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Customer loyalty & face concerns

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Chapter 5

Conclusions, Implications, and Future Research

5.1 CONCLUSIONS, IMPLICATIONS, AND FUTURE RESEARCH

Marketing is a contextual discipline (Sheth & Sisodia, 1999; Zinkhan & Hirschheim, 1992), and a major recent context is the rise of emerging markets such as China (e.g., Gu, Hung, & Tse, 2008). Emerging markets are radically different from the traditional industrialized capitalist society, which requires more academic research and a mind-set change (Sheth, 2011). The central objective of this dissertation has been to add insights to academic literature and professional practitioners' knowledge regarding two important elements of marketing in China: customer loyalty and marketing mix–face relations (i.e., self-image and/or status earned in a social network). We examine these issues with a cross-cultural comparison, between Chinese and Dutch consumers, where it is assumed that Chinese consumers represent Eastern consumers and Dutch consumers represent Western consumers. As a preliminary analysis, Chapter 2 assesses existing knowledge about Chinese consumer responses to marketing mix elements (price, product/brand, distribution channels, and sales promotions) and identifies several valuable research directions. Building on that literature review, Chapters 3 and 4 zoom in on loyalty and marketing mix–face relations, respectively. In particular, Chapter 3 investigates whether and how the drivers of loyalty may differ between Eastern and Western consumers. Chapter 4 instead details the moderating effects of product visibility, product tangibility, and social presence on face concerns and purchase intentions for a high-priced option (i.e., price–face link), as well as on face and three other marketing mix elements (i.e., distribution–face, brand–face, and promotion–face links).

In this chapter, I outline the main findings of each chapter in Section 5.1, then discuss the results that span chapters in Section 5.2. After summarizing the theoretical contributions and deriving some general managerial implications in Section 5.3, I discuss some limitations and avenues for research in Section 5.4. In Section 5.5, I conclude this dissertation with some final thoughts.

5.1 MAIN FINDINGS

5.1.1 Chapter 2: Literature Review of China's Marketing Mix

Built upon Sheth's (2011) five key characteristics of emerging markets, Chapter 2 summarizes the developments of Chinese consumer behavior, including responses to marketing mix. Moreover, an important research issue addressed in Chapter 2 was identification of gaps in knowledge and forthcoming trends pertaining to China's marketing mix. The overview of prior research indicated lack of up-to-date knowledge on whether Chinese consumers' loyalty is higher or lower than that of Western consumers. Another important identified gap is need for thorough insights on whether face has a significant impact on Chinese consumers' response to marketing mix. More specifically, compared with Dutch consumers', do Chinese consumers' price sensitivity is lower for publicly consumed products (vs. privately consumed products)? The situational factor such as social presence (e.g., different types of social presence) on consumers' channel choices, brand choice, and purchase intentions for promotional items, are not well understood. The two subsequent studies addressed those research issues.

5.1.2 Chapter 3: Cross-Cultural Differences in Customer Loyalty

Based on Chapter 2, we continue to examine in Chapter 3, whether Eastern consumers' loyalty intentions is higher than Western consumers', and to what extent their drivers differ. Using data from 1553 Chinese and 1085 Dutch consumers in the banking and supermarket industries, the study confirms that Chinese consumers initially have higher loyalty intentions than Western consumers.

Moreover and in line with our expectations, value equity emerges as more important for Western consumers' loyalty, probably due to their strong value-for-the-money orientation (Bao et al., 2003). The widely cited importance of brands in Chinese culture as a manifestation of face concerns (Henderson et al., 2003) does not receive support, in that we find a stronger impact of brand equity on Western consumers' loyalty. The differences between our findings and previous studies may reflect the types of data; in Chapter 3 we use data related to the loyalty to retailers instead of the loyalty to consumer goods. Furthermore, relationship equity has a stronger impact on Dutch consumers' loyalty, perhaps because of the relative lack of development of customer relationship management in China (Wang et al., 2004). In summary, value, brand, and relationship equity all exert less influence on customer loyalty in China than in the Netherlands.

We also suspect that the results might be due to some systematic differences, such as the lower market efficiency (i.e., less fair pricing system, low level of brand trust, weak CRM) of China. Because low-quality, high-priced products can survive (Zhou & Nakamoto, 2001), and product quality information is difficult to assess (Lichtenstein & Burton, 1989), Chinese consumers doubt the credibility of value equity as a determinant of their loyalty intentions. Also, China's market environment is less mature, so a strong brand does not necessarily invoke high loyalty intentions. Chinese consumers' trust in even strong brands is quite low, in reaction to their experiences with brand scandals, deceptive advertising, and unethical business practices. Finally, relationship equity's positive impact on loyalty intentions is weaker among Chinese consumers, due to the poor CRM practices in China. In such a market environment, consumers' loyalty intentions are not driven by value, brand, or relationship equity but instead by culture, habit, or inertia. After choosing a brand, Chinese consumers tend to stay with it, because the risk and uncertainty associated with switching to another brand in an uncertain market environment are high. This tendency likely explains why Chinese consumers generally exhibit higher loyalty intentions.

5.1.3 Chapter 4: Marketing Mix–Face Relations

As summarized in Chapter 2, we suspect that Eastern and Western consumers' different responses to marketing mixes imply the influence of face, so we focus on marketing mix–face links in Chapter 4. In line with face theory, we first use nationality (Chinese vs. Dutch) as a proxy for face concerns; the results however showed that Chinese and Dutch respondents did not differ on the concern for face (CFF) measure, and no moderating effects were significant. In a supplemental analysis, we used a median split of the respondents' CFF scores as the independent variable and the price–face or other marketing mix–face links as mediators, then conducted a second-stage moderated mediation model (see Section 4.6.2).

5.1.3.1 Price–face relation. Using the price–face relation (i.e., a high price signals face) as a starting point, we examine whether product visibility, product tangibility, and social presence

moderate the relationship between face concerns and purchase intentions for a high-priced option.

When using nationality as a proxy for face concerns, we find significant main effects but no interaction effects. That is, on average Chinese consumers are more likely to buy a high-priced product than Dutch consumers, but this tendency does not appear to depend on product visibility (cell phone vs. mattress), product tangibility (watch vs. musical), or different types of social presence (stranger vs. acquaintance vs. close friend). These insignificant interaction effects likely reflect Chinese and Dutch consumers' different views about themselves. On average, Western (Dutch) consumers are more likely to have an independent self, whereas Eastern (Chinese) consumers tend to have an interdependent self (Markus & Kitayama, 1991). With an interdependent self, the interpersonal relationship of Chinese people should be closer in general, which reduces the distinction between a privately and a publicly consumed product, such that Chinese consumers' purchase intentions for a high priced option do not differ between a cell phone and a mattress. Furthermore, because the other, or the self in relation to the other, is more focal for interdependent cultures, in Study 1b, we find that Chinese consumers are more likely to buy a high-priced ticket to a musical than Dutch consumers. A musical is an experience that involves others, so Chinese consumers tend to buy the high-priced ticket, which can help them enhance their own face by showing others that they are generous, as well as demonstrate respect and offer face to others. This reasoning also explains why, in Study 2, we find that when another person is around, no matter who, Chinese consumers' face concerns get elicited. That is, Chinese consumers' face concerns do not vary, regardless of whether a stranger, acquaintance, or close friend is present. The market environment might offer alternative explanations for the results. China, as an emerging market, mainly features market heterogeneity and unbranded competition (Sheth, 2011), which increases the risk to consumers of buying a low priced product. In contrast, the relatively low variance across products allows Dutch consumers to feel assured that they can buy a relatively good product at a low price. Therefore, Chinese consumers are more likely to choose a high-priced option, regardless of the situation.

Using individual's CFF score as our independent variable and price–face link as mediator, in one of our studies, we find marginally significant support for the indirect effect of face concerns on choosing a high-priced option, through the price–face link, which is an increasing function of product tangibility. The price–face link mediated the relationship between face concerns and choosing a high-priced option, but only for products with high tangibility. For products with low tangibility, no such pattern of mediation emerged. That is, when purchasing tangible products (e.g., watch), consumers with high (vs.) low face concerns are more likely to choose a high-priced option; for low tangibility products (e.g., musical), there is no significant difference in the choices of high and low face consumers for high-priced options. However, no differences arose between high and low face concerned consumers in their purchases of a high-priced product for publicly rather than privately consumed products, or when an acquaintance was present, rather than a stranger or close friend.

5.1.3.2 Brand-, distribution-, and promotion–face relations. Beyond the price–face relation, we test the relations between other marketing mix elements and face. Using nationality as a proxy, the main effect by which Chinese consumers (vs. Dutch consumers) are more likely to buy name branded products seems robust, but the main effect of face concerns is not consistently significant for distribution channels or sales promotions. Perhaps price and brand simply are

relatively better indicators of face than distribution and promotion. That is, the relations of distribution and promotion with face are weaker than those of price and brand, so the main effect of face concerns in distribution and promotion studies may not be significant. Again, these studies do not indicate any significant interaction effects, in that there are no differences between Chinese and Dutch consumers in their purchases of a name-branded product, purchases of products without price promotions, or shopping at specialty stores when an acquaintance is present rather than a stranger or close friend.

5.2. DISCUSSION OF THE RESULTS

5.2.1 Chinese Consumers' Loyalty Intentions Is Higher Than Dutch Consumers'

In Chapter 3, we showed that Chinese consumers expressed higher loyalty intentions than Dutch consumers, in line with our prediction about brand loyalty in Chapter 2. Moving beyond Chapters 2 and 3, we chose purchase intentions, instead of loyalty intentions, as the dependent variable in Chapter 4, because prior literature implies a stronger price–face link (Section 4.2.3), compared with the loyalty–face link. This makes sense intuitively; people are unlikely to think, “The more loyal I am to a brand, the more I gain face.” According to the affective–cognitive–action framework, purchase intentions are closer to the action phase than loyalty intentions, and whether and how much consumers are willing to pay is a key managerial concern. As a future research direction though, studies should test the network of relationships among face concerns, loyalty intentions, and purchase intentions. Face-concerned consumers, through their purchases, learn which brands provide positive self-image and thus might develop loyalty toward those brands, which might lead to higher purchase intentions, even if the prices of those brands increase.

5.2.2 Marketing Mix–Face Relations

5.2.2.1 Face concerns and purchase intentions for a high-priced option. Across scenarios and methods, we find that compared with Dutch consumers (i.e., low face concerned consumers), Chinese consumers (i.e., high face concerned consumers) on average are more likely to purchase a higher-priced option (Chapter 4). It is convergent with the findings in Chapter 3 that value equity (i.e., price–quality ratio) has a stronger impact among Dutch than Chinese consumers. Similarly, [Zhou and Nakamoto \(2001\)](#) find that Chinese consumers are less price conscious, and a recent survey indicates that they are willing to buy more expensive branded products than their American counterparts ([Annual Chinese Consumer Study, 2010](#)).

5.2.2.2 Face concerns and purchase intentions for a name-branded option. In Chapter 4, with different methods, we find that Chinese consumers' purchase intentions toward branded products is higher than Dutch consumers. Compared with Dutch consumers, Chinese consumers are more likely to choose branded products over private labels, which fits previous theory that Chinese consumers have higher brand consciousness than Western consumers ([Henderson et al., 2003](#); [Zhou & Wong, 2004](#)); and it also matches our initial summarization in Chapter 2 that Chinese consumers' acceptance for private labels is low. This might be because emerging markets tend to have very large variance in quality relative to the mean across all products and services, and as much as 60% of consumption in emerging markets constitutes unbranded products ([Sheth, 2011](#)). Branded products are thus regarded as scarce resources in China, and hence valued more. However, this finding does not apply to service brands (e.g.,

banking); service brands did not have a greater impact in China than in Western societies (Chapter 3).

5.2.2.3 Face concerns and purchase intentions for shopping at specialty stores/products without price discounts. Chapter 2 proposes that with social presence, Chinese consumers are more likely to choose exclusive channels, such as specialty stores, and that Chinese consumers should be less responsive to sales promotions than Dutch consumers. But Chapter 4 fails to support these assertions. This result might reflect two reasons: The stimuli (dish and ice cream) were of low value and thus failed to elicit face concerns, or the distribution–and promotion–face links are rather weak. The questions of which explanation is more accurate is an important empirical question that warrants further attention.

5.3 CONTRIBUTIONS AND IMPLICATIONS

5.3.1 Theoretical Contributions

The combined results of the studies in this dissertation contribute more knowledge about Chinese consumer behavior (especially in customer loyalty and face concerns) and enrich cross-cultural marketing as well as emerging markets literature in several ways.

First, to the best of my knowledge, this dissertation represents the first attempt to investigate whether value equity, brand equity, and relationship equity for customer loyalty is sensitive to the cultural environment (Chapter 3). This is a response to Rust et al.'s (2004, p. 123) call for research to “empirically validate in what kind of cultures various drivers are more important or less important and why.” We find that Eastern consumers have initially higher loyalty intentions than Western consumers and also are less responsive to the three marketing instruments (value, brand, and relationship equity) than Western consumers.

Second, Chapter 4 provides a better understanding about the concept of face by discussing the connections and distinctions between face and other related constructs. For example, face relates to vertical–horizontal individualism–collectivism, such that we propose that people in vertical, collectivistic cultures tend to have the highest face concerns, whereas those in horizontal, individualistic cultures have the lowest.

Third, Chapter 4 builds links between price and other marketing mix elements with face concerns, in response to the recognition that “The predictive power of face consideration could be investigated within a model which links face consideration to price perceptions, and price perceptions to shopping behaviors in an international context” (Zhou & Nakamoto, 2001, p. 166). We find marginally significant support for the indirect effect of face concerns on choosing a high-priced option, through the price–face link, which is an increasing function of product tangibility. That is, when purchasing tangible products (e.g., watch), consumers with high (vs.) low face concerns are more likely to choose a high-priced option; for low tangibility products (e.g., musical), there is no significant difference in the choices of high and low face consumers for high-priced options. This finding provides some initial evidence that face products can extend beyond luxury products, in contrast with previous arguments that only luxury products with absolutely high prices can signal face (e.g., Liao & Wang, 2009). We show that material products with relatively high prices may also elicit face concerns, and accordingly, high face concerned consumers tend to spend more in those product categories.

Fourth, we add cross-cultural literature by finding that Chinese consumers are more likely to purchase a high-priced option than are Dutch consumers. This tendency does not seem to depend on product visibility, product tangibility, or social presence (Chapter 4). Similarly, Chinese (vs. Dutch) consumers are more likely to choose a name brand option, no matter who else is present (stranger vs. acquaintance vs. close friend).

Finally, whereas previous literature asserts that high prices signal face, two posttests and several manipulation checks indicate that the price–face link (as well as other marketing mix) is not always in place (Chapter 4). We advance both face and price theory by providing possible reasons to explain why the link between price and face is actually rather weak.

5.3.2 Managerial Implications

Given the increasing dependence on emerging markets, especially on Chinese markets and the globalization of the marketplace, understanding the differences between Chinese and Western consumer behavior is of great importance for multinational firms that hope to tailor their marketing strategies for culturally different markets. Should customer retention and customer acquisition strategies differ between Western and Eastern cultures? How should the multinational adjust its marketing mix to appeal to Eastern and Western cultures? What are the best marketing strategies for different industries? I offer some specific examples of how firms can benefit from the results of this dissertation next.

5.3.2.1 Implications for doing business in Eastern markets. Eastern (Chinese) consumers have higher loyalty intentions than Western (Dutch) consumers, so in Eastern cultures, it likely is more efficient for managers to focus their limited marketing resources on customer acquisition rather than customer retention. After a firm has successfully attracted a Chinese customer, that customer already tends to have relatively high loyalty intentions and also will be less responsive to marketing activities. As some other researchers indicate (e.g., Reichheld & Sasser, 1990; Sheth, 2011), in the emerging market of China, converting nonusers to first-time users results in better financial performance than satisfying existing users, so the benefits of effectively stimulating word-of-mouth referrals should be particularly high (Frank, Abulaiti, & Enkawa, 2012). Chinese consumers' brand loyalty also is coupled with a high degree of brand consciousness, so Western marketers should learn to advertise as early as possible, even before they actually sell in Eastern markets, because the first brand in consumers' minds is the most likely choice (Baiyi, 1992).

Chinese consumers also tend to be less price sensitive than Western consumers, which has some implications for pricing strategies. In particular, manufacturers might be able to boost their market shares by raising their prices (Annual Chinese Consumer Study, 2010). Maintaining a steady price or even raising it also could signal more prestige among Chinese consumers (Zhou & Nakamoto, 2001).

5.3.2.2 Implications for different industries. Our findings have some preliminary implications for different industries. For companies that produce material (e.g., watch) products, it is advisable to set a price higher than competitors', to enhance Chinese consumers' perceived face and increase their purchase intentions. If companies instead produce experiential (e.g., musical) products, it would be wise to set a comparable price, because in this case a higher price does not increase consumers' perceived face.

5.4 LIMITATIONS AND FUTURE RESEARCH

I caution against overgeneralizing the results though; future research should work to overcome the limitations of this dissertation. In Chapters 2–4, we already indicated several limitations; here, I highlight three of them and suggest ways to transform them into fruitful opportunities for research.

First, Chapter 2 contains several research directions but we could only empirically test some of them in Chapters 3 & 4, related to cross-cultural comparisons. The remaining directions instead require longitudinal data, and we only collected cross-sectional data, without information about Chinese consumers' attitudes toward foreign and national brands in the past. Marketing managers need to know how Chinese consumers' behavior changes over time, so I recommend more comprehensive methods, including analyses of a longitudinal data set, to allow for time-varying parameters and capture changing trends (e.g., [Osinga, Leeflang, & Wieringa, 2010](#)).

Second, in line with [Henderson et al. \(2003\)](#) and [Liao and Wang \(2009\)](#), Chapter 3 hypothesizes that Eastern consumers consider face more important and therefore are more brand oriented than Western consumers. This finding has been rejected though, probably because the data in Chapter 3 were restricted to supermarkets and banking settings, where the impact of brands may be less salient. The reasoning likely holds for brands of goods and services in more visible consumption settings ([Li & Su, 2007](#); [Liao & Wang, 2009](#); [Lowe & Corkindale, 1998](#)). Additional research should test this prediction by collecting data about Eastern and Western consumers' consumption in more visible categories.

Third, the limitations of Chapter 4 perhaps mainly relate to its experimental design. For example, the high price in the experiment was not high enough to signal face. Additional research should widen the price differences, from 50% in Chapter 4 to approximately five times the value (according to our posttest). We also either use culture as a proxy of face concerns or measure individual's face concerns; they were not explicitly triggered. Activating face concerns opens several interesting avenues for research though. Finally, face is a social phenomenon, but we only collected data from one single social group, i.e., the students group, which are typically have less face concerns. Furthermore, college-educated consumers in China are more Westernized than the general Chinese population, which may reduce the impact of traditional cultural value of face. Hence, collecting data from more social groups (e.g., businessmen, white collar class), who are more representative of real consumers are desirable.

5.5 FINAL THOUGHTS

The last century was all about marketing in advanced economies; this century is likely to be all about marketing in emerging markets ([Engardio, 2007](#); [Sheth, 2008](#); [Sheth & Sisodia, 2006](#)). As emerging markets evolve from the periphery to the core of marketing practice, “research on emerging markets is not just a ‘nice thing to do’; it is increasingly becoming a necessity” ([Sheth, 2011, p. 180](#)). In response, this thesis focuses on some unique phenomena and shifting traits of one of the most important emerging markets, China, using a cross-cultural comparison.

Prior cross-cultural research has documented that people from distinct cultural background differ in many respect, such as (vertical–horizontal) collectivism–individualism and self-construal. These constructs are indisputably useful. Yet the direct application of Western theories to Eastern societies, or “asymmetrical theory flow” ([Qi, 2011](#)), can be troublesome,

especially if the comparison is exploitive, with Eastern cases simply being mined for data (Hamilton, 2006). Furthermore, cross-cultural research is a complex, time-consuming undertaking (Craig & Douglas, 2011), and some major marketing topics remain underrepresented in cross-cultural perspectives (Engelen & Brettel, 2011). Despite its limitations, this thesis thus represents an extension of existing knowledge, in that I attempt to identify face, a Chinese-originated concept, as a key dimensions for differentiating cultures and thereby provide a richer understanding of the differences between Eastern and Western consumers with regard to two important marketing elements: customer loyalty and marketing mix–face relations.

