Customer loyalty & face concerns

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Customer Loyalty & Face Concerns

Differences between Eastern (Chinese) and Western (Dutch) Consumers

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Chapter 1

Introduction

1. INTRODUCTION

1.1 INTRODUCTION

If a person who had visited China in 1976 (the year Mao Zedong died) were to visit China today, he or she would probably ask in wonder, "Is this even the same country?"

In 1980s, when China had just opened its domestic market to the outside world, few products and brands were available there, and Chinese consumers could satisfy only their most basic needs (Schmitt, 1997)—mostly in the same ways (Zhang, van Doorn, & Leeflang, 2012). Thriftiness was a prized traditional cultural value (Chinese Cultural Connection, 1987), and many people continued to use products as long as they were in functional condition. Everyone wore the same blue cotton pants and jackets, inspiring the French journalist Robert Guillain to remark that China was the land of "blue ants."[1] A few vehicles moved along the streets; tens of thousands of bicyclists dressed in those blue cotton outfits silently peddled to and from their destinations (Chao & Myers, 1998). Almost every household owned the same "Youngjiu" (*forever*) bicycle and "Hudie" (*butterfly*) sewing machine. Marketing literature from 1980s thus portrayed Chinese consumers as thrifty, utilitarian (Wang & Lin, 2009), and interested in satisfying basic physiological needs (Gong, 2003). Western consumers in contrast were presented as sophisticated and conscious of brand names (e.g., Tan & McCullough, 1985).

In 1990s, with the transitional surge toward a market economy, department stores and shops proliferated and international marketers entered the Chinese market. In response Chinese consumers started to express genuine enthusiasm for and loyalty toward foreign brands. They came to enjoy their consumption, dressing colorfully, having a quick snack at KFC or McDonald's, and singing at karaoke clubs (Chao & Myers, 1998). However, older Chinese consumers still remained faithful to the brands popular in the 1930s—Bayer, Kodak, and Camay, for example (Baiyi, 1992)—leading to an early observation that the Chinese "are the world's most loyal customers" (Crow, 1937, p.17). Relevant marketing literature in the 1990s focused on consumer loyalty (see Hu, Shanker, & Hung, 1999; Leung, Li, & Au, 1998; Zhang, 1996), noting that Chinese consumers tended to purchase the same brands (Palumbo & Herbig, 2000), whereas Western consumers represented the lifestyle innovators and early adopters of new products, who exhibited less brand loyalty (Townsend, 1991) and placed more emphasis on their personal tastes and hedonic experience (Liao & Wang, 1998).

In 2000s, the rapidly emerging middle class[2] and increasing disposable income have led to the disappearance of some time-honored consumer behaviors, such as thriftiness (Wang & Lin, 2009). Modern Chinese consumers seek instead to improve their self-image and social status

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[1] See Robert Guillain, 600 Million Chinese (New York: Criterion Books, 1957), ch. 8.

[2] The middle class implies annual household incomes exceeding RMB 250,000 (He, Zou, & Jin, 2010).

through consumption, which can enhance their "face" (i.e., self-image and/or status earned in a social network). It is no longer rare to find young Chinese girls who have saved their salaries for three months to buy a Louis Vuitton handbag, to give the impression that they come from a wealthy family or have a rich boyfriend (Windle, 2005). Louis Vuitton bags, Cartier watches, Dior perfume, Armani suits, and other luxury items have found fans among China's thirty-something crowd (Wang & Lin, 2009). The German luxury carmaker BMW saw sales in China jump by 44 percent in June 2009, even as U.S. sales were falling more than 20 percent (Knowledge@Wharton, 2009). In response to these new developments, marketing literature in the 2000s featured a growing body of studies of face concerns (e.g., Bao, Zhou, & Su, 2003; Bolton, Keh, & Alba, 2010; Chan, Wan, & Sin, 2009; Li & Su, 2007), highlighting how Chinese consumers emphasize the social functions of consumption more than their Western counterparts.

In general, in 1980s, due to a shortage of resources, Chinese consumers' loyalty was constrained to national brands, and back at that time owning these brands was considered to provide face. In 1990s and 2000s, a growing number of foreign brands entered the Chinese market, and foreign brands were perceived as more fashionable and more advanced in technology than national brands. As a consequence, Chinese consumers' loyalty switched from national to foreign brands, Chinese consumers being keen to purchase foreign brands to show or enhance their face. Hence, Chinese consumers' loyalty and face have changed dramatically over time, along with consumption situations and the environment. In 2010s, some noticeable changes in Chinese consumer behaviors include a growing tendency toward materialism (Swanson, 1995), hedonic consumption (Wang et al., 2000), and individualism (McEwen et al., 2006). These new circumstances prompt some interesting questions too: Are Chinese consumers still more loyal than their Western counterparts? Is their loyalty driven by different factors? When and how do face concerns affect Chinese consumers' purchase intentions? To address these questions, this dissertation considers two highly relevant issues for marketing in China: customer loyalty and face concerns. We return to this issue in more detail below.

In a cross-cultural comparison, this study collected new data from China and the Netherlands, across multiple industries, with the goal of shedding more light on changing Chinese consumer behaviors in relation to customer loyalty and face concerns. From an economic perspective, China and the Netherlands represent two typical examples of distinct economies (emerging market vs. developed market). From a cultural perspective, China represents a typical example of an Eastern, collectivistic culture, whereas the Netherlands offers a credible representative of a Western, individualistic culture (Hofstede, 1980). According to Triandis and Gelfand (1998), China is a vertical (emphasis on hierarchy), collectivist society, whereas the Netherlands is a horizontal (emphasis on equality), individualist society. People from vertical cultures tend to focus on enhancing the status of their collectives (Shavitt et al., 2006) and view people with higher status as superior to those with low status (Liao & Bond, 2010),

which encourages attention to social comparison information (Goldsmith, Flynn, &Kim, 1999) and thus should increase face concerns. In a horizontal culture, people tend not to stand out and view themselves as equal to others (Triandis & Gelfand, 1998), which may reduce their face concerns, because of the relatively minimal attention they pay to social comparisons. As exemplars of these opposite poles, China and the Netherlands[3] represent one of the most and one of the least face-concerned cultures, respectively. The reminder of this chapter introduces the relevant concepts that underlie this thesis, viz, customer loyalty and face concerns, before offering an outline of the overall dissertation.

1.2 CUSTOMER LOYALTY

Customer loyalty is a central strategic objective and focus for marketing (Selnes, 1993). It can be defined as "a deeply held commitment to rebuy or repatronize a preferred product/service consistently in the future, thereby causing repetitive same-brand or same brand-set purchasing, despite situational influences and marketing efforts having the potential to cause switching behavior" (Oliver, 1999, p. 34). Because loyal customers are less expensive to serve (Shugan, 2005), tend to buy and pay more (Seiders et al., 2005), and spread positive word of mouth (Reichheld & Sasser, 1990), the primary marketing activities of a firm tend to be viewed in terms of developing, maintaining, or enhancing customers' loyalty toward its products and services (Dick & Basu, 1994).

Previous literature offers diverging evidence and views regarding Chinese customer loyalty. Some researchers (e.g., Kale & Barnes, 1992; Lowe & Corkindale, 1998) claim that compared with Western consumers, Chinese consumers tend to exhibit more loyalty, because their high uncertainty avoidance and long-term orientation (i.e., emphasis on continuity) leads them to resist change and reduces the likelihood that they will terminate valued relationships. A recent survey (Customer Loyalty Study, 2013) confirms the strong brand loyalty among Chinese consumers; more than half the respondents (58%) believed it paid off to be loyal to their favorite brands. However, other researchers (Sun, Horn, & Merritt, 2004) note that compared with Western consumers, Eastern consumers such as Chinese and Japanese consumers express greater eagerness to switch to other brands. Uncles, Wang, and Kwok (2010) also posit that the exclusive brand loyalty of Chinese consumers is eroding; just because Chinese consumers are brand conscious, it does not mean they are brand loyal (Annual Chinese Consumer Study, 2010). An early study across four major Chinese cities indicated that loyalty levels for products such as instant noodles, chewing gum, and skincare products could be quite low (Bates, 1998). Still lacking are clear insights into Chinese consumers' loyalty intentions toward services.

Limited evidence suggests that consumers do not become loyal the same way across different cultures (Lai, Griffin, & Babin, 2009). For example, empirical studies show that brand equity is the strongest driver of loyalty for U.S. chain restaurants (Hyun, 2009). A study among

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[3] Apart from economic and cultural perspectives, I compare China and the Netherlands also for practical reasons.

Korean consumers instead reveals that brand image, perceived service quality, and perceptions of switching costs better determine loyalty (Kim et al., 2004). In European retailing, value equity and brand equity have relatively greater impacts on loyalty intentions than relationship equity (Vogel et al., 2008). Research examining Turkish mobile communications consumers suggests that service quality is a necessary but insufficient condition to create loyalty (Aydin & Ozer, 2005). Generally, Asian cultures regard less tangible characteristics (e.g., salesperson relationships) as more important (Mattila, 2001).

Using new data, Chapter 3 investigates whether Eastern (Chinese) consumers are more loyal than Western (Dutch) consumers for service providers. We also investigate how Chinese consumers' loyalty intentions are effected differently by value equity, brand equity, and relationship equity than the corresponding loyalty intentions of Dutch consumers.

1.3 FACE CONCERNS

Now, I am going to turn to the other central concept within this dissertation: Face.

1.3.1 Face and Culture

Face refers to "the public image created, which enables a person to receive praise from others" (Goffman, 1955, p. 213). It is referred to by various names, such as *mianzi*, *mentsu*, *gesicht*, *gezicht*, and face in Chinese, Japanese, German, Dutch, and English, respectively. Face has strong conceptual links with the notion of a "looking-glass self" (Qi, 2011). Regardless of their cultural background, people cannot simply disregard the opinions or appraisals of others in developing their own self-understanding (Qi, 2011). Thus, concern for face exists across cultures (Goffman, 1955; Oetzel et al., 2001; Liao & Bond, 2010). Face concerns can be divided into two types: self-face and other-face (Ting-Toomey & Kurogi, 1998). Self-face is the concern for one's own image, and other-face is the concerns for another's image. Across this universal feature though, people from collectivistic cultures have greater sensitivity or concerns for face than people from individualistic cultures. In collectivistic (vs. individualistic) cultures, people are more likely to see themselves as part (vs. independent) of one or more collectives (e.g., family, coworkers, tribe, nation) (Triandis, 1995) and are more likely to develop an interdependent (vs. independent) self-view (Shavitt et al., 2006). In turn, collectivists tend to express greater concerns for face than individualists do, because they are more likely to relate their own face to their collectives' face and assign more weight to others' comments (please also see Section 4.2.2). Indeed, many studies (Chan et al., 2009; Hwang et al., 2003; Li & Su, 2007; Liao & Wang, 2009) affirm that collectivists are more concerned with face and score higher on measures of face concerns than individualists do. Japanese consumers are reported having higher levels of social anxiety (i.e., about their public appearance) than do Americans (Abe, Bagozzi, & Sadarangani, 1996). In China, people confront face-related issues nearly every day, involved with greetings, shopping, invitations, and so forth (Li & Su, 2007). Chinese people always greet one another with an acknowledgement of their

official positions, such as "Head Li" or "President Wang." A survey of Chinese businesspeople in Hong Kong thus consistently cited face as an important consideration in professional interactions (Redding & Ng, 1982).

1.3.2 Face and Price

In a consumption context, face can be reflected by consumers who buy and consume products in their effort to construct and display their own self-image, which in turn can induce positive comments or recognition from others (Wang & Zhang, 2011). The rapid economic development of China has transformed consumption into one of the easiest way to show face. Wang and Lin (2009) call it "cultural renaissance" in China wherein Chinese people have increasingly demand their traditional culture components such as face to be part of their consumption experience. For example, if an administrator takes his or her subordinates to dinner, it offers the subordinates face; the administrator also gains face by paying the bill (Li & Su, 2007). Rado watches (priced US$270–2400) appear on the wrists of not just high officials but also, and perhaps even mostly, taxi drivers and farmers. Even as they complain about the waste of time, money, and energy, Chinese families spend huge sums of money on weddings. Face motivations also explain why consumers will pay more for gifts with fancy packaging, even if the product offers quality equivalent to that of a less expensive item, and why some Chinese men consume both high and low priced cigarettes: they smoke low-priced cigarettes when smoking alone, but they use high-priced ones when smoking with others, to give an impression of generosity or wealth and thus enhance face.

Some researchers (e.g., Bao et al., 2003; Li & Su, 2007; Song, 2012; Wong & Ahuvia, 1998) suggest that high face concerned consumers purchase more high-priced options (i.e., price–face link). By advertising their wealth, people who engage in high-priced consumption can achieve greater face, since financial wealth and a willingness to share it is related to an individual's desirability (Kenrick et al., 2001). Imagine a cheap, sweet wine that the consumer likes and an expensive, dry wine with a taste that the consumer does not particularly like. High face-concerned consumers choose the latter, at least when consuming in public (Liao & Wang, 1998). A survey of young China urban residents shows that more than 60% were willing to spend more to save face (McEwen et al., 2006).

Having noted Chinese consumers' strong emphasis on face, some MNCs already have incorporated this concept into their marketing strategies. Luxury car manufacturers such as Audi, BMW, and Volvo offer extended car models specifically for the Chinese market, where consumers believe that the bigger the car, the more face it provides (Liu & Bai, 2008). Larger car models grant Chinese consumers more psychological satisfaction (i.e., face), beyond any of their requirements for comfort (Liu & Bai, 2008).

1.3.3 Face and Cross-Cultural Marketing

Although face exerts a powerful influence on consumption, especially in collectivistic cultures, the concept overall has not been used widely to distinguish people from different cultural backgrounds in cross-cultural literature. Individualism and collectivism (Hofstede, 1980) or independent and interdependent self (Markus & Kitayama, 1991) constructs are more common in cultural classifications (Shavitt et al., 2006). As discussed in Section 1.3.1, face relates to and, in some ways, constitutes these constructs. Compared with individualist–collectivist and self-construal theories, face theory can establish a clearer understanding of certain cultural and consumer phenomena, as noted previously in Section 1.3.2.

In fact, face has become a frequent concept in cross-cultural communication/psychology research. Ting-Toomey and Kurogi (1998) propose face-negotiation theory, which has served to help researchers examine the influence of face during personal conflict (e.g., Oetzel & Ting-Toomey, 2003; Oetzel et al., 2001). However, face remains insufficiently studied in cross-cultural marketing literature, prompting more calls for relevant research in marketing and consumer behavior fields (e.g., Bolton et al., 2010; Zhou & Nakamoto, 2001). Indeed, in the marketing discipline, only a few studies address face and luxury consumption (e.g., Liao & Wang, 2009), face and service failure (e.g., Chan et al., 2009), face and price fairness (e.g., Bolton et al., 2010), and how face influences consumption (e.g., Li & Su, 2007). However, these studies about face are rather brief, and our perusal of the literature that has made reference to this topic suggests that face is not thoroughly understood. Moreover, research into when face affects consumers' purchase intentions and insights in terms of how face should influence marketing mix strategies is limited. Finally, though current face theory serves to explain Asian consumers' strong demands for luxury products, despite their relatively low income level (Ram, 1989), it is unclear whether ordinary products with relatively higher prices, instead of absolutely high prices, might elicit face concerns too.

This study therefore proposes face as a key variable that can explain much of the complexity of Chinese consumer behavior. Could different consumers make completely different judgments of the same product, according to their own perceptions of its contribution to their face? Why might the same consumer choose a cheap restaurant when eating with close friends but an expensive one with colleagues? It is also unclear whether the price–face link extends naturally to significant brand–, distribution–, or promotion–face links. We address these questions in Chapter 4; despite their importance for success in the Chinese market, they have not been addressed by face theory yet. The results of this dissertation thus offer insights for MNCs that seek to adjust their marketing mixes to appeal to Chinese consumers.

1.4 STRUCTURE OF THE DISSERTATION

This dissertation aims to provide insights in two important elements of marketing in China: customer loyalty and marketing mix–face relations, from a cross-cultural perspective. The following sections contain previews of the chapters; Figure 1.1 provides a visual display of the relationships among the different chapters, and Table 1.1 summarizes the main classifications and descriptions of the studies.

Table 1.1: Classification and description of the three studies

	Chapter 2	**Chapter 3**	**Chapter 4**
Research aim	Literature survey of marketing in China	Culture, customer equity drivers, and loyalty intentions	Face concerns and purchase intentions
Data	Secondary data	Attitudinal survey data of banking and supermarket customers	Experimental studies
Sample size	Studies about China's marketing mix: 1980 to present	1553 Chinese and 1085 Dutch consumers	Study 1a: 45 Chinese and 45 Dutch students; Study 1b: 45 Chinese and 45 Dutch students; Study 2a to 2d: 72 Chinese and 72 Dutch students
Methodology	Literature survey	Multivariate regression analysis and hierarchical linear model	ANOVA, linear regression, logistic regression analysis, and moderated mediation analysis

Figure 1.1: Overview of studies

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                        ┌─────────────────────┐
                        │     Chapter 2       │
                        │   Review on the     │
                        │ marketing mix in China │
                        └─────────────────────┘
                                  │
          Loyalty          Marketing mix-face
                                relations
   ┌───────────────┐                        ┌────────────────────┐
   │   Chapter 3   │                        │     Chapter 4      │
   │  Cultural     │                        │  Face concerns and │
   │  differences  │                        │  purchase intentions: │
   │  in customer  │                        │  A cross-cultural  │
   │  loyalty      │                        │  perspective       │
   │  drivers      │                        └────────────────────┘
   └───────────────┘
      Customer acquisition/retention      Marketing mix strategy in
      strategy in Eastern/Western cultures   Eastern/Western cultures
                   ┌─────────────────────┐
                   │     Chapter 5       │
                   │ Conclusions & Future │
                   │     research        │
                   └─────────────────────┘
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1.4.1 Chapter 2: Review of China's Marketing Mix

As emerging markets evolve from the periphery to the core of marketing practice (Sheth, 2011), many papers and books about Chinese consumer behavior and Chinese markets have emerged, however, with divergent views and results. Zhou and Nakamoto (2001) find that young Chinese consumers are less price conscious than their U.S. counterparts, and other studies indicate that Chinese consumers have lower price consciousness and value-for-money orientations than U.S. consumers (e.g., Bao et al., 2003; Lupton, Rawlinson, & Braunstein, 2010). Other studies instead show that Chinese consumers are highly price sensitive (e.g., Ackerman & Tellis, 2001; Dickson et al., 2004). Furthermore, previous overviews on China's market have either targeted practitioners or focused on only one marketing mix element (Gao, 2008; King & McDaniel, 1989; Roby, 1980). Sheth (2011) published are view on emerging markets as a whole, where China is only part of the story. It thus seems necessary to collect and review available academic research on all marketing mix variables and separate what is known from what has only been conjectured. The first study of this thesis (Chapter 2) aims to provide a comprehensive review of current knowledge about the changing Chinese market, identify existing gaps in knowledge, and outline future trends and research directions. The main research questions of Chapter 2 are as follows:

- *What are the main developments in Chinese consumer behavior, including in their responses to marketing efforts?*
- *What trends and research gaps pertain to China's marketing mix?*

In an attempt to answer these research questions, Chapter 2 first provides a summary of the developments and outcomes of publications in consumer and marketing journals over the past 30 years. The framework focuses on the marketing mix variables: product/brands, price, advertisement, distribution, and sales promotions. Then we highlight several future research directions, derived from a thorough review of prior literature. Chapter 2 thus provides an overall picture of China's marketing mix and Chinese consumers' responses to marketing efforts.

1.4.2 Chapter 3: Cross-Cultural Differences in Customer Loyalty Drivers

The study in Chapter 3 offers a further examination of the future direction on brand loyalty, as well as a direct response to calls for research that "empirically validates in what kind of cultures various (loyalty) drivers are more important or less important and why" (Rust et al., 2004, p. 123). The main research question for Chapter 3 thus is:

- *Does the importance of value, brand, and relationship equity for customer loyalty (in service industry) differ between Eastern and Western cultures?*

Value equity refers to customers' objective assessments of the utility of a good/service, based on their perceptions of what they must give up compared with what they receive (Rust et al., 2004). Brand equity involves customers' subjective assessments of the perceived value of the brand (Lemon, Rust, & Zeithaml, 2001). Relationship equity can be defined as the tendency of the customer to stick with the company/brand (Lemon et al., 2001). We hypothesize and expect that the positive effect of value equity on loyalty intentions is stronger in Western societies than in China (H1), but the positive effect of brand equity (H2) and relationship equity (H3) on loyalty intentions should be stronger in China.

Data were collected from consumers in two industries: banking (relationship-based) and supermarkets (transaction-based), across two countries: China and the Netherlands. To this end, we used two samples of 1553 Chinese and 1085 Dutch consumers, respectively. Using multivariate regression analysis and a hierarchical linear model, we find that Eastern (Chinese) consumers in general have higher loyalty intentions than Western (Dutch) consumers. All three customer equity drivers also appear to exert a greater impact on loyalty in Western than in Eastern cultures.

1.4.3 Chapter 4: Marketing Mix–Face Relations

Chapter 2 concludes that Chinese consumers, probably due to their face concerns, are less price sensitive than Western consumers, emphasize prestige in their channel choices more, and are less responsive to sales promotions. In Chapter 4, using Internet-based experiments, we study the moderators of marketing mix–face relations. Specifically, our research focus is on the impact of product visibility (cell phone vs. mattress), product tangibility (watch vs. musical), and social presence (stranger vs. acquaintance vs. close friend) on the relationship between face concerns and purchase intentions for high-priced options (as well as for name-branded products, products

without price discounts, or shopping at specialty stores). The main research questions are as follows:

- *Does product visibility, product tangibility, or social presence moderate the relationship between face concerns and purchase intentions for a high-priced option (i.e., the price–face link)?*
- *Do distribution–, brand–, or promotion–face links exist? Does social presence moderate the relationship between face concerns and purchase intentions for name brand products, products without price discounts, or products available in specialty stores?*

We predict that compared with consumers with less face concern, the purchase intentions of consumers with more face concern for a high-priced option should be higher for publicly consumed products (Study 1a), material products (Study 1b), or when an acquaintance is present (Study 2a). This investigation also tests the relationship of face with other marketing mix variables by considering whether consumers with more face concerns tend to shop at specialty stores (Study 2b), buy brand name products (Study 2c), or buy products with no price discounts (Study 2d), especially if an acquaintance is present.

To test the hypotheses, we classify high versus low face concern, using two means: nationality (Chinese vs. Dutch) as a proxy for face concerns[4], and directly using individual's concern for face (hereafter, CFF) score. We use three dependent measures for purchase intentions: (1) purchase likelihood (seven-point Likert scale), (2) purchase probability (points), and (3) purchase choice between high- and low-priced options. Accordingly, we use multiple methods (ANOVA, linear regression, logistic regression, and moderated mediation model). We also test different purchase scenarios, such as buying a cell phone, mattress, watch, or tickets to a musical, and different consumption contexts, such as when a stranger, acquaintance, or close friend is present. The sample size for each experiment can be found in Table 1.1.

In general, we find that Chinese consumers are more likely to choose a high-priced or name brand option than Dutch consumers, regardless of product visibility, product tangibility, and social presence. Also, 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. We did not find support for any of the moderating effects of product visibility or social presence. The discussion focuses on the reasons for these insignificant effects.

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[4] In accordance with previous research (e.g., Chan et al., 2009), we operationalized high and low face concerns using nationality as a proxy in this study. Nationality is a reasonable proxy for face concerns, because as substantial research has demonstrated (e.g., Hwang et al., 2003; Liao & Wang, 2009; Oetzel & Ting-Toomey 2003; Zane & Yeh 2002), high face concern is more characteristics of collectivist cultures, whereas low face concern tends to pertain to individual cultures. Nationality is frequently used to represent culture (Schaffer & Riordan, 2003).

Chapter 2

Changing Consumer Markets and Marketing in China[*]

2.CHANGING CONSUMER MARKETS AND MARKETING IN CHINA

"China is a sleeping giant.… If it wakes, it will shake the world."

—Napoleon Bonaparte

2.1INTRODUCTION: RISE OF CHINESE CONSUMER MARKETS

Marketing is a contextual discipline (Sheth & Sisodia, 1999; Zinkhan & Hirscheim, 1992), and a key modern context is the rise of emerging markets such as China (e.g., Gu, Hung, & Tse, 2008). According to International Monetary Fund 2008 data, China is already equivalent to the United States in terms of its market power on the purchasing power parity index. China's increasing importance is reflected in not only its massive population and production market—the largest in the world—but also the great growth in its consumer markets. It is the most or second-most important market for many major U.S. and European companies, including Intel, Apple, and Dell. Apple quadrupled its sales to China, from $3 billion to almost $13 billion from 2010 to 2011 (Rein, 2012; p. 12). The nation's 350 million-strong middleclass, and more than one million millionaires (Sheth, 2011), also continue to grow in size. The U.S. Department of Economic Analysis concurs that real Chinese consumer spending has grown at an average annual rate of 10% for the past decade—the fastest in the world and much faster than in the United States.

But as a consumer market, China has been influential only in recent years. In the 1980s, compared with Western markets, few products and brands were available there, and Chinese consumers could satisfy only their most basic needs (Schmitt, 1997). By the 1990s, Chinese consumers rarely made independent consumption choices but rather adhered to majority opinions. In the 2000s though, individualism became increasingly widespread in Chinese consumers' behavior, leading to the arrival of the modern Chinese consumer market (Zhang, 1996).

This emergence is largely the result of China's changing economic, demographic, and socio-cultural environment in the wake of reforms and the open-door policy, launched in 1978. From the 1980s to 2000s, Chinese people's individual annual income increased nearly tenfold: from an average of US$309 in 1980 to US$2,940 in 2008 (China Statistical Yearbook, 2010). Moreover, changing demographic considerations, such as single child laws, shifting age segments, and delayed marriage tendencies, have significantly influenced the consumer market (Tai & Tam, 1997). Finally, in terms of socio-cultural trends, Chinese consumers often respond to products that fill their socio-cultural needs, such as prestige or conformity. These developments all highlight the uniqueness and complexity of Chinese consumer markets.

Its remarkable growth also has attracted many multinational corporations (MNCs), including around 200 of the top 500 global companies that supply goods and service to the

Chinese population. Yet despite the promise of this emerging consumer market, many MNCs continue to face stiff competition, unstable environments, and escalating costs—which means few of them are profitable (Rheem, 1996). Well-known firms have scaled back or withdrawn (Cui & Liu, 2000), such as Best Buy, quitting the China market in 2011. The overall picture suggests that MNCs have achieved limited success in penetrating local markets (Prahalad & Lieberthal, 1998), possibly because of their failure to develop sufficient knowledge about changing Chinese consumer market and Chinese consumer behaviors. They assumed China was a homogeneous market, Chinese consumers were price-sensitive, and local companies can't create brands, or won't be able to offer what they do (Rein, 2012; p. 12), which prevented them from assessing market demand accurately or enacting effective marketing mix strategies (Cui & Liu, 2000).

In this Chapter, we address this situation in the pursuit of two main objectives:

1. Highlight developments in Chinese consumer behavior, including responses to the marketing mix (product, price, distribution channels, advertising, and sales promotions).
2. Formulate and develop directions for research that will lead to insightful implications.

Through our literature review, we propose that Chinese consumers, as compared with Western consumers, should exhibit higher brand loyalty, lower price sensitivity when the products are visible, and they are less responsive to promotional activities. When it comes to Chinese consumers' responses to channel choices with social presence, they put higher emphasis on face (i.e. self-image and/or status earned in a social network) than Western consumers. This situation reveals insights into how Chinese consumers' mind-sets are changing, in parallel with the changing practice of marketing, which have important implications for both marketing scholars and marketers.

2.2 CHARACTERISTICS OF EMERGING MARKETS

China is one of the most important emerging markets. To facilitate understanding about the characteristics of Chinese consumer behavior, we will first briefly discuss the five characteristics (see Figure 2.1) of emerging markets identified by Sheth (2011).

Market heterogeneity. Since markets are local, fragmented, low scale, and mostly served by owner-managed small enterprises, emerging markets tend to have very large variance relative to the mean across almost all products and services (Sheth, 2011). Contrary to conventional knowledge that a differential advantage strategy results in better margins or profits for the firm, how a firm standardizes and aggregates demand across thousands of rural villages and remote locations (i.e., a standardized strategy) is best for growth and survival within emerging markets (Sheth, 2011).

Unbranded competition. Many products and services are still not available in rural markets due to lack of access, poor infrastructure, and higher cost of doing business. Consequently, as much as 60% of consumption in emerging markets so far has been for unbranded products and

services (Sheth, 2011). This suggests that market creation and market development may be more necessary and potentially more profitable than market orientation. Furthermore, this market environment may have encouraged consumers in emerging markets form the general belief that a cheap price means poor products.

Sociopolitical governance. Markets are more governed by sociopolitical institutions and less by competition. Thus, it is not unusual to find many government-owned and -operated enterprises serving the markets with monopoly powers, such as CNOOC, a energy company in China. Such an environment makes it difficult for a new entrant to break into these markets.

Chronic shortage of resources. Emerging markets tend to have chronic shortage of resources in production, exchange, and consumption. This means innovating low-cost, affordable products and services that are consumption efficient is important.

Inadequate infrastructure. Infrastructure includes not only psychical roads, logistics, but also market transaction enablers such as point-of-sale terminals, and basic banking functions. While the large metro areas may have adequate infrastructure, in general this is not the case in rural area. Therefore, nontraditional channels and innovative access to consumers may be necessary and profitable in emerging markets.

Figure 2.1: Five characteristics of emerging markets (Sheth, 2011; p. 168)
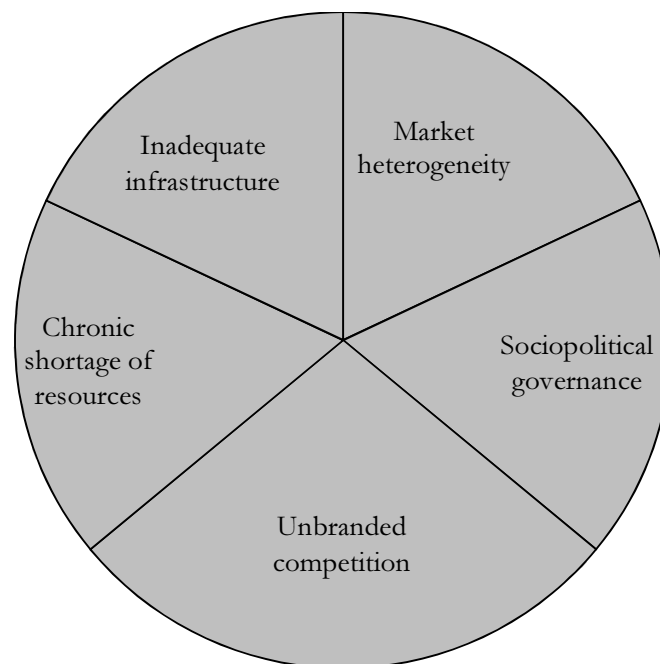
2.3 CHARACTERISTICS OF CHINESE CONSUMER BEHAVIOR

Compared with Western consumers, Chinese consumers behave differently in several ways. In Western cultures, customers tend to focus on their personal preferences when choosing brands (Reykowski, 1994) and usually pay more attention to intrinsic attributes (e.g., quality), whereas

Chinese customers tend to select brands for their prestige (Wong & Ahuvia, 1998) and attend to extrinsic attributes (Belk, 1988). In service settings, Western consumers rely on concrete evidence (De Mooij, 2003), such as task completion, efficient delivery, or time savings; Chinese customers tend to pay more attention to the quality of the interactions between service persons and customers (Riddle, 1992). Alden, Steenkamp, and Batra (1999) report that people from Western cultures also prefer advertisements with individualistic appeals, such as those that symbolize the importance of enjoyment, cost savings, and individualism. Chinese consumers, who come from a collectivist culture, instead favor advertisements with collectivistic appeals that signify family values, tradition, or technology. Liu, Furrer, and Sudharshan (2001) find that Chinese customers have a stronger tendency to offer praise if they receive positive service quality but do not complain, even if they receive poor service quality.

Explanations for these differences usually refer to Chinese cultural values, such as Hofstede's (2001) five cultural dimensions or Chinese traditions. Hofstede's five cultural dimensions are individualism–collectivism, uncertainty avoidance, power distance, masculinity–femininity, and long- versus short-term orientation. In terms of Chinese traditional cultural values, for example, mianzi, literally translated as "face", is a well-documented, traditional Chinese cultural value that strongly affects Chinese consumers' behavior; it refers to a sense of favorable social self-worth that a person wants to possess in relational and network contexts (Goffman, 1967). The high level of face concerns might explain why China has become the second largest market for luxury products, even when average income remains relatively low. Brand consumption offers an important means to keep, save, and gain face (Liao & Wang, 2009), which reflect social and interpersonal rather than private needs (Wong & Ahuvia, 1998). The concern for face increases consumers' brand consciousness and belief that price equals quality; it negatively influences a price consciousness or value-for-money orientation (Bao, Zhou, & Su, 2003). Thus, some Chinese consumers appear to sacrifice basic necessities so that they can afford luxuries (Cui & Liu, 2000).

Compared with elderly Chinese consumers, younger people have different consumption habits and also behave differently, including in their media consumption (Zhang, 2010). Some research proposes a strict division, based on age, between those who grew up under Mao Zedong and those who grew up under Deng Xiaoping (e.g., Cui & Liu, 2000). Chinese people who were 35 years or older in 2011 grew up under Mao's (1949–76) socialist regime and experienced the Cultural Revolution, which increased their price sensitivity and rejection of conspicuous consumption (Anderson & He, 1998). However, younger people who grew up under Deng's (1978–97) economic reform and open-door policy are more influenced by fashion and Western products (Lin, 1985). Zhang (2010) refers to these Chinese consumers as Generation X—a bicultural group that incorporates both individualist and collectivistic cultural values, as summarized in the following snapshot:

Strolling down Shanghai's boulevards, one sees well-dressed young Chinese constantly talking on their mobile phones, switching easily between English and Chinese. They jam the city's Western-style bars and discos. They work at Internet startups or at the Western firms. They are ambitious and confident. They are aged 18-35, and they are the rising middle-class in China (TIME Asia, 2000).

Beyond age distinctions, the huge geographic reach of China means that it encompasses great regional diversity. Cui and Liu (2000) classify China into two main markets: growth (East and South) and emerging (North, Central, and Southwest). Chinese consumers' lifestyles and consumption behaviors differ significantly between these two markets. For example, those from South and East China adopt new products faster and have a greater tendency to emphasize conscious consumption than do consumers from other regions in China.

2.4 REVIEW OF THE "MACRO MARKETING MIX"

We briefly describe developments in the macro marketing mix in China, including trends related to products, prices, distribution efforts, advertising, and sales promotions at the national, aggregate level (Leeflang & van Raaij, 1995).

2.4.1 Product/Brand Decisions

Before 1978, limited products were available on the Chinese market. The rapid increase in consumer purchasing power since 1978 has driven up sales of many consumer goods. According to the China Statistical Yearbook (2010), total sales of consumer products reached $1450.6 billion in 2009, a remarkable increase of 8400% compared with 1978 figures. In this section, we discuss Chinese consumers' purchase decisions in general, as well as their specific preferences for foreign, national, and private-label products/brands.

Table 2.1 provides a summary of prior literature related to Chinese consumers' product/brand choices. Most studies investigate factors that might influence product purchase intentions (e.g., Cui & Liu, 2000; Hsu & Lai, 2008; Lupton, Rawlinson, & Braunstein, 2010; O'Cass & Choy, 2008; Zhou & Wong, 2004).

Brands play an important role in Chinese consumers' purchase decisions, because brand consumption offers an important method for Chinese consumers to keep, save, and gain face (Liao & Wang, 2009). Brand consumption serves not just material needs but also more social needs, including the desire to establish favorable social self-worth and be respected in relation to others (Ting-Toomey & Kurogi, 1998). Thus prior research consistently confirms the importance of brands in Chinese consumers' purchase decisions (e.g., Henderson et al., 2003; Zhou & Wong, 2004).

Moreover, compared with Western consumers, Chinese consumers tend to exhibit higher brand loyalty, because their high uncertainty avoidance and long-term orientation, which emphasizes continuity, leads to resistance to change and reduces the likelihood that consumers

will terminate valued relationships (Kale & Barnes, 1992; Lowe & Corkindale, 1998).A global consumer loyalty report (ACNeilsen, 2013) affirms that Chinese consumers' brand loyalty is the highest in the world, especially for telecom brands (China 90% vs. global average 76%), personal electronic appliance brands (China 81% vs. world average 68%), home electronics (China 84% vs. world average 72%), and e-retailers (China 71% vs. world average 60%). Jung and Shen (2011) similarly indicates that U.S. consumers exhibit lower brand loyalty scores than Chinese consumers. Other marketing scholars argue that brand loyalty is gradually declining in both the United States and Europe (Johnston, 1984; Kapferer, 2005). Therefore, Chinese consumers, compared with Western consumers, tend to have higher brand loyalty. However, this trend may not apply as powerfully to young Chinese consumers, who are highly influenced by Western ideas of individualism and hedonism (Durvasula & Lysonski, 2010) and thus appear to change their brand choices more often than their older counterparts (McKinsey, 2010).

Ongoing debate rages about Chinese consumers' preferences for foreign brands (e.g., Zhang, 1996; Zhou, 2008). Usually consumers in developing countries (such as China) seem to have favorable attitudes toward foreign brands, which provide symbols of prestige (Batra et al., 2000). In support of this tendency, since the reform and open-door policy initiated and especially since China's entry into the World Trade Organization (WTO), the market has attracted more and more foreign companies. Before 1979, only 20 foreign countries had registered trademarks in China, with a total of 5,130 recordings. At the end of 2002, the number of countries represented reached 129, and the number of registrations was 192,999, or 37 times as many (Trademark Office of the State Administration for Industry & Commerce of China, 2011).

However, as national brands improve their quality and advertising techniques (Thorelli, 1998) while still offering lower prices, such that they are more competitive with foreign brands whose symbolic value is fading, Chinese consumers' consumption of national brands is likely to increase. A resurgent nationalism, partly fuelled by rapid economic growth, also portends the shift away from foreign and toward domestic brands (Bi et al., 2012). Finally, recent scandals, such as a rate of fluorine in Unilever's Lipton instant tea that exceeded permitted levels and suspicions of carcinogens in Colgate toothpaste, may be affecting the images of foreign brands. A recent survey shows that in the 4G cell phone market, Apple's market share puts it in third place, for the first time, after decreasing to 15.7%; the national brand Coolpad tops the market with a share of 23.1% (SINO Market Research, 2012). This combined evidence suggests that Chinese consumers generally are moving away from foreign brands, in favor of national brands.

With regard to private labels though, in a comparative sense, the penetration of private-label products is surprisingly low in China. Developed countries have witnessed a steady increase in the share commanded by private-label brands; in the United Kingdom, for example, private-label brand share rose from 21.5% in 1980 to 43% in 2010, and Belgium witnessed growth from 11.4% in 1983 to 40% in 2010 (Lamey et al., 2007; Private Label Yearbook, 2011).

Switzerland 46%, US 17%, Australia 14%, whereas in Asia it is significantly lower with Hong Kong and Singapore taking the lead with five percent and three percent respectively (Nielsen Report, 2009). In the mainland China, private labels accounted for only one percent share within all fast moving consumer goods products and 0.3 percent within the personal care segments in 2008, even though it was introduced over five years ago (Nielsen Report, 2009). Few local department stores have their own private labels, and in the grocery sector, whereas most Western hypermarkets own private labels, few local Chinese supermarkets do. Carrefour's 435 private-label products thus accounted for 14% of the total sales of private labels in China in 2006 (CTR Market Research, 2006). Even in this relatively small market of private labels, category variability is limited. The main private-label categories include bread, edible oil, and tissues. Finally, awareness of private labels is very low among Chinese consumers; research conducted by ACNielsen (2005) shows that 49% of respondents knew nothing of private labels. Hsu and Lai (2008) take a unique, cross-cultural perspective to examine Chinese consumers' preferences for national brands versus private-label brands, as well as the nature of their expectations. They find that compared with U.S. students, Chinese students generally do not adopt private-label brands.

The underdevelopment of private-label products in China might stem from various reasons. From a supply-side perspective, the concentration of retailers in China is lower than in many European countries(e.g., Germany, Switzerland, the Netherlands) and the United States. China's market features more than 3.3 million fast moving consumer goods stores, but it still lacks substantial national retail chains (Nielsen Report, 2009). This low retail concentration in turn might lead to insufficient R&D and quality control systems, which are required to support private-label product offers (Wang, 2006). Although introducing private labels could grant retailers more direct profits, they also must make substantial initial investments and take on inventory risk, which likely discourages Chinese retailers from developing private labels. From a demand-side perspective, Chinese consumers' lack of trust in private-label products might be the biggest obstacle, as exemplified by widespread food safety concerns that get actively spread by the media after scandals, such as the recent contaminated milk problem. Also, face concerns could be responsible for the underdevelopment of private-label products. That is, Chinese consumers are sensitive to the use of well-known brand names (Sudhaman, 2004), because their brand consumption helps them keep or gain face (Liao & Wang, 2009). Private-label products cannot meet these social needs, so Chinese consumers likely view them as inferior to national brands, with the potential to cause a loss of face (i.e., "People who buy private label products would not want their friends to know"; Lupton et al., 2010).

Yet in the long run, private labels might find some promise in China. First, as large retailers start to build trust among Chinese consumers, and the differences in perceived quality between private-label and national brands decrease, private-label products likely will gain broader acceptance in China (Retailing in China, 2011). For example, Watsons has more than 2000

Watsons-labeled products, accounting for about 20% of all the products it sells. Second, Chinese consumers appear to be growing increasingly rational in their consumption choices (McKinsey report, 2010), so private-label products and their good price-to-quality ratio should represent appealing choices. Third, Chinese consumers tend to sacrifice on the basics so they can afford luxuries (Yau & You, 1994). To enable their brand consumption for visible products, they likely curtail their expenses on privately consumed products, by buying less, lower quality, or more private labels. Specifically, when Chinese consumers choose to spend more in a category they value, they trade down in one or more less compelling categories (McKinsey report, 2010). Therefore, we anticipate that Chinese consumers welcome more private-label products in privately consumed product categories.

2.4.2 Price Sensitivity

Price is a multidimensional stimulus for consumers; it affects purchase intentions both positively (e.g., quality and prestige) and negatively (e.g., economic sacrifice) (Dodds, Monroe, & Grewal, 1991). In the past decade, the general price level in China has been increasing approximately four times faster than it did in the 1980s, with annual inflation rates reaching up to 17% in 1995 (China Statistical Yearbook, 2006). Beyond absolute price levels, managers and researchers also are interested in assessing consumers' price sensitivities, which should determine their strategic and tactical decisions. Many researchers thus have attempted to determine Chinese consumers' level of price sensitivity (see Table 2.2).

From a theoretical point of view, economic development has an undoubtedly important influence on price sensitivity (Tse, Belk, & Zhou, 1989), and Chinese people's income per person has increased enormously since 1978. With increasing income, their price sensitivity overall should be declining, though at a cross-country level, Chinese consumers are still members of a developing economy and thus might be relatively more price sensitive (Zhou & Nakamoto, 2001) than consumers in developed economies. Prior research confirms this relation: Some studies show that Chinese consumers are highly price sensitive (e.g., Ackerman & Tellis, 2001; Dickson et al., 2004), especially compared with U.S. and Japanese consumers (Meng & Nasco, 2009). Empirical evidence also shows the opposite trend (e.g., Bao, Zhou, & Su, 2003; Lance et al., 2004; Li & Su, 2007). Zhou and Nakamoto (2001) find specifically that Chinese consumers are less price conscious than their U.S. counterparts, and other studies indicate that Chinese consumers have a lower price consciousness and value-for-money orientation than U.S. consumers (e.g., Bao et al., 2003; Lupton et al., 2010). In this thesis (Chapter 4), we spend ample attention to price sensitivity.

Socio-demographic traits, and age in particular, also appear to influence Chinese consumers' price sensitivity. Due to the one-child policy launched in 1980, many Chinese families have one child surrounded by two parents and four grandparents. These adults usually are much less price sensitive when buying for their children, rather than for themselves (Zhu, 2013). In

such a setting, it is reasonable to infer that China's younger generations exhibit lower price sensitivity than the older generations. Moreover, younger Chinese consumers, who have received more education and earn higher incomes when they enter the workforce, are greatly influenced by Western cultural values, such as individualism, consumerism (Arnett, 2002), and hedonism (Durvasula & Lysonski, 2010). A recent survey reveals that about 80% of people buying luxury items in China are 45 years or younger (Country Commercial Guide for U.S. Companies, 2012). Older consumers instead continue to emphasize thrift as a virtue and criticize conspicuous consumption. Thus, Qiu (2011) proposes that older Chinese consumers value price over quality, whereas younger generations appear increasingly willing to pay premiums for higher-end products. We conclude in turn that younger Chinese consumers exhibit lower price sensitivity than older Chinese consumers.

Cultural values can affect Chinese consumers' price sensitivity. Strong evidence indicates that the social need for face is a cornerstone of Asian cultures (Li & Su, 2007). Such social needs cause Chinese consumers to relate price and face very closely (Li & Su, 2007); as Bao, Zhou, and Su (2003) show, face negatively influences price consciousness and value-for-money orientations. Meng and Nasco (2009) also confirm that Chinese consumers have significantly lower price sensitivity than U.S. consumers. Yet face only functions in relation to more visible forms of consumption (Liao & Wang, 2009), not for non-visible consumption (Lowe & Corkindale, 1998), because at its core, face entails a public, social self-image (Chan, Wan, & Xin, 2010). Chinese consumers differ substantially in their attitudes and behaviors toward publicly versus privately consumed products (Ackermana, 2001). For publicly consumed goods, and especially gifts, Chinese shoppers are not frugal, because they use the high prices to build their face or symbolize their wealth and status. In contrast, for privately consumed products, they are price-conscious, pragmatic shoppers (Li & Gallup, 1995). Doctoroff (2013) confirms that Chinese people are extremely price sensitive inside the home. Thus Zhu (2013) summarizes the situation: If a brand can signal a high social status, Chinese consumers are happy to pay a premium, but if it doesn't, they become very price sensitive. We therefore expect Chinese consumers' (compared with Western consumers') price sensitivity to be lower for publicly consumed products.

2.4.3 Distribution Channels

Distribution is a critical success factor that dictates the market share of a firm. Before 1986, as much as 80% of all goods in China were distributed through state-owned marketing channels (Luk & Li, 1997). The implementation of a series of reform programs, such as the legalization of private enterprises since 1988 (Deng, Wang, & Alon, 2011), drastically changed the distribution system in China, creating a new pattern of multichannel competition (Luk, 1998). Now wholesale and retail sectors feature grocery and other stores, supermarkets and hypermarkets, and free markets selling diverse consumer products throughout China.

Table 2.3 lists prior research into Chinese consumers' attitudes toward distribution developments. Some academic interest has focused on structural changes to marketing channels (e.g., Jiang & Prater, 2002), whereas other studies focus on Chinese customers' channel choices (e.g., Tse & Yim, 2001).

Regional disparities in economic infrastructure and consumer purchasing power largely determine China's distribution channel structures. We particularly expect channel structural imbalances between first-tier cities (e.g., Beijing, Shanghai, Guangzhou) and relatively poor inland cities (e.g., Cui & Liu, 2000; Jiang & Prater, 2002; Luk & Li, 1997). Therefore, a distribution strategy that works in one region may not translate into success in another. The array of regional disparities warrants a localized approach to distribution strategies; Unilever successfully introduced its Wall's Ice Cream in Beijing and Shanghai with distribution vehicles adapted to their local environments (Cui & Liu, 2000).

Economic and technology development may influence Chinese consumers channel choices. This is reflected by the increasing popularity of e-commerce. According to the Chinese Data Center of Internet (2008), at the end of 2007, the number of Internet shoppers in China exceeded 55 million, 7 times as many as that of 2002. ACNielsen research shows that while the average flow of daily visitors in hypermarkets such as Wal-Mart or Carrefour, is around 0.15 million people, 9 million people have access to "Taobao" every day, a Chinese C2C web site for online shopping, similar to eBay, Rakuten and Amazon, equaling the number of visitors of 600 hypermarkets. Indeed, more and more Chinese customers tend to involve in both online and offline channels within a single journey to purchase.

Cultural factors such as face concerns also might affect Chinese consumers' channel choices. According to face theory, Chinese consumers pay attention to their own face but also are sensitive to granting face to others. When purchasing or consuming with others, Chinese consumers carefully judge the value of the products or services involved, to show off their face or enable others to feel they have achieved face (Li & Su, 2007). Specialty stores provide better service, a nicer store image and environment, higher quality, and greater product assortment (Huddleston, Whipple, & Mattick, 2009). Because the perceived value thus is higher in specialty stores, Chinese consumers likely shop at these stores, especially in others' presence (i.e., social presence). Furthermore, specialty stores target affluent customers (Huddleston et al., 2009). Therefore, shopping at specialty stores can signal the consumer's income level and further enhance her or his face. In turn, we predict that in social presence settings, Chinese consumers (vs. Western consumers) are more likely to choose specialty stores.

2.4.4 Advertising Persuasiveness

Advertising, once viewed as an insidious capitalistic tool, was banned during the Cultural Revolution (1966–76). Since 1979 though, the advertising industry has been growing, such that annual expenses jumped from US$5,331 million in 1998 to US$74 billion in 2009 (CTR Media

Research, 2009). Now, advertising has become one of China's fastest-growing industries. According to Nielsen Media Research, the U.S. ranked first in advertising in 2005, and China ranked third, after only the United States and Japan (China Advertising Yearbook, 2006).

We summarize studies related to Chinese consumers' advertising preferences in Table 2.4. Most studies (Cui & Yang, 2009; Pae, Samiee, & Tai, 2002; Zhang, 2010) investigate ad persuasiveness; they show that Chinese consumers generally prefer foreign sourced, standardized (Zhang, 2010), collectivistic (Cui & Yang, 2009) appeals in commercials that feature Chinese models and avoid sex appeals (Pae et al., 2002).

Demographics, and age in particular, again should influence Chinese consumers' preferences in this field. Abundant literature describing the growth of China's economy affirms that Chinese society has witnessed a significant increase in the frequency and intensity of its contact with Western cultures (e.g., Naito & Gielen, 2005). Acculturation (defined as "the general processes and outcomes of intercultural contact," Berry, 1997, p.8) thus occurs both in the real world and through virtual reality (Jensen, 2003). Younger Chinese consumers, with their greater media exposure, participation in social networks, and better mastery of English, are more acculturated with Western social beliefs and values than older Chinese consumers, though they still maintain many traditional Chinese values (Zhang, 2010). Not surprisingly, research shows that Chinese younger consumers are equally persuaded by collectivistic and individualistic ad appeals; their older counterparts are more persuaded by collectivistic than individualistic appeals (Zhang, 2010).

Regarding the influence of culture on Chinese consumers' advertising preferences, we expect that advertisements for publicly consumed products, such as automobiles, focus more on prestige. Such publicly consumed products are associated with social status, and "status" can be purchased with publicly consumed products (Chao & Myers, 1998). Chinese consumers seek to build their self-image and ideal-self through publicly consumed products (Liao & Wang, 2009), so prestige-focused advertising that emphasizes status should fit well with Chinese consumers' expectations and be more effective. Furthermore, previous research (e.g., Hornikx & O'Keefe, 2009; Zhang, 2004) indicates that advertisements with appeals adapted to the audience's important cultural values are more persuasive and better liked than unadapted ads. When Chinese consumers purchase publicly consumed products, face, as a Chinese cultural value, is a very important factor, so advertisements emphasizing prestige or face should be more effective. Accordingly, car makers such as BMW have positioned their luxury vehicles as status symbols that display the owner as a successful person. Trying to sell a sports car as a toy for thrill-seekers would not work. As Cheng and Schweitzer (1996) find, Chinese commercials resort more often to symbolic cultural values, whereas Western commercials tend to use both symbolic and utilitarian values. Thus we expect that Chinese consumers (vs. Western consumers) evaluate prestige-focused advertisements for publicly consumed products as more persuasive.

2.4.5 Sales Promotion Effectiveness

Sales promotions stimulate consumers to buy more and faster (Ailawadi, Neslin, & Gedenk, 2001). The promotional effort has a significant positive impact on sales and overall customer satisfaction (Baidya & Ghose, 2010). Typical promotional tools include price discounts, in-store demonstrations, coupons, sweepstakes and games, and gifts. ACNielsen (2005) indicates that the top three sales promotions for Chinese consumers are two-for-one offers (38%), price reductions (29%), and more volume for the same price (12%). Lotteries, due to their indirect benefits and uncertainty, do not attract Chinese customers.

Table 2.5 contains a summary of studies dealing with Chinese consumers' attitudes toward sales promotions. Many of them (Kwok & Uncles, 2005; Shi, Cheung, & Prendergast, 2005; Zhou & Wong, 2004) address the effectiveness of different sales promotions. They consistently indicate that promotional effects are moderated by stock-up characteristics (high/low) (e.g., Li & Su, 2007) and product categories (utilitarian vs. hedonic) (Kwok & Uncles, 2005).

Income might be another important factor that influences response to sales promotions. Although the economy of China has enjoyed a great progress in the last two decades, compared with consumers from developed countries the great majority of Chinese people still have low incomes (Emery & Tian, 2010). Households with the highest incomes only accounted for 10 percent of the total population, with these annual disposable incomes averaging less than 44,000 RMB (about $6500 USD) (China Statistical Yearbook, 2013). Chinese consumers with less income likely are more responsive to sales promotions than are comparable consumers in developed countries. However, the empirical results reveal no significant difference in responses to sales promotions between Chinese and Australian consumers (Kowk & Uncles, 2005). This counterintuitive result calls for future research.

Cultural factors such as face concerns and risk aversion, also might affect consumers' responses to sales promotions. With their high face concerns and risk aversion, we expect that Chinese consumers are less responsive to sales promotions in public consumption or gift-giving situations, because they likely regard sales promotions as signs of "cheapness" or "low class" (Ndubisi & Moi, 2005). Anderson and He (1998) also propose that Chinese consumers regard price discount sales as the seller's effort to get rid of poor quality inventory. Kashani and Quelch (1990) report that Asian consumers express embarrassment at redeeming coupons. Accordingly, with social presence, Chinese consumers appear unlikely to purchase promotional items, for fear of losing face. Without social presence though, we expect Chinese consumers to prefer promotional items, because the promotion can help them budget for purchases of expensive brands in categories which are more relevant in public consumption contexts. In turn, we propose that: with (vs. without) social presence, Chinese consumers are less likely to buy promotional items.

2.4.6 Future Research Directions

Although a substantial body of research exists on China's marketing mix, we outline some possible and promising research directions:

Brands. Relatively few empirical studies test whether, as theory suggests, Chinese consumers' brand loyalty is higher than Western consumers'. Do different drivers motivate Chinese consumers' brand loyalty? Furthermore, not much is known about whether Chinese consumers tend to move away from foreign brands in favor of Chinese brands. Ideally, studies would employ longitudinal data to verify the existence of such tendency. Finally, as noted, the penetration of private-label products is very low in China, but we still do not understand why or where the potential for private-label growth is greatest. Do cultural factors such as face affect Chinese consumers' choices of private-label products? Might product visibility moderate Chinese consumers' brand choices?

Price sensitivity. Multiple studies have investigated Chinese consumers' price sensitivity, without reaching consensus. Some pressing questions need to be answered: Does product visibility moderate the relationship between culture and price sensitivity? Compared with Western consumers', is Eastern, Chinese consumers' price sensitivity lower for publicly (vs. privately) consumed products?

Distribution channels, advertising, and sales promotions effectiveness. Situational factors such as social presence and their impacts on consumers' channel choices are not well understood. Do Chinese consumers (vs. Western consumers) evaluate face-oriented advertisements as more effective when they tout publicly consumed products? Does social presence moderate Chinese consumers' purchase intentions toward promotional items?

2.5 CONCLUSION AND LIMITATIONS

We examined extensive existing literature related to Chinese consumers' responses to marketing activities and formulated several directions. However, we acknowledge several limitations to our approach. First, we attempt to capture the most meaningful generalizations about each element of the marketing mix for researchers and marketing managers, but the scope of each element is of course very broad. For example, the influence of culture on Chinese consumers' channel choice, reflects our assessment of a unique, important phenomenon in China; other important issues clearly exist (e.g., young Chinese consumers may engage in e-commerce more than older Chinese consumers), but we did not take this into account because age-based differences in e-commerce seem to represent a worldwide phenomenon). Second, the future directions have not been tested yet. Thus, collecting cross-cultural and longitudinal data and using more comprehensive methods to empirically test those directions are desirable. Finally, like most studies of Chinese consumers, this paper has focused on urban/overseas residents. However, the diversity with respect to access to products and services tends to be enormous between urban

and rural households (Sheth, 2011). As the rural economy continues to develop, studies of rural consumers could make significant contributions (Cui & Liu, 2000).

In summary, after more than 30 years of reform and an open-door policy in China, the developments in its economic, demographic, and socio-cultural environment have affected marketing decisions considerably. In this Chapter, we have captured some of the unique phenomena and shifting traits of this emerging consumer society, in constant transition.

Table 2.1: Overview of product decision research

Study	Context / (countries)	Method	Main Results
Zhang (1996)	T-shirts and color television (US vs. China)	MANOVA	Products that enjoy a positive country-of-origin image receive more positive ratings from Chinese consumers. Products from Japan and the United States are preferred to those from South Korea.
Cui & Liu (2000)	Unspecified (China)	ANOVA	Consumers from different regions differ significantly from one another in terms of purchasing power, attitude, lifestyles, media use, and consumption patterns. Consumers in South China adopt new and luxury goods fastest, compared with other regions in China. Consumers in East China like lifestyle products, while traditional goods such as refrigerators and color televisions have saturated these regions. Consumers in North, Central, and Southwest China are generally conservative in adopting new products.
O'Cass (2000)	Fashion clothing (China)	SEM	Product involvement acts as an antecedent to purchase decision involvement, consumption involvement, and advertising involvement. Women and young consumers are more involved than older consumers in fashion clothing.
Zhou & Wong (2004)	Toothpaste, shampoo, bottled water, causal clothes, athletic shoes, and cell phones (China)	Regression analysis	Substantial variations appear in purchasing motives across conspicuous versus inconspicuous products, as well as between people with different levels of social compliance tendencies. Chinese consumers' purchase intentions are highly influenced by the motivational factor of perceived brand prestige. The impact of perceived prestige seems more profound for high social compliance people than for their low social compliance counterparts.
O'Cass & Choy (2008)	Fashion clothing (China)	Regression analysis	A consumer's level of involvement has a positive effect on brand-related responses such as perception of brand status and brand attitude. Brand status and brand attitude have positive impacts on a consumer's willingness to pay a premium for a specific brand.
Hsu & Lai (2008)	Packaged food (China)	SEM	Private-label purchases increase when consumers perceive reduced consequences of making a mistake in brand choice in a category; when that category has more search than experience characteristics; and when consumers' degree of price consciousness in the category increases in general.
Elliott, Meng, & Hall (2008)	Retailing/banking (China)	t-test	Chinese consumers exhibit higher levels of discomfort and insecurity and lower levels of optimism and innovativeness with regard to using new technology products.
McGuinness, Campbell, & Leontiades (2010)	Machinery (China, Japan, France, Germany, Switzerland, Italy, UK)	Multiple regression analysis	Strategies based on product quality and service have the greatest impact on preferences. Friendship in the traditional Chinese sense does not seem to be a strong characteristic of these relationships.
Lupton, Rawlinson, & Braunstein (2010)	Food-related private-label and manufacturer brands (US vs. China)	Chi-square and t-tests	Chinese students do not adopt private-label brands as much as U.S. students. Chinese students view private-label products as inferior to manufacturer brands, perhaps due to non-availability, a perception of lower quality, or a desire not to lose face.

Table 2.2: Overview of price sensitivity research

Study	Context /(countries)	Method	Main Results
Anderson & He (1998)	Cameras, cosmetics, fast food, and soft drink consumption (US vs. China)	Discriminant analysis	Brand and appearance are the two most important variables discriminating camera and cosmetics price segments; taste is the most important discriminant for fast food and soft drinks. Higher proportions of the materialistic segment focus on visible product attributes for cameras and cosmetics. A higher proportion of the traditional price-conscious segment buys domestic fast food (lower priced alternative to Western brands) and wants value (durable, quality, less expensive cameras).
Zhou & Nakamoto (2001)	Unspecified (US. vs. China)	SEM	Young Chinese consumers are more prestige sensitive, less price conscious, and less coupon prone than their U.S. counterparts, but they are as value conscious.
Ackerman & Tellis (2001)	Supermarket (US vs. China)	ANOVA	Chinese supermarkets have substantially lower prices across a range of food products than U.S. supermarkets. These differences ranged from 37% for packaged goods of the same brand and size to more than 100% for meats and seafood of the same type and description.
Zhou, Su, & Bao (2002)	Unspecified (US vs. China)	MANOVA	Chinese consumers believe in the price–quality relationship to a lesser extent than U.S. consumers because price information is less credible.
Meng & Nasco (2009)	Unspecified (US vs. Japan vs. China)	SEM	Chinese consumers report significantly higher price and prestige sensitivity, compared with U.S. and Japanese consumers. U.S. consumers show higher levels of proneness effect than Chinese consumers.
Lupton, Rawlinson, & Braunstein (2010)	Food-related private-label and manufacturer brands (US vs. China)	Chi-square and t-tests	U.S. consumers indicate that price has a greater effect on their decision to purchase compared with Chinese consumers.

Table 2.3: Overview of distribution channel research

Study	Context / (countries)	Method	Main findings
Luk (1998)	Household appliances, communication equipment, fashion, shoes, plastic films, agricultural, chemicals, beer, and cosmetics (China)	Conceptual paper	International marketers should avoid a "one channel fits all" mentality. There are opportunities for international marketers to establish massive distribution networks in China, but they should avoid extensive channel overlaps; otherwise, there will be incessant channel conflict.
Luk & Li (1997)	Unspecified (China)	Key informant approach	Among recent developments and emerging trends in China's distribution system, reforms can be defined as operational and structural.
Anderson & He (1998)	Cameras, cosmetics, fast food, and soft drink consumption (US vs. China)	Discriminant analysis	Marketers should have different distribution strategies for Chinese customers of different ages. For younger segments, it is more efficient to distribute at neighborhood stores near schools, universities, and sporting sites. For older segments, it is better to distribute at retail sites identified with social relationships.
Jiang & Prater (2002)	Unspecified (China)	Conceptual paper	The distribution puzzle is that regional protectionism fragments distribution channels throughout China. Three new forces are changing and modernizing China's distribution and logistic system: the booming economy, entering the WTO, and e-commerce.
Laforet & Li (2005)	Online and mobile banking (China)	Hierarchical regression analysis	Four important factors that affect Chinese consumers' choice of online channels are: (1) minimize misuse of credit cards, (2) minimize fraud, (3) make better purchase choices, and (4) maximize access to information.
Bai, Wahl, & McCluskey (2008)	Supermarket (China)	Multivariate probit model	New hypermarkets are competitive supermarkets, but they do not compete much with wet markets and small grocery stores.
Homnurg, Vollmayr, & Hahn (2014)	(China vs. US. vs. Germany)	Multinomial logistic selection model	The establishment of a new channel has a positive impact on firm value. However, reactions to an increase in distribution intensity are largely contingent.

Table 2.4: Overview of advertising research

Study	Context / (countries)	Method	Main findings
Tai & Pae (2002)	Foreign or local advertisements (China)	t-test	Chinese consumers generally prefer foreign sourced, standardized commercials to local ones. Standardized commercials are more likely to gain acceptance for durable products.
Cui & Yang (2009)	Digital camera advertisement (China)	t-test	Chinese consumers respond more favorably to ads with no sex appeals than those using sex appeals in terms of their attitudes toward the ads and brand and buying intentions. They prefer ads featuring Chinese models to those using Caucasian models, even when a strong sex appeal is used.
Zhang (2009)	Body wash, car, and chocolate (China)	ANOVA	Chinese Generation X consumers, with high income and high education, are persuaded by collectivistic and individualistic ad appeals; older consumers are more persuaded by collectivistic than individual ad appeals. These persuasion effects emerged for shared products and not personal use products.
Deleersnyder et al. (2009)	More than two decades of advertising expenditures in 37 countries	Meta-analysis	Advertising behaves less cyclically in countries high in long-term orientation and power distance (such as China), and more cyclically in countries high in uncertainty avoidance.
Zhang (2010)	Body wash, car, chocolate, and frozen food advertisements (China)	ANOVA	Salient self-construals shift toward independence or interdependence in response to individualistic versus collectivistic advertisements. When exposed to individualistic ads, low biculturals responded with more independent self-construals.

Table 2.5: Overview of sales promotion research

Study	Contexts / (countries)	Method	Main findings
Zhou & Wong (2004)	Supermarket (China)	Regression analysis/correlation analysis	The promotional effect (i.e., discounts vs. cheaper prices) and atmosphere effect conveyed by in-store posters (i.e., enjoyment, modern, attractiveness) have significant effects on impulse buying; household income is negatively associated with impulse purchases.
Kwok & Uncles (2005)	Batteries, film, chocolates, and ice cream (Australia vs. China)	Logistic regression	Consumer sales promotions are more effective when they provide benefits congruent with those of the promoted product. Ethnicity does not have a significant impact on responses to sales promotions. Hedonic products are associated with the choice of monetary promotions; utilitarian products are associated with non-monetary promotions.
Shi, Cheung, & Prendergast (2005)	Products/brands in general (China)	ANOVA	Price discounts and buy-one-get-one-free offers are the most effective promotional tools for inducing purchase acceleration, stockpiling, and spending more. In-store demonstrations are mainly effective in encouraging product trial. Coupons are effective for inducing stockpiling and purchase acceleration. Sweepstakes and games are relatively ineffective for generating all types of consumer responses.
Laroche, Kalamas, & Huang (2005)	Fast food restaurant (China)	Paired t-test	Both direct and cross-advertising effects, such as the presence of a coupon for a focal brand positively impact consumers' attitudes and intentions toward that brand.
Li, Sun, & Wang (2007)	Yogurt, cheese, and milk (Singapore)	ANOVA	A consumable nature but not stock-up characteristics affect frame preference. Consumers choose price discounts for low-consumption items and free products for high-consumption items.

Chapter 3

Cross-Cultural Differences in Customer Loyalty Drivers[*]

3. CROSS-CULTURAL DIFFERENCES IN CUSTOMER LOYALTY DRIVERS

3.1 INTRODUCTION

Loyal customers are critical to any firm (Tsai, 2011), in that they are less expensive to serve (Shugan, 2005), tend to buy and pay more (Seiders, Voss, Grewal, & Godfrey, 2005), and spread positive word of mouth (Reichheld & Sasser, 1990). The customer equity literature (Rust, Lemon, & Zeithaml, 2004) suggests that three factors: value equity, brand equity and relationship equity, are of particular importance in building customer loyalty. Previous empirical studies report a positive relationship between the three customer equity drivers and loyalty intentions (Rust et al., 2004; Vogel, Evanschitzky, & Ramaseshan, 2008)—though only in Western countries.

The results of research into Western consumers and their loyalty do not necessarily predict the behaviour of Eastern consumers (Anderson & He, 2006). For example, in Western cultures, customers tend to focus on their personal preferences for brands (Reykowski, 1994) and pay more attention to intrinsic attributes (e.g., quality). In contrast, in Eastern cultures, customers tend to choose brands more for prestige (Wong & Ahuvia, 1998) and attend to their extrinsic attributes (Belk, 1988). When evaluating services, Western consumers tend to rely on concrete evidence (De Mooij, 1998), such as task completion, delivery efficiency and time savings; Asian customers insteadpay attention to the quality of their interactions with   service persons (Mattila, 1999). Alden, Steenkamp, and Batra (1999) report that people from Western cultures also prefer advertisements with individualistic appeals, symbolizing the importance of enjoyment, cost savings and individualism, but people from collective cultures generally favour advertisements with collectivistic appeals, signifying family values, tradition, and technology. More recently, Liu and McClure (2011) find that in Eastern cultures, customers have a stronger tendency to praise when they receive positive service quality but not complain, even if they receive poor service quality.

The validity of applying marketing strategies developed in Western countries to other cultures, especially non-Western ones, is therefore questionable (Clark, 1990). Cui and Liu (2001) observe that many multinational corporations (MNCs) have not reached their projected growth levels in Eastern countries, largely because their marketing strategy failed to adapt to local market conditions. Empirical evidence confirms that the best marketing strategy differs significantly across countries. For example, Brouthers, Werner, and Matulich (2000) find that a superior value product strategy (high quality/low price) performs better in Japan, a premium product strategy (high quality/high price) works better in the European Union, and an economy product strategy (low quality/low price) is most appropriate in the U.S. market. As these examples indicate, developing effective marketing strategies that are sensitive to cultural differences across countries is of considerable importance in the global marketplace (Gürhan-Canli & Maheswaran, 2000).

Yet no empirical evidence confirms whether customer equity drivers are sensitive to culture. A literature review reveals that neither customer equity nor cross-culture research can answer this question. Studies of the impact of customer equity drivers overwhelmingly take place in Western settings. Empirical studies reveal that brand equity is the strongest driver in a U.S. chain restaurant industry (Hyun, 2009). In the European retailing industry, value equity and brand equity have relatively greater impacts on loyalty intentions than relationship equity (Vogel et al., 2008). But the influence of cultural differences on perceptions of customer benefits seems largely ignored. In response, Rust et al. (2004, p. 123) encourage researchers to "empirically validate in what kind of cultures various drivers are more important or less important, and why?" We answer that call by examining whether the link of customer equity drivers and loyalty differs between Eastern (e.g., China) and Western (e.g., the Netherlands) cultures. To this end, we interviewed customers of banks and supermarkets in China and the Netherlands.

Using a sample of 1553 Chinese and 1085 Dutch consumers in the banking and supermarket industries, we find that all three customer equity drivers exert a greater impact in Western than in Eastern cultures. Furthermore, the results show that Eastern consumers in general have higher loyalty intentions than Western consumers. To the best of our knowledge, this study is the first attempt to investigate this issue; its results should help MNCs (especially those in relational or transactional industries), adjust their marketing strategy to appeal to specific target groups in different cultures and thus improve the efficiency of their marketing resources.

The rest of this article is organized as follows: We first present the theoretical background and hypotheses. Next, we present the methods and tests of the hypotheses. We conclude with a discussion of the results and their implications.

3.2 THEORETICAL BACKGROUND

3.2.1 Cultural-Driven Differences in Chinese Consumer Behaviour

The key for explaining cultural differences in behavioural sciences is to focus on cultural values (Bond & Smith, 1996). Perhaps the best known cultural framework is Hofstede's (2001) five-dimensional one: individualism versus collectivism, uncertainty avoidance, long- versus short-term orientation, power distance, and masculinity versus femininity. The first three dimensions have particular significance for consumer behaviour and therefore should be relevant for understanding cross-national variation in the importance of customer equity drivers for loyalty intentions.

Collectivism is the tendency to place group goals above individual goals (Lu, 1998). In a collectivist culture, people tend to behave according to the social norms, whereas people in individualistic cultures value independence and self-sufficiency (Markus & Kitayama, 1991). Compared with Western societies, China is a collectivist society (Hofstede, 2001). Chinese consumers are therefore more likely to be influenced by their reference groups (Li & Su, 2007)

and to favour advertisements with collectivistic appeals (Alden et al., 1999) than their Western counterparts are.

Uncertainty avoidance is defined as the degree to which people in a society tolerate ambiguity and uncertainty or feel threatened by ambiguous situations (Atuahene-Gima & Li, 2002). This concept captures cultural patterns by which people seek stability, predictability, and low stress rather than new experiences (Zhou, Su, & Bao, 2002). Chinese consumers have higher uncertainty avoidance scores than Westerners and therefore are less likely to purchase new products (Lowe & Corkindale, 1998) or less-established brands (Bao, Zhou, & Su, 2003) and more likely to rely on price as an indicator of quality (Shapiro, 1973).

Chinese people have a stronger long-term orientation than Westerners, implying their focus on future rewards (Wang & Sun, 2010). That is, Chinese people put more value on continuity (Lowe & Corkindale, 1998) and long-term relationships. In turn, Chinese consumers tend to be more tolerant of service failures (Chan, Wan, & Sin, 2009) and more brand loyal than Western consumers (Lowe & Corkindale, 1998).

Although the Hofstedian framework has been applied frequently, some researchers (e.g., Zhang, Beatty, & Walsh, 2008) question its applicability beyond its constrained population (IBM employees) and time frame (1968–1973). Perhaps Hofstede's dimensions cannot capture the essence of Chinese culture. Therefore, to understand Eastern and Western cultural differences fully, we also consider two traditional culture-specific values (Faure & Fang, 2008), *mianzi* and *guanxi*, which are especially relevant in our research context.

Mianzi translates literally as "face" and refers to a sense of favourable social self-worth that a person wants to maintain in relational and network contexts (Goffman, 1967). The core of face are social and interpersonal (Liao & Wang, 2009), not private (Wong & Ahuvia, 1998) needs. Compared with Western societies, China is highly face conscious (Liao & Wang, 2009). Persons with high face consciousness usually care about their self-image and others' appraisals (Liao & Wang, 2009). For Chinese consumers, brand consumption is an important tool to keep, save and gain face (Liao & Wang, 2009). Empirical evidence also suggests that face positively affects consumers' brand-conscious orientations (Bao, Zu, & Su, 2003), and therefore, Chinese consumers should be more brand loyal (Kindel, 1983). The question is, however, whether this also holds with respect to the loyalty towards retailers and banks, as we investigate in this study.

Guanxi, literally translated as "relationship" refers to the social links between two persons through a particular bond (Chung, Packer, & Yau, 2010). It originates in a collectivist society, where interpersonal harmony is a highly important value (Gu, Hung, & Tse, 2008). *Guanxi* exists to some extent in every human society, but compared with the Western world, China is a strongly *guanxi*-oriented society (Huang, 2000). Extensive studies (e.g., Abramson & Ai, 1997; Gu et al., 2008) demonstrate that *guanxi* with government officials, which offers a source of social capital (Gu et al., 2008), is a key determinant of business performance in China. Studies of the influence of interpersonal *guanxi* in relationship marketing or customer–company relationships

are relatively limited. Merrilees and Miler (1999) show that the basis of Chinese relationship marketing is firmly rooted in *guanxi*, and relationship marketing elements are more important in China than in Australia. Geddie, DeFanco, and Geddie (2005) reveal that *guanxi* strengthens customer relationship management in the hospitality industry. With regard to *guanxi*'s influence on Chinese consumer behaviour, Kale and Barnes (1992) show that the Chinese attach special importance to human interactions.

Figure 3.1: Conceptual framework
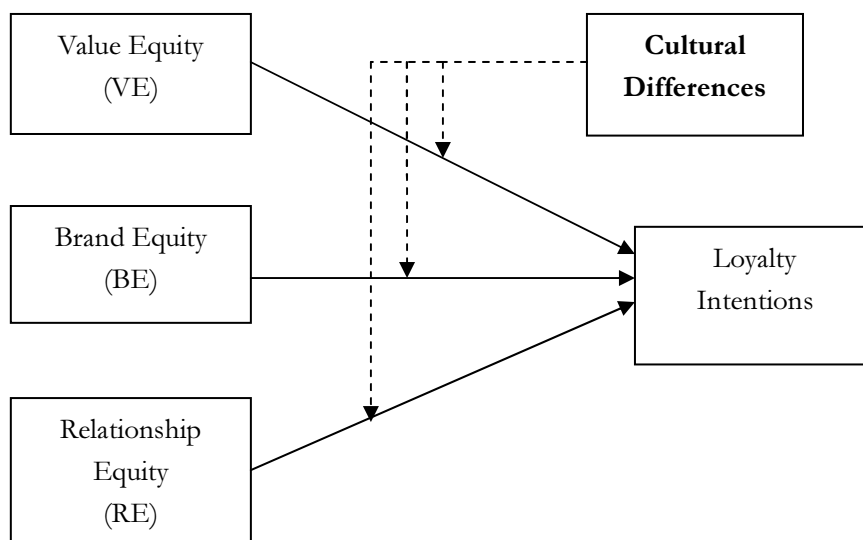
3.2.2 Conceptual Framework

Figure 3.1 represents our theoretical framework. We build the customer equity model of Rust et al. (2004) in which the customer equity drivers (CED's) (value equity, brand equity and relationship equity) are determinants of customer loyalty intentions. Value equity refers to customers' objective assessments of the utility of a good/service, based on their perceptions of what they give up compared with what they receive (Rust et al., 2004). Brand equity involves customers' subjective assessment of the perceived value of the brand (Lemon, Rust, & Zeithaml, 2001). Relationship equity means the tendency of the customer to stick with the company/brand (Lemon et al., 2001). It depends on customers' relationships with sales- and servicepersons, loyalty programs, etc. Finally, loyalty intentions are customers' relative attitudes toward the brand or firm (Dick & Basu, 1994), which offer a good indicator of future sales (Vogel et al., 2008).

Previous studies report that all three customer equity drivers relate positively to loyalty intentions (e.g., Vogel et al., 2008). However, as we discussed in Section 3.2.1, prior literature also suggests that cultural differences might moderate the relationship between customer equity

drivers and loyalty intentions. Therefore, our main interest is in testing whether and how the importance of customer equity drivers varies between Eastern and Western cultures.

3.3 HYPOTHESES DEVELOPMENT

In general, there is hardly any empirical evidence about the importance of CED's on the loyalty to retail organisations such as banks and supermarkets in different cultures. Most relevant literature deals with the role and value of individual brands or specific products in different cultures. The same holds for the relevance and importance of customer-brand relationships. In what follows, we specify expectations and also competing hypotheses, which indicates the explorative nature of this study.

3.3.1 Value Equity and Culture

Value represents a trade-off of the salient give and get components (Zeithaml, 1988). The price-quality ratio is the core of value equity. De Mooij and Hofstede (2011) propose that, in general, Western consumers adopt a rational decision-making style and thus are more price and quality conscious. Empirical evidence indeed finds that consumers in Germany report a high impact of price-quality ratio of service on loyalty (Gerpott, Rams, & Schindler, 2001). Lee and Ulgado (1997) find low price and consistent quality affect U.S. consumer loyalty. Brady, Robertson, and Cronin (2001) also suggest that Western consumers pay more attention to what they receive and what they give up. As for Chinese consumers, Bao et al. (2003) find that Chinese consumers possess a lower price consciousness and value-for-money orientation than U.S. consumers, perhaps because they focus on other issues, such as concern for face or relationships. These social needs may cause Chinese consumers to pay less attention to intrinsic attributes, such as price and quality. Another explanation might be that Chinese consumers, due to the influence of collectivistic culture, are more likely to be affected by group members and are more concerned with others' opinion (Hofstede, 2001). Thus Chinese consumers' evaluations for value equity might be less objective than Western consumers, which might weaken the link between value equity and loyalty intentions. Therefore, we expect that due to the influence of face concerns, collectivistic culture and different decision-making styles, value equity should have less impact on loyalty in China than in Western cultures.

H1: The positive effect of value equity on loyalty intentions is weaker in Eastern than in Western societies.

3.3.2 Brand Equity and Culture

Previous literature on the one hand reveals that brands are especially important in China (Henderson, Cote, Leong, & Schmitt, 2003), because brand consumption enables Chinese consumers to keep, save and gain face (Liao & Wang, 2009). Unlike in Western cultures, brand consumption does not merely meet material needs but also fulfils social needs, the desire for favourable social self-worth and the preference to be respected by others (Ting-Toomey &

Kurogi, 1998). Moreover, Chinese consumers might prefer to consume branded products because of their high uncertainty avoidance, especially in the face of widespread counterfeit products (Fan & Xiao, 1998). Empirical evidence is indeed provided that brands are more important in collectivist than in individualistic societies, especially for visible categories (Kim et al., 2004; Zhang, van Doorn, & Leeflang, 2012). Even for services, Wang, Lo, Chi, and Yang (2004) find that brand loyalty is the most significant influence in the securities service industry of China. Yet, these results are obtained investigating individual brands of goods/services, not retailers.

There is, however, on the other hand also research that demonstrates that consumers from more individualistic cultures have a higher tendency to stick to well-known brand names (Sun, Horn, & Merritt, 2004). Individualism has also been found to be positively associated with brand loyalty (Lam, 2007). From a theoretical perspective, it is suggested that brands are used for social recognition in individualistic cultures (Manrai, Lascu, Manrai, & Babb, 2001). Hence, we propose the following two competing hypotheses regarding the effect of brand equity on loyalty intentions:

H2a(b):   *The positive effect of brand equity on loyalty intentions is stronger (weaker) in Eastern than in Western societies.*

3.3.3 Relationship Equity and Culture

Chinese culture can be characterized as *guanxi-* or relationship-oriented (Huang, 2000). Relationships (*guanxi*) are universal and play crucial, widely accepted roles in people's daily lives (Luo, 2007). Many studies (e.g., Abramson & Ai, 1994; Gu et al., 2008) specify that relationships (*guanxi*) are necessary in business-to-business contexts. Yet *guanxi* may be relevant for service relationships between a company and a customer as well because in business-to-consumer settings, like in retailing, the customer–company relationship also involves an interpersonal level. In particular, consumers from Asian countries should appreciate the quality of their interactions with employees. For instance, Low, Lee, and Cheng (2012) find that Taiwanese consumers, especially females, bring this idea into shopping by establishing and cultivating personal relationships with service persons so that they may become one of in-group members and get preferential treatments (e.g., discount, lower prices, free gifts or services). Tai (2008) find that Chinese consumers prefer closer relationships with salespersons and are more likely to shop at stores where the salespeople know their names. In addition, Chinese consumers are high risk aversion, which indicates that when facing risk-taking decision such as brand switching, their perceived risk is higher than that of Western consumers (Erdem, Zhao, & Valenzuel, 2004), and therefore the relationship between Chinese consumers and a brand should be sticker than that of Western consumers. Indeed, many researchers argue that cultures with high uncertainty avoidance (e.g., China) resist change and thus are not likely to terminate valued relationships (e.g., Kale & Barnes, 1992). Also, other studies confirm the relevance of relations in cultures which

are collectivistic (De Mooij & Hofstede, 2011), with a high uncertainty avoidance (Money, Gilly, & Graham, 1998) and a long-term orientation (Lowe & Corkindale, 1998). Hence we expect that relationship equity should have a stronger impact on loyalty intentions in China than in Western cultures.

H3: The positive effect of relationship equity on loyalty intentions is stronger in Eastern than in Western societies.

3.4 RESEARCH METHOD

3.4.1 Survey Design

To test our hypotheses, we collected data from two countries: China and the Netherlands. The Netherlands offers a credible representative of Western culture, with its characteristics such as high individualism, medium risk aversion, less face consciousness, and less *guanxi* orientation (e.g., Hofstede, 1980, 2001). We interviewed customers of banks and supermarkets, which are both typical, high customer contact services (Parasuraman, Zeithaml, & Berry, 1985) but also represent two different service sectors (relation-oriented versus transaction-based) (Paulin, Ferguson, & Payaud, 2000; Rafaeli, 1989).

A self-administered questionnaire including measures of customer equity drivers and loyalty intentions, as well as demographic items such as gender, age, income, and control constructs such as relationship length and switching costs, was designed on the basis of scales in previous marketing literature. The original questionnaire was in English, but bilingual native speakers translated it into Chinese and Dutch, then back-translated it into English. Any discrepancies in the translation equivalence were carefully inspected. To ensure conceptual equivalence, panel discussions with researchers in both countries were organized to determine the meaning of the concepts. We pre-tested both questionnaires to check for the comprehensibility of the instructions, construct, wording, and questionnaire layout in both countries.

3.4.2 Sampling and Data Collection

In the Netherlands, the data were collected in 2010 by a Dutch market research agency (DCPI 2010: Dutch Customer Performance Index; see also Ou, de Vries, Wiesel, & Verhoef, 2014). Respondents were chosen randomly and rated multiple instances of a phenomenon (i.e., relationships with different firms; Rindfleisch, Malter, Ganesan, & Moorman, 2008) in each industry. The advantage of this method is its ability to generate more responses with a limited number of respondents. For each industry, a list of firms (3–10) was provided to respondents, who then chose the firms she or he currently was a customer of, then answered the same questions about all those firms. For these data, the assumption of independence of

customer–firm observations thus is violated.[5] A total of 1085 usable observations were collected with this online survey (banking 432; supermarket 653).

In China, we instead conducted a store-intercept survey in November 2009 in Beijing. As the capital city, Beijing attracts many immigrants originally from different parts of China. Our results should therefore be good indicators of Chinese consumer behaviours. Intercept surveys also offer a practical, rapid way to collect data in China (Rosen, 1987), so many previous marketing studies have adopted them (e.g., Zhang, 1996). For this data collection, 48 trained interviewers randomly approached customers in or near banks and supermarkets and asked them to participate in the survey. Each respondent received a small incentive after they had completed the questionnaire. The interviewers conducted the survey in five of the eight districts in which major banks and supermarkets are located. These five districts account for over 70 percent of the population in the urban area of Beijing. A total of 1553 usable questionnaires were collected (bank customers 688; supermarket customers 865).

Table 3.1: Socio-demographic traits of the two data sets

	Banks		**Supermarkets**	
	The Netherlands	China	The Netherlands	China
Gender				
Male	50.5	60.9	40.9	41.7
Female	49.5	39.1	59.1	58.3
Age				
18–29	21.5	53.4	21.6	50.3
30–39	44	37.3	42.1	35.8
40–49	34.5	9.3	36.3	13.9
Income				
Low	23.4	68.5	37.2	82.5
Medium	54.6	22.4	53.9	13.6
High	22	9.2	8.9	3.8
Sample size	432	688	653	865

Table 3.1 presents the demographic characteristics of the two data sets, which are quite dissimilar. Different sampling procedures (offline, convenience sampling for China; online, stratified sampling for the Netherlands) as well as different national population structures (China has a younger population than the Netherlands) might be responsible for this gap, but to address the problem, we applied weighting adjustments.

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[5] This problem was addressed by estimating a hierarchical linear regression model.

3.4.3 Measures

Table 3.2 shows our measures, some descriptive statistics and the Cronbach's alpha values for the constructs. The Cronbach's reliability coefficient alphas for the Netherlands sample fall between 0.72 and 0.8 and consistently exceed the threshold of 0.7 (Hair et al., 2006). Those for the Chinese sample are between 0.66 and 0.82. However, Peterson (1994) suggests that a value of 0.6 implies a criterion-in-use, so all the factors in this study are sufficiently reliable.

3.4.4 Measurement Invariance Test

Measurement invariance refers to "whether or not, under different conditions of observing and studying phenomena, measurement operations yield measures of the same attribute" (Horn & McArdle, 1992, p. 117). Without measurement equivalence assessments, conclusions based on measurement instruments can be non-meaningful (Steenkamp & Baumgartner, 1998). For example, if we find a difference in the impact of relationship equity between Dutch and Chinese consumers but do not assess measurement invariance, we cannot determine if we uncovered a cross-cultural difference or a difference due to response biases and/or different scalar metrics of the construct. For this research, which compares the regression coefficients of value, brand and relationship equity between China and the Netherlands, we should establish configural, metric and factor invariance (see De Jong, Steenkamp, & Fox, 2007). Configural invariance implies that the basic meaning and structure of a construct is cross-nationally invariant; metric invariance also assumes equal scale intervals. Factor invariance signifies that the factors have comparable variation between the different samples. We follow Wang and Waller's (2006) procedure using a multiple-group confirmatory factor analysis (MGCFA) model in AMOS 17.0 software. The configural (M1), metric (M2), and factor (M3) invariance are estimated in a nested form; the configural invariance model serves as the baseline. The change in chi-square per change in degrees of freedom indicates whether the fits of the models differ significantly.

Table 3.2: Measures and Descriptive Statistics

Measurement variables	Source	Cronbach's α: China		Cronbach's α: Netherlands		Mean (SD): China		Mean (SD): Netherlands	
		Bank	Supermarket	Bank	Supermarket	Bank	Supermarket	Bank	Supermarket
Independent variables: *Value Equity*([1] very strongly disagree, [7] very strongly agree)									
VE1: The price-quality ratio of the product/service the company is offering is good.						5.00(1.39)	4.35(1.24)	4.55(1.34)	5.08(1.38)
VE2: I can buy this product/service at places that are convenient for me.	Rust et al. (2004); Verhoef, Langerak, & Donkers (2007)	.712	.659	.746	.776	5.08(1.93)	4.85(1.54)	4.77(1.32)	5.42(1.46)
VE3: I can make use of the product/service of this company at any time and place I want.						4.93(1.74)	4.46(1.64)	4.98(1.49)	5.43(1.51)
Brand Equity ([1] very strongly disagree, [7] very strongly agree)									
BE1: This company has a strong brand.		.819	.77	.717	.763	5.68(1.55)	4.62(1.32)	5.3(1.39)	5.14(1.37)
BE2: This company has an innovative brand.	Verhoef et al. (2007); Mizik & Jacobson (2008)	(Pearson correlation: .694)	(Pearson correlation: .626)	(Pearson correlation: .562)	(Pearson correlation: .619)	4.98(1.56)	4.23(1.29)	4.36(1.25)	4.55(1.29)
Relationship equity ([1] very strongly disagree, [7] very strongly agree)									
RE1: I have a confidential relationship with the company.						3.28(1.71)	3.19(1.60)	3.68(1.47)	4.26(1.44)
RE2: I attach much value to the company.	Bügel, Verhoef, & Buunk (2011)	.798	.795	.886	.825	3.42(1.80)	3.21(1.67)	4.58(1.49)	4.82(1.41)
RE3: I am very enthusiastic about the company.						3.94(1.86)	3.98(1.63)	4.16(1.62)	4.14(1.55)
Control variable: *Relationship length*: How long have you been a customer of this company? [1]. Less than 1 year; [2].1-2; [3].2-3; [4]. 3-5; [5]. 5-10; [6]. > 10	Bolton (1998)	_	_	_	_	3.32(1.61)	3.17(1.43)	5.24(1.39)	4.61(1.58)
Switching costs: It costs a lot of effort to switch to another company. ([1] very strongly disagree, [7] very strongly agree)	De Matos, Rossi, Veiga, & Vieira (2009)	_	_	_	_	4.16(1.81)	4.11(1.63)	3.88(1.80)	3.51(1.70)
Dependent variable: *Loyalty Intentions*. Imagine you should buy this product again, how big is the chance that you will buy from the following companies? Please divide 100 percent over the companies.*(Company A is used for calculating means)* Company A ___%; Company B ____%; Company C___%; Other company____%.	Gupta & Zeithaml (2006)	_	_	_	_	43%(24%)	41%(24%)	41%(30%)	31%(25%)

We first consider data from the bank sample. The fit of the configural invariance model (M1) is good (root mean square error of approximation [RMSEA] =.050, confirmatory fit index [CFI] = 0.961, Tucker-Lewis index [TLI] = 0.935 for bank customers), so our model is an appropriate representation of the data across both Chinese and Dutch groups (see Siedlecki, Manly, Brickman, & Schupf, 2010). We tested for full metric invariance by constraining all factor loadings to be equal across the Chinese and Dutch samples. As we show in Table 3.3 (M2), the change in chi-square per change in degrees of freedom was significant; the fully metric invariance model fits significantly worse than the configural invariance model. Because the chi-square statistic is affected by sample size (Siedlecki et al., 2010), Cheung, Gordon, and Rensvold (2002) consider ΔCFI a particularly robust statistic for testing multi-group invariance constraints. They define a value of ΔCFI smaller than or equal to–.01 as a threshold. According to this rule, with a ΔCFI of −.02, we fail to establish full metric invariance for our data. Although full metric invariance is desirable, it is regarded as practically impossible and scientifically unrealistic (Steenkamp & Baumgartner, 1998). Thus, as a pragmatic compromise, researchers recommend partial invariance, in which most of parameters are constrained to be equal, whereas a few of the parameters are allowed to vary (Byrne, Shavelson, & Muthen, 1989).Under the concept of partial invariance, constructs and coefficients can be compared and interpreted meaningfully across groups even if some parameters are not invariant (Vandenberg & Lance, 2000; Yoo, 2002).

Table 3.3: Measurement invariance test results

Model specification	χ^2	df	Models compared	$\Delta\chi^2$	p-Value	RMSEA	TLI	CFI	ΔCFI
Banks									
M1: Configural invariance	130.218	34	N.A.	N.A.	N.A.	.050	.935	.961	N.A.
M2: Metric invariance	181.855	39	M2 vs.M1	51.64	.001	.057	.916	.941	.02
M3:Partial metric invariance	158.198	38	M3 vs.M1	27.89	.001	.053	.927	.951	.01
M4: Factor invariance	182.730	41	M4 vs. M3	24.54	.001	.056	.921	.942	.01
M5: Partial factor invariance	161.106	40	M5 vs. M3	2.91	.235	.052	.930	.950	.001
Supermarkets									
M1: Configural invariance	259.012	34	N.A.	N.A.	N.A.	.066	.901	.940	N.A.
M2: Full metric invariance	268.435	39	M2 vs.M1	9.42	.093	.062	.912	.939	.001
M4: Factor invariance	276.303	46	M4 vs. M2	7.86	.344	.061	.917	.938	.001

Notes: RMSEA = root mean square error of approximation; CFI = comparative-fit index; TLI = Tucker-Lewis index.

Therefore, we assess partial metric invariance. An examination of the modification indices revealed that the significant increase in chi-square in the bank sample was due to a lack of invariance of one factor loading (VE1: "The price-quality ratio of the product/service the bank is offering is good."). To test for partial metric invariance (M3), we relaxed the constraint on this factor loading. The comparison of M3 with the baseline model revealed that the change in chi-square still was significant ($\Delta\chi^2(4) = 27.98$, $p < 0.001$), whereas the RMSEA and TLI improved, and the deterioration of ΔCFI was below the .01 threshold. Thus, partial metric

invariance for the bank questionnaire can be assumed (see Bai, Wu, Zheng, & Ren, 2011; De Jong et al., 2007). Finally, we test the factor invariance model. As the results in Table 3.3 reveal, full factor invariance cannot be assumed ($\Delta\chi^2(3) = 24.54$, $p < .001$). When we relax the constraints on VE1,we obtain a satisfactory model ($\Delta\chi^2(2) = 2.908$, $p > .05$) and thus can assume partial factor invariance.

To examine the configural, metric and factor invariance of the supermarket sample, we used similar procedures. According to the results in Table 3.3, configural invariance (RMSEA = .066, CFI = 0.940, TLI = 0.901), fully metric variance ($\Delta\chi^2(5) = 9.423$, $p > .05$), and fully factor variance invariance ($\Delta\chi^2(7) = 7.868$, $p > .05$) can be assumed across the Dutch and Chinese samples. Thus, our measures are cross-nationally invariant, and their regression coefficients can be compared meaningfully.

3.4.5 Common Method Bias

Common method bias may be a potential problem when both dependent and independent variables are generated from the same respondents at the same time (Buck et al., 2010). Cross-sectional studies of attitude-behaviour relationships are vulnerable to the inflation of correlations by common method variance (CMV) (Buck et al., 2010; Lindell & Whitney, 2001). We took a number of steps to address CMV. First, we performed Harman's (1967) single-factor test. If CMV exists, a single factor accounting for a majority (>50%) of the covariance between the variables would emerge. Unrotated confirmative factor analysis shows that one factor explains 31% of the variance in the banking data and 28% of the variance in the supermarket data, indicating that the findings are not subject to a bias caused by CMV. We also apply the Marker Variable (MV)-approach to determine CMV (Lindell & Whitney, 2001). We find the following CMV's: Chinese banking data: 25%; Dutch banking data: 6.25%; Chinese supermarket data: 21.26% and for the Dutch supermarket data set, we find a CMV of 2.25%. According to Williams et al. (1989), a CMV of less than 25% should not be a pervasive problem. Hence we conclude that our results are not affected by a possible bias caused by CMV.

3.4.6 Method

As stated earlier in Section 3.4.2, there are some demographic differences of respondents in the two samples; we hence performed a weighting adjustment (Loosveldt & Sonck, 2008) to address it. We reweighted the Chinese sample using the Dutch sample demographics as a reference, because the Dutch sample was obtained using a stratified sampling procedure that was more representative of the general population. We computed the ratios of the respective Dutch and Chinese percentages for the combined characteristics of gender (2 classes), age (3 levels) and income (3 levels). With this weighting procedure, we removed the differences in age, gender, and income between the Chinese and Dutch data sets (banking: gender $\chi^2 = .005$ ($p < .944$), age $\chi^2 = .120$ ($p < .942$), income $\chi^2 = .129$ ($p < .938$); supermarket: gender $\chi^2 = .007$ ($p < .934$), age $\chi^2 = .014$ ($p < .933$), income $\chi^2 = .060$ ($p < .971$)). The Chinese samplewas then reweighed to the Dutch sample size to avoid differences due to the sample size variation between countries.

Next, we estimated a regression model[6] to test the hypotheses. We performed a natural logarithm transformation on the dependent variable, loyalty intentions, to approximate a normal distribution of the disturbances. The factor scores of value equity, brand equity and relationship equity served as the independent variables. We also controlled for relationship length and switching costs. To compare the regression coefficients between countries, we pooled the Chinese and Dutch data sets, estimated separate parameters for China and the Netherlands and control for fixed effects by using an additional intercept. Following previous studies, we used a t-test statistic to assess differences in the impact of each significant factor between samples (Johnston & Dinardo, 1997).

$$
\begin{aligned}
\ln loyalty = \beta_0 &+ \beta_1 \cdot China + \beta_{2cn} \cdot value\_eq \cdot China + \beta_{2nl} \cdot value\_eq \cdot Netherlands \\
&+ \beta_{3cn} \cdot brand\_eq \cdot China + \beta_{3nl} \cdot brand\_eq \cdot Netherlands + \beta_{4cn} \cdot relationship\_eq \cdot China \\
&+ \beta_{4nl} \cdot relationship\_eq \cdot Netherlands + \beta_{5cn} \cdot length \cdot China + \beta_{5nl} \cdot length \cdot Netherlands \\
&+ \beta_{6cn} \cdot switch \cdot China + \beta_{6nl} \cdot switch \cdot Netherlands + \varepsilon
\end{aligned}
\tag{1}
$$

where

$\ln loyalty$ = natural logarithm of loyalty intentions;

China = dummy variable, equal to 1 if data are from Chinese sample, and 0 otherwise;

Netherlands = dummy variable, equal to 1 if data are from Dutch sample, and 0 otherwise;

value_eq = value equity;

brand_eq = brand equity;

relationship_eq = relationship equity;

length = relationship length;

switch = switching costs; and

ε is a disturbance term,

where all variables are defined in detail in Table 2 and are measured at the individual level. To account for the dependence of some observations given that the Dutch respondents answered questions for several companies, we also estimated a hierarchical linear regression model (HLM). We furthermore estimated a model accounting for cross-firm differences.[7] The results of both models are comparable with the results which are obtained by estimating Equation (1).

3.5 RESULTS AND GENERAL DISCUSSION

3.5.1 Results

Table 3.4 displays our results. The R-square values of .207 for the banking industry and .240 for the supermarket industry suggest that our model can explain a substantial part of the variance in customer loyalty intentions.

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[6] The conclusions based on the estimates using the weighted data do not differ from that of the unweighted data. Detailed estimation results are available on request.

[7] These estimation results are also available on request.

Table 3.4: Regression analysis of the impact of customer equity drivers on loyalty intentions (standardized coefficients)

	Banking			Supermarket		
	Parameter	Std. Error	t-value	Parameter	Std. Error	t-value
Constant	-2.130***	.110	-19.396	-2.353***	.118	-20.001
China	.178***	.167	5.412	.222***	.094	9.022
Value Equity						
China	.049*	.121	1.452	.054**	.062	2.025
Netherlands	.172***	.110	5.600	.301***	.066	12.267
Brand Equity						
China	.073**	.096	2.284	.059**	.070	2.116
Netherlands	.206***	.111	6.673	.083***	.066	3.345
Relationship Equity						
China	.075**	.111	2.388	.097***	.069	3.799
Netherlands	.285***	.112	9.151	.201***	.067	8.046
Relationship Length						
China	.043	.072	1.219	.037	.050	1.428
Netherlands	-.026	.079	-.828	.103***	.043	4.108
Switching costs						
China	-.038	.063	-1.197	.051*	.047	1.885
Netherlands	.041	.062	1.295	.011	.039	.436
R^2	.207			.240		
Adjusted R^2	.197			.234		
F-value	24.093			36.750		

***$p < .01$; **$p < .05$; *$p < .1$

In support of H1, value equity exerted a greater impact in Western cultures than in China, for both bank customers (Dutch β = .172, Chinese β = .049, significant difference at $p < .01$) and supermarket customers (Dutch β = .301, Chinese β = .054, $p < .01$).This finding is consistent with previous marketing literature that proposes that Western consumers have a higher value-for-money orientation (Bao et al., 2003) and a stronger belief in price–quality schema (Zhou et al., 2002) than Chinese consumers.

For both bank and supermarket customers, brand equity had a stronger effect on loyalty intentions in the Dutch than in the Chinese sample (Dutch β = .206 and β = .083; Chinese β = .073 and β = .059; $p < .01$), so we accept H2b. This finding contradicts findings by Henderson et al. (2003) and Liao and Wang (2009), which suggested that Eastern consumers, due to the importance of face (i.e., desire to express social self-worth), would be more brand oriented than Western consumers. We believe that this reasoning holds for brands of goods and services in more visible consumption settings (Li & Su, 2007; Liao & Wang, 2009; Lowe & Corkindale, 1998). Yet in a retail setting, branding seems to be less important for the loyalty of Chinese consumers.

Furthermore, for both the bank and supermarket customers, relationship equity had a stronger effect in the Dutch than the Chinese sample (Dutch β = .285 and β = .201, Chinese β

= .075 and β = .097, *p* < .01), such that we cannot support H3. As a possible explanation, we note that the customer-focused concept originated in Western cultures, where customer relationship management (CRM) is more established. In China, although market power is growing with the transition from a centrally planned economy to a market economy, the market infrastructure has not yet been well developed and the application of customer value knowledge and CRM is therefore rather limited (Wang et al., 2004).

Thus we find that all three customer equity drivers have a stronger effect on Western (i.e., Dutch) consumers' than on Chinese consumers' loyalty of retailers. A possible reason is that Western markets appear more efficient (Zhou et al., 2002), and Western retailers use more intensive marketing campaigns to attract consumers. In contrast, market competition in China, using marketing instruments such as advertising and sales promotions, is relatively low, as also detected by Liu (2002) who finds that the advertising industry in China is still less developed than Western countries. We discussion the reasons in more details in Section 3.5.2. Also, because the three customer equity drivers are regarded as three strategic marketing investment categories (Rust et al., 2004), these findings might imply that Chinese consumers are less responsive to marketing efforts than Western ones.

In addition, Chinese consumers on average expressed higher loyalty intentions than the Dutch consumers, according to the significant intercepts in the Chinese sample (β = .178 and β = .222, *p* < .01).This outcome is in line with some previous findings (e.g., Kale & Barnes, 1992), which indicated that cultures with high uncertainty avoidance resist change and are not likely to terminate valued relationships. It is also in agreement with the claim that Chinese consumers, influenced by their long-term orientation, tend to be more brand loyal than Western consumers (Lowe & Corkindale, 1998).

3.5.2 General Discussion

Borrowing from various culture theories (e.g., Hofstede's cultural framework), this study predicts that the positive effect of some customer equity drivers (e.g., relationship equity) is stronger in Eastern (China) than in Western (the Netherlands) societies. However, the empirical results show that all three drivers (i.e., value equity, brand equity, and relationship equity) are more important in the Netherlands. We doubt these results are due to systematic differences, such as poorer market efficiency (i.e., less fair pricing system, low level of brand trust, weak CRM) in China. Instead, we offer several more likely explanations.

Why are value, brand, and relationship equity less important in China?
The price–quality ratio is the core of value equity. China's relatively unfair pricing system reduces the importance of value equity for determining loyalty intentions. The lack of intensive competition and incomplete regulation have led to a relatively less fair pricing system in China, compared with the markets in many developed countries (Zhou & Nakamoto, 2001). Some name brand products continue to be overpriced; some general products appear underpriced, due to poor marketing (Fan & Xiao, 1998). In addition, weak regulation allows massive amounts of fake products into the market, which are priced much higher than their actual value (Ho & Sin, 1988). In Hainan Sanya, a popular coastal tourist site, a crystal trinket might be bought wholesale for 713 RMB but sold for 13,950 RMB, or 19 times the cost. A bracelet costs at 5 RMB but sells for 470 RMB, or 94 times the cost (Sina News, 2013). Because low-quality, high-priced products

exist (Zhou & Nakamoto, 2001), and product quality information is difficult to assess (Lichtenstein & Burton, 1989; Sheth, 2011), Chinese consumers might perceive the market as less efficient and doubt the usefulness of value equity as a credible indicator for their loyalty intentions.

This study measures brand equity with two items: "This company has a strong/innovative brand." However, simply having a strong brand does not necessarily mean Chinese consumers trust that brand, which is an important prerequisite of loyalty (Erdem & Swait, 2004). Sanlu was one of the country's largest milk brands, but its milk contained the toxic chemical melamine and sickened approximately 300,000 children, at least 6 of whom died (BBC News, 2009). Gree Group, one of the most famous home appliance companies, misled consumers by claiming in advertising that it had the largest market share (Sohu News, 2009). Brand scandals, deceptive advertising, and unethical business practices have prompted a brand trust crisis, even for strong brands. That is, because China's market environment is less mature, a strong brand might not lead to high loyalty intentions among Chinese consumers, whose trust even in strong brands is quite low.

Chinese consumers also emphasize *guanxi*, but CRM is relatively newly established, and its application is therefore rather limited in China (Wang et al., 2004). For most Chinese companies, customer service still represents a cost, and their CRM practices generally are not very effective. In the supermarket industry for example, a growing number of large chain stores have launched loyalty programs, a typical CRM tool. Yet the programs appear unattractive to Chinese consumers, with minimal influence on where they shop or their purchase decisions (Mai & Zhao, 2004). The widely reported positive impact of relationship equity on loyalty intentions thus may be mitigated among Chinese consumers, reflecting the poor applications of CRM practices in China.

In summary, low-quality, high-priced products persist on Chinese markets, because of the unfair price system and insufficient competition (Lichtenstein & Burton, 1989). In the Netherlands in contrast, consumers can rely on credible price cues to indicate product quality and thereby reduce their information search costs and facilitate decision making (Zhou et al., 2002). In China, consumers gradually learn about market inefficiency through their experience with unethical business practices (Ho, 2001), which lowers their brand trust, even toward well-known, large brands. In the Netherlands, intense market competition provides consumers with abundant, comparable goods, as well as detailed product information from objective sources such as *Consumer Reports* (Ho, 2001). In China, consumer-centric concepts have only recently begun to spread, during its transition from a planned central economy to a market economy (Batra, 1997). In contrast, CRM originated in Western cultures such as the Netherlands, so companies have accumulated much more experience with attracting and retaining customers (Wang et al., 2004). Overall then, the Chinese market, which is an emerging economy, is not as efficient (i.e., less fair pricing system, low level of brand trust, weak CRM) as the Dutch market, which largely explains why value, brand, and relationship equity are all more important in the Netherlands than in China. Reflecting their market environment, Chinese consumers' loyalty intentions are driven not mainly by value, brand, or relationship equity but rather by culture, habit, or inertia. After choosing a brand, Chinese consumers tend to stick with it, rather than incur the risk associated with switching to another brand in an uncertain market environment.

This distinction also helps explains our finding that Chinese consumers exhibit higher loyalty intentions.

3.6 CONCLUSIONS AND IMPLICATIONS

We investigated the impact of the customer equity drivers (value equity, brand equity and relationship equity) on Dutch and Chinese consumers' loyalty to retailers. In line with our expectations, value equity is more important for Dutch consumers' loyalty, probably due to their higher value-for-money orientation (Bao et al., 2003). The much-cited importance of brands in the Chinese culture (Henderson et al., 2003) does according to our study not hold for the retail sector, since we find a stronger impact of brand equity on Dutch consumers' loyalty. Also relationship equity has a stronger impact on Dutch consumers' loyalty, possible due to the underdevelopment of the CRM concept in China (Wang et al., 2004).

Our study offers some important implications for managers. With the rapid economic growth in China, not only have many MNCs entered the Chinese market, but local Chinese companies are expanding into international markets as well. For example, the China bank ICBC opened an office in Amsterdam and took over a U.S. retail bank in January 2011. The results of this study are highly relevant for MNC managers who must make strategic marketing investment decisions for different cultures. Our finding—all three customer equity drivers have a greater impact in Western countries than in China, and Chinese consumers tend to have higher loyalty intentions than Western consumers—suggest that MNCs' marketing budgets should include the costs for different appeals in Western and Eastern markets.

In Eastern cultures such as China, it is more efficient for MNC managers to focus their marketing efforts on customer acquisition rather than on customer retention. After they have successfully attracted a Chinese customer, she or he already will tend to have relatively higher loyalty intentions than Western consumers and is not likely to end the relationship. In Western cultures such as the Netherlands, MNCs instead should be customer focused and implement active relationship marketing strategies. Western consumers are more difficult to satisfy (Zhang et al., 2008), have lower loyalty intentions, and are more responsive to marketing efforts. Our suggestion is in line with Sheth (2011) who proposes that in emerging markets, market creation and market development is more necessary than market orientation, and converting nonusers to first-time users results in better financial performance than satisfying existing users.

We caution against overgeneralizing these results though; further research also should work to overcome its limitations. First, the demographic characteristics of respondents are not similar in the Dutch and the Chinese samples, due to the unique national demographic structures and divergent survey modes. Although we undertook a weighting adjustment to remove the demographic differences, mode effects due to the systematic differences in data collected face-to-face and in an online survey should be expected (Loosveldt & Sonck, 2008). Second, our study is restricted to two kinds of retailers (supermarkets and banking) in which the impact of brands may be less salient. Additional research should collect data about Eastern and Western consumers' consumption in more visible categories. Third, due to data constraints, the Dutch data set served as the representative of Western culture. Therefore, caution must be exercised in generalizing our findings to other Western countries, considering the potential for intra-Western cultural variation. Ongoing research should verify and extend our model with different Western

countries, such as the U.S. or other European nations, to determine whether the cultural differences are stable. Finally, many papers and books have been published about the Chinese consumer and consumer markets in China. These studies show diverging views and results. Yet, the outcomes of our study contribute to the recorded observations of differences between Western and Chinese consumer behaviour.

Chapter 4

Face Concerns And Purchase Intentions:

A Cross-Cultural Perspective

4. FACE CONCERNS AND PURCHASE INTENTIONS: A CROSS-CULTURAL PERSPECTIVE

4.1 INTRODUCTION

Face is the most delicate standard by which Chinese social intercourse is regulated.

—Lin Yutang, 1974, p. 200

Face, defined as self-image and/or status earned in a social network (Bolton, Keh, & Alba, 2010), is a cornerstone of collectivist cultures (Ho, 1976; Hwang, Francesco, & Kessler, 2003), with central importance for sociology research (Ho, 1976; Qi, 2011). Most studies (e.g., Bao, Zhou, & Su, 2003; Li & Su, 2007; Wong & Ahuvia, 1998) suggest that consumers with more face concern, regardless of their income levels, are motivated to consume high-priced items to display their economic advantage and social status to others, which ultimately enhances their face (i.e., price–face link). The economic theory behind this link is the so-called Veblen effect (Veblen, 1899), according to which consumers prefer a product more when its price increases (Amaldoss & Jain, 2005)[8]. A prevailing view indicates that this relation reflects the existence of a price–quality link, such that high price signals high quality (e.g., Ackerman & Tellis, 2001; Shiv, Carmon, & Ariely, 2005). Yet this argument cannot explain another relevant phenomenon that most original equipment manufacturers in China that offer significantly lower-priced products with the same quality as name brand products sell far more of the name brand, higher-priced items (Song, 2012). That is, some consumers appear more concerned with whether the product can enhance their self-image or what a price signals to others about the purchaser than with the quality of the product itself (Meng & Nasco, 2009; Song, 2012).In response, many companies employ a premium price strategy, especially in Asian markets. Kweichow Maotai Group, a top Chinese liquor brand, raised its prices several times within one year, and Western brands in China, from the Versace to Starbucks, are priced 30% or 75% higher than the same product in the United States (Li, 2011). Taxes can explain around two-thirds of these price differences; the remaining one-third of the difference in price between China and foreign nations is probably due to psychological factors (Xinhua News, 2012), including face concerns.

Despite the frequency of this trend in practice, it is theoretically unclear when consumers with more face concern choose high-priced options. For example, consumers might make completely different judgments of the same product according to their perceptions of its contribution to their face, in which case a consumer might choose a cheap restaurant when eating with close family members but an expensive one with colleagues (Wang & Zhang, 2011). Furthermore, though face often appears as an explanation for conspicuous consumption (e.g., Li & Su, 2007; Liao & Wang, 2009; Wong & Ahuvia, 1998), decision-making styles (e.g., Bao et al., 2003), reactions to service failure (e.g., Chan, Wan, & Sin, 2009), and price fairness perceptions (e.g., Bolton et al., 2010), prior research dedicated specifically to face is scarce. Its conceptualization requires further clarification, as does the route by which face influences

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[8] In a meta-analysis, Bijmolt, van Heerde, and Pieters (2005) find that studies from many countries consider this positive relation between price and sales only in about 2% of all cases investigated.

consumer purchase intentions (Li & Su, 2007). In addition, though current face theory serves to explain Asian consumers' strong demands for luxury products, despite their relatively low income level (Ram, 1989), it is unclear whether ordinary products with relatively higher prices, instead of absolutely high prices, might elicit face concerns too. Finally, if price, a major element of the marketing mix, is perceived as an indicator of face for high face concerned consumers, they likely relate other marketing mix elements, such as brand and distribution channels, to their face too, because price is highly associated with these other marketing mix elements. However, previous literature did not tell us whether the price–face link extends naturally to distribution–, brand–, and promotion–face links.

This study uses the widely assumed price–face link as a starting point to explicate a topic that has received little empirical attention but is rapidly growing in importance as consumers in nations marked by massive economic development increasingly seek to achieve face through consumption (Li & Su, 2007). We thus answer the calls for research that "the predictive power of face concerns 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), as well as respond to calls that acknowledge that "face concerns underlie the cultural differences in responses to price comparisons and suggest that the role of face deserves greater attention in future research" (Bolton et al., 2010, p. 574).

This research project is based on two key assumptions: 1) consumers from collectivist cultures exhibit higher face concerns than consumers from individualistic cultures, and 2) high price signals face. We will explain the definition of face in more detail in Section 4.2.1. In our studies, we adopt Wang and Zhang's (2011) definition of face that is related to consumption. Through consumption, a person buys a product to construct and display his or her self-image and thus receives positive comments or recognition of his or her social status. Thus, the relationship between face concerns and purchase intentions for a high-priced option likely is influenced by both product-specific and situational moderators.

In Studies 1a and 1bwe test whether more face concerned consumers' purchase intentions for a high-priced option depend on product-specific moderators. We predict that publicly consumed/material (cf. privately consumed/experiential) products increase these high face concerned consumers' purchase intentions toward the higher-priced option. In Study 2, we examine whether situational moderators, i.e., different types of social presence, have differential impacts on the price–face link, as well as the brand–, distribution–, and promotion– face links. We predict that compared with less face concerned consumers, more face concerned consumers should be more likely to buy name brand products, products that do not offer price discounts, or items that are available through specialty stores, especially if an acquaintance is present.

Two methods served to classify face concerns: 1) using nationality as a proxy; 2) median split on individual's score on the concern for face (CFF) scale. The first method reveals that Chinese consumers' purchase intentions for a high-priced option are higher in general, regardless of product visibility or product tangibility. Furthermore, Chinese consumers in general are more likely to choose high-priced, name brand options, regardless of the social presence context. Using the latter method, 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. Consumers with high face concerns, tend to choose the high-priced option only for material products, not for experiential ones. However, we did not

find any moderating effects of product visibility or social presence. We provide with reasons for these insignificant effects at the end of this chapter.

In the remainder of this chapter, we present our theoretical development by discussing how face has been defined and classified, as well as the relationships between face and culture and face and price, face and three other marketing mix elements. We present the experiments we designed to test our hypotheses and report the results. In considering the two earlier mentioned key assumptions in particular, we provide theoretical arguments in the discussion section, before concluding with limitations and directions for further research.

4.2 THEORETICAL DEVELOPMENT

4.2.1 The Concept of Face

The anthropologist H.C. Hu (1944) was the first author to study face, defined as the social reputation in a group that a person could achieve by getting on in life, success, and ostentation. Inspired by this work, the American sociologist Goffman (1955, p. 213) defined face according to an interpersonal interaction perspective. In Goffman's (1955, p. 213) definition, face is "the public image created, which enables a person to receive praise from others, and in any social interaction, one of the participants may claim to possess some values praised by society, such as wealth, achievement, or ability." When others recognize this claim, the person gains face. If the claim is rejected, the person loses face. Goffman's definition of face has strong conceptual links with the notion of "looking-glass" self (i.e., anchoring of self in the gaze of others).Other researchers provide similar definitions (e.g., Brown & Levinson, 1987; Ho, 1976; Hwang, 1987; Stover, 1962; Ting-Toomey, 1988), but among these, Goffman's (1955) definition is perhaps the most widely cited. Still, no general consensus exists regarding the concept of face, because a precise definition has remained elusive (Ho, 1976).

The challenges of defining face stem from its nature, as a situational concept, influenced by the variation among people and across contexts (Spencer-Oatey, 2007). A person can be involved in several groups and play different roles in each group, leading to many different "faces" for the same person, depending on the situation and position (Cheng, 1986). Face also is a multifaceted concept (Hwang, 1987), which is associated with respect, social status, honor, reputation, competence, creditability etc. (Oetzel, Garcia, & Ting-Toomey, 2008). Therefore, we need to consider a classification, such that face might comprise:

1. "Lian" (moral face) and "mian" (social face) (Hu, 1944);
2. Positive face (basic claim for competence) and negative face (basic claim to autonomy and right to nondistraction) (Brown & Levinson,1978);
3. Group self-face (prestige for oneself but also for family, relatives, friends, and even colleagues) and individual self-face (only the individual's face) (Li & Su, 2007);
4. Subjective face (value or self-regard in the person's own estimation, as it relates to social relationships and society at large) and objective face (social standing a person possesses through recognition received from others) (Cheng, 1986); or
5. Gaining face (performance goes beyond social expectations) and losing face (performance "falls below the minimum level considered acceptable or when certain vital or essential requirements, as functions of one's social position, are not satisfactorily met"; Zhang, Cao, & Grigoriou, 2011, p. 131).

In turn, we define face according to two streams (Spencer-Oatey, 2006). The first stream (e.g., Goffman, 1955; Ho, 1976; Stover, 1962) emphasizes face as the social interaction, such that face cannot be claimed unilaterally but can only be reinforced or diminished through interaction. The second stream (e.g., Hwang, 1987; Lim, 1994; Ting-Toomy & Kurogi, 1998) perceives face similar to identity, such that it is designed to build a positive, public, social, and fluid self-image, related not to what the person thinks of him- or herself but rather what this person believes others think of his or her worth (Lim, 1994). Therefore, in a consumption context, face implies that consumers buy products to construct and display self-images and thus induce positive comments or recognition from others (Wang & Zhang, 2011).

4.2.2 Face and Culture

Previous studies suggest that the concept of "face" exists across cultures (Goffman, 1955; Liao & Bond, 2010; Oetzel et al., 2001; Qi, 2011), with different names assigned, depending on the culture (Gao, 1998; Morisaki & Gudykunst, 1994; Ting-Toomey, 1988). It is called *mianzi*, *mentsu*, *gesicht*, *gezicht*, and face in Chinese, Japanese, German, Dutch, and English, respectively. Some specific, distinct cultural elements might determine different aspects of face, yet even if the rules according to which face operates vary, the imperative awareness of social evaluation is universal (Qi, 2011). Still, collectivists have greater sensitivity or concerns for face than individualists (see also Redding & Ng, 1982). As shown in Figure 4.1a and Figure 4.1b, we elaborate on this notion by drawing from three theories: (1) collectivism–individualism (Hofstede, 1991), (2) horizontal–vertical collectivism–individualism (Triandis & Gelfand, 1998), and (3) self-construal (Markus & Kitayama, 1991).

Figure 4.1a: Visual representation of the relationship between collectivism and more face concerns in a collectivistic society
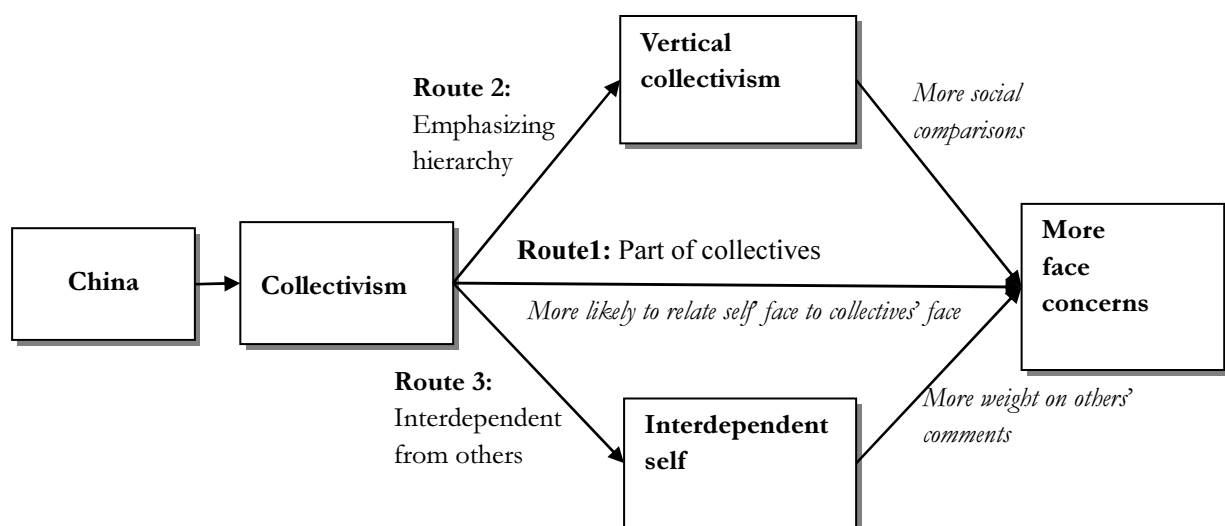
Collectivistic culture: more face concerns

    Route 1: China is a collectivistic society. Hofstede (1980) defines collectivity as "a social pattern consisting of closely linked individuals who see themselves as part of one or more collectives (family, coworkers, tribe, nation) and are willing to give priority to the goals of these

collectives over their own personal goals" (Oetzel et al., 2001, p. 602). A Chinese man would view himself as a son, brother, husband, and father but not as himself (Gao, 1998). Accordingly, Chinese people tend to relate their own face to the face of their family, relatives, friends, and colleagues. Another example, Chinese parents often encourage children to study hard by warning, "Don't make our family lose face" (King & Bond, 1985). Thus, people from collectivistic cultures treat face more seriously and react more strongly than people from individualistic cultures. In turn, people from collectivistic (vs. individualistic) cultures should have more concerns for face.

Route 2: According to vertical–horizontal theory (Triandis & Gelfand, 1998), China represents a vertical (emphasis on hierarchy) form of collectivism, rather than a horizontal (emphasis on equality) form. In a vertical collectivist culture, people focus on complying with authorities and enhancing the status of their collectives (Shavitt et al., 2006). In these hierarchical cultures, people with higher status usually claim and are accorded more face than those with low status (Liao & Bond, 2010), which encourages more attention to social comparison information and consequently increases face concerns. Such a society advocates values that enable people to gain more face as they move upward in the local social hierarchy. Therefore, in a vertical (vs. horizontal) collectivistic society, the concern for face is even greater.

Route 3: On average, relatively more members of collectivistic (vs. individualistic) cultures hold an interdependent self-view (Matsumoto, 1999; Ting-Toomey & Kurogi, 1998), such that they are more connected, motivated to join various interpersonal relationships, and ready to fit in with relevant others (Markus & Kitayama, 1991). In other words, people with interdependent (vs. independent) self-construals tend to assign more weight to others and care about others' comments, which by definition implies a greater likelihood of triggering face concerns.

Figure 4.1b: Visual representation of the relationship between individualism and less face concerns in a more individualistic society
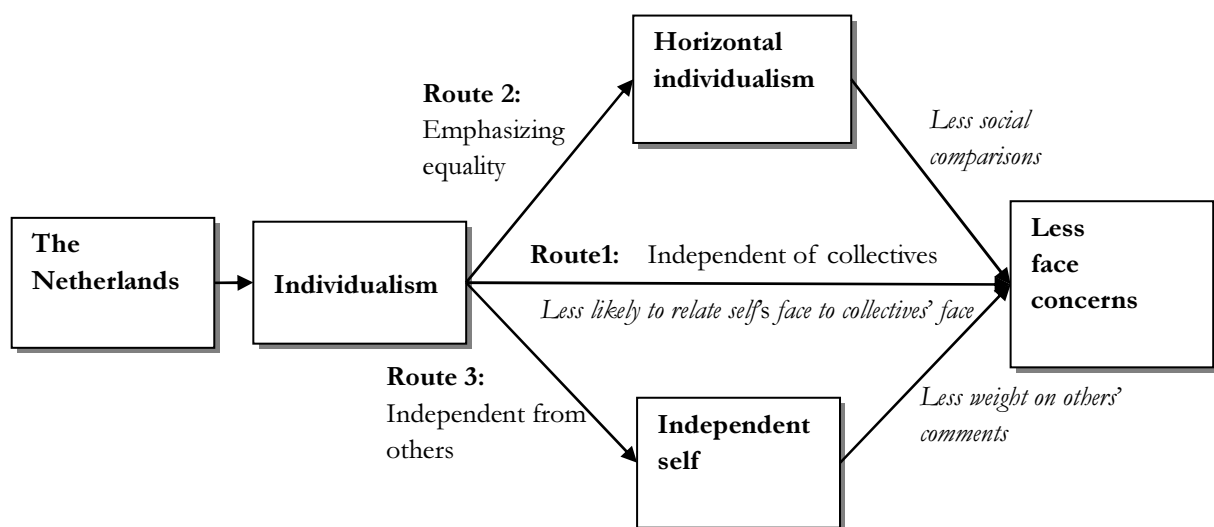
Individualistic culture: less face concerns

Route 1: Conversely, the Netherlands is perceived as an individualistic society. Hofstede (1980) defines individualism as "a social pattern that consists of loosely linked individuals who view themselves as independent of collectives and who give priority to their personal goals over the goals of others" (Oetzel et al., 2001, p. 602). In individualistic cultures, face is less related to their collectives, so people only have their own face to consider, and consequently, they have less face concerns as compared with people from collectivistic cultures.

Route 2: The Netherlands also features horizontal individualism, such that its people tend to view themselves as equal to others in status. Compared with vertical individualism, which emphasizes social comparisons, people from a horizontal individualist culture tend to have even weaker face concerns, because they are less likely to engage in social comparisons.

Route 3: In individualistic cultures, relatively more people hold an independent self-view (Ting-Toomey & Kurogi, 1998). They consider themselves unique and independent from others (Markus & Kitayama, 1991), so they worry less about others' opinions, which by definition results in less face concerns.

Indeed, substantial studies largely support that though concern for face is universal (Goffman, 1955), it has a much stronger impact on collectivists. For instance, Hwang et al. (2003) propose that face concerns are more salient in China. Kam and Bond (2008) further argue that loss of face has a stronger negative impact on relationships among Chinese collectivists than U.S. individualists. Li and Su (2007) and Bao et al. (2003) empirically find that Chinese respondents are more concerned with face in their everyday life, whereas Americans are less likely to relate products to face. These findings are in line with Ting-Toomey (1988) and Kim's (1993) arguments, namely, that persons from collectivistic cultures are more concerned with maintaining a positive identity or positive face than persons from individualistic cultures.

In summary, face is more prominent in collectivistic than in individualistic cultures. Previous cross-cultural studies tend to compare the United States with Japan or China, such that they contrast vertical individualism (U.S.) with vertical collectivism (China and Japan, see Ting-Toomey & Kurogi, 1998). However, across the combinations of vertical/horizontal, individualism/collectivism (Triandis & Gelfand, 1998), the two exemplars of opposite poles (China, vertical collectivism, vs. the Netherlands, horizontal individualism) have the greatest potential to yield substantial differences on the measure of concern for face. Therefore, we consider the Netherlands a better option than the United States for this study.

4.2.3 The Price–Face Link

Many researchers (e.g., Bao et al., 2003; Li & Su, 2007; Song, 2012; Wong & Ahuvia, 1998) suggest that consumers with high face concerns are more likely to purchase a high-priced option, because the purchase, use, display, and consumption of goods and services that bear high prices offer means to gain face by signaling a wealthy image, which is related to one's desirability (Kenrick et al., 2001). Consumers buying high-priced products also may receive more positive comments. Thus for example a consumer might purchase an expensive wine not because of her or his quality perceptions per se but rather due to the perception that others will consider the high price a reflection of the internal traits of the purchaser (e.g., being a big spender). Generosity makes a person appear more trustworthy (Barclay, 2004), and those who buy high-priced products are more desirable as friends, allies, and romantic partners (e.g., Cottrell, Neuberg, & Li, 2007).

For more face concerned consumers, buying a low-priced option also is undesirable. Kashani and Quelch (1990) report that Japanese consumers (high face concern) are embarrassed to redeem coupons, for fear that other people will make person-based inferences (e.g., that the shopper is poor or cheap) (Calder & Burnkrant, 1977). "Buy nothing, or buy something expensive" effectively reflects the attitudes of consumers with high face concerns (Zhou & Nakamoto, 2001). To create a favorable public image for others or conform with their expectations (Volckner, 2008), consumers with high face concerns try to avoid buying low-priced brands, regardless of their objective income or class levels (Belk, 1988). Bao et al. (2003) show empirically that face positively affects consumers' "brand-conscious and price-equals-quality" orientations but negatively influences the "price-conscious and value-for-money" orientations.

This price link also appears in prestige sensitivity literature; prestige is closely related to face (Li & Su, 2003). These studies suggest a positive relationship between price and perceived prestige. For example, Belk (1988) proposes that people tend to purchase high-priced, visible products as forms of their extended selves, to increase their social status. Lichtenstein, Ridgway, and Netemeyer (1993) find that price has a positive impact on prestige. Brucks, Zeithaml, and Naylor (2000) suggest that most respondents consider price and brand names when assessing prestige. Volckner (2008) proposes that price is an indicator of prestige, which leads to a positive link between price and purchase intentions. This reasoning confirms that consumers with high (versus low) face concerns are more likely to choose high-priced products. Table 4.1 provides an overview of studies that support the price–face link.

Table 4.1: Literature overview of high price–face link

Study	Conclusions
Lichtenstein et al. (1993)	Price has a positive impact on prestige
Wong & Ahuvia (1998)	Face consciousness makes Asian consumers more likely to consume expensive products as a symbolic social gesture
Belk (1988)	The purchase or use of a high-priced product becomes a symbol for people to show their face
Brucks et al. (2000)	Consumers use price and brand name much more frequently when evaluating prestige
Zhou & Nakamoto (2001)	Chinese young consumers are more prestige sensitive and less price conscious than U.S. counterparts
Bao et al. (2003)	Face consciousness negatively affects "price-conscious and value for money" orientations
Li & Su (2007)	Persons with high face concerns tend to relate price and brand names to their face
Volckner (2008)	Price is an indicator of prestige, which leads to a positive relation between price and purchase intentions
Liao & Wang (2009)	Giving expensive gifts brings honor to the gift giver by displaying his or her ability to afford to give the gift

We expect that the belief that a high price can signal face is universal across cultures, though in Western cultures this is typically not described or interpreted in such terms (Ho, 1976). This is because higher-priced products are usually superior to lower-priced products, thus high-priced products are more able to enhance self-image and convey social status. This view should be accepted across different cultures. "We are what we have" is perhaps the most basic

and powerful fact of consumer behavior (Belk, 1988), and high-priced products act as signs of the self (Rochberg-Halton, 1984, p. 335). Consuming high-priced goods, either in Eastern or Western cultures, serves as one of the primary means for demonstrating success (Wong & Ahuiva, 1998), which is a source of face by definition.

4.2.4 The Brand–, Distribution–, and Promotion–Face Links

If price, a major element of the marketing mix, is perceived as an indicator of face for high face concerned consumers (see Section 4.2.3 for more details), they likely relate other marketing mix elements, such as brand and distribution channels, to their face too, because price is highly associated with these other marketing mix elements. Products with high prices are usually name brand products that sell in selective channels such as speciality stores, which can increase face. Products subject to promotional activities instead tend to be associated with lower prices and suggest a loss of face. No studies address these potential brand–, distribution–, and promotion–face relationships. Therefore, we logically extend our investigation of the price–face link to brand–face, distribution–face, and promotion–face links in Study 2.

To sum up, the definition of face we use for this research thus has two dimensions ("has two faces"): 1) constructing and displaying a self-image by buying certain products and 2) seeking positive comments or recognition of social status through that consumption. To explicate the first meaning, we examine the influence of two product-related moderators—product visibility (publicly consumed vs. privately consumed; Study 1a) and product tangibility (material vs. experiential; Study 1b)—on the relationship between face concerns and purchase intentions for a high-priced option (i.e., the price–face link). Because we also posit that others' predicted perceptions influence face concerns, in Study 2 we include situational moderators, in the form of social presence, and not only test the price–face linkbut also the other marketing mix–face links, as we detail in the following sections. In Figure 4.2, our conceptual framework delineates the key constructs and interrelationships for this research.

Figure 4.2: Conceptual framework
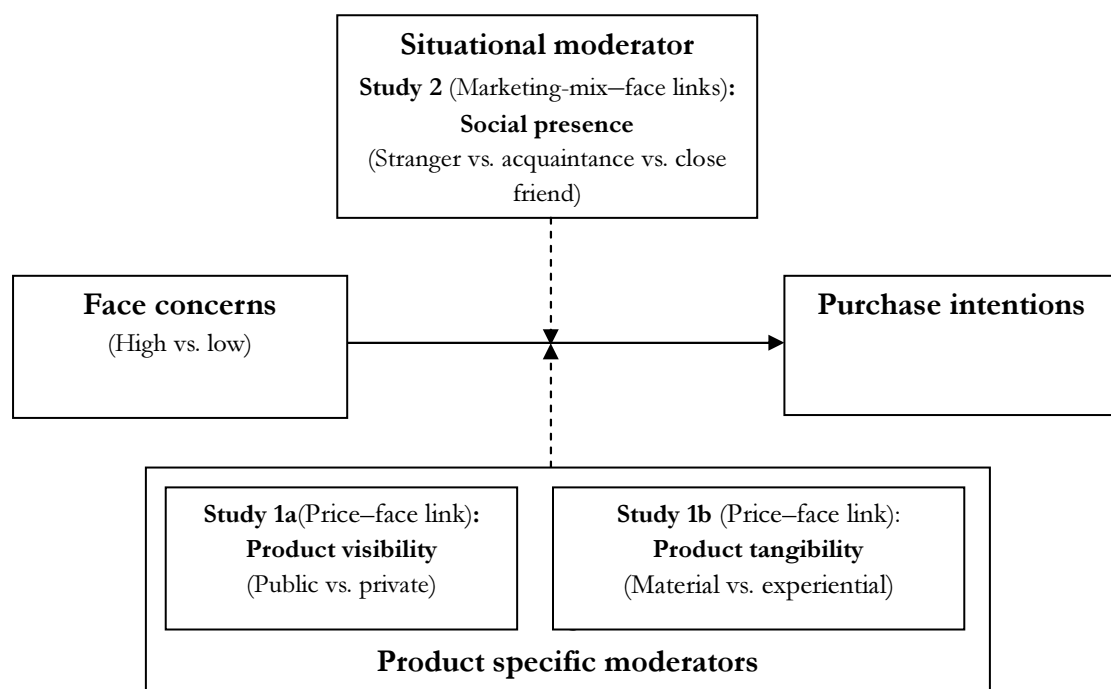
4.2.5 Comparing Face, Social Status, and Status Consumption

The concept of face is related to that of social status (e.g., Li & Su, 2007; Oetzel, Garcia, & Ting-Toomey, 2008), so I discuss their similarities and differences in more detail.

Face vs. social status

Face refers to the public image created, which enables a person to receive praise from others (Goffman,1955). Status is a person's relative rank in society or a group, which reflects a confluence of property, power, and prestige (Weber, 1946, P.180). In general, social status correlates positively with face, such that the higher one's social status, the more face one has (Ho, 1976). While social status is an important component of face, the two variables differ in several ways.

In particular, the sources of face, rather than social status, are richer. A person's social status mainly is defined by property, power, and prestige (Weber, 1946). Other factors can contribute to face though (Ho, 1976). For example, parents enjoy greater face if their child has been admitted to a top university. In this case, face has nothing to do with wealth, power, or prestige but instead stems from a child's educational success (King & Bond 1985). Social status does not explain all of face, nor it is an identical construct.

Moreover, face is more situational and dependent on the reference group (Spencer-Oatey, 2007). If all other classmates use a iphone 3, a student who uses iPhone 4 has the face. However, this student might feel a loss of face if all his classmates changed to iPhone 6 plus. Furthermore, a person could gain face with one reference group while losing it with another. If a student performs well on recent exams, she or he gains face among classmates. However, this student simultaneously might feel a loss of face if she or he comes from a poor family, because the reference group is classmates born in a wealthy family. In contrast, social status is a relatively stable concept within a society and is thus less context related. Combining these concepts, we note that students from families with lower social status might tend to study harder to earn good grades and thus enhance their family's face.

Next, face relates closely to culture (see Section 4.2.2), so we used nationality as a proxy for face concerns. In contrast, social status is relatively independent of culture. People in various cultures acknowledge social status to similar extents. Eastman et al. (1997) show empirically that interest in consumption as a means to gain status is similar among U.S., Chinese, and Mexican consumers.

Finally, the CFF scale differs from the status-seeking scale. The former (Appendix C) emphasizes concerns about others' comments; the latter focuses on the status a product has (Eastman, Goldsmith, & Flynn, 1999).

Face consumption vs. status consumption

In a consumption context, status consumption refers to "the motivational process by which individuals strive to improve their social standing through the conspicuous consumption of consumer products that confer and symbolize status both for the individual and surrounding significant others and that improve social standing" (Eastman et al., 1999, p. 42). Face consumption instead is the motivational process by which people try to enhance, maintain, or save their own face, as well as show respect for others' face, through consuming certain products (Li & Su, 2007). Face consumption differs from status consumption in three main ways. First,

face products are high-priced but not necessarily luxury items, which is a defining characteristic of status products. While a status product may be a face product in some cases (such as a luxury car), there are many circumstances in which a face product does not illustrate status (such as a cell phone). Second, status consumption is motivated mainly by internal desires, whereas a person engages in face consumption mainly to act in accordance with external expectations or social norms (Yang, 1981), such that face consumption even might be obligatory. Third, face consumption is less rational than status consumption. Because consumption is a tool to maintain or save face, a Chinese consumer has little choice but to mimic the consumption practices of his or her social group (Li & Su, 2007). As Ram (1994) describes, though it may appear irrational to Westerners, Chinese consumers demand high-priced products even before they have secured adequate food, clothing, or shelter.

4.3 STUDY 1A: PRODUCT VISIBILITY AS A MODERATOR

With Study 1a we examine whether more (vs. less) face concerned consumers' purchase intentions for a high- versus low-priced alternative depend on the product's visibility. Researchers (Bourne, 1957) have tended to differentiate product visibility as publicly consumed or privately consumed products. Publicly consumed products are those that others can see in the course of their use, but privately consumed products cannot be seen during the consumption process, other than by the user (Kulviwat, Bruner, & Al-Shuridah, 2008). For example, a mattress is a privately consumed product, because few people outside the household ever see it. A cell phone, which consumers openly carry with them, is visible to others while being used.

Because publicly consumed products are more visible than privately consumed items (Ratner & Kahn, 2002), they have greater efficacy for building self-image and others' evaluations. Consumers with more face concerns, who care about others' perceptions of their own self-image, therefore should choose high-priced options for publicly consumed products, to invoke positive comments about their economic and social status. In contrast, privately consumed products are less visible, so even if a consumer spends more on them, others are less likely to know, much less make positive inferences, about this status. That is, a key factor underlying high-priced purchases is public recognition (Fisher & Price, 1992). Liao and Wang (2009) find that Chinese prefer top-grade brands when interacting with others but low-priced brands at home. In addition, Chao and Schor (1998) report that demand for publicly consumed products (i.e., cosmetics) increases with price. Therefore, product visibility should moderate the relationship between face concerns and purchase intentions for high-priced options, and we hypothesize

H1a: *Compared with consumers with low face concerns, the purchase intentions of consumers with high face concerns toward high-priced options are higher for publicly consumed (visible) products. For privately consumed (less visible) products, there is no difference between consumers with high face concerns and consumers with low face concerns.*

4.3.1 Method

4.3.1.1 Participants and design. Ninety (45 Dutch and 45 Chinese) university students from large universities in China and the Netherlands (screened to omit nonnative participants and Asian Europeans) participated in Study 1a and received compensation of 4 Euro or 30 RMB. The study used a 2 (face concerns: Chinese vs. Dutch) × 2 (product visibility: publicly consumed vs. privately consumed) between-subject experimental design. Because there is no mature face

manipulation measure in existent literature (Bao et al., 2003; Li & Su, 2007),therefore, for our exploratory purposes, we did not manipulate face concerns but rather classified them on the basis of cultural differences (Chinese vs. Dutch)(see also Chan et al., 2009; Hwang et al., 2003; Li & Su, 2007; Liao & Wang, 2009). Product visibility was manipulated by either using publicly or privately consumed product in the scenarios.

4.3.1.2 Procedure. We used the QUALTRICS online survey tool to conduct this experiment. Participants were introduced to the study, with instructions that its purpose was to understand reactions to shopping behaviors in different situations. Participants' CFF scores were measured before presenting the scenarios in the main studies. We adapted eight CFF items (see Appendix C) on seven-point Likert scales (1 = strongly disagree, 7 = strongly agree) from Cocroft and Ting-Toomey (1994) and White, Tynan, Galinsky, and Thompson (2004). Participants then were randomly assigned to the publicly or privately consumed product conditions. Following Kramer, Spolter, and Thakkar (2007), we used a cell phone to represent publicly consumed products and a mattress to represent privately consumed products. In the cell phone [mattress] condition, the scenario read:

> *Imagine that you are looking for a new cell phone [mattress]. After seeking advice from your friends and searching for information online, you narrow down your preference to two different models of cell phones[mattresses]. You also check out the real products in a store: the appearance, weight, and feeling in your hand (the material, density, and softness). After all the examination, you believe that both of them can satisfy your needs very well. Cell phone [mattress] A costs 139 Euro; cell phone [mattress] B costs 89 Euro.*

The prices and their differences were determined by a pretest.[9] In the Chinese sample, the high versus low prices were set at1119 RMB (139 Euro)and 719 RMB (89 Euro) (based on an exchange rate of 8 and an equivalent relative price difference of 50%).

4.3.1.3 Dependent variables. After reading the scenario, participants responded to five items that provided the input for three dependent measures. First, they indicated the likelihood of purchasing the high- and low-priced options on a seven-point Likert scale (1 = very low; 7 = very high). Second, purchase proportions were obtained by asking respondents to assign 100 points between the high- and low-priced options. Finally, purchase choice measures were obtained by asking the participants to choose between either the high- or the low-priced alternative (1 = high-priced option; 0 = low-priced option).

4.3.1.4 Manipulation check. As a manipulation check for whether the cell phone was perceived as more visible than the mattress, participants indicated their agreement with

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[9] The low price points of all three of our studies reflected actual market prices from a large shopping website. To select effective comparison prices that could signal face, we conducted a pretest with an independent sample of 20 Chinese university students from the same subject pool. Only Chinese students participated, because face is more characteristic of Chinese culture. They read that "Some research shows that people tend to relate price to their 'face' (mianzi). Consuming a high- priced item can signal greater socio-economic status and prestige, which will gain the purchaser face." Then, they had to choose, for example, "If the cheapest cell phone is 89 Euro in a store, which one of the following prices will gain you face?" The options ranged from 99 Euro to 149 Euro, with 10 Euro increases for each alternative. Similar indications that high prices can signal face appeared in each study, for mattresses (Study 1a), watches (Study 1b), musical performances (Study 1b), and dishes (Study 2a). The mean scores for the high prices were 131 Euro for both watches and cell phones, 123.5 Euro for a mattress, 80.5 Euro for the musicals, and 10.1 Euro for dishes. On the basis of the mean prices indicated in the pretest, we determined high prices of 139 Euro for the cell phone (Study 1a), mattress (Study 1a), and watch (Study 1b), 79 Euro for musicals (Study 1b), and 10.9 Euro for dishes (Study 2a). Voss, Parasuraman, and Grewal (1998) similarly used $79/$129 as low and high price points, such that they differed by about 50%.

statements related to cell phones and mattresses, using Kramer et al.'s (2007) six-item, seven-point scale (1 = strongly disagree, 7 = strongly agree, see Appendix A1). Example items included, "Cell phone [mattress]is used in public?" and "Other people know what cell phone [mattress] I own"(α = .91).

  4.3.1.5 Control variable. We followed Ratchford (1987) and Vaughn (1986) and sought to rule out the possibility that any effect of publicly versus privately consumed product types were caused by differences in the level of consumers' involvement with the product category. Respondents thus completed three seven-point items measuring their level of involvement, such as "Buying a cell phone (mattresses) is a___decision" (α = .80) (1 = very unimportant, 7 = very important). Appendix A1 contains all the measures in Study 1a.

  At the end of the survey, participants answered a few demographic questions and were debriefed and thanked for their participation. In all experiments with the Chinese students, the study materials had been translated into Chinese and verified by back-translation by two translators unaware of the hypotheses.

4.3.2 Results

  4.3.2.1 Manipulation check. We followed Perdue and Summers (1986)[10] and conducted a 2 (face concerns: Chinese vs. Dutch) × 2 (product visibility: cell phone vs. mattress) analysis of variance (ANOVA) on the mean of the six-item product visibility scale[11]. The product visibility manipulation was successful, such that only the main effect of product visibility was significant ($F(1, 86) = 185.16$, $p < .001$). Participants in the cell phone condition (M = 4.71, SD = .88) rated the product as more visible than those in the mattress condition (M = 2.22, SD = .85). No other main or interaction effects were significant ($p > .30$).

  4.3.2.2 CFF scores. We averaged their responses to form a reliable CFF score (α = .87).The one-way ANOVA for the average value of the CFF score provides only 88% confidence for the assertion that Chinese consumers express higher face concerns than Dutch participants ($M_{Chinese}$= 5.40, M_{Dutch} = 5.11, $F(1, 88) = 2.53$, $p = .12$).

  4.3.2.3 Control variable. The 2 (face concerns: Chinese vs. Dutch) × 2 (product visibility) ANOVA for the mean of the involvement scale indicated no significant main ($p>.05$) or interaction ($p > .50$) effects. People's involvement in purchasing a cell phone or a mattress did not differ significantly, among either Chinese or Dutch participants.

  4.3.2.4 Hypotheses testing results

  4.3.2.4.1 DV1: Purchase likelihood. A 2 (face concerns: Chinese vs. Dutch) × 2 (product visibility) ANOVA with the purchase likelihood of a high-priced option as the dependent variable[12] revealed significant main effects of face concerns ($F(1,86) = 14.90$, $p < .001$) and

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[10] According to Perdue and Summers (1986), a manipulation is significant only when the main effect of the manipulation variable is statistically significant and other main or interaction effects are insignificant.

[11] In this chapter, we did not conduct measurement invariance (MI) tests of the three multi-item scales (i.e., product visibility scale, CFF scale, and product involvement scale), because our sample sizes were too small, featuring 45–72 people per group. Meade (2005) empirically shows that sample size has the strongest effect on the MI test, because it is incorporated directly into the formula for computing the chi-square statistic used in MI test; even for sample sizes of 100 per group, the statistical power of the MI test was low.

[12] Results based on estimates that used the purchase likelihood for the low-priced option or the difference between high- and low-priced options as the dependent variable did not differ from those with purchase likelihood for the high-priced option as the dependent variable. The detailed estimation results are available on request.

product visibility (F(1,86) = 7.37, $p <$ .008) (see the left column, Table 4.2, Panel a). That is, Chinese participants reported a higher likelihood (M = 4.42, SD = 1.29) of purchasing the high-priced option compared with the Dutch participants (M = 3.22, SD = 1.69). Participants also were more likely to buy a high-priced cell phone (M = 4.22, SD = 1.62) than a mattress (M = 3.39, SD = 1.50; see Table 4.2, Panel b). However, in contrast with our expectations, the insignificant two-way interaction of face concerns and product visibility (F(1, 86) = .19, $p >$ .60) suggested that, compared with consumers with low face concerns (i.e., Dutch), consumers with high face concerns (i.e., Chinese) for a high-priced option did not express varying purchase likelihood for high versus low product visibility categories. Thus, H1a did not receive support.

4.3.2.4.2 DV2: Purchase proportions. We found similar results for the second dependent variable, purchase proportions for the high-priced option. The linear regression results (middle column, Table 4.2, Panel a) indicated significant main effects of product visibility (β = 17.21, t = 2.42, $p <$ .05) and face concerns (β = 14.39, t = 1.97, $p <$ .05). According to the positive product visibility coefficient, participants in the cell phone condition (coded 1; M = 47.26, SD = 23.49) were more likely to purchase the high-priced option than were to participants in the mattress condition (coded 0; M = 36.12, SD = 24.87). In addition, the positive coefficient for face concerns revealed that Chinese consumers (coded 1; M = 45.98, SD = 21.61) tended to buy the high-priced option more than Dutch consumers (coded 0; M = 37.89, SD = 27.02). We summarize the average purchase proportions in the middle part of Table 4.2, Panel b. Because the interaction was insignificant ($p >$ .20), we again failed to find support for H1a.

4.3.2.4.3 DV3: Purchase choice. Furthermore, the effects of the dependent variable on choice were consistent (right column, Table 4.2, Panel a). This result is based on a logistic regression analysis (for the statistical terms, see Appendix B), with participants' choice as the dependent variable and product visibility, face concerns (Chinese vs. Dutch), and their interaction as the independent variables, such that

$$\log(p_i / 1 - p_i) = \beta_0 + \beta_1 face_i + \beta_2 visibility_i + \beta_3 face_i \times visibility_i + \varepsilon_i, \text{ (1)}$$

where p_i = probability that participant i chooses a high-priced cell phone/mattress; $face_i$ = face concerns (dummy variable), equals to 1 when participant i is Chinese and 0 when participant i is Dutch; $visibility_i$ = product visibility (dummy variable), equals to 1 if participant i is in the cell phone condition and 0 if participant i is in the mattress condition; and $face_i \times$ visibility$_i$ equals 1 if participant i is Chinese and in the cell phone scenario and 0 otherwise, ε_i is a disturbance term.

Product visibility (cell phone = 1, mattress = 0) and face concerns (Chinese = 1, Dutch = 0) constituted the categorical variables. The results (N = 90, Nagelkerke R^2 = .15) revealed main effects of face concerns (β = 1.82, Wald = 4.39, $p <$ .05) and product visibility (β = 1.86, Wald = 4.73, $p <$ .05). Figure 4.3 depicts these main effects: Chinese consumers were more likely to choose a high-priced option than Dutch consumers (M = (38%+50%)/2 = 44% vs. (9.10%+39.13%)/2 = 24%). High visibility products also increased the choice likelihood for a higher priced option (M = (50%+39.13%)/2 = 45% vs. (38%+9.1%)/2 = 24%; see also the bottom part of Table 4.2, Panel b). However, the interaction of face concerns × product

visibility was not significant ($p > .10$). The convergent results for all the three dependent variables thus affirmed the lack of support for H1a.

4.3.3 Conclusions and Discussion

Chinese consumers in general are more likely to purchase high-priced options than Dutch consumers. Consumers also are more likely to purchase a high-priced option when they shop for high versus low visibility products. However, compared with Dutch consumers, Chinese consumers' purchase intentions for a high-priced option do not differ between the high (cell phone) and low (mattress) visibility products. One explanation for these findings may be that the measured CFF scores of the Chinese participants of our sample are not significantly higher than those of the Dutch. To explain this result, we note that face is a social phenomenon, but we only collected data from one social group of students, who live in a relatively closed environment and may not have adapted completely to society. Their consumer psychology and behavior may be relatively immature, rather than completely representative of mainstream consumers. The differences between Chinese and Dutch consumers' CFF scores likely would be more significant if we included data from various social groups, who are more representative of consumers.

Table 4.2: Study 1a Findings

a. Results: Effects of product visibility and face concerns on purchase intentions for a high-priced option

	ANOVA (DV1)		Linear regression (DV2)				Logistic regression (DV3)			
	F	Sig.	Parameter	Std. Error	t-value	Sig.	Parameter	Wald	Exp(β)	Sig.
Intercept	611.93	.001	29.09	5.09	5.71	.001	-2.30	9.64	.10	.001
Product visibility (cell phone = 1, mattress = 0)	7.37	.008	17.21	7.13	2.42	.02	1.86	4.73	6.25	.03
Face concerns (Chinese = 1, Dutch = 0)	14.90	.001	14.39	7.29	1.97	.05	1.82	4.39	6.15	.04
Product visibility × face concerns	.19	.67	-12.52	10.09	-1.24	.22	-1.38	1.72	.25	.19
R-squared / Nagelkerke R-squared	.21		.09				.15			

b. Average purchase likelihood, purchase proportions, and purchase choice for a high-priced option

Condition	Cell phone			Mattress			Average		
	Mean	Std. deviation	Sample size	Mean	Std. deviation	Sample size	Mean	Std. deviation	Sample size
DV1:Purchase likelihood (7-point scale)									
Chinese	4.75	1.36	24	4.05	1.12	21	4.42	1.29	45
Dutch	3.70	1.72	23	2.73	1.55	22	3.22	1.69	45
Average	4.22	1.62	47	3.39	1.5	43			
DV2:Purchase proportions (100 points)									
Chinese	48.17	22.44	24	43.48	20.89	21	45.98	21.61	45
Dutch	46.30	25.01	23	29.09	26.75	22	37.89	27.02	45
Average	47.26	23.49	47	36.12	24.87	43			
DV3:Purchase choice (% in choosing high-priced option)									
Chinese	.50	.51	24	.38	.50	21	.44	.50	45
Dutch	.39	.49	23	.09	.29	22	.24	.44	45
Average	.45	.45	47	.24	.43	43			

Figure 4.3: Choice of the high-priced option for Study 1a

CHOICE OF THE HIGH-PRICED OPTION
EXPERIMENT 1a
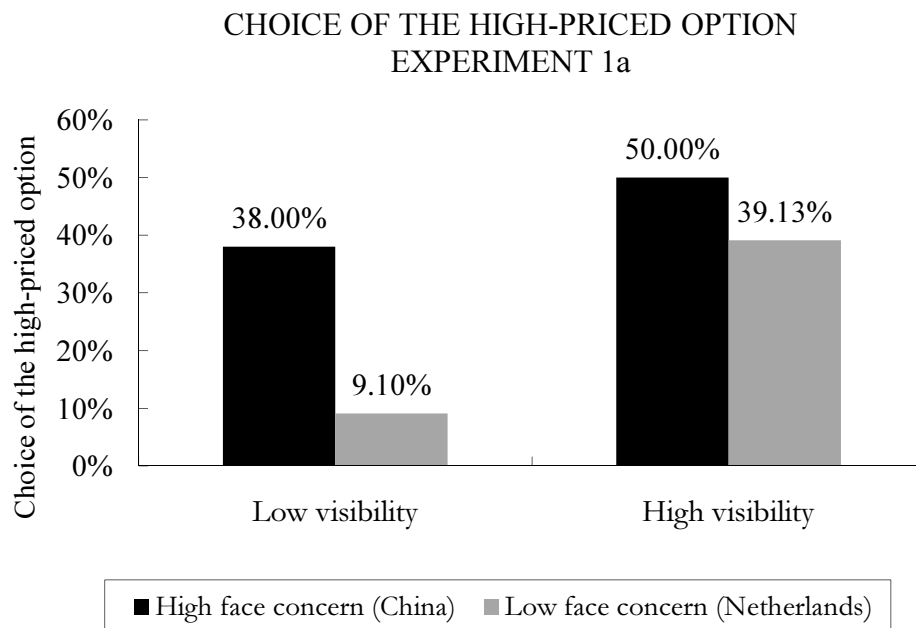
4.4 STUDY 1B: PRODUCT TANGIBILITY AS A MODERATOR

Study 1b explores the influences of product tangibility (material vs. experiential) on face concerned consumers' purchase intentions for a high-priced option. Van Boven and Gilevich (2003) propose an intention-based distinction between material and experiential purchases. Material purchases are those made with the primary intention of acquiring a material good or tangible object that remains in one's possession (e.g., new Patek-Phillipe watch). Experiential purchases instead are made with the primary intention of acquiring a life experience in a series of events (e.g., hiking the Himalayas).

Whereas experiential products tend to gratify the internal, private self, material products are more associated with the public and social self (Wertenbroch & Dhar, 2000). People with more face concern focus on social roles and public perceptions as central to their identity (Ho, 1976). Therefore, they should emphasize not only the importance of the external social self but also the significance of material products as motives for consumption. Those with more face concern also tend to display their wealth publicly to others through consumption, symbolically demonstrate their social status, and seek to build their social reputation (Wong & Ahuvia, 1998). Material products can carry information about those symbols. Compared with experiential products, which leave nothing tangible to show others after the experience (Fitzmaurice, 2008), consumers can display tangible material products many times in various occasions to gain and enhance their face. Finally, face results from social comparison (Goffman, 1955). Yet experiential products tend to be less directly comparable than material products, because experiences simply are harder to align for the purposes of comparison (Carter & Gilovich, 2010). Therefore, material products serve as better vehicles for more face concerned consumers to establish face, due to their ability to confer status and transmit a desired self-image to others (Campbell, 1987). Wong and Ahuvia (1998) suggest that Asian group norms and goals frequently emphasize material possessions. Liao and Wang (2009) also find a strong correlation between face and

materialism, suggesting that more face concerned consumers attach higher importance to possessions, and therefore, they are more likely to choose a high-priced option for material possessions. We test the following hypothesis:

H1b: *Compared with consumers with less face concern, the purchase intentions of consumers with more face concern toward higher-priced options are higher for material products. For experiential products, there is no difference between consumers with high face concerns and consumers with low face concerns.*

4.4.1 Method

4.4.1.1 Participants and design. Subjects in Study 1a also participated in Study 1b. Study 1b used a 2 (face concerns: Chinese vs. Dutch) × 2 (product tangibility: experiential vs. material) between-subject design. Again, we did not manipulate face concerns but rather classified high vs. low face concerns based on culture differences (Chinese vs. Dutch). Product tangibility was manipulated as either to buy a material or an experiential product in the scenarios.

4.4.1.2 Procedure. After subjects finished the scenario for Study 1a, they were exposed to the second scenario, which described the purchase of either an experiential or a material product, for Study 1b. The products needed to meet two requirements: (1) They had to be familiar to university students and (2) should have comparable prices. Following Van Boven and Gilovich (2003), we used a watch as the material and a musical production as the experiential product. Because these items have appeared in previous research, we did not pretest them. The scenarios read as follows:

> *Imagine that you are looking for a new watch [planning to watch a musical]. After seeking advice from your friends and searching for information online, you narrow down your preference to two watches [musicals]. You also check out the real products in a store: the appearance, weight, and feeling on your wrist. [You also check out the preview in a ticket office: the stories, actors/actresses, and the atmosphere.] After all the examination, you believe that both of them can satisfy your needs very well. Watch [Musical] A costs 89 [49] Euro; Watch [Musical] B costs 139 [79] Euro.*

The prices and their differences were determined by the pretest, as we described in footnote 9. In the Chinese sample, the prices for the watch [musical] were set at 719 [399] and 1119 [639] RMB (exchange rate of 8 and equivalent relative price difference of about 50%).

4.4.1.3 Dependent variables. In this study, we have the same dependent variables as in Study 1a.

4.4.1.4 Manipulation check. Similar to the procedure used by Carter and Gilovich (2010), participants rated the degree to which their purchase was material or experiential (1 = definitely material, 4 = does not fit either category, 7 = definitely experiential, see Appendix A2).

4.4.1.5 Control variable. We measured participants' familiarity with watches (musicals) with a single question: "How familiar are you with the product category? (1 = not familiar at all; 7 = very familiar)" (Jung & Kellaris, 2004). Appendix A2 contains all the measures in Study 1b.

4.4.2 Results

4.4.2.1 Manipulation check. We performed a 2 (face concerns: Chinese vs. Dutch) × 2 (product tangibility: watch vs. musical) ANOVA on the mean score of product tangibility. The results, showing a significant main effect of product tangibility ($F(1,86) = 82.71$, $p < .001$), suggested that participants perceived the watch (M = 3.15, SD = 1.69) as more material than the

musical (M = 6.00, SD = 1.29) (1 = definitely material, 4 = does not fit either category, 7 = definitely experiential). Although the main effect of face concerns was not significant (p>.81), the interaction effect was (F(1,86) = 5.37, p < .05). According to the simple effect analysis, the interaction resulted primarily from Chinese participants, who perceived watches as less material products (M = 3.54, SD = 1.72) than their Dutch counterparts (M = 2.74, SD = 1.60; F(1,86) = 3.43, p = .07), although the difference is only significant at the .07 level. Perhaps this counterintuitive finding arose because the Chinese consumers, compared with the Dutch participants, engaged in more holistic rather than analytic thinking (Monga & John, 2008), leading them to believe that as long as a material product has some function, it also includes experiential features. In the musical condition, Dutch participants (M = 6.32, SD = 1.21) classified the musical as an experiential product to a similar extent as their Chinese counterparts (M = 5.67, SD = 1.32; F(1,86) = 2.07, p > .15). Thus the manipulation of product tangibility was not perfect. However, since one of the independent variables, i.e., face concerns, is not manipulated, a moderate interaction is allowed, as long as compared with the musical, both Chinese and Dutch participants agreed that a watch represented a more material product (Kenny, 2013).

4.4.2.2 CFF score. As in Study 1a, though Chinese consumers expressed higher face concerns than Dutch participants, the difference was not significant ($M_{Chinese}$= 5.40, M_{Dutch} = 5.11, F(1, 88) = 2.53, p = .12).

4.4.2.3 Control variable. A 2 (face concerns: Chinese vs. Dutch) × 2 (product tangibility) ANOVA of the familiarity scale indicated that only the main effect of face concerns was significant (F(1, 81) = 6.17, p < .05), with no other significant main or interaction effects (p > .05). Although Dutch participants (M = 3.91, SD = 1.81) were somewhat more familiar with both products compared with their Chinese counterparts (M = 3.12, SD = 1.37), Chinese and Dutch participants' familiarity with watches and musicals did not differ.

4.4.3 Hypotheses Test Results

4.4.3.1 DV1: Purchase likelihood. The 2 (face concerns: Chinese vs. Dutch) × 2 (product tangibility) ANOVA for purchase likelihood showed significant main effects of face concern (F(1, 86) = 16.94, p < .001) and product tangibility (F(1, 86) = 8.54, p < .005; left column, Table 4.3, Panel a). Thus, Chinese consumers (M = 4.40, SD = 1.27) were more likely to choose a high-priced option than Dutch participants (M = 3.09, SD = 1.76), and all participants were more likely to select a high-priced watch (M = 4.18, SD = 1.83) than a high-priced musical (M = 3.27, SD = 1.31). We summarize these averaged purchase intentions in the upper part of Table 4.3, Panel b. However, because the interaction effect was not significant (p = .36), H2 is not supported.

4.4.3.2 DV2: Purchase proportions. From the linear regression on the second dependent measure, for which respondents divided 100 points between the high- and low-priced options, we determined that the model was significant (F value = 7.07, p < .001), and the model R-square was 20% (middle column, Table 4.3, Panel a). Only the main effect of face concerns emerged as significant (β = 12.54, t = 2.15, p < .05), such that Chinese consumers (coded 1; M = 47.78, SD = 19.32) appeared more likely to choose the high-priced option than Dutch consumers (coded 0; M = 32.64, SD = 20.01). The averaged purchase proportions appear in the middle part of Table

3, Panel b. With no other significant main or interaction effects, we found no support for H1bin the linear regression.

4.4.3.3 DV3: Purchase choice. Finally, we conducted a logistic regression analysis with consumer choice as the dependent variable and product tangibility, face concerns (Chinese vs. Dutch), and their interaction as independent variables:

$$\log(p_i / 1 - p_i) = \beta_0 + \beta_1 face_i + \beta_2 tangibility_i + \beta_3 face_i \times tangibility_i + \varepsilon_i, \text{ (2)}$$

where p_i = probability of participant i choosing a high-priced watch/musical; $face_i$ = face concerns (dummy variable), equals to 1 when participant i is Chinese and 0 when participant i is Dutch; $tangibility_i$ = product tangibility (dummy variable), equals to 1 if participant i is in the watch condition and 0 if participant i is in a musical condition; and $face_i \times tangibility_i$ equals 1 if participant i is Chinese and in the watch scenario, and 0 otherwise. ε_i is a disturbance term.

In the right column of Table 4.3, Panel a, we specify the marginally significant main effect of product tangibility (β = 1.48, Wald = 2.88, $p < .09$). As shown in Figure 4.4, the average choice of a high-priced option appears higher in the watch (M = (62.50%+30.40%)/2 = 47%) than in the musical (M = (9.5%+9.1%)/2 = 9%) condition (see also the bottom part of Table 4.3, Panel b). Because the main effect of face concerns and the interaction effect were insignificant ($p > .20$), our findings revealed that the differences between Dutch and Chinese consumers, in terms of choosing a high-priced option for high- or low-tangibility products, were not significant. We again found no support for H1b.

4.4.4 Conclusions and Discussion

Compared with Dutch consumers', Chinese consumers' purchase intentions for a higher-priced option are higher in general, regardless of the tangibility of the product, thus H1b is not supported. We predicted the correct direction of consumers' purchase intentions for a high-priced material product (watch). However, we were not able to give a correct prediction for the experiential product (musical). We now focus our discussion on the experiential product.

According to an independent samples t-test, Chinese (vs. Dutch) consumers are relatively more likely to purchase a higher-priced musical, across both dependent variables we adopted (seven-point Likert scale $M_{Chinese}$ = 3.76, SD = .77; M_{Dutch} = 2.77, SD = 1.54; t(1,41) = 2.64, $p < .01$; dividing 100 points $M_{Chinese}$ = 40.95, SD = 13.84; M_{Dutch} = 28.41, SD = 16.50; t(1,41) = 2.69, $p < .01$).[13] This might be because musicals usually are watched with others, rather than alone. According to face theory, Chinese consumers pay attention to their own face but also are sensitive to granting face to others. Thus, when consuming with others, Chinese people must carefully judge the value of the products or services, to enable those others to feel full of face (Li & Su, 2007). The Chinese participants then may have been relatively more likely to choose a high-priced musical, to indicate the importance of their relationship to the other (Yau, 1994) and show respect to their companion's face.

Thus far, we have focused on price–face link and product-specific moderators. Yet we have found no significant moderating effects on the price–face relation. In the following studies, we also test the potential links of face with three other elements of marketing mix (Biswas,

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[13] Although the direction of the results for the third dependent variable, purchase choice, was consistent ($M_{Chinese}$ = .10, SD = .3; M_{Dutch} = .09, SD = .29; t(1,41) = .05, $p > .40$), it was not significant. Therefore we do not discuss it here.

Dutta, & Pullig, 2006): brands (Ross, 1988), sales promotions (Nelson, 1970), and distribution channels. Furthermore, as a basic premise, we posit that Chinese consumers' face concerns lead them to choose high-priced options, but in Studies 1a and 1b, we considered only product-focused consumption contexts (i.e., product visibility, product tangibility). Consumers' face concerns also might depend on situational factors though (e.g., social presence of a stranger vs. acquaintance vs. close friend).These issues motivate Study 2.

Figure 4.4: Choice of the high-priced option for Study 1b

CHOICE OF THE HIGH-PRICED OPTION
EXPERIMENT 1b
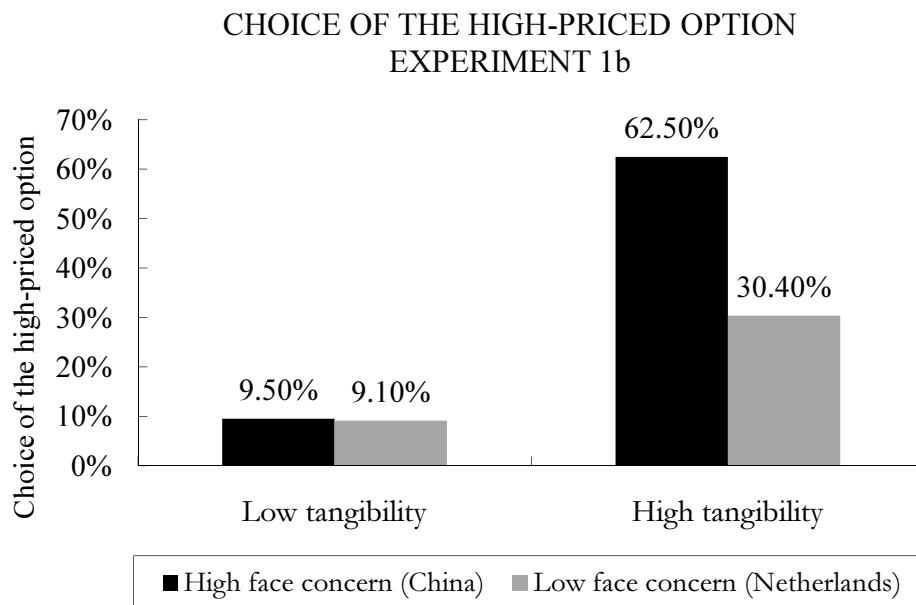
Table 4.3: Study 1b findings

a. Results: effects of product tangibility and face concerns on purchase intentions for a high-priced option

	ANOVA (DV1)		Linear regression (DV2)				Logistic regression (DV3)			
	F	Sig.	Parameter	Std. Error	t-value	Sig.	Parameter	Wald	Exp(β)	Sig.
Intercept	574.42	.001	28.41	4.08	6.97	.001	-2.30	9.64	.10	.001
Product tangibility (watch= 1, musical = 0)	8.54	.004	8.29	5.70	1.45	.15	1.48	2.88	4.38	.09
Face concerns (Chinese = 1, Dutch = 0)	16.94	.001	12.54	5.83	2.15	.03	.051	.002	1.05	.96
Product tangibility × face concerns	.87	.36	4.51	8.07	.56	.58	1.29	1.11	3.62	.29
R-squared / Nagelkerke R-squared	.21		.20				.31			

b. Average purchase likelihood, purchase proportions, and purchase choice for a high-priced option

Condition	Watch			Musical			Average		
	Mean	Std. deviation	Sample size	Mean	Std. deviation	Sample size	Mean	Std. deviation	Sample size
DV1:Purchase likelihood (7-point scale)									
Chinese	4.96	1.37	24	3.76	.77	21	4.40	1.27	45
Dutch	3.39	1.92	23	2.77	1.54	22	3.09	1.76	45
Average	4.18	1.83	47	3.27	1.31	43			
DV2:Purchase proportions (100 points)									
Chinese	53.75	21.63	24	40.95	13.84	21	47.78	19.32	45
Dutch	36.70	22.50	23	28.41	16.50	22	32.64	20.01	45
Average	45.40	23.46	47	34.53	16.36	43			
DV3:Purchase choice (% in choosing high-priced option)									
Chinese	.63	.50	24	.10	0.3	21	.38	.49	45
Dutch	.30	.47	23	.09	0.29	22	.20	.41	45
Average	.47	.50	47	.09	0.29	47			

4.5 STUDY 2: SOCIAL PRESENCE AS A MODERATOR

The presence of other persons in a purchase situation influences purchase decisions (Luo, 2005). Even a non-interactive social presence, such as the mere physical presence of another shopper in a store, may be sufficient to elicit emotional and behavioral responses (Argo, Dahl, & Manchanda, 2005). Most research considers the impact of social presence in public (with another person) versus private (alone) conditions (Kurt, Inman, & Argo, 2011). However, the exact nature of these influences is not clear (Brown & Garland, 1971; Zhang & Shrum, 2009). Some research suggests that certain types of peers (e.g., close vs. distant friends, friends vs. other companions) increase attitudes and behaviors associated with consumption more than do other types of peers (de Castro, 1994; Luo, 2005). To examine the effects of different types of social presence on purchase intention, this research examines three forms of social presence: stranger, acquaintance, and close friend.

More face concerned consumers likely care about others' comments and seek to maintain good relationships with others, so a social presence should have a greater impact on more face concerned consumers than on less face concerned consumers. A stranger's presence might not significantly prompt face concerns, because it is unlikely that the focal actor will meet this stranger again, and what strangers think may have less effect than the opinion of friends. With an acquaintance, though they know each other, the pair is not closely connected and still in the process of getting to know each other. Therefore, building a desirable self-image through face-building or face-saving behaviors may determine acquaintances' assessments. Wakefield and Inman (2003) propose that consumers are less likely to select a lower priced alternative in the presence of colleagues, out of fear of negative connotations, such as being perceived as cheap or unable to afford higher priced alternatives. However, with a close friend, shared experiences should produce feelings of comfort and acceptance; because image and status perceptions already should have formed, there is less need to engage in face-saving behavior (Brown & Garland, 1971). Brown and Garland (1971) thus propose an inverted U-shaped relationship between the degree of relationship closeness and face-saving behavior. Because the relationship closeness of an acquaintance lies between a stranger and a close friend, an acquaintance might make face concerns most salient. In contrast, consumers with less face concerns should be relatively less affected by the status of the social presence—that is, stranger, acquaintance, or close friend—because they already regard themselves as more independent and pay less attention to others' opinions (Markus & Kitayama, 1991). Therefore,

H2a: *Compared with consumers with less face concern, the purchase intentions of consumers with more face concern are higher toward a higher-priced product if an acquaintance is present. When a stranger or a close friend is present, there is no difference between consumers with high face concerns and consumers with low face concerns.*

Literature on store choice shows that, in addition to store attributes factors (e.g., price of merchandise, convenience of store location, expertise of store personnel), psychological factors can account for store choice. Dash, Schiffman, and Berenson (1976) find that the specialty store customers were more self-confident than those who shopped for similar items in a department store. Inspired by their study, we argue that face concerns might have the potential to influence consumers' store choices too. We anticipate that selective channels, such as a specialty store (vs. non-selective channels, such as the convenience store),with their nicer store images and

environments and better services, may be more attractive to those with high face concerns, who likely are particularly interested in creating a high-end, classy self-image. Furthermore, face-concerned consumers pay attention to their own face and are sensitive to granting faces to others (Li & Su, 2007). When an acquaintance is present, face-concerned consumers may choose to shop at specialty stores, which are perceived as more formal and valuable than convenience stores, to show respect to their acquaintance. However, if a stranger or close friend is present, there is less need to engage in face-saving behavior (Brown & Garland, 1971), so face concerns might not affect consumers' store choice. Therefore,

H2b: *Compared with consumers with less face concern, the purchase intentions of consumers with more face concern toward selective outlets such as specialty stores are higher when an acquaintance is present. When a stranger or a close friend is present, there is no difference between consumers with high face concerns and consumers with low face concerns.*

Face concerned consumers also tend to emphasize brand names, in the belief that name brand products enhance their face. Research has shown a positive correlation between face and brand names (Li & Su, 2007), suggesting that face can explain why China, as a developing country, is already the second largest luxury product market in the world (Song, 2012). Compared with name brand products, more face concerned people view private-label products as inferior and potentially associated with a loss of face for people who purchase them (i.e., "People who buy private label products would not want their friends to know"; Lupton, Rawlinson, & Braunstein, 2010, p. 108). In turn, we propose:

H2c: *Compared with consumers with less face concern, the purchase intentions of consumers with more face concern for name brand options are higher when an acquaintance is present. When a stranger or a close friend is present, there is no difference between consumers with high face concerns and consumers with low face concerns.*

Research on sales promotions has demonstrated the economic (e.g., saving money, Stigler, 1950) and psychological (e.g., smarter shopper, Schindler, 1998) incentives for obtaining a deal. However, sales promotions can produce negative social consequences, such as an impression of cheapness, low-class, or stinginess (e.g., Kashani and Quelch, 1990; Ndubisi& Moi, 2005). Ashworth, Darke, and Schaller (2005) propose that the decision to respond to sales promotions involves a trade-off, between economic and psychological incentives to take advantage of them and the competing social disincentive to avoid them. Consumers strategically adjust their decisions in response to factors that alter the relative strength of these incentives. More face-concerned consumers, worried about how attractive or likable they appear to others, are less likely to respond to sales promotions, to avoid a negative impression of cheapness or stinginess that might undermine positive impressions of financial wealth and a willingness to use or share that wealth. The social disincentive to avoid sales promotions also should increase with greater face concerns, such as when an acquaintance (vs. stranger or close friend) is present. Formally,

H2d: *Compared with consumers with less face concern, the purchase intentions of consumers with more face concern toward a discount item are lower when an acquaintance is present. When a stranger or a close friend is present, there is no difference between consumers with high face concerns and consumers with low face concerns.*

4.5.1 Method

4.5.1.1 Participants and design. A total of 144 (72 Chinese and 72 Dutch) students from large universities in China and the Netherlands participated in this study, in return for a payment of 30 RMB or 4 Euro. The study used a 2 (face concerns: Chinese vs. Dutch) × 3 (social presence: stranger vs. acquaintance vs. close friend) × 4 (marketing mix: price vs. distribution vs. product vs. promotion) mixed design. The first two factors were between-subject, and the third factor was a within-subject factor. The within-subject design enabled us to achieve greater sample efficiency in the use of participants, to help recover the higher costs of cross-cultural studies. Similar to Studies 1a and 1b, nationality provided a proxy for face concerns.

4.5.1.2 Procedure. Again, we used the QUALTRICS online survey tools to conduct the experiments. After the instructions, participants' CFF scores were measured in a similar way as in Studies 1a and 1b. Then, they were randomly exposed to one of three manipulated situations (stranger vs. acquaintance vs. close friend). Psychology theory posits that social audiences need not be physically present; they can also be imagined (Edelmann, 1981; Miller, 1996). Argo et al. (2005) also note that the presence of another person (real or imaged) is sufficient to elicit perceptions of being evaluated. To manipulate the three types of social presence, we adapted the "Other in the Self" scale, which has been used successfully to measure interpersonal closeness (Aron, Aron, & Smollan, 1992). For this measure, the questionnaire displayed seven pairs of two circles, one representing the self and the other representing another person. The seven pictures differed with respect to the overlap between the two circles, ranging from no overlap (least close) to full overlap (most close). For this experiment, we selected the first, second, and seventh circle pairs to represent a stranger, an acquaintance, and a close friend. To eliminate variance in the understanding of these relationships, we showed participants all three pictures, to help them understand the relative differences, though we only asked them to focus on one picture. Their task was to image a person with whom they had a relationship that corresponded with the assigned degree of closeness; they were to write down his or her name, in the close friend or acquaintance situations (participants in the stranger situation did not write down any name). For example, the acquaintance scenario read:

> *Below you can see three pairs of relationship closeness circles. The 'Self' circle represents you, whereas the 'Other' circle represents the other person. The three pairs of circles vary from close to distant.*
>
> *Please focus on* **the second pair of circles (B).** *Picture a relationship with an acquaintance, whom you do not know very well, as depicted by picture B. Write down the given name of your acquaintance. All the following scenarios are about you and your acquaintance.*

(A)   (B)   (C)
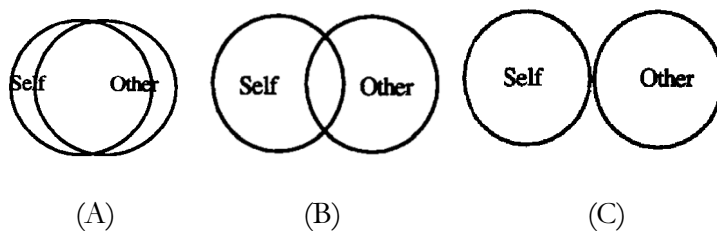
In the other two experimental situations with similar scenarios, participants were asked to image a person with whom their relationship was reflected by picture A or C. To check whether participants understood the prompt correctly, we asked two manipulation check questions

("Who is the person you named above?" and "How close is the relationship between you and the person you just imagined?" 1 = very distant, 7 = very close).

 4.5.1.3 Price scenario. With social presence manipulated, we asked each participant to imagine four different scenarios, consistent with our aim to study responses to the four elements of the marketing mix: price, place, product/brand, and sales promotions. For example, in the acquaintance [stranger/close friend] condition, the price scenario was as follows:

> *Scenario 3a: You go to a restaurant for lunch. You enter the restaurant and now you are standing in front of the cashier, thinking about what dish to order. At that moment, the acquaintance [stranger/close friend] (the person you named above) comes into this restaurant and stands right next to you. You are considering dish A and dish B, both of which you like. Dish A costs 6.90 Euro; Dish B costs 10.90 Euro. The average price of the dishes in this restaurant is around 9.00 Euro.*

The prices and their differences in the scenarios were determined by the pretest (see footnote 9). In the Chinese sample, the prices for the dish were 59 and 89 RMB (exchange rate of 8 and equivalent relative price difference of about 50%). After reading the scenario, participants indicated their purchase intentions for the high- and low-priced options, divided 100 points between the high-and low-priced options, and chose between the two alternatives, as the dependent measures.

 Distribution scenario. After the price scenario, participants were directed to the distribution scenario, which read:

> *Imagine that it is a sunny Sunday afternoon, and you are seated on a bench, enjoying the sunshine in the city center. The acquaintance [stranger/close friend] (the person you named in the previous task) passes by, walks to you, and now is sitting next to you. While you are sitting there, you see many people with ice cream in their hands. You also want one. The acquaintance doesn't like ice cream, so you will only buy one for yourself. Within 3 meters, you see two stores where you can buy an ice cream. The two stores sell the same varieties and types of ice cream. Store A is an ice cream specialty store; Store B is an ice cream kiosk/vendor.*

After reading the scenario, participants indicated the likelihood that they would buy ice cream at Store A or B, then divided 100 points between Store A and B and indicated their choice between Store A and B.

 4.5.1.4 Product/brand scenario. Participants imagined themselves in the product scenario next:

> *One day after class, you are doing some grocery shopping in Albert Heijn (Carrefour for the Chinese scenario) as usual. After putting some bread, milk, fruit, etc., in your shopping basket, you are standing there trying to think about what else you need to buy. You suddenly recall that you don't have any toothpaste at home, thus you walk toward the toothpaste shelves. In front of the shelf, you see the acquaintance [stranger/close friend] (the person you named in the previous task) who is also choosing toothpaste. You see a name brand toothpaste and Albert Heijn (Carrefour) toothpaste.*

Again, participants indicated their likelihood of choosing the name brand toothpaste and the private-label toothpaste, divided 100 points between the two choices, and specified their choice.

 4.5.1.5 Sales promotions scenario. Finally, the last scenario related to sales promotions:

> *You go to a restaurant for lunch. You enter the restaurant and are standing in front of the cashier, thinking about what dish to order. At that moment, the acquaintance [stranger/close*

friend] (the person you named in the previous task) comes into this restaurant and now stands right next to you. You are considering dish X and dish Y, both of which you like. Dish X is on sale; Dish Y is at a regular price. The original prices of the two dishes are the same.

Participants indicated their likelihood, divided 100 points between Dish X and Dish Y, and noted their choice.

4.5.2 Results

4.5.2.1 Manipulation check. The manipulation of the imagined social presence of a stranger, acquaintance, or close friend was successful. A 2 (face concerns: Chinese vs. Dutch) × 3 (social presence: stranger vs. acquaintance vs. close friend) ANOVA showed that only the main effect of social presence was significant ($F(2,138) = 403.48$, $p < .001$); the other main and interaction effects were insignificant ($p > .20$). That is, participants in the stranger, acquaintance, and close friend scenarios were more likely to report that they were in the presence of a stranger, acquaintance, or close friend, respectively. The same method, applied to check relationship closeness, confirmed that only the main effect of relationship closeness was significant ($F(2,138) = 265.47$, $p < .001$). Participants in the close friend condition (M = 6.14, SD = .87) felt closer to their counterpart than those in the acquaintance (M = 3.31, SD = 1.07) or stranger (M = 1.61, SD = .99) conditions. No other main or interaction effects were significant ($p > .05$).

4.5.2.2 CFF scores. The CFF score were marginally higher for Chinese than for Dutch participants ($M_{Chinese} = 5.33$, $M_{Dutch} = 5.11$, $F(1, 144) = 2.74$, $p = .10$).

4.5.2.3 Hypotheses test: H2a: The moderating effect of social presence on the price–face link.

4.5.2.3.1 DV1: Purchase likelihood. We ran a 2 (face concerns: Chinese vs. Dutch) × 3 (social presence) ANOVA for purchase intentions for the high-priced dish. The results (left column, Table 4.4, Panel a) show that only the main effect of face concerns was significant ($F(2,138) = 21.83$, $p < .001$): Chinese participants (M = 4.38, SD = 1.32) were more likely to buy the high-priced dish than their Dutch counterparts (M = 3.32, SD = 1.37). We summarize the average purchase likelihood for the high-priced dish in Table 4.4, Panel b. Because the main effect of social presence and the interaction effects were insignificant ($p > .50$), H2a did not receive support.

4.5.2.3.2 DV2: Purchase proportions. Similarly, the linear regression model (middle column, Table 4.4, Panel a) showed only a significant main effect of face concerns ($\beta = 11.04$, t = 2.02, $p < .05$). The positive coefficient indicated that Chinese consumers (coded 1) were more likely to purchase the high-priced option than Dutch consumers (coded 0). In the middle part of Table 4.4, Panel b, Chinese participants (M = 35.64, SD = 20.58) revealed a higher average likelihood of choosing the high-priced dish than Dutch participants (M = 27.03, SD = 16.71). No other effects were significant ($p > .20$), so the linear regression offered no support for H2a.

4.5.2.3.3 DV3: Purchase choices. Finally, we conducted a logistic regression on consumer choice with (1) face concerns (Chinese vs. Dutch), (2) two dummy variables indicating whether the social presence was a stranger or acquaintance, and (3) their interactions:

$$\log (p_i/1 - p_i) = \beta_0 + \beta_1 face_i + \beta_2 stranger_i + \beta_3 acqua_i + \beta_4 stranger_i \times face_i + \beta_5 acqua_i \times face_i + \varepsilon_i \quad (3)$$

where p_i = the probability of participant i choosing a high-priced dish; $face_i$ = face concerns (dummy variable), equal to 1 when participant i is Chinese and 0 when participant i is Dutch;

stranger$_i$ = dummy variable, equals to 1 if participant i is in the stranger scenario and 0 otherwise; acqua$_i$ = dummy variable, equals to 1 if participant i is in the acquaintance scenario and 0 otherwise; face$_i$ × stranger$_i$ equals 1 if participant i is Chinese and in the stranger scenario and 0 otherwise; and acqua$_i$ × face$_i$ equals 1 if participant i is Chinese and in an acquaintance scenario, and 0 otherwise, ε_i is a disturbance term.

The results (right column, Table 4.4, Panel a) revealed a main effect of face concerns (β = 2.52, Wald = 5.19, $p < .05$), which was plotted in Figure 4.5 (see also Table 4.4, Panel b). As can be seen, Chinese participants (M = (23.81%+13.04%+36%)/3 = 24%) were more likely to choose the high-priced dish than their Dutch counterparts (M = (15%+12%+4.2%)/3 = 10%). No other main ($p > .30$) or interaction ($p > .05$) effects were significant. Thus, H2a is not supported.

Table 4.4: Study 2a findings

a. Results: Effects of social presence and face concerns on purchase intentions for a high-priced option

	ANOVA (DV1)		Linear regression (DV2)				Logistic regression (DV3)			
	F	Sig.	Parameter	Std.Error	t-value	Sig.	Parameter	Wald	Exp(β)	Sig.
Intercept	1155.47	.001	26.00	3.95	6.58	.001	-3.09	9.14	.05	.003
Face concerns (Chinese = 1, Dutch = 0)	21.83	.001	11.04	5.48	2.02	.05	2.52	5.19	12.38	.023
Social presence	.53	.59	--	--	--	--	--	--	--	--
Stranger (stranger = 1, otherwise = 0)	--	--	.61	5.59	.11	.91	1.19	1.0	3.3	.32
Acquaintance (acquaintance = 1, otherwise = 0)	--	--	2.31	5.43	.43	.67	1.05	.78	2.87	.38
Face concerns × social presence	.10	.90	--	--	--	--	--	--	--	--
Stranger × face concerns	--	--	-.98	7.92	-.12	.90	-1.78	1.70	.17	19
Acquaintance × face concerns	--	--	-5.89	7.60	-.78	.44	-2.52	3.21	.08	.07
R-squared / Nagelkerke R-squared	.14		.06				.12			

b. Average purchase likelihood, purchase proportions, and purchase choice for a high-priced option

Condition	Stranger			Acquaintance			Close friend			Average		
	Mean	Std. deviation	Sample size	Mean	Std. deviation	Sample size	Mean	Std. deviation	Sample size	Mean	Std. deviation	Sample size
DV1:Purchase likelihood (7-point scale)												
Chinese	4.52	1.33	21	4.31	1.12	26	4.32	1.52	25	4.38	1.32	72
Dutch	3.48	1.41	23	3.12	1.39	25	3.38	1.35	24	3.32	1.37	72
Average	4	1.46	44	3.71	1.39	51	3.85	1.5	49			
DV2:Purchase proportions (100 points)												
Chinese	35.64	20.58	21	33.46	15.99	26	37.04	25.68	25	35.64	20.58	72
Dutch	27.03	16.71	23	28.84	19.59	25	25.54	13.23	24	27.03	16.71	72
Average	31.33	19.17	44	31.20	17.82	51	31.41	21.15	49			
DV3:Purchase choice (% in choosing high-priced option)												
Chinese	.24	.44	21	.13	.33	26	.36	.49	25	.24	.43	72
Dutch	.15	.34	23	.12	.33	25	.04	.2	24	.10	.30	72
Average	.19	.39	44	.13	.33	51	.20	.41	49			

Figure 4.5: Choice of the high-priced option for Study 2a

CHOICE OF THE HIGH-PRICED OPTION
EXPERIMENT 2a
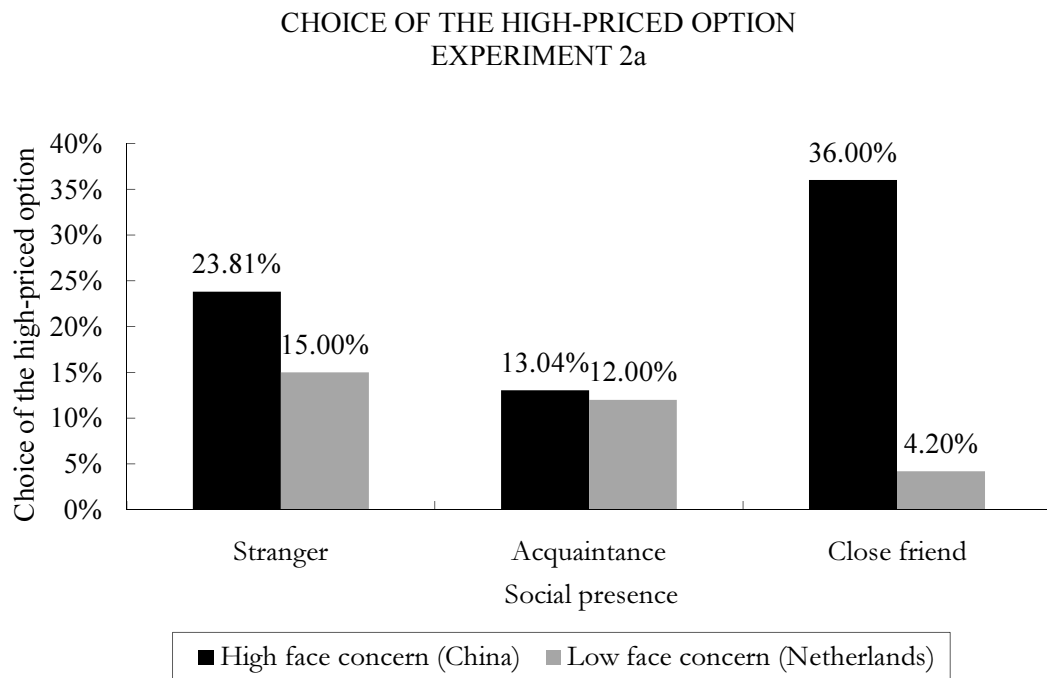
4.5.2.4 Hypotheses test: H2b: the moderating effect of social presence on the distribution–face link. We used the same methods to test H2b, except that the dependent variable was the likelihood of shopping at the specialty store. The 2 (face concerns: Chinese vs. Dutch) by 3 (social presence) ANOVA results (left column, Table 4.5, Panel a) revealed only a significant main effect of face concerns (F(1,138) = 9.63, p < .005): Chinese participants (M = 5.08, SD = 1.47) were are more likely to buy at specialty stores than Dutch participants (M = 4.26, SD = 1.74). The main effect of social presence and the interaction effects were not significant (p > .30). The linear regression results (middle column, Table 4.5, Panel a) also revealed a significant main effect of face concerns (β = 15.22, t = 2.09, p < .05), such that Chinese consumers (coded 1, M = 57.15, SD = 24.73) appeared more likely to purchase at the specialty store than Dutch consumers (coded 0; M = 52.03, SD = 25.45). The other main (p > .15) and interaction (p > .05) effects were not significant. None of the main or interaction effects received support in the logistic regression (right column, Table 4.5, Panel a; p > .30). We summarize the mean purchase likelihood, proportions, and purchase choice in Table 4.5, Panel b. Because we found insignificant interaction effects of face concerns and social presence, H2b did not receive support.

Table 4.5. Study 2b findings

a. Results: Effects of social presence and face concerns on purchase intentions for shopping at specialty stores

	ANOVA (DV1)		Linear regression (DV2)				Logistic regression (DV3)			
	F	Sig.	Parameter	Std. Error	t-value	Sig.	Parameter	Wald	Exp(β)	Sig.
Intercept	1196.36	.001	46.30	5.24	8.83	.001	.09	.04	1.09	.84
Face concerns (Chinese = 1, Dutch = 0)	9.63	.002	15.22	7.27	2.09	.04	.49	.69	1.63	.41
Social presence	.99	.38	--	--	--	--	--	--	--	--
Stranger (stranger = 1, otherwise = 0)	--	--	10.04	7.42	1.36	.18	.54	.02	1.72	.37
Acquaintance (acquaintance = 1, otherwise = 0)	--	--	6.97	7.20	.97	.34	.22	.15	1.25	.70
Face concerns × social presence	.36	.70	--	--	--	--	--	--	--	--
Stranger × face concerns	--	--	-19.04	10.51	-1.81	.07	-.63	.54	.53	.46
Acquaintance × face concerns	--	--	-11.79	10.07	-1.17	.24	-.49	.36	.61	.55
R-squared / Nagelkerke R-squared	.05		.03				.01			

b. Average purchase likelihood, purchase proportions, and purchase choice for shopping at specialty stores

Condition	Stranger			Acquaintance			Close friend			Average		
	Mean	Std. deviation	Sample size	Mean	Std. deviation	Sample size	Mean	Std. deviation	Sample size	Mean	Std. deviation	Sample size
DV1:Purchase likelihood (7-point scale)												
Chinese	5.43	1.47	23	4.96	1.54	25	4.92	1.41	24	5.08	1.47	72
Dutch	4.39	1.92	21	4.44	1.61	26	3.96	1.73	25	4.26	1.74	72
Average	4.89	1.78	44	4.71	1.58	51	4.45	1.63	49			
DV2:Purchase proportions (100 points)												
Chinese	52.52	24.14	23	56.69	24.38	25	61.52	25.80	24	57.15	24.73	72
Dutch	56.35	27.80	21	54.20	25.28	26	46.63	22.95	25	52.03	25.45	72
Average	54.52	25.89	44	55.47	24.61	51	53.73	25.49	49			
DV3:Purchase choice (% in choosing high-priced option)												
Chinese	.62	.50	23	.58	.50	25	.64	.49	24	.61	.49	72
Dutch	.65	.49	21	.60	.50	26	.50	.51	25	.58	.50	72
Average	.64	.49	44	.59	.50	51	.57	.50	49			

4.5.2.5 Hypotheses test: H2c: the moderating effect of social presence on the brand–face link. The 2 (face concerns: Chinese vs. Dutch) by 3 (social presence) AVOVA results for H2c (left column, Table 4.6, Panel a) showed that only the main effect of face concerns was significant ($F(1,138) = 25.77$, $p < .001$). Chinese participants' (M = 5.85, SD = 1.27) purchase intentions for name brand products were higher than those of their Dutch counterparts (M = 4.36, SD = 2.10). No other main or interaction effects were significant ($p > .20$). The linear regression($\beta = 26.32$, $t = 3.13$, $p < .05$) and logistic regression ($\beta = 2.36$, Wald = 7.73, $p < .005$) (middle and right columns, Table 4.6, Panel a) confirmed the significant main effect of face concerns but insignificant main effect of social presence ($p > .50$) and insignificant interaction effect ($p > .70$). As we summarize in Table 4.6, Panel b, Chinese participants (M = 77.36, SD = 21.41; average choice share = 93%) exhibited a greater likelihood of buying the name-branded toothpaste than their Dutch counterparts (M = 51.07, SD = 34.68; average choice share = 56%), but the interaction effect was not significant, so we cannot confirm H2c.

Table 4.6. Study 2c findings

a. Results: Effects of social presence and face concerns on purchase intentions for branded products

	ANOVA (DV1)		Linear regression (DV2)				Logistic regression (DV3)			
	F	Sig.	Parameter	Std. Error	t-value	Sig.	Parameter	Wald	Exp(β)	Sig.
Intercept	1226.76	.001	51.04	6.06	8.42	.001	.09	.04	1.09	.84
Face concerns (Chinese = 1, Dutch = 0)	25.77	.001	26.32	8.40	3.13	.002	2.36	7.73	10.54	.005
Social presence	1.63	.20	--	--	--	--	--	--	--	--
Stranger (stranger = 1, otherwise = 0)	--	--	-4.78	8.57	-.56	.58	0	0	1.0	1.0
Acquaintance (acquaintance = 1, otherwise = 0)	--	--	4.30	8.32	.52	.61	.38	.44	1.47	.51
Face concerns × social presence	.071	.93	--	--	--	--	--	--	--	--
Stranger × face concerns	--	--	1.71	12.15	.14	.89	.55	.16	1.74	.69
Acquaintance × face concerns	--	--	-2.47	11.65	-.21	.83	-.34	.08	.71	.78
R-squared / Nagelkerke R-squared	.15		.18				.27			

b. Average purchase likelihood, purchase proportion, and purchase choice for name-branded products

Condition	Stranger			Acquaintance			Close friend			Average		
	Mean	Std. deviation	Sample size	Mean	Std. deviation	Sample size	Mean	Std. deviation	Sample size	Mean	Std. deviation	Sample size
DV1:Purchase likelihood (7-point scale)												
Chinese	5.52	1.63	23	6.08	1.02	25	5.88	1.17	24	5.85	1.27	72
Dutch	3.91	2.15	21	4.60	2.18	26	4.54	1.98	25	4.36	2.10	72
Average	4.68	2.07	44	5.35	1.83	51	5.22	1.74	49			
DV2:Purchase proportions (100 points)												
Chinese	74.29	23.36	23	79.19	17.14	25	77.36	24.16	24	77.36	21.41	72
Dutch	46.26	34.58	21	53.76	37.47	26	52.88	32.71	25	51.07	34.68	72
Average	59.64	32.65	44	66.73	31.40	51	65.37	30.94	49			
DV3:Purchase choice (% in choosing high-priced option)												
Chinese	.95	.22	23	.92	.27	25	.92	.28	24	.93	.26	72
Dutch	.52	.51	21	.60	.50	26	.54	.51	25	.56	.50	72
Average	.73	.45	44	.76	.43	51	.73	.45	49			

4.5.2.6 Hypotheses test: H2d: the moderating effect of social presence on the promotion–face link. Finally, the 2 (face concerns: Chinese vs. Dutch) by 3 (social presence) ANOVA results for H2d (left column, Table 4.7, Panel a) only showed a significant main effect of face concerns ($F(1,138)$ = 6.40, $p < .001$); Chinese participants (M = 3.35, SD = 1.31) were more likely to avoid buying discounted items than Dutch participants (M = 2.78, SD = 1.48). The linear regression results (right column, Table 4.7, Panel a) did not confirm any significance though ($p > 1.0$), so we cannot affirm H2d. We summarize the values for the average purchase likelihood and purchase choice in Table 4.7, Panel b. Note that given we only have a very small sample size (i.e., 1 Dutch and 7 Chinese among 72 Chinese and 72 Dutch respondents chose the original priced dish), we could not perform a logistic regression. Therefore, we did not include the results from logistic regression.

4.5.3 Conclusions and Discussion

First, Chinese consumers (vs. Dutch consumers) in general are more likely to choose high-priced, name brand options, regardless of the social presence context. That is, the main effects of face concerns in Studies 2a (price) and 2c (brand) were consistently significant, unlike the main effects of face concerns in Study 2b (distribution) and Study 2d (sales promotions). Price and brand thus appear to offer relatively better indicators of face than distribution and sales promotions. Second, we found no differences for Chinese and Dutch consumers in terms of their purchases of high-priced options, name brand products, products without price promotions, or items available in specialty stores, regardless of whether an acquaintance is present, rather than a stranger or close friend. Hence, we found no support for the hypotheses H2a to H2d. This is possible given, as we explained earlier, consumers in collectivistic cultures, on average, are more likely to perceive an interdependent self and "others" plays a more important role than consumers in more individualistic cultures, which creates more possibilities, on average, of social comparisons that induce a greater need for face. Thus, when there is a person around, no matter who he/she is, Chinese consumers' face concerns would be elicited. Thus, our data show that Chinese participants' purchase intentions do not differ, regardless of whether a stranger, acquaintance, or close friend is present. It would be advisable to measure subjects' interdependent and independent selves in future studies, to validate this inference.

Table 4.7: Study 2d findings

a. Results: Effect of social presence and face concerns on purchase intentions for products without sales promotions

	ANOVA (DV1)		Linear regression (DV2)			
	F	Sig.	Parameter	Std.Error	t-value	Sig.
Intercept	694.55	.001	24.39	3.56	6.85	.001
Face concerns (Chinese = 1, Dutch = 0)	6.40	.01	.01	4.94	.002	.99
Social presence	.09	.92	--	--		--
Stranger (stranger = 1, otherwise = 0)	--	--	-7.48	5.04	-1.49	.14
Acquaintance (acquaintance = 1, otherwise = 0)	--	--	-5.08	4.89	-1.04	.30
Face concerns × social presence	2.56	.08	--	--		--
Stranger × face concerns	--	--	9.03	7.14	1.27	.21
Acquaintance × face concerns	--	--	3.18	6.84	.47	.64
R-squared / Nagelkerke R-squared	.04		.03			

Note: We don't have sufficient respondents to perform a logistic regression, as only 1 Dutch and 7 Chinese among 72 Chinese and 72 Dutch respondents chose the original priced dish. Therefore, we do not report the logistic regression results.

b. Average purchase likelihood, purchase proportions, and purchase choice for products without sales promotions

Condition	Stranger			Acquaintance			Close friend			Average		
	Mean	Std. deviation	Sample size	Mean	Std. deviation	Sample size	Mean	Std. deviation	Sample size	Mean	Std. deviation	Sample size
DV1:Purchase likelihood (7-point scale)												
Chinese	3.71	1.49	23	3.42	1.24	25	2.96	1.17	25	3.35	1.31	72
Dutch	2.57	1.47	21	2.68	1.57	26	3.08	1.41	24	2.78	1.48	72
Average	3.11	1.57	44	3.06	1.45	51	3.02	1.28	49			
DV2:Purchase proportions (100 points)												
Chinese	25.95	21.19	21	22.50	14.78	25	24.21	18.67	24	24.17	17.98	72
Dutch	16.91	14.28	23	19.28	19.08	26	24.40	13.57	25	20.17	15.97	72
Average	21.23	18.28	44	20.92	16.93	51	24.31	16.20	49			
DV3:Purchase choice (% in choosing high-priced option)												
Chinese	.19	.40	23	.08	.27	25	.04	.20	25	.10	.30	72
Dutch	0	0	21	.04	.20	26	0	0	24	.01	.12	72
Average	.09	.29	44	.06	.24	51	.02	.14	49			

4.6 ADDITIONAL ANALYSES

4.6.1 Using Individual Differences in CFF Scores

Thus far, we have uncovered no significant interaction effects in any of the studies,[14] which might be because we used nationality (Chinese vs. Dutch) as a proxy for high or low face concerns, according to face theory (Section 4.2.2). Yet across all studies, Chinese and Dutch respondents do not differ on the CFF measure ($M_{Chinese}$= 5.40, M_{Dutch} = 5.11, $F(1, 88)$=2.53, p = .12 for Studies 1a & 1b; $M_{Chinese}$= 5.33, M_{Dutch} = 5.11, $F(1, 144)$ = 2.74, p = .10 for Study 2a-d). Furthermore, when using nationality as a proxy, possible omitted variables such as uncertainty avoidance and long-term orientation are likely to have a confound impact on the results. Thus, we pooled Chinese and Dutch CFF scores and repeated the analyses using individual CFF scores. We also applied median, tertile, and quartile splits and used the various outcome as the independent variable. However, we did not obtain any significant results. This might be because the eight-item CFF scale (see Appendix C) measures face concerns only in a broad sense, rather than in a consumption context.

4.6.2 Moderated Mediation Analysis

We therefore include the price–face link[15] as a mediator between face concerns and purchase intentions for a high-priced option. Face theory suggests that consumers with higher face concerns have a greater tendency to relate price to face (for details, please refer to Section 4.2.3). The objective of this section therefore is to conduct a moderated mediation analysis, in which we examine whether, as we have predicted, the price–face link mediates high face concerned consumers' purchase intentions for a high-priced option only for high visibility products, but not for low visibility products (Study 1a); only for high tangibility products, but not for low tangibility products (Study 1b); and only when an acquaintance is present, but not when a stranger or close friend is present (Study 2a). Similarly, this investigation tests the mediating role of other marketing mix–face links by considering whether the distribution–face, brand–face, and promotion–face links mediate high face concerned consumers' intentions to shop at specialty stores (Study 2b), buy brand name products (Study 2c), or buy products with no price discounts (Study 2d), especially if an acquaintance is present.

The theoretical framework (see Figure 4.6) features a second-stage moderated mediation[16] model (Edwards & Lambert, 2007, Model 3 in Preacher et al., 2007): The effect of

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[14] I performed the same experiments with Chinese participants in the Netherlands who showed more similar purchase intentions to the Dutch participants than to the Chinese participants in Beijing.

[15] To check whether and to what extent price is an indicator of face, we collected data on the price–face link during the experiments by including two adapted CFF items from Cocroft and Ting-Toomey (1994), rated on seven-point Likert scales (1 = strongly disagree, 7 = strongly agree). For example, in Study 1b,"Relative to 89 Euro [49 Euro], do you think that 139 Euro [79 Euro] for a watch [musical] can signal your social status?" and "Relative to 89 Euro [49 Euro], do you think that 139 Euro [79 Euro] for a watch [musical] can enhance your self-image?" (α=.89). The price–face link score is derived from the average of the two-item price–face link measures. In a similar vein, brand–, distribution–, promotion–face links were derived. All marketing mix–face links can be found in Appendix A1-A3.

[16] Moderated mediation refers to a mediated effect that varies across levels of a moderator variable (Edwards & Lambert, 2007, p. 6-7).

the marketing mix–face links (mediator) on purchase intentions (dependent variable) in the mediation model is moderated by product visibility/tangibility/social presence (moderator).

Figure 4.6: Conceptual model of moderated mediation
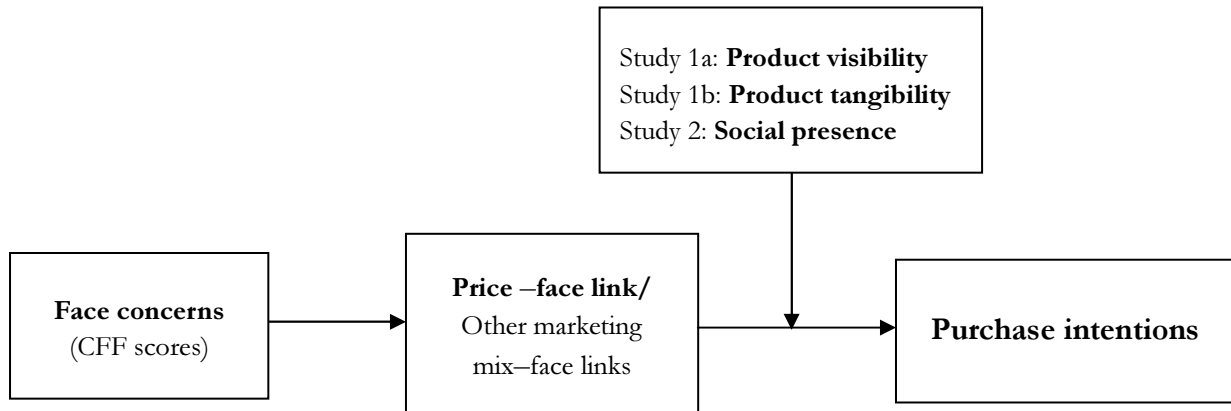
Taking Study 1b as an example, the second-stage moderated mediation model requires estimates of the coefficients in two regression equations. The logic described here applies to Study 1a and Studies 2a–d as well. That is,

$$link_i = \beta_0 + \beta_1 face_i + \varepsilon_i \text{, and (4)}$$

$$purchase_i = \beta_0' + \beta_1' face_i + \beta_2 link_i + \beta_3 tangibility_i + \beta_4 link_i \times tangibility_i + \varepsilon_i' \text{, (5)}$$

where $link_i$ is participant i's average score on the two-item price–face link (Appendix A2); $face_i$ represents the face concerns dummy variable, which equals 1 when participant i's CFF score is equal to or above the median ($Mdn = 5.31$ for Studies 1a & 1b; $Mdn = 5.38$ for Studies 2a–d) and 0 when participant i's CFF score is below the median; $purchase_i$ refers to participant i's purchase intentions toward a high-priced watch/musical; $tangibility_i$ is the product tangibility dummy variable, equal to 1 if participant i is in the watch condition and 0 if participant i is in a musical condition; and $link_i \times tangibility_i$ represents the interaction term to measure if participant i is in the watch scenario and his or her tendency to relate price to face. Finally, β_1, β_1', β_2, β_3, and β_4 are the estimated regression coefficients; β_0 and β_0' are the regression intercepts; and ε_i and ε_i' are the error terms.

According to Preacher et al. (2007) and Edwards and Lambert (2007), a moderated mediation hypothesis is supported if the path from face concerns to the price–face link is significant, and the effect of the price–face link on purchase intentions depends on the level of product tangibility. The conditional indirect effect of face concerns on purchase intentions through the price–face link at different levels of product tangibility also can be quantified as $\omega = \beta_1\beta_1' + \beta_1\beta_4 tangibility$. According to the most recent research of Hayes (2014), $\beta_1\beta_4$ is the index of moderated mediation, which quantifies the effect of product tangibility on the indirect effect of face concerns on purchase intentions through the price–face link. Following from an

inference about whether this relationship is different from zero, we can confirm whether moderated mediation exists. In other words, if this test produces a claim that an indirect effect is moderated, any conditional indirect effects estimated at different values of the moderator would be significantly different from each other.

4.6.2.1 Results. We conducted the moderated mediation analysis using the PROCESS macro for SPSS, as described and documented by Hayes (2013), to obtain both a bootstrapped confidence interval and the moderated mediation index. An example of the PROCESS commands appears in Appendix D. The results showed that no studies (see Appendix E–I), except for Study 1b, yielded a significant moderated mediation. Table 4.8 displays the results for Study 1b. As the left column shows, consumers with higher face concerns are more likely to link price to face, $\beta_1 = .611$, 90% CI = .075 to 1.147, $p = .061$. Furthermore, we find a marginally significant interaction effect in the model with purchase choice as a dependent variable, such that the effect of the price–face link on choosing the high-priced option depends on product tangibility, $\beta_4 = .845$, 90% CI = .108 to 1.581, $p = .059$ (right column, Table 4.8).

Following Hayes (2014), we also calculated the indirect effect, which is a linear function of product tangibility ($\omega = \beta_1 \beta_1' + \beta_1 \beta_4 tangibility$) with the intercept $\beta_1 \beta_1' = .138$ and slope $\beta_1 \beta_4 = .516$. This slope is the weight in the function that links the indirect effect to the moderator, that is, the index of moderated mediation. Because it is positive, the indirect effect of face concerns on choosing a high-priced option through the price–face link is an increasing function of product tangibility.

A bootstrap confidence interval for the index of moderated mediation that does not include zero provides more direct and definitive evidence of moderated mediation. In this case, a 90% bootstrap confidence interval based on 1000 bootstrap samples does not include zero (.022 to 2.727). Specifically, when purchasing tangible products (i.e., watch), consumers with high (vs. low) face concerns are more likely to choose a high-priced option; for low tangibility products (i.e., experiential products, musical), there are no significant differences between high and low face consumers in the choice of the high-priced option. As a whole, we thus have 90% confidence that the indirect effect of face concerns on purchase choice for a high-priced option depends on product tangibility. That is, we find marginally significant support for H1b in one of our studies.

4.6.2.2 Discussion. The moderated mediation analysis conducted using the price–face link (i.e., tendency to relate price to face) as the mediator revealed only marginally significant support for H1b in one of our studies, suggesting that differences in product tangibility drove differences in high face concerned consumers' purchase intentions toward a high-priced option. The price–face link mediated the relationship between face concerns and choosing a high-priced option, but only for products with high tangibility such as watches. For products with low product tangibility, such as the musical, no such pattern of mediation emerged. We also did not find support for H1a and H2a–d, consistent with our previous findings from the moderation analysis. Therefore, face signaling may not be a primary need or salient goal that is constantly activated. Instead, products with high absolute prices(e.g., Liao & Wang, 2009), or material products with relatively great price differences have greater potential to trigger face concerns. In contrast, toothpaste and ice cream are low value products, and the price differences between the 139 and 89 Euro cell phone/mattress, or the 10.9 and 6.9 Euro restaurant dishes, were not

enough to invoke face concerns. Because face was not activated in Study 1a or Studies 2a–d, we did not find any significant interaction effects. Another possibility might be that distribution and promotion were weak indicators of face, in which case we should not be surprised that we did not find many significant results for Study 2, as we elaborate in detail in the general discussion.

Table 4.8: Moderated mediation results of Study 1b: Mediating role of the price–face link

	Price–face link		Purchase likelihood(DV1)		Purchase proportions(DV2)		Purchase choice(DV3)	
	Coeff.	90% CI	Coeff.	90% CI	Coeff.	90% CI	Coeff.	90% CI
Face concerns (IV)	$\beta_1 \rightarrow$ .611* (.322)	.075, 1.147	$\beta'_1 \rightarrow$ -.078 (.328)	-.624,.468	$\beta'_1 \rightarrow$ -8.640** (4.162)	-16.916,-.365	$\beta'_1 \rightarrow$ -.510 (.578)	-1.460,.441
Price–face link (Mediator)			$\beta_2 \rightarrow$ .226 (.147)	-.019,.471	$\beta_2 \rightarrow$ 3.602* (1.869)	.494,6.711	$\beta_2 \rightarrow$ -.066 (.336)	-.617,.486
Product tangibility (Moderator)			$\beta_3 \rightarrow$ -.852 (1.016)	-2.542,.838	$\beta_3 \rightarrow$ -2.409 (12.893)	-28.044,23.227	$\beta_3 \rightarrow$ -1.733 (1.978)	-4.988,1.521
Price–face link × Product tangibility			$\beta_4 \rightarrow$ .331 (.222)	-.038,.700	$\beta_4 \rightarrow$ 2.314 (2.813)	-3.279,7.906	$\beta_4 \rightarrow$ .845* (.448)	.108, 1.581
Constant	$\beta_0 \rightarrow$ 3.956*** (.228)	3.577,4.334	$\beta'_0 \rightarrow$ 2.444*** (.591)	1.462,3.426	$\beta'_0 \rightarrow$ 24.706*** (7.492)	12.246,37.165	$\beta'_0 \rightarrow$ -1.854 (1.289)	-3.972, .265
	R^2= .039		R^2= .206		R^2= .201		Nagelkerke R^2= .359	
	F(1,88) = 3.594, p < .061		F (4,85) = 5.515, p < .005		F(4,85) = 5.342, p < .001			

*p < .10   **p < .05   ***p < .01

4.6.3 Posttests

Empirical studies and literature suggest that consumers from collectivistic cultures such as China care more about face than consumers from individualistic cultures like the Netherlands. They also tend to assume that buying a product with a high price signals face (i.e., price–face link). Noting these two assumptions, we have sought to explore the moderating impact of product visibility, product tangibility, and social presence on the relationship between face concerns and purchase intentions toward high-priced options (price–face link), as well as name brand products (brand–face link), products without price promotions (promotion–face link), and items available in specialty stores (distribution–face link). We used two approaches to test our hypotheses: 1) using nationality as a proxy for face concerns; 2) median split on individual's CFF scores. Throughout the two methods, almost no interaction effects were significant. These insignificant moderating results prompted us to check whether our foundational assumption i.e., high price signals face, is valid in general.

4.6.3.1 In general, to which extent does price indicate face? We conducted two posttests. We initially surveyed 26 Chinese students[17] from a large university in Beijing, using an adapted version of the eight-item Chinese price–face signal scale developed by Wang and Zhang (2011) (see Appendix C); to the best of our knowledge, it is the only existing scale that establishes a direct link between price and face. The participants used seven-point Likert response scales (1 = strongly disagree, 7 = strongly agree). The Cronbach's alpha of the scale was .92, indicating good reliability, though the absolute mean score of 4.01 for the price–face signal scale was not very high. This moderate value might reflect the Chinese students' living situations; most of them have only a small scholarship to live on and thus might not pay much attention to face in their consumption choices. Alternatively, the Chinese scale that we adapted might not have been well validated. Next, to address this latter possibility, we conducted a second posttest with Wang and Zhang's (2011) Chinese scale and an adjusted version of Li and Su's (2007), to measure price as an indicator of face (see Appendix C). To exclude the effect of income, we recruited 23 MBA participants, who should be somewhat more affluent than regular university students. The Cronbach's alphas were good (.80 and .88), but the means were 3.94 and 3.66 for Wang and Zhang's (2011) and Li and Su's (2007) price–face signal, respectively. Given that these numbers are close to the middle of the scale (4), thus, the second posttest does not indicate price is an obvious indicator for face either.

These posttest results, answering to which extent price is an indicator of face in general, are consistent with our checks for price–face link in various specific scenarios in the main studies. For example, in Study 1a, even for visible products such as cell phones, participants believed that the high-priced version signaled face only to a moderate degree (M_{China} = 3.83, M_{Dutch} = 4.15, $F(1,45)$ = .58, p > .40). In Study 1b, even for watches—a product frequently used to signal status in prior research (e.g., Song, 2012)—we found a minimal price–face link ($M_{Chinese}$ = 4.81, M_{Dutch} = 4.67, $F(1, 45)$ = .12, p > .70). Finally, Study 2 showed that the mean price–face link was lower than the median for both Chinese and Dutch participants ($M_{Chinese}$ = 2.69, M_{Dutch} = 2.95, $F(1, 45)$

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[17] It is common to use this relatively low number of respondents in these kinds of posttest (see Barling, Weber, & Kelloway, 1996). In the main studies, we find that Chinese and Dutch respondents perceive the price–face link to a similar degree, so we only included Chinese MBA students in the posttest for practical reasons.

= .12, $p > .70$). Therefore, both the posttests and the manipulation checks indicated a weak price–face relationship.

     4.6.3.2 In general, to which extent do the other marketing mix elements indicate face? Similar to our efforts for the extent that price indicates face, we conducted posttests for the relationships of distribution, brand, and promotion to face using adjusted versions of Li and Su's (2007)and Wang and Zhang's (2011) scales. Example items included, "By using name brand/promoted products, I gain admiration from others" and "By shopping at specialty stores, I gain admiration from others" (1 = completely disagree, 7 = completely agree). The Cronbach's alphas were all good ($\alpha > .7$). However, the average scores were rather low, whether we used Li and Su's (2011) scale ($M_{distribution} = 3.51$, $M_{brand} = 3.79$, $M_{promotion} = 3.39$) or Wang and Zhang's (2011) indicators ($M_{distribution} = 3.17$, $M_{brand} = 3.94$, $M_{promotion} = 2.76$).

4.7 CONCLUSION AND GENERAL DISCUSSION

Chapter 4 started with two simple questions: Why different consumers make completely different judgments of the same product, according to their own perceptions of its contribution to their face? Why might the same consumer choose a cheap restaurant when eating with close friends but an expensive one with colleagues? We used face theory as explanations, which assumes that 1) consumers from collectivist cultures exhibit higher face concerns than consumers from individualistic cultures, and 2) high price signals face (e.g., Liao & Wang, 2009). Across two Internet-based experiments and using two approaches for measuring face concerns (i.e., nationality and CFF score), we examined the moderating role of product visibility, product tangibility, and social presence on the relationship between face concerns and purchase intentions.

     Conclusion 1: Our results highlight that Chinese (vs. Dutch) consumers are more likely to buy a high-priced option in general, regardless of product visibility, product tangibility, or social presence.

4.7.1 Why Almost All Main Effects Are Significant?

     4.7.1.1 Culture-related explanation. This might be because on average, relatively more Western (Dutch) consumers will hold an independent self-view, and relatively more Eastern (Chinese) consumers embrace an interdependent self, inherently related to the surrounding context (Ting-Toomy & Kurogi, 1998). In turn, the interpersonal relationships of Chinese people tend to be closer in general, which reduces the distinction between privately and publicly consumed products. This rationale could explain why, in Study 1a, Chinese consumers' purchase intentions toward high-priced options did not differ between the cell phone and mattress. An interdependent self also makes the other, or the self in relation to others, focal; others in turn are important for social comparisons and reflected appraisals (Markus & Kitayama, 1991). Thus in Study 1b, we found that Chinese consumers were more likely to buy high-priced tickets to a musical than Dutch consumers. Musicals are usually watched with others, so Chinese consumers, who care about others' opinions, buy the high-priced tickets to help them enhance their face, showing others that they are generous and respectful of others' face as well. In a similar vein, Chinese consumers with their interdependent self-views care about others' comments. If another person is present, no matter who that person is, Chinese consumers care about how others view

them. Thus, in our data, Chinese participants' purchase intentions for a high-priced option did not differ, regardless of whether a stranger, acquaintance, or close friend was present.

4.7.1.2 Alternative explanations. In addition to face and self-construal theories, the market environment might help explain the results. China, as an emerging market, mainly features market heterogeneity and unbranded competition, leading to greater variance relative to the mean for virtually all available products and services. As much as 60% of consumption involves unbranded products and services (Sheth, 2011), for which quality information is difficult to access (Lichtenstein & Burton, 1989). Over time, this market environment may have encouraged Chinese consumers to form the general belief that a cheap price means poor products. In contrast, the developed market of the Netherlands encompasses intense competition and extensive regulation, which make abundant, comparable goods widely available (Zhou, Su, &Bao, 2002). The quality of private labels is also generally higher in the Netherlands than in China. Therefore, equally low prices indicate different risks in China versus the Netherlands. In China, market heterogeneity and unorganized competition increases the risk to consumers of buying a low priced product. Therefore, Chinese consumers, who also exhibit high risk aversion (Hofstede, 1980), tend to pay a higher price to feel secure or avoid the risk of receiving poor quality products. In the Netherlands, the relatively low variance across products allows Dutch consumers to feel assured that they can buy a product of a (relative) good quality at a low price. Therefore, Chinese consumers are more likely to choose a high-priced option, regardless of the situation.

Conclusion 2: In one of our studies, we find marginally significant support for the indirect effect of face concerns (CFF scores) 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. 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 preliminary 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.

4.7.2 Why Almost No Moderating Effects Are Significant?

Across the studies, we find almost no significant moderating effects to support our hypotheses. This is probably because of two reasons: 1) CFF scores do not differ significantly between Chinese and Dutch samples($M_{Chinese}$= 5.40, M_{Dutch} = 5.11, $F(1, 88)$=2.53, p = .12 for Studies 1a & 1b; $M_{Chinese}$= 5.33, M_{Dutch} = 5.11, $F(1, 144) = 2.74$, p = .10 for Study 2a-d). 2) price (as well as other marketing mix elements) is not seen as signaling face.

4.7.2.1 Why CFF scores do not differ significantly between the two samples? We suspect this might be because face is a social phenomenon, but we only collected data from one social group of students, who live in a relatively closed environment and may not have adapted completely to society. Their consumer psychology and behavior may be relatively immature, rather than

completely representative of mainstream consumers. The differences between Chinese and Dutch consumers' CFF scores likely would be more significant if we included data from various social groups, who are more representative of consumers.

4.7.2.2 Why price is a weak indicator of face? Across two posttests and various price–face link checks, we consistently find that the assumption that high price signals face is not true, despite frequent, nearly ubiquitous claims that it is. We thus consider some possible reasons for this weak relationship, to advance theory.

Price is a complex stimulus (Lichtenstein et al., 1993), and a high price is associated with many variables other than face. In pricing literature, high price can be a negative indicator of economic sacrifice (e.g., Erickson & Johansson, 1985) or a positive indicator of quality (Brucks et al., 2000), prestige (Lichtenstein et al., 1993), face (Li & Su, 2007), uniqueness (Nagel & Holden, 2002), or hedonism (Volckner, 2008). Consumers thus generate both positive and negative interpretations of a high price, and some consumers may be more affected by the negative (positive) component. Our study participants are all university students, such that they might not have achieved economic independence, in which case a high price may be more likely to exert negative impacts on purchase intentions. Even if high price enhances face, this positive effect might be mitigated or overridden by other factors. That is, we posit that the ultimate result for our dependent variable, purchase intentions toward the higher priced option, might reflect not any single factor but rather the integral effect across all factors.

Another possible explanation pertains to the multifaceted nature of face, which is inherently related to the context and surrounding group. Consumption of high-priced products is not the sole source of face. According to Goffman's (1955) definition, consumption-unrelated dimensions, such as achievement (e.g., publishing many papers in top journals) or ability (e.g., going to a top university, earning high grades), also contribute to enhance face. Furthermore, not all consumers who score high on face concerns agree that a high-priced product enhances face; a high grade might be more effective for enhancing students' face in particular. This logic is consistent with the contradictory inferences of Bao et al. (2003), who find that though Chinese consumers have more face concerns than their U.S. counterparts, and face concerns relate positively to brand consciousness and price–quality orientations, Chinese consumers still express lower scores on these orientations.

Nor is face signaling a primary need or salient goal, activated at all times. Face is often considered dynamic in nature, mainly related to front-stage behaviors (Goffman, 1955). In our experiments, we did not prime face concerns explicitly, instead we only used high versus low price comparisons, with product category (e.g., cell phone) or social presence as implicit stimuli designed to trigger participants' desire to gain face by choosing a high-priced option. However, implicit stimuli might elicit participants' face concerns only below a certain level, such that face consciousness might not be activated, in which case face concerns would never have influenced our participants' purchase intentions. Also, many researchers (e.g., Ho, 1976; Zhang et al., 2011) propose that when people's face remains unthreatened, their need for face signaling is not salient; they become far more concerned with protecting than with gaining face (as is the case in our experiments). Thus, participants may express little interest in gaining face through extra efforts or showing off their wealth, whereas everyone needs to save face to maintain at least a minimum level of effective social functioning (Ho, 1976).

Finally, some confounding factors not considered in the current study could interfere with the relationship between high price and face. For example, in a highly competitive, fair market environment, price might be a good indicator of face. Using price to infer face does not impose much risk on consumers in this case (Tellis & Gaeth, 1990). But in less competitive, non-transparent markets, price may not offer a good indicator. In China's pricing system, a high price is not always a fair price. Historically, a lack of intensive competition and incomplete regulation led to a relatively unfair pricing system, compared with the markets in many developed countries (Zhou & Nakamoto, 2001). Some name brand products continue to be overpriced; some general products appear underpriced, due to poor marketing administration (Fan & Xiao, 1998). In addition, weak regulation allows for massive amounts of fake products in the market, which are priced higher than their actual value, and even could be unsafe or fatal to use (e.g., food, electronic products; Ho & Sin, 1988). Bolton et al. (2010) find that paying a higher price than another customer leads to particularly strong perceptions of unfairness, which may result in face-losing emotional responses, such as anger or shame. Therefore, base on this reasoning we may conclude that Chinese consumers may tend to doubt the credibility of price as an indicator of face.

4.7.3 Implications, Limitations, and Future Research

Our findings that Chinese consumers tend to purchase high-priced option regardless of situations offer some implications for pricing strategies. In the past, many multinationals have made the mistake of going too cheap in China, assuming that Chinese consumers are too price-sensitive (Rein, 2012; p. 12). At present, according to our study, Western companies seeking business opportunities in China may consider maintaining a steady price or even raise it to attract the Chinese consumers (Zhou & Nakatamo, 2001). In Western markets in contrast, raising the price may not be effective, because Western consumers are less likely to buy a high-priced option. In a word, managers must adjust their pricing strategies for Eastern and Western cultural markets. As an example, Starbucks has tapped demand for premium experiences and tweaked its marketing, such that it represents an upscale brand in China, rather than relying on the mass market image it has developed in the United States. In 2011, its outlets thus were more profitable in China (operating margins = 34.6 percent) than in the United States (operating margins = 21.8 percent).

Our findings that 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 provide some preliminary implications for marketers from different industries. For material (e.g., watch) products, it is advisable to set a price higher than competitors', to enhance consumers' face perceptions and thus their purchase intentions. For experiential (e.g., musicals) products though, it is wiser to set a comparable price, because a higher price will not increase consumers' perceived face.

Beyond the flawed assumption that high price signals face, we acknowledge several limitations of our experimental design, particularly in terms of the appropriateness of the chosen stimuli and the price differences between high- and low-priced options.

In Study 1a, we expected that compared with consumers with less face concern (i.e., Dutch), the purchase intentions of consumers with more face concern (i.e., Chinese) for a high-priced option would be higher only for publicly consumed products (cell phone), not for privately consumed products (mattress). However, purchase decisions for mattresses may be

influenced by utilitarian factors, such as comfort (material, elasticity, softness). Customers might choose a high-priced mattress not for face-related reasons but because they seek comfort. In this case, Chinese consumers with high face concern still would choose the high-priced option, even though the product is privately consumed. Further studies could address this limitation by using a single, face-related product and varying its visibility. This recommendation implies the use of a scenario study, with the same product presented in one high visibility condition and one low visibility condition. Using the same product would exclude the influence of unrelated factors on consumers' decisions.

In addition, we gave participants a two-option choice: high or low priced, with the high-priced option running approximately 50% more expensive than the low-priced option (Bolton et al., 2011; Voss et al.,1998). In the cell phone scenario for example, in reality the latest version of an international branded cell phone such as an iPhone is worth at least 499 Euro, so the experimental high-priced option of 139 Euro indicated a lower level brand, which might not be able to signal face. Therefore, Chinese participants, even if they had greater face concerns, might not be willing to choose the 139 Euro cell phone. Additional research should widen the price differences between the high and low priced options.

Similarity across cultures might have arisen because both groups of respondents are students. Although student samples are widely used in experimental studies, this factor might have interfered with our results. As we discussed, face is a group-related concept. For a student group, face accrues through academic success; Chinese parents often encourage children to study by warning, "Don't make our family lose face" (King & Bond, 1985). Without much income, students cannot gain face by exhibiting social status or wealth through the consumption of high-priced products. College-educated consumers in China also are more Westernized than the general Chinese population (Bolton et al., 2010), which might reduce the impact of the traditional cultural value of face. Research that replicates this study with real consumers thus is merited.

Finally, a good measurement instrument for face is still lacking (Bao et al., 2003; Li & Su, 2007). We did not manipulate face in our studies, instead nationality has been used as a proxy, which suffers from at least two problems: First, cross-cultural comparisons are inherently plagued by confounds (Bolton et al., 2010). Second, face concerns are not explicitly triggered. Activating face concerns, instead of using nationality as a proxy, is an interesting avenue for further research. Face concerns could be activated by threatening people's sense of face, in which case face signaling would become a salient goal, resulting in an increased need to reconnect and restore adequate levels of face, perhaps by consuming an expensive product.

Chapter 5

Conclusions, Implications, and Future Research

5.1 CONCLUSIONS, IMPLICATIONS, AND FUTURE RESEARCH

Marketing is a contextual discipline (Sheth & Sisodia, 1999; Zinkhan & Hirscheim, 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 usersresults in better financial performance than satisfying exsiting 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.

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Appendices

APPENDIX A1. MEASURES FOR STUDY 1A

Manipulation check—**product visibility** (Kramer et al., 2007)

1) Cell phones/mattresses are used in public.
2) Other people know what cell phone/mattress I own.
3) It is easy for other people to identify what cell phone/mattress I own.
4) It is difficult to identify what cell phone/mattress I own.
5) Cell phones/mattresses are used in private.
6) Other people don't know what cell phone/mattress I own.

(1 = completely disagree, 7 = completely agree)

Control variable—**product involvement** (Ratchford, 1987)

1) Buying a cell phone/mattress is a _____ decision.
   (1=very unimportant, 7=very important)
2) Buying a cell phone/mattress is a decision that requires _____ thought. *(1 = little, 7 = a lot of)*
3) Buying a cell phone/mattress, you have _____ if you choose the wrong brand. *(1 = little to lose, 7 = a lot to lose)*

Price–face link

1) Relative to 89 Euro, do you think that 139 Euro for a cell phone/mattress can signal your status?
2) Relative to 89 Euro, do you think that 139 Euro for a cell phone can enhance your self-image?
(1 = not at all, 7 = to a large extent)

Dependent measure—**purchase intentions**

1) The likelihood that I would purchase cell phone/mattress A (139 Euro) is *(1 = very low, 7 = very high)*
2) The likelihood that I would purchase cell phone/mattress B (89 Euro) is *(1 = very low, 7 = very high)*
3) Please divide 100 points between the two choices. The more points you give to one choice, the more likely you will purchase that option. Please note that the sum of the points of the two choices should be 100 in total (e.g., A: 80, B: 20)! Cell phone/mattress A (139 Euro) ___points.
4) Cell phone/mattress B (89 Euro) ___points.
5) If I must choose one, the cell phone/mattress I will choose is: *(A/B)*

APPENDIX A2. MEASURES FOR STUDY 1B

Manipulation check—**product tangibility** (Carter & Gilovich, 2010)
Material products are those made with the primary intention of acquiring a material good, such as a new Gucci bag;
experiential purchases are those made with the primary intention of acquiring a life experience, such as a hike in the Himalayas. Please rate the extent to which a watch/musical is a material possession or an experience.
A watch/musical is _____ *(1 = definitely material , 4 = does not fit either category, 7 = definitely experiential).*

Control variable-**product familiarity** (Jung & Kellaris, 2004)
How familiar are you with the product category (i.e., watch)?*(1 = very unfamiliar, 7 = very familiar)*

Price–face link
1) Relative to 89 Euro/49 Euro, do you think that 139 Euro /79 Euro for a watch/musical can signal your status?
2) Relative to 89 Euro/49 Euro, do you think that 139 Euro /79 Euro for a watch/musical can enhance your self-image?

Dependent measure—**purchase intentions**
1) The likelihood that I would purchase[watch] watch/musical A (139 Euro/79 Euro) is(1 = very low, 7 = very high)
2) The likelihood that I would purchase[watch] watch/musical B (89 Euro/49 Euro) is*(1 = very low, 7 = very high)*
3) Please divide 100 points between the two choices. The more points you give to one choice, the more likely you will purchase that option. Please note that the sum of the points of the two choices should be 100 in total (e.g., A: 80, B: 20)! Watch/musical A (139 Euro/79 Euro) ___points.
4) Watch/musical B (89 Euro/49 Euro) ___points.
5) If I must choose one, the watch/musical I will choose is: *(A/B)*

APPENDIX A3. MEASURES FOR STUDY 2

Manipulation check—**social presence**
1) Who is the person you named?
(1 = close friend, 2 = acquaintance, 3 = stranger, 4 = no one)
2) How close is the relationship between you and the person you imagined?*(1= very unclose, 7 = very close)*

Price–face link
1) Relative to 6.9 Euro, do you think that 10.9 Euro for a dish can signal your status? *(1 = not at all, 7 = to a large extent)*
2) Relative to 6.9 Euro, do you think that 10.9 Euro for a dish can enhance your self-image? *(1 = not at all, 7 = to a large extent)*

Distribution–face link
1) Relative to the street vendor with an ice cream cart, do you think that ice cream specialty store can signal your status?
2) Relative to the street vendor with an ice cream cart, do you think that ice cream specialty store can signal your self-image?
(1 = not at all, 7 = to a large extent)

Product–face link
1) Relative to the AH [Carrefour] toothpaste, do you think that the name branded toothpaste can signal your social-status?
2) Relative to the AH [Carrefour] toothpaste, do you think that the name branded toothpaste can enhance your self-image?
(1 = not at all, 7 = to a large extent)

Promotion–face link
1) Relative to the dish that is on sale, do you think that the dish at a regular price can signal your social-status?
2) Relative to the dish that is on sale, do you think that the dish at a regular price can enhance your self-image?
(1 = not at all, 7 = to a large extent)

Dependent measure—**purchase intentions**
1) The likelihood that I would purchase dish A (10.9 Euro)/at specialty store/name-branded tooth paste/dish at a regular price is
2) The likelihood that I would purchase dish B (6.9 Euro)/at street vendor with an ice-cream cart/private label tooth paste/dish on sale is
(1 = very low, 7 = very high)
3) Please divide 100 points between the two choices. Dish A (10.9 Euro)/shop at specialty store/name-branded tooth paste/dish at a regular price___points.
4) Dish B (6.9 Euro)/at street vendor with an ice-cream cart/private label tooth paste/dish on sale___points.
5) If I must choose one, the dish I will choose is: *(A/B)*

APPENDIX B. GLOSSARY OF TERMS

Term	Definition
Logistic regression	Logistic regression is well suited for studying the relation between a categorical or qualitative outcome variable and one or more predictor variables. $$Ln\left\{\frac{\pi}{1-\pi}\right\} = \log(\textit{odds}) = \log \textit{it} = \alpha + \beta x \text{, where}$$ $\pi = \text{probability}(Y = \text{outcome of interest} \mid X = x) = \dfrac{e^{\alpha+\beta x}}{1 + e^{\alpha+\beta x}}$, such that π is the probability of the outcome of interest under variable Y; α is the intercept; and β is the slope parameter. In addition, X can be categorical or continuous, whereas Y is always categorical.
Wald test and sig.	A Wald test indicates the statistical significance of each coefficient (β) in the model, with the null hypothesis that the coefficient (parameter) is 0. The comparison of the calculated Wald statistic with the critical value of the chi-square distribution reveals whether the estimate is significant. If the calculated statistic is greater than a critical value (.05), the predictor meets statistical significance.
EXP(β)	The coefficients in a logistic regression appear in terms of the log odds, such that a coefficient equal to 1.695 implies that a one-unit change results in a 1.695-unit change in the log of the odds. We take the log by raising e to the power of the logistic coefficient. Thus we can derive EXP (β), the exponentiation of the coefficients, which is an odds ratio (OR) associated with a one-unit increase in the exposure. If OR = 1, exposure does not affect the odds of an outcome; if OR > 1, exposure increases the odds of the outcome; and if OR < 1, exposure is associated with lower odds of the outcome, assuming all other predictors remain constant.
Nagelkerke R-square	This value reveals prediction improvements achieved in a proposed model compared with a base (null) model. We use the log-likelihood for this calculation. This validation statistic can reach a maximum of 1.

APPENDIX C. SCALES USED TO TEST THE TWO ASSUMPTIONS

Scales used to test concern for face assumption

Assumption 1: Collectivistic consumers have higher face concerns than individualistic consumers

CONCERN FOR FACE SCALE (CFF scale) (Cocroft & Ting-Toomey, 1994; White, Tynan, Galinsky, & Thompson, 2004)

1) I care about others' attitudes toward me.

2) I am concerned with my social status.

3) I hate being taken lightly.

4) I will be very angry if others are impolite to me.

5) I care about praise and criticism from others.

6) I will be very happy if I am treated with respect.

7) I am concerned with my self-image.

8) I will be very upset if I am criticized in public.

(1 = completely disagree, 7 = completely agree)

Scale used to test price–face link assumption

Assumption 2: The higher the price is, the more one has the face (adjusted version of the following original scales):

A. PRICE–FACE INDICATOR SCALE by Wang & Zhang (2011)

1) Using high-priced products, I convey a good impression to others.

2) Using high-priced products, I gain admiration from others.

3) Using high-priced products enhances my face in front of others.

4) Using high-priced products, I feel confident in front of others.

5) Using high-priced products gains others' recognition.

6) High-priced products match my social status.

(1 = completely disagree, 7 = completely agree)

B. PRICE–FACE INDICATOR SCALE adjusted from Li & Su (2007)

1) It is important that others like the high-priced products I buy.

2) It does not matter what friends think of different brands or products before I purchase a high-priced product.

3) Sometimes I buy a high-priced product because my friends do so.

4) High-priced product purchase is a good way to distinguish people from others.

5) What I consume should be consistent with my social status, and I like to buy high-priced products.

6) Purchasing high-priced products can bring me a sense of prestige.

7) It is important to have a dinner party in a high-priced restaurant even though I will pay a lot of money.

8) When buying a gift for others, I always consider whether the price of the gift is high enough.

9) If I buy a cheap gift for my friend, both my friend and I will feel we have lost face.

(1 = completely disagree, 7 = completely agree)

APPENDIX D. SAMPLE PROCESS MACRO FOR SPSS

The SPSS PROCESS code below estimates the model depicted in Figure 4.5 and produces output used to construct Table 4.8. Taking Study 1b as an example, the variable names in the data that are used in the PROCESS command are DV3 (Y : Purchase choice), link (M: price–face link score), tangi (V: product tangibility), and IV (X: median split of concerns for face score). PROCESS model 14[18] requires that the moderator in the second stage moderated mediation model be denoted as V in the syntax rather than W.

```
process vars=linktangi IV DV3/y=DV3/m=link/x=IV/v=tangi/
model=14/boot=1000/conf=90/.
```

---

[18] Study 2a to 3d uses model 16 because the moderator social presence has 3 levels thus need to create two dummy moderators.

APPENDIX E. MODERATED MEDIATION RESULTS OF STUDY 1A: MEDIATING ROLE OF THE PRICE–FACE LINK

	Price–face link		Purchase likelihood(DV1)		Purchase proportions(DV2)		Purchase choice(DV3)	
	Coeff.	90% CI	Coeff.	90% CI	Coeff.	90% CI	Coeff.	90% CI
Face concerns (IV)	$\beta_1 \to$ .144 (.327)	-.399,.688	$\beta_1' \to$ .516 (.326)	-.026,1.058	$\beta_1' \to$ -4.690 (5.135)	-13.228,3.849	$\beta_1' \to$ .069 (.487)	-.731,.870
price–face link (Mediator)			$\beta_2 \to$ .355* (.184)	.049,.660	$\beta_2 \to$ 2.315 (2.896)	-2.501,7.130	$\beta_2 \to$ .247 (.285)	-.221,.716
Product visibility (Moderator)			$\beta_3 \to$ .479 (.852)	-.938,1.897	$\beta_3 \to$ 3.414 (13.425)	-25.739,18.911	$\beta_3 \to$ -.782 (1.371)	-3.036,1.472
price–face link × Product visibility			$\beta_4 \to$ -.058 (.243)	-.463,.347	$\beta_4 \to$ 2.960 (3.834)	-3.416,9.337	$\beta_4 \to$ .344 (.378)	-.278,.966
Constant	$\beta_0 \to$ 3.200*** (.231)	2.816,3.584	$\beta_0' \to$ 2.274*** (.516)	1.415,3.133	$\beta_0' \to$ 32.320*** (8.134)	18.793,45.847	$\beta_0' \to$ -1.864** (.856)	-3.273,-.456
	R^2= .002 F(1,88) = .195, p < .001		R^2= .169 F(4,85) = 4.305, p < .003		R^2= .119 F(4,85) = 2.877, p < .028		Nagelkerke R^2= .175	

*p < .10   **p < .05   ***p < .01

APPENDIX F. MODERATED MEDIATION RESULTS OF STUDY 2A: MEDIATING ROLE OF THE PRICE–FACE LINK

	Price–face link		Purchase likelihood (DV1)		Purchase proportions (DV2)		Purchase choice (DV3)	
	Coeff.	90% CI	Coeff.	90% CI	Coeff.	90% CI	Coeff.	90% CI
Face concerns (IV)	$\beta_1 \rightarrow$-.066 (.240)	-.462,.331	$\beta_1' \rightarrow$.652** (.223)	.283,1.021	$\beta_1' \rightarrow$8.449** (2.997)	3.487,13.412	$\beta_1' \rightarrow$.491 (.504)	-.338,1.320
Price–face link (Mediator)			$\beta_2 \rightarrow$.575*** (.141)	.343,.808	$\beta_2 \rightarrow$6.342*** (1.889)	3.213,9.471	$\beta_2 \rightarrow$.760** (.320)	.234,1.286
Stranger (Moderator 1)			$\beta_3 \rightarrow$.941 (.634)	-.109,1.991	$\beta_3 \rightarrow$9.102 (8.523)	-5.014,23.217	$\beta_3 \rightarrow$.708 (1.618)	-1.954,3.370
Acquaintance (Moderator 2)			$\beta_3' \rightarrow$.679 (.589)	-.296,1.655	$\beta_3' \rightarrow$1.211 (7.918)	-11.902,14.323	$\beta_3' \rightarrow$-2.813 (2.434)	-6.816,1.191
Price–face link × Stranger			$\beta_4 \rightarrow$-.307 (.198)	-.635,.020	$\beta_4 \rightarrow$-3.662 (2.656)	-8.061, .737	$\beta_4 \rightarrow$-.280 (.430)	-.987,.428
Price–face link × Acquaintance			$\beta_4' \rightarrow$-.291 (.187)	-.602,.019	$\beta_4' \rightarrow$-.957 (2.520)	-5.131,3.217	$\beta_4' \rightarrow$.484 (.578)	-.468, 1.435
Constant	$\beta_0 \rightarrow$2.859*** (.179)	2.564,3.155	$\beta_0' \rightarrow$1.886*** (.455)	1.133,2.640	$\beta_0' \rightarrow$9.710 (6.116)	-.419,19.839	$\beta_0' \rightarrow$-4.043*** (1.238)	-6.079,-2.007
	R^2= .001 F(1,143) = .075, p < .785		R^2= .203 F(6,137)= 5.817, p < .001		R^2= .187 F(6,137)= 5.265, p < .001		Nagelkerke R^2= .262	

*p < .10   **p < .05   ***p < .01

Appendix G. Moderated Mediation Results of Study 2b: Mediating Role of the Distribution–Face Link

	Distribution–face link		Purchase likelihood (DV1)		Purchase proportions (DV2)		Purchase choice (DV3)	
	Coeff.	90% CI	Coeff.	90% CI	Coeff.	90% CI	Coeff.	90% CI
Face concerns (IV)	$\beta_1 \to .166$ (.260)	-.264,.595	$\beta_1' \to .602^{**}$ (.269)	.156,1.048	$\beta_1' \to 5.950$ (4.267)	-1.116,13.015	$\beta_1' \to .273$ (.354)	-.310,.855
Distribution–face link (Mediator)			$\beta_2 \to .195$ (.161)	-.073,.462	$\beta_2 \to 1.909$ (2.559)	-2.329,6.147	$\beta_2 \to .062$ (.208)	-.280,.404
Stranger (Moderator 1)			$\beta_3 \to -.608$ (.772)	-1.887,.671	$\beta_3 \to -9.005$ (12.243)	-29.281,11.271	$\beta_3 \to -1.009$ (1.016)	-2.681,.663
Acquaintance (Moderator 2)			$\beta_3' \to .109$ (.701)	-1.051,1.269	$\beta_3' \to 1.026$ (11.106)	-17.366,19.418	$\beta_3' \to .202$ (.898)	-1.275,1.680
Distribution–face link × Stranger			$\beta_4 \to .290$ (.223)	-.078,.659	$\beta_4 \to 2.703$ (3.529)	-3.140,8.547	$\beta_4 \to .400$ (.306)	-.104,.904
Distribution–face link × Acquaintance			$\beta_4' \to .005$ (.212)	-.346,.355	$\beta_4' \to -.218$ (3.355)	-5.774,5.339	$\beta_4' \to -.093$ (.272)	-.541, .354
Constant	$\beta_0 \to .595^{***}$ (.193)	2.570,3.211	$\beta_0' \to 3.620^{***}$ (.560)	2.693,4.548	$\beta_0' \to 45.577^{***}$ (8.877)	30.876,60.277	$\beta_0' \to .022$ (.717)	-1.158,1.201
	$R^2 = .003$		$R^2 = .131$		$R^2 = .048$		Nagelkerke $R^2 = .054$	
	$F(1,142) = .407, p < .524$		$F(6,137) = 3.444, p < .003$		$F(6,137) = 1.163, p < .330$			

*$p < .10$ **$p < .05$ ***$p < .01$

Appendix H. Moderated Mediation Results of Study 2c: Mediating Role of the Brand–Face Link

	Brand–face link		Purchase likelihood(DV1)		Purchase proportions(DV2)		Purchase choice (DV3)	
	Coeff.	90% CI	Coeff.	90% CI	Coeff.	90% CI	Coeff.	90% CI
Face concerns (IV)	$\beta_1 \rightarrow$ -.028	-.452,.395	$\beta_1' \rightarrow$ .476	-.057,1.008	$\beta_1' \rightarrow$ 6.305	-2.732,15.341	$\beta_1' \rightarrow$ .235	-.413,.883
	(256)		(.321)		(5.457)		(.394)	
Brand–face link (Mediator)			$\beta_2 \rightarrow$ .106	-.225,.437	$\beta_2 \rightarrow$ 2.120	-3.501,7.742	$\beta_2 \rightarrow$ .000	-.398,.397
			(.200)		(3.395)		(.242)	
Stranger (Moderator 1)			$\beta_3 \rightarrow$ -.799	-2.101,.504	$\beta_3 \rightarrow$ -3.022	-25.122,19.077	$\beta_3 \rightarrow$ -.641	-2.189,.908
			(.786)		(13.345)		(.942)	
Acquaintance (Moderator 2)			$\beta_3' \rightarrow$ .401	-.855,1.658	$\beta_3' \rightarrow$ 8.535	-12.797,29.867	$\beta_3' \rightarrow$ -.165	-1.700,1.371
			(.759)		(12.881)		(.934)	
Brand–face link × Stranger			$\beta_4 \rightarrow$ .085	-.358,.529	$\beta_4 \rightarrow$ -1.114	-8.642, 6.414	$\beta_4 \rightarrow$ .252	-.306,.810
			(.268)		(4.546)		(.339)	
Brand–face link × Acquaintance			$\beta_4' \rightarrow$ -.131		$\beta_4' \rightarrow$ -2.850	-10.178,4.478	$\beta_4' \rightarrow$ .143	-.403,.689
			(.261)	-.563,.301	(4.425)		(.332)	
Constant	$\beta_0 \rightarrow$ 2.516***	2.200,2.831	$\beta_0' \rightarrow$ 4.724	3.768,5.679	$\beta_0' \rightarrow$ 56.515	40.297,72.734	$\beta_0' \rightarrow$ .887	-.252,2.026
	(.191)		(.577)		(9.794)		(.693)	
	R^2 = .000		R^2 = .051		R^2 = .025		Nagelkerke R^2 = .023	
	F(1,142) = .012, p < .913		F(6,137) = 1.216, p < .302		F(6,137) = .593, p < .736			

*p < .10   **p < .05   ***p < .01

APPENDIX I. MODERATED MEDIATION RESULTS OF STUDY 2D: MEDIATING ROLE OF THE PROMOTION–FACE LINK

	Promotion–face link		Purchase likelihood (DV1)		Purchase proportions (DV2)		Purchase choice (DV3)	
	Coeff.	90% CI	Coeff.	90% CI	Coeff.	90% CI	Coeff.	90% CI
Face concerns	$\beta_1 \to -.214$	-.618,.190	$\beta_1' \to .415^*$	.029,.802	$\beta_1' \to 2.350$	-2.161,6.860	$\beta_1' \to -.090$	-1.450,1.270
	(.244)		(.233)		(2.724)		(.827)	
Promotion–face link (Mediator)			$\beta_2 \to .142$	-.087,.371	$\beta_2 \to 4.994^{**}$	2.323,7.665	$\beta_2 \to 7.739$	-8.822,24.300
			(.138)		(1.613)		(10.069)	
Stranger (Moderator 1)			$\beta_3 \to -.016$	-.989,.958	$\beta_3 \to 2.798$	-8.572,14.169	$\beta_3 \to 47.086$	-59.503,153.676
			(.588)		(6.866)		(64.802)	
Acquaintance (Moderator 2)			$\beta_3' \to -.612$	-1.504,.280	$\beta_3' \to -2.871$	-13.285, 7.542	$\beta_3' \to 45.989$	-60.605,152.583
			(.539)		(6.288)		(64.804)	
Promotion–face link × Stranger			$\beta_4 \to .051$	-.286,.387	$\beta_4 \to -2.253$	-6.184,1.679	$\beta_4 \to -7.447$	-24.020,9.125
			(.203)		(2.374)		(10.075)	
Promotion–face link × Acquaintance			$\beta_4' \to .300$	-.010,.610	$\beta_4' \to .149$	-3.474,3.773	$\beta_4' \to -7.247$	-23.820,9.325
			(.187)		(2.188)		(10.076)	
Constant	$\beta_0 \to 2.570^{***}$	2.269,2.871	$\beta_0' \to 2.421^{***}$	1.715,3.127	$\beta_0' \to 10.365^{**}$	2.125,18.605	$\beta_0' \to -50.126$	-156.693,56.441
	(.182)		(.426)		(4.976)		(64.788)	
	$R^2 = .005$		$R^2 = .116$		$R^2 = .159$		Nagelkerke $R^2 = .270$	
	F(1,142) = .771 , $p < .381$		F(6,137)=2.989, $p < .009$		F(6,137) = 4.328, $p < .000$			

$^*p < .10$ $^{**}p < .05$ $^{***}p < .01$

Executive Summary

EXECUTIVE SUMMARY

INTRODUCTION

In cross-cultural marketing literature, Eastern and Western consumers behave differently in many ways, such as choosing brands (Reykowski, 1994; Wong & Ahuvia, 1998; Belk, 1988), evaluating services (De Mooij, 1998; Mattila, 1999), expressing advertising preferences (Alden, Steenkamp, & Batra, 1999), and developing attitudes toward service failures (Liu & McClure, 2011). However, as the literature review that constitutes the first study of this thesis reveals, up-to-date knowledge about whether Eastern consumers' loyalty is higher or lower than that of Western consumers (Selnes, 1993), as well as their potentially different drivers, is lacking. Most previous cross-cultural research has applied Hofstede's (2001) five-dimensional cultural framework to distinguish Eastern and Western consumers, yet researchers (e.g., Zhang, Beatty, & Walsh, 2008) question whether Hofstede's dimensions effectively capture the essence of Eastern culture. In turn, calls for research (e.g., Zhou & Nakamoto, 2001; Bolton et al., 2010) increasingly cite the need to include traditional Asian cultural values related to face (i.e., self-image and/or status earned in a social network). To address such gaps in cross-cultural literature, this thesis specifically focuses on customer loyalty and face concerns, from a cross-cultural perspective (China vs. the Netherlands). From an economic perspective, China and the Netherlands represent two typical examples of distinct economies (emerging market vs. developed market). From a cultural perspective, China represents a typical vertical, collectivistic culture, whereas the Netherlands offers a credible representative of a horizontal, individualistic culture. As exemplars of these opposite poles, China and the Netherlands are likely to stand for one of the most and one of least face-concerned cultures, respectively.

CROSS-CULTURAL DIFFERENCES IN CUSTOMER LOYALTY DRIVERS

The second study of this thesis examines the moderating effect of culture on loyalty drivers, in direct response to calls for research that "empirically validates in what kind of cultures various (loyalty) drivers are more important or less important and why" (Rust et al., 2004, p. 123). Data collected from consumers reflect two industries, banking (relationship-based) and supermarkets (transaction-based), in two countries, China and the Netherlands. With samples of 1553 Chinese and 1085 Dutch consumers, a multivariate regression analysis and hierarchical linear model reveal that Eastern (Chinese) consumers in general express higher loyalty intentions than Western (Dutch) consumers. Three customer equity drivers also appear to exert greater impacts on loyalty in the Netherlands than in China. Thus the much-cited importance of brands in the Chinese culture (Henderson et al., 2003) does according to our study not hold for the retail (supermarket and

banking) sector in which the impact of brands may be less salient. This thesis further argues that the Chinese market, as an emerging economy, is not as efficient (e.g., less fair pricing system, low level of brand trust, weak CRM) as the Dutch market, which is why value, brand, and relationship equity appear more important in the Netherlands than in China. In this market environment, Chinese consumers' loyalty intentions are not driven by value, brand, or relationship equity but instead reflect culture, habit, or inertia. After choosing a brand, Chinese consumers tend to stick with it, because of the risk and uncertainty associated with switching to another brand in an immature market environment. Therefore, Chinese consumers in general have higher loyalty intentions.

This study in turn offers important implications for managers. In Eastern cultures such as China, it is more efficient for managers to focus their marketing efforts on customer acquisition, rather than customer retention. This is in line with Sheth (2011) who finds that converting nonusers to first-time users results in better financial performance than satisfying existing users. After they have successfully attracted a Chinese customer, she or he already expresses relatively higher loyalty intentions than a comparable Western consumer and is less likely to end the relationship. In Western cultures though, managers and firms should be customer focused and implement active relationship marketing strategies. Western consumers are more difficult to satisfy (Zhang et al., 2008), have lower loyalty intentions, and are more responsive to marketing efforts.

CROSS-CULTURAL DIFFERENCES IN FACE CONCERNS

A third studyfocuses on face. In a consumption context, face is manifested by consumers' purchases of products that can construct and display their self-image and thus induce positive comments or recognition from others (Wang & Zhang, 2011). Previous literature identifies the face concept, often signaled with a high price, as particularly salient for people from Eastern, collectivistic cultures (Chan et al., 2009; Hwang et al., 2003; Li & Su, 2007; Liao & Wang, 2009); low face concerns instead tend to mark Western, individualist consumers. Therefore, the third study of this thesis investigates the moderators of price (as well as other marketing mix)–face relations by considering the impact of product visibility (cell phone vs. mattress), product tangibility (watch vs. musical), and social presence (stranger vs. acquaintance vs. close friend) on the relationship between face concerns and purchase intentions for high-priced options (as well as for name-branded products, products without price discounts, and shopping at specialty stores). We thus answer calls for research, such as "the predictive power of face concerns 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 classify high versus low face concerns with two measures: nationality (Chinese vs. Dutch) and individual's scores on concern for face (CFF) scale. We use multiple dependent measures (purchase likelihood, purchase proportion, purchase choice) and multiple methods (ANOVA, linear regression, logistic regression, moderated mediation analysis) to test our hypotheses.

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 they do not differ with regard to high (versus low) product visibility or tangibility. Chinese consumers also are more likely on average to choose high-priced, name brand options, regardless of social presence. Thus, we only find significant main effects but no support for any moderating effects. The underlying reason may reflect Chinese and Dutch consumers' different views about themselves: Western (Dutch) consumers are relatively more likely to have an independent self-view, whereas Eastern (Chinese) consumers are more likely to develop an interdependent self (Markus & Kitayama, 1991). With these interdependent selves, the interpersonal relationships of Chinese people should be closer in general, which reduces the distinction between a privately and publicly consumed products. Moreover, the other is more focal for interdependent cultures, hence with other's presence, no matter who, Chinese consumers are more likely to buy a high-priced option. 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. Our findings suggest Western companies seeking business opportunities in China might consider maintaining a steady price or even raise it to gain the Chinese consumers who have high tendency to link price to their faces (Zhou & Nakatamo, 2001). In Western cultural markets, raising the price may not work as well, because Western consumers are less likely to buy a high-priced option.

When using individual's CFF scores to classify high or low face concerns, 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, such that consumers with high face concerns are more likely to purchase the high-priced option when considering material products (versus experiential products). Low face concerned consumers' purchase intentions for high-priced products do not differ as a function of product tangibility. We did not find support for any moderating effects of product visibility or social presence, in that there were no differences in the purchases of publicly versus privately consumed products between high or low face concerned consumers; nor did we find any differences in the purchases by high or low face concerned consumers (meals, toothpaste, ice

cream) when an acquaintance, rather than a stranger or close friend, was present. The stimuli used were of relatively low value, so they might not have been sufficient to elicit face. The distribution– and promotion–face links also were rather weak.

Our findings have some preliminary implications for marketers from different industries. For example, for material (e.g., watch) products, it is advisable to set a price higher than competitors', to enhance consumers' perceived face and thus their purchase intentions. For experiential (e.g., musical) products though, it is wiser to set a comparable price, because in this case, a higher price does not enhance consumers' perceived face. Our study also guides companies toward effective branding, distribution, and sales promotions strategies.

Customer loyalty and face concerns are two important issues in emerging markets as well as in cross-cultural marketing, and their importance is likely to increase in years to come. I hope this thesis represents a valuable contribution to research in this area.

Nederlandstalige Samenvatting (Summary in Dutch)

NEDERLANDSTALIGE SAMENVATTING (SUMMARY IN DUTCH)

INLEIDING

Uit de cross-culturele marketing literatuur blijkt dat Oosterse en Westerse consumenten van elkaar verschillen in termen van consumentengedrag. Zij verschillen bijvoorbeeld in merkkeuze (Reykowski, 1994; Wong & Ahuvia, 1998; Belk, 1988), in hun evaluatie van diensten (De Mooij, 1998; Mattila, 1999), in hun advertentievoorkeuren (Alden, Steenkamp, & Batra, 1999) en in hun houding ten opzichte van slechte service (Liu & McClure, 2011). Uit het literatuuroverzicht in het eerste onderzoek van deze dissertatie (Hoofdstuk 2) blijkt echter, dat er geen recent onderzoek bestaat naar potentiele loyaliteitsverschillen tussen Oosterse en Westerse consumenten (Selnes, 1993) en evenmin naar potentieel verschillende oorzaken van hun loyaliteit.

De grote meerderheid van eerder gedaan cross-cultureel onderzoek heeft gebruik gemaakt van de Vijf Dimensies van Hofstede (2001) voor het maken van onderscheid tussen Oosterse en Westerse consumenten. Echter, wetenschappers zoals bijvoorbeeld Zhang, Beatty, & Walsh (2008) vragen zich openlijk af of Hofstede's dimensies in staat zijn de essentie van de Oosterse cultuur voldoende weer te geven. Als gevolg hiervan worden onderzoekers steeds vaker opgeroepen (zie bijvoorbeeld, Zhou & Nakamoto, 2001; Bolton et al., 2010) om traditionele Aziatische waarden met betrekking tot "face" (d.w.z. iemands status binnen een sociaal netwerk) in hun onderzoek op te nemen. Om in te spelen op beide lacunes in de cross-culturele marketing literatuur, houdt deze dissertatie zich specifiek bezig met onderzoek naar klantloyaliteit en de zorg van consumenten omtrent hun status binnen een sociaal netwerk (d.w.z. "face concern"), vanuit een cross-cultureel perspectief. Specifiek worden China en Nederland met elkaar vergeleken. Vanuit een economisch perspectief, staan China en Nederland voor twee typische voorbeelden van respectievelijk een opkomende versus ontwikkelde markt. Vanuit een cultureel perspectief, staat China voor een verticaal, collectivistische cultuur, terwijl Nederland een representatief voorbeeld vormt van een horizontale, individualistische cultuur. Als voorbeelden van deze extremen, staan China en Nederland naar waarschijnlijkheid voor culturen met respectievelijk één van de meeste en één van de minste zorgen m.b.t. face.

CROSS-CULTURELE VERSCHILLEN IN OORZAKEN VAN KLANTLOYALITEIT

Als reactie op oproepen de verschillen in oorzaken van klantloyaliteit tussen culturen te onderzoeken (Rust et al., 2004), wordt in het tweede onderzoek (Hoofdstuk 3) van deze dissertatie het modererende effect van cultuur op oorzaken van loyaliteit onderzocht.

De data die verzameld is, betreft de volgende twee sectoren: banken en supermarkten (respectievelijk relatie- en transactie-gebasseerd) en de volgende twee landen: China en

Nederland. Op basis van steekproeven van 1553 Chinese en 1085 Nederlandse consumenten, tonen een multivariate regressie analyse en een hierachisch lineair model aan dat Oosterse (Chinese) klanten van supermarkten en banken over het algemeen hogere loyaliteitsintenties hebben dan Westerse (Nederlandse) consumenten. De drie oorzaken van klantwaarde(waardepropositie, merkwaarde en relatiewaarde) blijken daarnaasteen grotere impact te hebben op klantloyaliteit in Nederland dan in China. Deze dissertatie stelt daarom dat de Chinese markt, als een opkomende economie, minder efficiënt is dan de Nederlandse markt (het heeft een minder eerlijk prijssysteem, een lager niveau van merkvertrouwen eneen zwakker klantrelatie managementsysteem), waardoor de waardepropositie, merkwaarde en relatiewaarde met een organisatie belangrijker lijken in Nederland dan in China. De loyaliteitsintenties van Chinese consumenten worden niet gedreven door de waardepropositie, merkwaarde of relatiewaarde, maar zijn het resultaat van cultuur, gewoonte of inertie. Na de keuze voor een bepaald merk, zijn Chinese consumenten geneigd bij deze keuze te blijven vanwege het risico en de onzekerheid die optreden bij het switchen naar een ander merk in een onvolgroeide markt. Als resultaat hiervan hebben Chinese consumenten over het algemeen hogere loyaliteitsintenties.

Dit onderzoek biedt belangrijke inzichten voor managers. In Oosterse culturen zoals China, is het efficiënter voor retailers om te focussen op klantacquisitie in plaats van klantrententie. Dit is in lijn met Sheth (2011) die concludeert dat het converteren van niet-gebruikers in gebruikers financieel aantrekkelijker is dan het tevreden houden van bestaande gebruikers. Een Chinese klant – eenmaal aangetrokken – heeft hogere loyaliteitsintenties dan een vergelijkbare klant in Nederland. In Westerse culturen daarentegen is het belangrijk dat managers en organisaties klant-georiënteerd zijn en actief relatiemarketingstrategieën implementeren. Westerse consumenten zijn namelijk moeilijker tevreden te stellen (Zhang et al., 2008), hebben lagere loyaliteitsintenties en reageren sterker op marketinginspanningen dan Oosterse consumenten.

CROSS-CULTURELEVERSCHILLEN IN FACE CONCERN

Het derde onderzoek (Hoofdstuk 4) onderzoekt de invloed van "face" op het koopgedrag . In een consumptiecontext komt face tot uiting in de aanschaf van producten die bijdragen aan het zelfbeeld van de consument en positieve opmerkingen en erkenning van anderen oproepen (Wang & Zhang, 2011). Bestaande literatuur toont aan dat het belang dat gehecht wordt aan wat anderen van je denken vaak samengaat met de bereidheid tot het betalen van een hoge prijs voor een product. Dit speelt metname voor consumenten uit Oosterse, collectivistische culturen (Chan et al., 2009; Hwang et al., 2003; Li & Su, 2007; Liao & Wang, 2009). Het zich weinig aantrekken wat anderen van je vinden ("low face concern") daarentegen kenmerkend voor Westerse, individualistische culturen. In het vierde hoofdstuk van deze dissertatie wordt de modererende invloed van prijs (en vande andere marketing mix factoren) op de relatie tussen face en

aankoopintentie onderzocht. Specifiek kijken we naar de invloed van productzichtbaarheid (mobiele telefoon versus matras), producttastbaarheid (horloge versus musical) en de aanwezigheid van anderen (een vreemde, kennis of goede vriend) op de relatie tussen face concern en aankoopintenties voor hoog-geprijsde producten (evenals voor merkproducten, producten zonder prijskortingen en producten verkocht in speciaalzaken). We voldoen hiermee aan oproepen voor onderzoek naar de voorspellende waarde van face concern, en specifiek naar studiesdie dit onderzoeken door face concern te verbinden aan prijspercepties en consumptiegedrag in een internationale context (Zhou & Nakamoto, 2001).

In het onderzoek classificeren wij hoge versus lage face concern op basis van twee indicatoren: nationaliteit (Chinees versus Nederlands) en de score ten aanzien van de bezorgdheid wat anderen van je vinden door middel van een zogenaamde CFF-schaal (Cocroft& Ting-Toomey, 1994; White, Tynan, Galinsky, & Thompson, 2004). We maken gebruik van meerdere afhankelijke variabelen (aankoopwaarschijnlijkheid, aankoopproportie en aankoopkeuze) en verschillende methoden (ANOVA, lineaire regressie, logistische regressie en gemodereerde mediatie-analyse) om diverse hypothesen te testen.

Gebruik makende van nationaliteit als indicator voor face concern vinden we significante hoofdeffecten, maar geen interactie-effecten. Gemiddeld genomen blijken Chinese consumenten meer geneigd hoog-geprijsde producten te kopen dan Nederlandse consumenten, maar dit verschilt niet met betrekking tot hoge (versus lage) productzichtbaarheid of producttastbaarheid. Daarnaast zijn Chinese consumenten gemiddeld genomen ook meer geneigd om hoog-geprijsde, merkproducten te kiezen, ongeacht de aanwezigheid van anderen. We vinden dus alleen significante hoofdeffecten en geen bewijs voor modererende effecten die het resultaat zijn van "face". De verklaring hiervoor zou kunnen liggen in het verschillende beeld dat Chinese en Nederlandse consumenten van zichzelf hebben. Westerse (Nederlandse) consumenten zijn meer geneigd een onafhankelijk zelfbeeld te hebben, terwijl Oosterse (Chinese) consumenten meer geneigd zijn een afhankelijk zelfbeeld te hebben (Markus & Kitayama, 1991). Vanwege hun afhankelijk zelfbeeld zijn de interpersoonlijke relaties van Chinese consumenten over het algemeenhechter, wat het onderscheid tussen publieke versus privateconsumptiegoederen verkleind. Bovendien spelen andere mensen in het algemeen een centralere rol in afhankelijke culturen, waardoor Chinese consumenten in de aanwezigheid van iemand anders, ongeacht wie dat is, überhaupt meer geneigd zijn voor een hoog-geprijsd alternatief te kiezen.

Onze bevindingen suggereren dat Westerse bedrijven die business mogelijkheden in China nastreven een stabiel prijsbeleid of zelfs een prijsstijging zouden moeten overwegen, om de Chinese consumenten, die geneigd zijn hun face te ontlenen aan hoog-geprijsde producten (Zhou & Nakatamo, 2001), voor zich te winnen. In Westerse markten daarentegen is een prijsverhoging waarschijnlijk minder effectief, omdat Westerse consumenten minder geneigd zijn hoog-geprijsde producten te kopen.

Wanneer we gebruik maken van individuele waardes op de CFF schaal om onderscheid te maken tussen hoge en lage face concern, vinden we in een van onze studies een marginaal significant indirect effect van face concern op keuze voor het hoog-geprijsde alternatief. Concreet vinden we dat consumenten met een hoge face concern meer geneigd zijn tot aanschaf van het hoog-geprijsde alternatief indien het een materieel goed (in plaats van een ervaringsgoed) betreft. Voor consumenten met een laag face concernis de aankoopintentie voor hoog-geprijsde producten niet afhankelijk van producttastbaarheid (d.w.z. of het een materieel of ervaringsgoed betreft). Een alternatieve verklaring kan liggen in het feit dat China, als een opkomende markt, gekenmerkt wordt door markt heterogeniteit en merkloze concurrentie (Sheth 2011), wat het risico van het kopen van een laag-geprijsd alternatief voor consumenten vergroot. Daarentegen, de relatief kleine verschillen in kwaliteit tussen producten in Nederland, geeft de Nederlandse consumenten het vertrouwen dat zij een relatief goed product voor een lage prijs kunnen kopen. Daarom zijn Chinese consumenten meer geneigd voor een hoog-geprijsd alternatief te kiezen, onafhankelijk van de situatie.

Onze bevindingen hebben implicaties voor marketeers van verschillende sectoren. Voor materiële goederen (als horloges) is het bijvoorbeeld aan te bevelen om een relatief hoge prijs te vragen ten opzichte van de concurrentie, om de face percepties van consumenten met een hoge face concern te verbeteren en daarmee hun aankoopintenties. Voor ervaringsgoederen (als musicals) daarentegen is het verstandiger om een prijs te kiezen die overeenkomt met de prijs van de concurrentie, aangezien in dit geval een hogere prijs niet tot hogere face percepties leidt.