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GLOBAL CONVERGENCE OF CONSUMER SPENDING: CONCEPTUALIZATION AND PROPOSITIONS

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Abstract

The convergence versus divergence debate has persistently presented a puzzle in the scholarly literature. Forces of globalization created a wave of convergence. Yet, the recent worldwide events have changed the course of globalization, slowing its seemingly unavoidable forward direction. It is, therefore, incumbent upon international business scholars to reexamine the convergence versus divergence debate in the contemporary world economy. Despite the central role that global convergence plays in international business decisions, the literature is lacking a conceptualization of the convergence construct in terms of consumer spending behavior. Offering a new perspective derived from the convergence-divergence-crossvergence (CDC) framework and the coevolution theory, the authors define and conceptualize the convergence construct associated with consumer spending behavior. The proposed conceptual framework is comprehensive, offers refinements to the convergence phenomenon, and leads the way for further development of new theories in the international marketing domain.

Keywords: Convergence; divergence; crossvergence; coevolution; consumer spending; globalization

GLOBAL CONVERGENCE OF CONSUMER SPENDING: CONCEPTUALIZATION AND PROPOSITIONS

As early as 1983, Theodore Levitt, in a seminal essay, argued that the world is becoming one large market, and consumer tastes are converging and becoming more homogeneous (Levitt, 1983). Since then, the world markets have faced major changes. The current era of globalization, which started after the World War II, has accelerated in the 1990s with the emergence of new players in the world economy such as China, India, and several Latin American countries (Cavusgil, Knight and Riesenberger, 2014). Between 1990 and 2000, global trade expanded further, and the flow of foreign direct investment increased fivefold. However, the fear of job losses in the Western world and the concern over weakening local businesses and indigenous cultures in the emerging economies led to the recent anti-globalization movements. As a result, the flow of international trade and investment slowed after the Great Recession in 2008 (Peng, 2014, p. 21).

Recent concerns over globalization and the rise of protectionist movements worldwide have raised the question of whether globalization is coming to an end. Accordingly, the ongoing debate of convergence versus divergence of world markets needs a reexamination. In this study, we take a holistic view synthesizing literature from multiple disciplines to reevaluate the convergence debate.

The forces driving the markets toward convergence include technologic, economic, political, and sociocultural factors (Ghemawat & Altman, 2017; Ralston, Gustafson, Cheung, & Terpstra, 1993; Ralston, Holt, Terpstra, & Kai-Cheng, 1997). Studies focusing on a subset of the driving forces risk generating biased conclusions in terms of convergence of world markets. A major problem with the ongoing convergence versus divergence controversy lies in studies taking a single perspective on the issue. Hence, our goal in this paper is to take a comprehensive view of the convergence issue in the context of consumer spending habits.

The contemporary convergence discussions are initiated by the studies of Levitt. Levitt advocated for homogenization of markets which implies the need for globally standardized products rather than customized ones (Levitt, 1983). Global standardization philosophy is based on such assumptions as worldwide homogenization of customer needs and wants, and universal preference of low price and good quality (Douglas & Wind, 1987; Levitt, 1983). The perspective of a more homogenized world market and global culture is also advocated in well-known publications such as the End of History and the Last Man by Francis Fukuyama (1992), and The World is Flat by Thomas Friedman (2005).

In contrast, opponents of the convergence perspective claim that consumers are becoming more heterogeneous because indigenous cultural values play a substantial role in maintaining distances between societies (De Mooij, 2010, p. 5; Huntington, 1987). It is an old argument that cultural differences are the main source of divergence across civilizations. Huntington (1993) argues that differences between civilizations will increasingly maintain their importance and create conflicts between cultural groups, mainly between Western and non-Western societies. A subsequent prediction is that there will be a world of different civilizations rather than a universal civilization in the future (Huntington, 1993).

In sum, convergence has been an important yet controversial topic in many scholarly areas, and has been extensively examined in other disciplines (Featherstone & Lash, 1995; Wilk, 1998). Despite the central role that convergence plays in marketing decisions, there is a dearth of studies in the international business literature that examine the convergence hypothesis. Moreover, despite the extant research on convergence in other disciplines, there is a lack of conceptualization of convergence of consumer demand in the literature. Our intent is to address this gap by examining an important and timely, yet an overlooked issue of global convergence of consumer spending.

Convergence is a critical construct in specifying how similarly or dissimilarly consumer spending patterns evolve across countries. The degree of similarity of consumer spending behavior is important in shaping the marketing strategies of companies. If consumers are becoming more similar in their spending toward different product categories across countries, managers can develop comparable marketing strategies across markets. In this case, standardization strategies become more relevant and efficient. On the other hand, if consumers are becoming more dissimilar in their spending patterns across nations, managers need to develop different strategies for each market. Accordingly, adaptation strategies would be advisable. Therefore, it is important to understand the market trends regarding the convergence of consumer spending behavior.

Our conceptualization of the convergence of consumer spending builds on the convergence-divergence-crossvergence (CDC) framework and the coevolution theory. CDC framework includes theoretical perspectives of convergence, divergence, and crossvergence (Ralston, 2008; Ralston et al., 1997). Convergence is the idea that nations, organizations, entities, or any relevant actors are becoming more homogenous on certain criteria, whereas divergence is the exact opposite (De Mooij, 2010). Crossvergence, on the other hand, is suggested as an alternative to convergence and divergence perspectives. It refers to the blending of different cultural values in cross-cultural managerial settings (Ralston, 2008; Ralston et al., 1997). Lastly, the coevolution theory is an established framework in natural sciences and an emerging research framework in organizational sciences (Lewin & Volberda, 1999; Porter, 2006). We use both CDC framework and the coevolution theory as the basis for developing our conceptual framework to delineate the convergence of consumer spending.

The remainder of this paper is organized as follows. We first discuss the theoretical foundations of convergence. We then develop a conceptualization, propositions, and a conceptual framework concerning the convergence of consumer spending. This is followed by a discussion of the current and future states of convergence. We also discuss the contributions and implications of our study for scholars as well as practitioners. Finally, we conclude with limitations and directions for future research.

BACKGROUND THEORIES

Convergence theories posit that nations are becoming more similar to each other despite different cultural, historical, political, and economic background (De Mooij, 2010), whereas divergence theories maintain the opposite idea that nations are becoming increasingly dissimilar. Convergence and divergence phenomena have been examined from different lenses in multiple disciplines. Table 1 presents an overview of the literature on the convergence perspectives, and Table 2 provides a summary of the literature on the divergence perspectives in diverse fields.

--- Insert Tables 1 and 2 about here ---

Briefly, convergence has been examined in several different proxies, such as convergence of per capita income in economics, convergence of consumer psychology in economic psychology, convergence of societies and institutions in sociology, convergence of political and economic values in political science, convergence of cultural values in management, and convergence of consumer tastes in marketing. Opposite views have been advanced under the divergence perspective. Next, we these disciplinary perspectives on convergence and divergence.

In economics, convergence is primarily examined in terms of per capita income. Convergence is defined as the erosion in the gap of the living standards between rich and poor countries (J. G. Williamson, 1996). The convergence theory is the central idea of the neoclassical growth models pioneered by Solow (1956) and Swan (1956). However, a recent study opposes this view by arguing that divergence forces are more influential in the long term (Piketty, 2014). Yet, Piketty (2014) also notes that the history of income and wealth has always been unpredictable.

In economic psychology, opposing views of convergence and divergence exist under the concepts of the bandwagon effect and the snob effect, respectively. The bandwagon effect refers to the tendency of consumers to behave in certain ways or consume certain products as other consumers exhibit such behaviors. On the other hand, the snob effect refers to the decreased demand for a product due to the fact that others consume the same product (Leibenstein, 1950).

In sociology, convergence relates to societies. The debate over convergence relates to the modernization theory. The convergence advocates argue for a single form of modernity, whereas the divergence advocates argue for different forms of modernity (De Mooij, 2010, p. 52). Sociologist George Ritzer developed the term, “McDonaldization,” to refer to the homogenization of cultures (Ritzer, 2008). The thesis argues that cultures start adopting the characteristics of fast-food restaurants which are defined as predictability (e.g. a uniform menu), efficiency (e.g. fast service), calculability (e.g. quantity before quality), and control (e.g. standardized tasks) (Ritzer, 1998). The foundations of this view date back to the rationalization concept of Max Weber, which refers to replacement of traditional thought with reason and efficiency. Consequently, the trend of rationalization in the modern societies eventually creates a uniform global society (Ritzer, 1998).

In political science, convergence leads to the homogenization of economic and political values. Convergence makes societies move toward similar point economic and political values a result of industrialization (Kerr, Dunlop, Harbison, & Myers, 1960). Major international economic institutions (e.g. IMF, WTO) are by-products of this convergence (Seita, 1997; J. Williamson, 1982). Nevertheless, inequality of capital and wealth brought by capitalism complicates the progress toward convergence of political and economic systems (Piketty, 2014).

In management, convergence versus divergence debate focuses on the formation of cultural values (Webber, 1969). Convergence theory advocates believe that economic ideologies drive values, and as nations industrialize, they embrace common values. On the other hand, opponents of the convergence theory believe that national culture drives values, and even if nations industrialize, their value systems do not change (Ralston et al., 1997).

Finally, in marketing, scholars have discussed convergence in terms of changing consumer needs and wants because of globalization. The global consumer culture generated by the globalization processes, cross-cultural segment formations, advances in transportation and communication technology, and people's desire to characterize themselves as global citizens within a global village facilitate the homogenization of world markets (Alden, Steenkamp, & Batra, 1999; Hannerz, 1990; McLuhan, 1964; Steenkamp & De Jong, 2010; Strizhakova, Coulter, & Price, 2008; Yoo, Donthu, & Lenartowicz, 2011). Nevertheless, the countervailing forces of cultural values create resistance against this trend (De Mooij, 2000, 2003).

CDC Framework: Convergence, Divergence, and Crossvergence

CDC framework refers to the alternative theoretical perspectives of convergence, divergence, and crossvergence. It provides an overarching framework that captures these three main concepts.

A blend of convergence and divergence theories form the foundations of the crossvergence hypothesis (Ralston, 2008; Ralston et al., 1997). It captures a transitional state of convergence and divergence perspectives. The crossvergence hypothesis posits that the Eastern and Western cultural values blend in a special way to generate a cross-bred value system. It is presented as a synergistic perspective of values formation and evolution in cross-cultural managerial settings. Ralston (2008) identifies the predictor factors of values evolution as four categories of macro-level influences: sociocultural, economic, political and technological. The debate revolves around which of these influences is the dominant driving force that shapes individual-level values. The authors argue that convergence is driven by technological influence, whereas divergence is driven by sociocultural influence. A dynamic interaction of all four macro influences drive the crossvergence in which a new and unique value system emerges.

The crossvergence theory is in accordance with the pendulum view. The pendulum view suggests that globalization provides a closer integration of people and countries around the world through increased transportation and communication technologies and reduced barriers to the flow of goods, services, capital and knowledge. However, this integration is unable to sustain moving in one direction (Peng, 2014, pp. 11-13). Thus, globalization is a process similar to the swing of a pendulum.

Both the pendulum view and the crossvergence theory suggest a transitional state rather than a definitive one directional state. Neither globalization nor cultural values move consistently toward one inevitable direction. Consequently, semiglobalization strategy is suggested for doing business around the world (Peng, 2014, pp. 11-13).

Yet, consumer spending patterns evolve differently than cultural values. Cultural changes are observed over long time periods spanning multiple generations or even centuries (Ralston, 2008). The crossvergence state represents a transitional period during which values move over time from divergence to convergence, at a slow pace due to inherent cultural idiosyncrasies (Ralston et al., 1997). Compared to cultural values, consumer spending habits evolve over relatively shorter time periods. Thus, the need to examining and understanding the convergence process for consumer spending patterns across borders through a new perspective becomes important.

Consequently, we integrate the CDC framework with the coevolution theory. Mainly, the CDC framework falls short of explaining the mechanisms for convergence of consumer spending. Thus, we introduce the coevolution theory to help explain the mechanisms of convergence. The coevolution theory delineates how two or more species reciprocally affect each other's evolution. Basically, the coevolution theory provides foundations to explain how consumer behavior can evolve to adapt to consumers across national borders.

The Coevolution Theory

Coevolution is an established theory in biology and natural science, and has recently been introduced to the management literature (Lewin & Volberda, 1999; Porter, 2006). It refers to the processes by which competitive systems or communities are organized. The term “coevolution” describes the cases where two or more species reciprocally affect each other's evolution.

Overall, the coevolution theory explains the simultaneous evolution of entities and their environments (Baum & Singh, 1994; Porter, 2006). These entities can be in the form of organisms, organizations or consumers. High-frequency interactions among entities across different countries engender forces between the agents and their environments. Amid these complex interactions, consumers too, go into a two-way adaptation. They adapt to the environment, and they adapt to other consumers across national borders.

Adaptation is necessary because all systems increase in complexity; and the increasing complexity leads to turbulence and disruptions. In the absence of adaptation, the complexity levels surge, making the operating conditions fragile for everyone. To cope with disruptions, a mutual adaptation among the participants and with the environment is imminent. In other words, the ecosystem becomes reliant on one another. Their relationships are so exclusive that a convergence becomes inevitable between the participant groups across international boundaries.

As coevolutionary models imply, all species keep changing in a constant race to maintain their fitness. For example, consumers keep changing to fit in a global consumer culture (Alden et al., 1999). Globalization processes have generated a new world culture which is referred to as the global consumer culture (Belk, Ger, & Askegaard, 2003). This transformation represents people’s desire to characterize themselves as global citizens and associate with the “global village” (McLuhan, 1964; Steenkamp & De Jong, 2010; Strizhakova et al., 2008). Increasing connectivity of diverse cultures changes consumers’ perceptions such that consumers consider themselves a part of a global tribe (Alden et al., 1999; Hannerz, 1990; Rapaille, 2015).

Consequently, consumer cosmopolitanism arises as variety seeking or the intention to purchase novel, global products (Cleveland, Laroche, & Papadopoulos, 2009; Riefler & Diamantopoulos, 2009; Riefler, Diamantopoulos, & Siguaw, 2012; Zeugner-Roth, Žabkar, & Diamantopoulos, 2015). In this case, spending patterns of consumers across nations are likely to become more homogeneous due to the similar consumption habits.

A CONCEPTUALIZATION OF CONVERGENCE OF CONSUMER SPENDING AND PROPOSITIONS

Defining Convergence of Consumer Spending

Overall, convergence implies "coming together from different directions to eventually meet" (Lind, 2004). However, the precise definition differs in various disciplines and the context in which it is used. For example, at an industry level, convergence is defined as the merging of separate markets and removing entry barriers across industry boundaries (Lind, 2004). In various domains, convergence represents the homogenization of economic systems, demographic systems, value systems, or consumer behavior (De Mooij, 2000, 2003; De Mooij & Hofstede, 2002).

We define convergence to refer to the phenomenon that consumers allocate an increasingly similar proportion of their budget or income on similar items across countries over time. We operationalize convergence as the similarity of consumer budget allocation to different product categories across countries based on per capita consumer expenditure. As the proportion of consumer budget allocated to various product categories gets closer to each other in different countries, then there is evidence of convergence across countries. It indicates that consumers across different countries are increasingly consuming and spending on a range of product categories similarly. For example, if consumers in a country are spending on certain clothing item so as to approach to the average consumer spending levels across all countries, that particular country is converging. As consumer spending levels on the same products across countries get closer to each other over time, the importance or weight given to those products in different countries becomes more similar.

We build a conceptual framework on the drivers, moderators and consequences of convergence of consumer spending across national markets. Our proposed conceptual framework is presented in Figure 1.

--- Insert Figure 1 about here ---

Antecedents of Convergence: Macroeconomic Influences

Main environmental factors associated with convergence in the literature include: advanced communication technology (Seita, 1997), diffusion of technology, international trade (Barro & Sala-i-Martin, 2004, p. 349; Rassekh, 1998), modernization, urbanization, industrialization, national wealth (De Mooij, 2010, p. 51), global media, and increasing purchasing power (Ter Hofstede, Wedel, & Steenkamp, 2002). Likewise, we expect that macro-environmental factors identified in the CDC framework as technological, economic, political, and sociocultural influences affect the convergence of consumer spending across markets.

Technological Influences. Technology facilitates convergence in many areas. In political science, technology promotes democracy and human rights by making information and communication easier and cheaper without censorship of governments, facilitating convergence of political values. In economics, the diffusion of technology provides poor countries with the impetus to grow faster than rich countries, facilitating convergence of incomes (K. Lee, 2013; Rassekh, 1998).

In a similar vein, technological advances such as improved internet infrastructure, higher patent applications and grants, higher investments in telecommunications provide resources for consumers to connect with each other across borders. Such technological developments increase the connectivity among consumers, spread ideas faster, and facilitate emulation of each other's spending behavior. In line with the coevolution theory, technology influences consumer behavior in a way to homogenize spending patterns across national borders. Therefore, we expect that as technology advances, convergence of consumer spending increases.

P_1: The more advanced the technology in a country over time, the higher the convergence of consumer spending.

Economic Influences. Economic factors affect convergence in a similar fashion by increasing the connectivity among consumers, even beyond regional or national borders (Cleveland et al., 2009). Modernization processes toward industrialization contribute to economic development of countries. Countries that follow the progressive transition evolve from developing to developed economies. Modern, developed countries have more power in international markets because they have a central role in global trade.

As international trade increases, similar products and services become available across borders. Consequently, consumers across national markets have more access to similar products and services. International trade allows for the flow of not only goods and services, but also people, skills, and knowledge (J. G. Williamson, 1996). Along with access to common goods and services, and increasingly similar resources, skills, and knowledge across markets, differences in consumption patterns decrease. Based on the coevolution research framework, mutualistic adaptations of consumers across borders surge with increased interactions. They have more potential to consume and spend similarly. Thus, we expect that convergence of consumer spending increases as international trade expands globally.

> P_2: The higher the extent of international trade in a country over time, the higher the convergence of consumer spending.

A major economic factor that contributes to the transition of societies from national consumption culture to global consumption culture is income. Increasing prosperity worldwide develops a sense of belonging to a global consumption culture (Cavusgil, Deligonul, & Yaprak, 2005). Cleveland et al. (2009) finds a negative relationship between income and consumer ethnocentrism. As consumers become wealthier, rising income generates demand for global products while reducing demand for local products. As a result, consumer cosmopolitanism spreads, and the demand on imported products increases (Kaynak & Kara, 2002).

With the rising prosperity in the world, particularly in emerging markets, consumers possess more resources to engage in pecuniary emulation. Pecuniary emulation, which is a form of conspicuous consumption, refers to the tendency of consumers to imitate the spending habits of higher-class consumers to fit in with the higher-class people (Bagwell & Bernheim, 1996; S. H. Lee & Luster, 2015; Veblen, 1899). Particularly with the development of the lagging markets, consumers in these markets will catch up with the spending habits in advanced economies. Therefore, we propose that an increase in per capita income of consumers will lead to the convergence of consumer spending across markets.

P_3: The higher the income in a country over time, the higher the convergence of consumer spending.

Similarly, growing middle class across the world generates a sense of social belonging to the global consumption culture. Middle class is defined as people with income between 75 percent and 125 percent of the median income level in a country (Birdsall, 2010, p. 162; Birdsall, Graham, & Pettinato, 2000). The middle class across the world represents a new dominant socioeconomic category for consumers. Middle-class consumers across countries are increasingly more connected and possess considerable purchasing power. Ter Hofstede et al. (2002) associate increasing purchasing power with global convergence trends. The rise of the new middle class, particularly in populous emerging markets including China and India, has generated a large-scale first-time buyers for most consumer goods ranging from personal accessories to appliances (Cavusgil et al, fortcoming; Sheth, 2011). Countries with an increasing size of the middle class grow faster because middle class breeds entrepreneurs, generates consumption power, and invigorates economies. Middle class consumers have the resources and hunger for consumption (Fioratti, 2006), strive for better life styles, and adopt goods and services associated with high-class status (Song & Cui, 2009). These characteristics drive consumption demand across nations (Kamakura & Mazzon, 2013).

The middle class is on the rise in rapidly growing emerging markets which brings economic invigoration worldwide (Cavusgil & Buckley 2016). Middle-class consumers in emerging markets are likely to imitate the consumption habits of middle-class consumers in advanced markets, and eventually catch up with them. Thus, we expect that convergence of consumer spending across markets will increase as the middle class gets stronger and the size of the middle class increases.

P_4: The larger the middle class in a country over time, the higher the convergence of consumer spending.

Political Influences. A major political factor affecting consumption behavior is regional integration. It refers to the growing economic interdependence that results when two or more countries within a geographic region form an alliance to reduce trade barriers (Cavusgil, Knight, & Riesenberger, 2014). Regional integration yields to formations such as regional blocs (e.g. NAFTA, ASEAN, Mercosur, and the European Union). These blocs have helped productivity increase across countries (Sheth, 2011). Through such formations, cross-border consumers increasingly have access to products and services from other member countries. Over time, regional blocs create a homogenizing environment due to similarities in policies, legal systems, business practices and social norms (Malhotra, Agarwal, & Baalbaki, 1998). This harmonization process will eventually lead to increasing similarity of consumer spending habits. As a result, mass consumption societies similar to each other in their consumption behavior rise, contributing to the emergence of convergence of consumer spending.

P_5: As countries engage in regional integration over time, convergence of consumer spending increases.

Another factor affecting the convergence of consumer spending patterns is related to public policies. Socially responsible public policies around the world discourage the use of unhealthy or unsafe consumption choices such as alcohol and tobacco usage. These public policies are also corroborated by intergovernmental organizations such as the World Health Organization. Socially responsible public policies aim to protect consumers and minimize social harm (Blaszczynski, Ladouceur, Nower, & Shaffer, 2008). Moreover, with the increasing global social capital, there is an ever-increasing pressure for policy makers to develop socially responsible public policies. Similar corporate social responsibility initiatives such as the United Nations Millennium Development Goals also aim to endure socially responsible and sustainable development worldwide (Lévy, 2007).

Because of the expansion of socially responsible public policies, consumers increasingly replace their consumption of harmful products with better options (e.g. switching from alcoholic drinks to nonalcoholic drinks). Therefore, we expect that as socially responsible public policies increase, convergence of consumer spending across markets will also increase.

> P_6: As socially responsible public policies increase in a country over time, convergence of consumer spending increases.

Sociocultural Influences. Sociocultural influences cause individuals to retain their specific value systems over time, diminishing the possible influences of driving forces of convergence (Ralston, 2008; Webber, 1969). Sociocultural factors include influences related to the culture and history of the society (Webber, 1969).

We operationalize the sociocultural influences with the cultural diversity construct. Diversity, as a general concept, refers to the extent of fractionalization, heterogeneity, or dissimilarity between distinct groups in a country (Alesina, Devleeschauwer, Easterly, Kurlat, & Wacziarg, 2003; Fearon, 2003). More specifically, cultural diversity refers to identities such as race, ethnicity, nationality, religion, language, and other dimensions of heterogeneity in groups that are socioculturally distinct (Cox, 1994, pp. 5-6; Foldy, 2004). Members belonging to the same cultural identity groups collectively share values, norms, and traditions different from those belonging to other cultural groups (Cox, 1994, pp. 5-6; Foldy, 2004).

In essence, cultural diversity refers to background differences that make cooperation and coordination harder among people. Its operationalization ranges from measuring structural relationships between languages (Fearon, 2003), to similarities in racial and ethnic backgrounds (Williams & O'Reilly III, 1998), to a combination of linguistics and ethnicities (Gören, 2013). Substantially, distinct cultures shape the values, perspectives, and worldviews of the members of cultural identity groups (Foldy, 2004). Thus, cultural diversity refers to the degree of heterogeneity in the backgrounds (i.e. languages, ethnicities, worldviews, values and norms) of consumers in a country.

Based on the coevolution theory, cultural diversity represents a circumstance that sets distances among entities and reduces their interaction. This trait complicates the coevolutionary process of consumers in a culturally diverse society. Coevolution theory assumes that changes occur in all interdependent entities or populations due to mutual interactions (Baum & Singh, 1994, p. 380; Porter, 2006). However, culture represents enduring social patterns. It follows that a culturally diverse society has numerous enduring social patterns that are different from each other. These enduring social patterns present obstacles against consumer convergence trend. Culturally-embedded consumption patterns generate resistance against the formation of similar consumption habits across countries. Thus, we expect that sociocultural forces have a negative effect on the convergence of consumer spending.

P7: The higher the cultural diversity of a country, the lower the convergence of consumer spending.

Moderators of Convergence: Sociocultural Influences

Sociocultural factors in the form of cultural diversity not only act as an inhibitor of convergence, but also intervene with the effects of other determinants of convergence. Culturally diverse groups create additional social fractionalizations, resulting in more distance and more discrimination among members of the society. Cultural diversity is related to distance or friction among consumers and creates conflict (Ojala, 2015). Culturally diverse societies have higher communication costs, reduced social trust, and fragile solidarity (Bjørnskov, 2008; Hansen, Owan, & Pan, 2006; Lancee & Dronkers, 2008). The census data in India show that there are 122 major languages which were each spoken by at least 10,000 people in the country (The Registrar General & Census Commissioner, 2001). In such a linguistically diverse country, knowledge transfer through communication and coordination can prove to be more challenging compared to societies with less linguistic diversity (Askegaard & Madsen, 1998). These challenges make the effects of macroeconomic forces on convergence less accentuated in a culturally diverse society compared to a more homogeneous society.

For instance, technology and advanced communication tools, which are major drivers of convergence, connect people with each other. However, the extent of such connection among people reduces when there are multiple culturally diverse subgroups in a society. Even though technology facilitates communication, societies with high diversity are not able to benefit from it as much as those with low diversity. Groups of people from different cultural backgrounds are not as willing to communicate despite the facilitated communication available. Therefore, we expect that cultural diversity of a country reduces the positive effect of technology on convergence of consumer spending.

P_8: Cultural diversity of a country weakens the positive effect of technology on convergence of consumer spending.

In a similar vein, culturally diverse societies experience a weaker effect of international trade on convergence. Although trading countries have similar products and services available for consumption, diverse subgroups are likely to prefer distinct products and services. Culturally diverse subgroups in a society have an increased motivation to differentiate themselves from each other (Brown, 2000). Distinct group perceptions and consumption needs reduce the effect of international trade on convergence. Thus, we expect that cultural diversity reduces the positive effect of international trade on convergence of consumer spending.

P_9: Cultural diversity of a country weakens the positive effect of international trade on convergence of consumer spending.

Another driver, income, also loses its effectiveness in convergence of consumer spending in a culturally diverse society. In general, as income increases, consumers are likely to engage in pecuniary emulation and try to fit in higher-class status (S. H. Lee & Luster, 2015). However, when there are multiple cultural backgrounds, the motivations of consumers on spending will be more diverse and diluted across numerous groups. It becomes less likely for many groups to coevolve in the same direction in response to income increase. The positive effect of income on convergence of consumer spending reduces as cultural diversity increases.

P_{10}: Cultural diversity of a country weakens the positive effect of income on convergence of consumer spending.

The effect of the middle class on convergence will also be influenced by the cultural diversity of a society. The emergence of new mass middle classes, especially in emerging markets, revitalizes economies and creates considerable target market segments for companies (Cavusgil & Buckley, 2016; Cavusgil & Kardes, 2013a, 2013b; Ozturk, 2016). As mass middle classes flourish, similar mass consumption and spending patterns arise across countries. Yet, if there is a high level of cultural diversity in a society, consumption habits dissipate across idiosyncratic spending patterns specific to each group. Consequently, the positive effect of the middle class on convergence of consumer spending is expected to decrease by cultural diversity.

> P_{10}: Cultural diversity of a country weakens the positive effect of the middle class on convergence of consumer spending.

Cultural diversity also plays a role on the effect of regional integration on convergence of consumer spending. As the cultural heterogeneity in a country increases, its integration and harmonization with other countries gets more complicated compared to a more homogeneous country. Integration of a diverse country comprising multiple cultural backgrounds in terms of languages, ethnicities, religions, values, norms, and traditions is harder because of the many aspects to harmonize with the unique culture of the regional bloc. Paces of integration differ among diverse groups. It is harder for culturally diverse societies to use the economies of scale for regional integration compared to uniform societies. For example, in a culturally uniform society, policies, incentives, and investments to harmonize will focus only on one language; whereas, in a diverse society, such policies, incentives, and investments will not be as efficient to integrate. Synergies are lacking in the harmonization of culturally diverse societies. Additionally, in diverse societies, cultural heterogeneity remains as the most significant barrier to homogenization (Malhotra et al., 1998). Thus, the positive effect of regional integration on the convergence of consumer spending will reduce as cultural diversity of a country increases.

P_{12}: Cultural diversity of a country weakens the positive effect of regional integration on convergence of consumer spending.

Finally, socially responsible public policies are less effective in heterogeneous societies compared to homogeneous societies. A variety of cultural backgrounds among subgroups within a society makes communication and execution of policies more challenging. Multiple subgroups in culturally diverse societies acknowledge and apply these policies to varying degrees. The differences in the acceptance and application of such laws in a highly diverse country lead to inconsistent effect of the public policies on convergence. Thus, cultural diversity of a society also reduces the positive effect of socially responsible public policies on convergence of consumer spending patterns across markets.

P_{13}: Cultural diversity of a country weakens the positive effect of socially responsible public policies on convergence of consumer spending.

In sum, culturally diverse subgroups in a country are less open to communication and coordination with other groups who are different from themselves (Hansen et al., 2006; Sacerdote, 2000). Countries with higher cultural diversity do not have much opportunities for the exchange of ideas and transactions among dissimilar subgroups with different backgrounds. This leads to reduced opportunities for convergence of consumer spending patterns. As a result, the positive effects of the macroeconomic influences on convergence of consumer spending are weakened when there is higher cultural diversity in a society.

Consequences of Convergence: Market Concentration

Coevolution involves organic change in response to changing conditions in the markets (Porter, 2006). Convergence of consumer spending across markets represents a change that brings about changes in market structure and firm performance such as sales growth and market share.

Based on the coevolution theory, consumers change and adapt as they interact with each other. The homogenization of consumption patterns initially demonstrates itself on product choice decisions. For example, consumers in the Eastern markets may aspire the intensive coffee consumption in the Western markets. Eventually, consumers across the world will synergistically create a similar pattern of coffee consumption. The overall interest in the same product category (e.g. coffee) will lead consumers to purchase from the leading brands (e.g. Starbucks or other available popular brands in the specific market). Therefore, convergence of consumers toward similar product categories will result in convergence toward leading brands. Firms with high market shares will increase their market shares even more in conjunction with the convergence trend. At the country level, the outcome of convergence will be observed as higher market concentration with several top firms dominating the market. Market concentration represents the sum of the market shares of the leading firms in a market. In sum, we expect that, as the convergence of consumer spending expands, market concentration will increase. In this case, largest firms with popular offerings for consumers are likely to gain more market share, leading to higher market concentration.

Yet, the coevolutionary dynamics between convergence and market concentration call for more matters to consider. More specifically, the element of "intentional control" by firms can cause reciprocal effects in the relationship. Coevolution theory suggests two types of coevolution (Mitleton-Kelly & Davy, 2013): (i) natural forms of coevolution; and (ii) intentionally manipulated forms of coevolution. Natural coevolution takes place without human intervention (e.g. pollution of the biosphere in ecological coevolution); whereas intentionally manipulated coevolution occurs with human intervention (e.g. genetic manipulation of species in ecological coevolution).

In our context, natural coevolution takes place when consumers converge naturally because of the macroeconomic factors, and when the convergence trend directs consumers to popular brands without any firm intervention. However, the reciprocal effects can also occur. Intentionally manipulated coevolution takes place when firms aggressively market themselves such that their push strategies in multiple foreign markets lead consumers to similar spending habits. In this case, top brands dominating the markets intentionally manipulate consumers to converge toward similar consumption habits.

As a result of natural coevolution, we expect that convergence of consumer spending will increase the market concentration. On the other hand, as a result of intentionally manipulated coevolution through intensive firm interventions, we expect that market concentration will increase the convergence of consumer spending. In sum, market concentration and convergence have a reciprocal relationship such that market concentration can be the outcome as well as the trigger of convergence of consumer spending.

> P_{14}: Convergence of consumer spending in a country increases the market concentration in the country over time.

> P_{15}: Market concentration in a country increases the convergence of consumer spending in the country over time.

Conceptually, we acknowledge both possibilities that market concentration can be an outcome as well as a driver of convergence. However, we mainly conceptualize market concentration as a consequence in our framework. As suggested by the stimulus-response model of buyer behavior, consumers will first make the product choice, and then make the brand choice (Kotler, 1965; Kotler, Armstrong, Wong, & Saunders, 2001). We primarily expect that converging consumer demand on similar product categories will eventually lead to converging demand for popular brands. The feedback loop will then develop as leading brands market aggressively, increasing convergence, and yet again the market concentration even more.

DISCUSSION

Despite the ongoing debate on the homogenization of consumer needs and wants across countries, the literature reflects little effort to develop a comprehensive framework on this issue. Our framework addresses the lack of conceptualization of convergence of consumer demand in the international marketing literature. We extend the convergence discussion in terms of consumer spending across countries. Drawing from the CDC framework and the coevolution theory, we propose antecedents of convergence as four major macroeconomic influences: technological, economic, political, and sociocultural. Sociocultural influence also functions in a way to weaken the positive effects of the drivers on global convergence.

The ongoing issue with the convergence discussions in the literature is that most studies focus on a certain aspect of convergence without capturing a holistic view. The crossvergence theory is developed in a comprehensive study, yet its focus is on cultural values (Ralston, 2008; Ralston et al., 1993; Ralston et al., 1997). The crossvergence theory is built upon a setting for managerial work values. Cultural values are at the core of the crossvergence idea. Thus, inevitably, the diverging nature of culture becomes dominant in concluding on the crossvergence state which is a continuum between convergence and divergence.

Another stream of divergence research focuses on the diminishing international trade. Some studies emphasize declining international interactions worldwide, and argue that globalization is slowing down (Ghemawat & Altman, 2013, 2017). Economic environment is prone to upward and downward swings as predicted by the pendulum view of globalization (Peng, 2014). It is expected that studies which put emphasis on business environment will conclude on divergence in case of diminishing world trade.

Yet, consumer consumption patterns embody international interactions among consumers that extend beyond cultural or the international trade context. The advances in technology and communication combined with the coevolutionary mechanisms among consumers across borders counteract the obstacles brought about by cultural differences and the decline in the world trade. Technological influence is unique in the sense that it is always progressive unlike the swings in economic and political factors. International trade can regress, and regional integration agreements can be annulled (e.g., Brexit). However, technological tools connecting consumers across borders keep creating more influence opportunities among consumers. Through advanced technology, consumers have easier access to knowledge, and higher exposure to information.

Respectively, a new form of globalization is on the rise. This new globalization is more about knowledge transfer and less about world trade (Baldwin, 2016). Through knowledge flows of the new globalization, consumers across markets are likely to merge their consumption habits. Companies are competing more to design products and services for global acceptance. Cross border differences become negligible due to dynamic interactions between firms and customers in global markets (Akaka, Vargo, & Lusch, 2013; Douglas & Craig, 2011). These fundamental changes in the global business environment foster the coevolution of consumers, leading to an emphasis on the convergence of international markets.

In sum, divergence advocates focus on either culture or the recently diminishing trends in globalization. Studies focusing only on a subset of the driving factors risk generating biased conclusions in terms of convergence of world markets. A major problem with the ongoing convergence versus divergence controversy lies in studies taking a single perspective on the issue. In this study, we address this concern by taking a comprehensive view of the convergence issue in the context of consumer spending habits. We believe that technological improvements combined with the coevolutionary processes in international markets generate a convergence trend in consumer spending that overcomes the barriers of sociocultural influence and the recent declining world trade. Yet, this question can only be answered by future empirical studies.

Recently, the debate over the future of globalization has been increasing. Although the current political arena is likely to generate drawbacks in the globalization process, the forces of globalization continue to evolve in other domains due to raising innovation, technology, and prosperity (King, 2017; E. X. Li, 2016). Even though protectionist policies are on the rise, the next generation of consumers are likely to be borderless in the consumption arena. Products and services, consumption patterns, demand types of consumers around the world are likely to be similar in today’s digital world markets. Thus, we believe that convergence of consumer spending will continue to increase despite divergence forces in other areas.

We predict that the future of convergence of consumer spending mainly depends on two factors: (i) level of integration of the world markets, and (ii) attitude of younger generations. First, the level of integration is already high for most of the advanced markets, but emerging markets have recently started to develop globalization capabilities (Ghemawat & Altman, 2013). So, the future of the convergence trend depends on how much integration progress the emerging markets will show. Second, we predict that the attitude of younger generations will bring changes in favor of the convergence of world markets. Younger generations are more world-minded than older generations all over the world (Cleveland et al., 2009). They are open to consuming global goods, traveling abroad, and using global media and communication tools. With increasingly globalized new generations, world markets are likely to converge more in the future.

IMPLICATIONS

Theoretical Implications

The present study addresses a neglected, yet important topic of convergence in the international business literature. It lays the foundations for future studies on the convergence of consumer spending. Most importantly, we address the puzzle of convergence versus divergence in the modern world economy. The recent concerns over the end of globalization have implications in many areas of research (Sinkovics, Kurt, & Sinkovics, 2018; Yayla, Yeniyurt, Uslay, & Cavusgil, 2018). We discuss the convergence phenomenon in consumer spending behavior considering the shifts and movements of globalization forces. We distinguish the forces that are prone to divergence, crossvergence, and convergence in the new globalization trend. This new perspective will contribute to the new wave of market globalization discussions that have been evolving since the 1980s (T. Li & Cavusgil, 1995). It is a timely addition on a substantial topic in the international marketing literature.

Furthermore, we use a new theoretical perspective in our conceptual framework to explain the process of convergence. We introduce the coevolution theory, which is well established in the natural science and organizational science, into the marketing literature. The coevolution perspective is relevant to entities that evolve with their environment. Similar to organisms in biology and institutes in organizational sciences, consumers represent entities that evolve in response to changes in their environment. Coevolution involves interaction in knowledge, learning, demand, behavior, strategy, and tactics (Malerba, 2006). Thus, it is necessary to extend the coevolution theory from natural science to socioeconomic context, including not only organizations but also consumers. Our extension of the coevolution theory in the international marketing literature provides new opportunities to explain other social aspects of consumer behavior such as purchasing motives, shopping patterns and cross-cultural evolution.

Moreover, marketing and management literatures have examined the convergence phenomenon mainly in the context of cultural values. We take a different aspect of convergence that is captured through spending behavior of consumers. We argue that convergence occurs in terms of consumer spending, however this does not necessarily mean that consumers converge in spending behavior at the expense of their cultural identities. We acknowledge that cultural values can still be diverging (De Mooij & Hofstede, 2002), or at least consumers can still embrace their national cultural values (Beugelsdijk, Maseland, & Hoorn, 2015) while simultaneously converging toward similar spending behavior and similar product purchases. For example, more consumers across nations are likely to spend on smartphones or certain brands such as iPhone, but they can still keep their cultural identities and values. What we propose in this study is not convergence of consumer spending at the expense of cultural convergence, but convergence of consumer spending while simultaneously conserving cultural identities.

Managerial Implications

It is imperative for international marketers to track the behavior of consumers across markets. Consumer behavior is not static; it is constantly changing over time. As a result, previously distinct customer segments can become similar over time. Instead, similar segments can become dissimilar. Thus, to have a forward-looking perspective for marketing and business planning purposes, it is important for companies to track the trends of consumer behavior and identify converging or diverging segments. Our conceptual framework provides firms with guidelines to be proactive in their international marketing strategy decisions. International marketers and managers can monitor homogenizing countries, and select the markets that are increasingly leaning toward consuming similar products and services to their own offerings.

Recognizing the similarities among markets is also important for companies to develop their international marketing strategies (Day, Fox, & Huszagh, 1988; Helm & Gritsch, 2014; Levitt, 1983; Ozsomer, Bodur, & Cavusgil 1991; Özsomer & Simonin, 2004; Sethi, 1971; Sriram & Gopalakrishna, 1991; Yip, 1995). When similarities increase and consumer tastes turn more homogeneous worldwide, global standardization strategies become more feasible (Sheth, 1986). Companies selling to the world markets using standardized strategies have cost advantages (Jain, 1989; Levitt, 1983). Indeed, the fit between marketing strategy and context becomes crucial for companies (Busnaina & Woodall, 2015). Especially when there is a fit between a firm’s environmental context and international marketing strategy choice, standardization strategies result in superior performance (Katsikeas, Samiee, & Theodosiou, 2006). Standardization provides companies with a consistent international image, rapid diffusion of products internationally, greater control and coordination, and reduced costs (Jain, 1989; Neff, 1999; O'Donnell & Jeong, 2000; Özsomer & Simonin, 2004; Szymanski, Bharadwaj, & Varadarajan, 1993; Walters, 1986; Yip, 1989). Because of such benefits, companies should identify markets with converging consumer tastes so that they can benefit the positive performance implications of using standardized global marketing strategies for converging markets.

Yet, we should note that the convergence trend alone does not help to determine the international marketing strategy. The degree of cultural diversity in a country and how it interacts with the convergence drivers provide further guidance to the choice of international marketing strategy. The ultimate choice will depend on multiple additional factors other than the convergence trend, including specific conditions in home and host markets, and firm-level factors. Situation specific factors such as the nature of the product or service, target market characteristics such as age and gender, and firm specific factors such as firm resources and capabilities need to be accounted for in determining the international marketing strategy. The convergence framework proposed in the current study provides a general guideline on the choice of international marketing strategy at the country level.

Furthermore, firms should consider the impact of the convergence trend on their market performance. It is inevitable for the convergence trend to generate an impact on businesses. Leading firms are likely to gain more market share because of consumers emulating each other. In particular, global brands are likely to gain the most market shares because convergence arises with cosmopolitanism, and cosmopolitan consumers are prone to purchasing global brands. The returns to being a global brand will be higher with the expansion of the convergence trend. However, in markets where global brands are not available, the most sought-after local brands are likely to gain market shares. More popular elements spread at the expense of less popular elements (Harton & Bullock, 2007). In the end, crowds attract more crowds for leading firms. Thus, the most popular brands are likely to reinforce their leading positions with convergence.

Small firms with less demand in a converging market will need to track the convergence trend more closely. To mitigate the risks of convergence on small firms, managers can consider attracting thought leaders and influencers to reach masses. Converging markets may also present barriers of entry to new firms because of increasingly stronger market leaders. In this case, converging markets may not be as attractive for market entry.

In summary, identifying convergence and divergence trends in consumer expenditures provides companies with guidance for market entry and expansion decisions. Companies can benefit from tracking convergence by targeting markets that are becoming more similar in terms of consumer spending habits over time. Adopting standardization strategies in homogenizing countries gives companies a competitive edge through reduced costs and increased efficiencies. Our study provides a comprehensive view of convergence of consumer spending which can prove to be a useful guide for companies in monitoring the convergence trends across markets.

LIMITATIONS AND FUTURE RESEARCH

The convergence phenomenon is inherently a very comprehensive topic. A main limitation results from the broad nature of the topic. There are numerous factors interacting with the convergence phenomenon. Our study provides the most relevant aspects of convergence related to consumer spending based on an integration of perspectives from multiple disciplines. However, future studies can bring in new perspectives and key constructs to the debate on the convergence of consumer spending.

Moreover, the present study adopts a conceptual positioning on the convergence topic. A promising future research avenue relates to empirical examination of this study. Using our conceptual framework, future studies can provide new insights by empirically testing our propositions. There are ample opportunities for researchers to empirically test our conceptual framework in terms of drivers, moderators or outcomes, in multiple industries, or in different regions.

However, we should note that, a limitation lies in the context-dependent nature of the topic. Given the dynamic shifts in the economic power of countries, potential future empirical analyses may result in different outcomes in different market contexts or different time frames. Dynamic nature of consumer spending makes the conclusions of empirical studies highly context-dependent. This may be the reason of the perpetual debate on convergence versus divergence in other fields as well. Nevertheless, our conceptual framework is likely to remain as a common, unifying, and relevant guide for any future empirical study on the convergence of consumer spending.

Another future research opportunity lies in defining multiple levels of units of analysis for our conceptual framework. Initial empirical studies can consider per capita consumer expenditure on a product category in a country at a given time as the unit of analysis. However, a deeper future investigation can examine per capita consumer expenditure by deciles for each country. A decile-level comparison across countries can provide more insights. Differential convergence patterns can arise across deciles of national markets.

Finally, this study provides a framework on convergence across countries. However, the dynamics of convergence within countries can be different than those across countries. Multiple disciplines provide arguments for both the convergence and divergence perspectives related to consumer behavior across countries. A within-country perspective of convergence of consumer spending would add more insights to the convergence topic because countries are composed of historically, culturally, or administratively distinct geographic areas. In particular, emerging markets include high levels of within-country heterogeneity in consumer spending. Emerging markets are rapidly transforming with fast growth, but their growth is not equally distributed over the population. Although emerging markets have been experiencing rapid growth, within-country transformations may look very different. The growth factors influencing the globalized cities in emerging markets may not be as accessible to many underdeveloped regions of emerging markets. Future studies considering the heterogeneity within countries will undoubtedly enrich the convergence debate.

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Table 1. Convergence Perspectives in Diverse Disciplines

Field	Specific topics in convergence	Theory	Assumptions	Studies
Economics	Convergence of per capita income	Neoclassical growth theory	Diminishing returns to capital	J. G. Williamson (1996) Solow (1956) Swan (1956)
Economic Psychology	Convergence of psychology	Bandwagon effect	The more demand of a product, the more others use it	Leibenstein (1950)
Sociology	Convergence of societies and institutions	Modernization theory	Urbanization, industrialization, education, technology cause transition from traditional to modern	Inkeles (1998)
		McDonaldization thesis; Weberian theory of rationalization	Characteristics of fast-food restaurants dominate the societies	Ritzer (1998, 2008)
Political Science	Convergence of political and economic values	Convergence theory	Industrialization	Kerr, Dunlop, Harbison, & Myers (1960) Seita (1997)
Management	Convergence of cultural values	Crossvergence hypothesis	Convergence is economic ideology-driven; divergence is culture-driven	Ralston, Holt, Terpstra, & Kai-Cheng (1997)
Marketing	Convergence of consumer tastes, needs and wants	Convergence theory; global citizenship; global consumer culture	Globalization, converging incomes, media and technology lead to homogenization of consumer behavior	Levitt (1983); Jain (1989) Steenkamp & De Jong (2010) Strizhakova, Coulter, & Price (2008) Yoo, Donthu, and Lenartowicz (2011) Leeflang and Van Raaij (1995) Sheth (2011); Ganesh (1998)

Table 2. Divergence Perspectives in Diverse Disciplines

Field	Specific topics in divergence	Theory	Assumptions	Studies
Economics	Divergence of per capita income across countries	New endogenous growth theories	Spillover effects, positive externalities	Capolupo (1998) Piketty (2014)
Economic Psychology	Divergence of psychology	Snob effect	The less demand of a product, the more others use it	Leibenstein (1950)
Sociology	Divergence of societies and institutions	Modernization theory	Different forms of modernity	De Mooij (2010)
Political Science	Divergence of political and economic values	Great Divergence	Emphasized civilizational identities; increasing income inequality	Huntington (1987, 1993) Piketty (2014)
Management	Divergence of cultural values	Crossvergence hypothesis	Convergence is economic ideology-driven; divergence is culture-driven	Ralston, Holt, Terpstra, & Kai-Cheng (1997)
Marketing	Divergence of consumer tastes, needs and wants	Convergence theory; the diffusion of innovation theory	Culture becomes more prevalent as incomes converge; differences exist in international growth of new products	De Mooij (2010); Stremersch and Tellis (2004) Johansson (2002, 2009)

Figure 1. Conceptual Framework for Convergence of Consumer Spending