a high degree of significance ($\beta=-.130$, $p<0.01$). Similarly, in line with hypothesis 5 the relationship between perceived quality and

brand loyalty was negatively moderated by the collectivism orientation of respondents ($\beta = -.091, p < 0.01$).

Discussion

First, we found that the factors which influence the brand loyalty of this group of Chinese consumers differ significantly from those of Western consumers. For instance, previous studies with Western subjects have found that brand loyalty stems from perceived quality, perceived value and trust (Reichheld, 1996; Uncles et al., 1994; Oliver, 1997; Kim et al., 2008). In our study, the impact of perceived quality and trust on brand loyalty, perceived value yields different results. Contradicting previous research using Western samples (Zeithaml, 1988; Kirmani and Baumgartner, 2000) perceived value was not found to influence the brand loyalty of our Chinese subjects. These findings suggest that the perceived brand value is much more important to young affluent Chinese consumers than perceived value for money, which was measured in this study. This may result from the fact that in China the purchase of brands provides an outlet for individuals to give and maintain face within their social group (Wong and Ahuvia, 1998). As a result they are more willing to pay a premium for a symbolic brand than Western consumers who are more concerned about getting good value for money (Ger and Belk, 1996; Alden et al., 1999).

Second, we examined the moderating effects of collectivism on the antecedents of brand loyalty. Consistent with the findings from previous research we found that collectivists were significantly more loyal to a given brand than individualists, especially when quality and trust were at relatively low levels (Yoo, 2009). In line with our hypotheses, however, we found that the relationship between trust and perceived quality was stronger for individualists. This is in line with previous work which demonstrates that individualists are more likely to give up their loyalty to a focal brand when they are unsatisfied with the brand (Doney et al., 1998).

Managerial Implications

Our findings suggest that it might be more effective for brand managers to target collectivists who exhibit higher levels of brand loyalty than individualists. In order to capture the brand loyalty of individualists more effort needs to be placed on emphasising the trustworthiness and the quality of the brand in marketing activities.

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