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# Receptivity of Young Chinese to American and Global Brands: Psychological Underpinnings

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#### **Abstract**

## Purpose

The purpose of this paper was to examine psychological variables of young Chinese to determine their impact on identification with global consumer culture, attitudes toward global and USA brands and intention to buy USA brands. The independent or psychological variables examined were self-monitoring, life satisfaction, brand relevance, social demonstration effect, change-seeking behavior and reference groups (interacted and non-interacted). The goal was to understand what forces drive global and USA brand preferences.

## Design/methodology/approach

Data were collected in Guangzhou, China, in 2013 through a survey administered to 152 young Chinese respondents. Confirmatory factor analysis and reliability coefficients verified the psychometrics of each scale. Subsequently, the sample was divided into high versus low groups for each of the independent variables to perform mean tests for each on each of the four dependent variables.

## **Findings**

The results showed that all the hypotheses were supported to some extent. The sample had a positive attitude toward all the dependent measures: identification with global consumer culture, global and USA brands and intention to buy USA brands. Self-monitoring and change-seeking behavior had the least association with the dependent variables. Brand relevance, social demonstration effect and interactive and non-interactive reference groups were all found to have strong support.

#### Research limitations/implications

The authors used an urban sample of young Chinese. Examining an older sample or one that was less urban would also be useful. Future research could also examine other emerging markets such as Brazil or Indonesia to identify the impact of the psychological variables.

#### **Practical implications**

Multinational firms wishing to grow revenues of their USA and global brands in China must be attuned to the social aspects of positioning their brands. The implications show that brand relevance, social demonstration and reference groups can be used for positioning of global and USA brands. As China is a collectivist society, using appeals that establish a brand's desirability or relevance and its ability to allow users to socially demonstrate the brand to reference groups is likely to work well.

## Originality/value

No study has assembled the variables in the manner investigated in this research, nor have other studies looked at young Chinese in terms of USA brand attitudes and identification with global consumer culture.

## Keywords

Acculturation, Globalization, Global brand, USA brand

#### Introduction

American firms are now at the epicenter of two powerful forces: declining consumer purchasing power of the middle class in the USA and increasing prosperity of consumers in emerging markets. As sales growth in the USA becomes tepid, firms are keenly looking overseas to expand sales. Western firms that have developed strong brand franchises are busy trying to maintain and grow their revenues in foreign markets such as China. To bear witness to these realties, Kraft recently split into two brand divisions: the Kraft Foods brand is for the slow-growing USA market and Mondelez International brand is for faster-growing foreign markets. Other firms have also recognized that revenues from international markets have become essential for growth. For example, Business Week reported that J. Crew has developed a new positioning strategy to popularize their brand in Asian countries such as China (Rosenblum, 2013).

One key to prospering in these foreign markets is to develop and nurture powerful and well-known global brands. Indeed, global branding has become a hot topic in both marketing journals and in industry (Guo, 2013; Ozsomer, 2012a, 2012b). As products become increasingly commoditized, firms view strong brand identity as a way to differentiate their offering to stand out among competitors. Furthermore, with the inexorable continuation of globalization, firms have identified foreign markets as the new growth areas for their brands. Well-known brand names such as McDonald's, Ford, Nike, Coca-Cola and Apple continue to vie for market share overseas. Some scholars argue that large groups of consumers across the world are adopting globally diffused consumer images, preferences and symbols that originate in Western countries while letting go of traditional and local lifestyles (Zhou and Belk, 2004). This great convergence in consumer global acculturation has been studied by various scholars (Cleveland and Laroche, 2007; Lysonski and Durvasula, 2013). Brands have become

central to these images and symbols. Indeed, global brands have developed a cache that attracts consumers in emerging markets who wish to emulate Western or modern lifestyles. Multinational firms realize that the strongest economic growth in the coming years will emanate in these emerging markets.

Understanding the culture and mindsets of these new markets is a necessary first step in establishing strong markets there. deMooij (2013) exhorts firms in saying that "understanding culture is the first step to take by global companies when deciding on the type of strategy for their global brands". Similarly, the Boston Consulting Group (Bolden *et al.*, 2011) recommends in-depth consumer insight to brand-building; they stress that quantitative analysis of consumers is essential in gaining knowledge about them for brand building. It is imperative that marketers understand how consumers make choices regarding global brands. Hence, assessing how to maintain the appeal and brand loyalty to USA or global brands overseas has become an important academic and commercial issue. Increasingly, consumers in the BRIC countries must choose between global and local brands in a multitude of product categories. The extent to which the brand is perceived as global seems to have a favorable impact on brand preferences. But what induces consumers to like and prefer these global brands?

The objective of this research is to explore psychological drivers influencing how young Chinese perceive American and global brands. The Chinese consumer market is clearly of importance to firms selling global and USA brands. China (with 1.3 billion consumers) represents an enormous market with growing purchasing power. Chinese consumers also have an increasing massive array of choice, as more transnational brands compete intensely in China. McKinsey (2010) notes that emotional considerations are increasingly influencing purchase decisions in China. In addition, McKinsey (2012) asserts that brand development is a necessary strategy in China, where consumers are "extremely brand conscious". Global firms must learn how to position, cultivate and nurture their brands in China for long-term success. Given this importance, understanding the Chinese consumer is crucial. Furthermore, there is growing evidence that some Chinese are becoming nationalistic, which is hurting their view and desire of Western brands.

Concern about the declining importance of USA brands in China has been headlined in recent high-profile business publications. For example, Tan (2012) reported that the emergence of Chinese brands threatens the sales of American branded goods in China. The Wall Street Journal stressed that USA branded products are losing their appeal in China, as expressed in this quote: "P&G and Unilever will have to fight harder to differentiate from domestic brands [in China] that are now offering a wider range of products and features" (Burkitt and Glazer, 2012). Adding to this concern, the Economist (2014) alerts businesses that "consumers will no longer pay a hefty premium just because a brand is foreign". Yet, both Wang (2008b) and Dong and Tian (2009) infer that our current understanding of the motivations of Chinese in their responses to Western brands is sketchy. Furthermore, Dong and Tian (2009) have challenged popular explanations of how Chinese view Western brands, suggesting that their views are much more complex than what appears on the surface. In sum, if USA and global brands wish to maintain and grow their presence in China, understanding how Chinese consumers make choices regarding global or USA brands offers a powerful advantage to firms. This study responds to these concerns.

Specifically, this research is guided by two goals. First, the paper examines the attitudes of young Chinese regarding global consumer culture, global brands, USA brands and their intention to buy USA brands. Undoubtedly, some segments in China are not tuned into global consumer culture, nor are they enamored with global brands; they may even view them negatively. This study posits that these attitudes will be generally favorable, but there will be variation in their degree. Some research has shown there are five segments in emerging markets that have varying degrees of liking of Western brands, with one segment being called antiglobal and another global agnostics (Holt *et al.*, 2004). Second, and most importantly, the study determines if various psychological dimensions are drivers of the attitudes toward global and USA brands and the intention

to buy USA brands. Globalization represents a force that has the power to alter mindsets regarding preferences for global brands through a process called global consumer acculturation (Lysonski and Durvasula, 2013). Identifying various drivers of attitudes toward such brands permits marketers and advertisers to determine how to position products and to communicate to different groups based on matching messages to the right audiences. For example, if it is found that reference groups influence preferences for USA and global brands, these brands can use appropriate imagery to kindle desire for these brands. The drivers that will be investigated are self-monitoring, life satisfaction, brand relevance, social demonstration effect, change-seeking behavior and reference groups. No other study has used this approach in the manner in which this research investigates; as such, the results have important marketing and academic implications.

The structure of this paper is as follows. First, China is discussed, followed by comments on the impact of globalization on consumer acculturation regarding the importance of global brands to a consumer's identity. The relevance of these ideas to the Chinese consumer is integrated into this discussion. After this background is established, the paper will then explore how various psychological determinants are likely to influence the receptivity of young Chinese to global and USA brands. Several hypotheses are presented that capture the relationships explored in this research. Subsequently, the methodology presents the research variables, the sample and the statistical techniques to examine the hypotheses. The paper then presents the results and their significance, followed by discussion, implications and future research questions.

## Background

China's economic take-off is an amazing story. Prior to 1990, its economy was less developed along third-world levels. With growth exceeding 10 per cent/year, its economy doubled every seven years or less. An outcome of that growth has been an enormous increase in purchasing power and a desire to own products and brands that represent modern consumer culture. A burgeoning middle class has emerged with a thirst for consumer goods. The shopping scene has also changed dramatically, as consumers face an array of choices of domestic and foreign brands that can be acquired through their increasing affluence. Indeed, materialism has become the new patriotism in China (Tan, 2012; Durvasula and Lysonski, 2010). Hence, Chinese consumers may be more demanding and discerning when it comes to buying branded products. Research on global branding provides a foundation to examine factors such as a feeling of status that could influence global brand desires in China. Global brands offer differentiated quality and self-identify associations that local brands may lack. Globalization and the ease of trade restrictions have allowed for the growing ascendancy of global and USA brands in China.

Substantial research over the past 25 years has focused on country-of-origin (COO) effects which examined the impact on perceptions regarding where the product was produced (i.e. "made-in label"). Products manufactured in modern or Western countries seemed to be more desirable than products produced in less developed countries. Initially, it was believed that COO operated as an extrinsic cue for making product judgments (Bredahl, 2004). Such research concluded that COO does influence product evaluations and purchasing behavior (Klein, 2002; Papadopoulos and Heslop, 1993; Veale and Quester, 2009). Recently, however, the relevance of COO as an important determinant has been questioned. Some researchers argue that globalization has diminished the ability of consumers to identify exactly where the product was produced due to multinational production, global branding strategies and global sourcing (Usunier, 2006; Pecotich and Rosenthal, 2001). Research is now showing that the origin of design (e.g. Apple in the USA) may be more important than the country where it was manufactured (Chao, 2001).

Studies by Arndt (2004) and Liefeld (2004) show that consumers are not focused on identifying a product's origin, nor do they use such information in their buying behavior. Some researchers such as Usunier (2006) and Usunier and Cestre (2008) even argue that research that is fixated on COO is disconnected from contemporary business realities and consumer behavior. On the basis of this confounding research, the image of

a product as a global or USA brand may have a much greater impact on consumer behavior and various attitudes as discussed below. Recent studies have found evidence that perceived globality of a brand drives both perceptions of quality (c.f., Steenkamp *et al.*, 2003, Holt *et al.*, 2004) and the feeling of esteem consumers derive in owning the brand (Johansson and Ronkainen, 2005).

A global brand is defined as one that is recognized throughout much of the world, such as BMW, Sony and Chanel. Exemplars of USA brands that are viewed as global include Nike, Apple, Microsoft, Coach, McDonald's, Disney and Chevrolet, among others. We examine USA brands specifically in this research, given the ubiquity of USA brands in China and the goal by many USA multinational firms to establish their brands in China. Many scholars argue that purchase and display of global brands allows consumers to feel as if they are participants in an aspirational segment dealing with global consumer culture (Alden *et al.*, 1999). Several researchers have identified this association in various ways, as noted by Ozsomer (2012a, 2012b), who found that consumers in emerging markets were more likely to purchase products that were viewed as global.

Global brands may resonate with consumers who wish to be part of the global world and want to feel connected to a perceived global community by consuming the same brands; this has been termed the "global myth effect" (Cova et al., 2007; Holt et al., 2004). Some theorists such as Strizhakova et al. (2011) argue that global brands provide a sense of global belonging and fulfill "belief in global citizenship through global brands" and function as a "passport to global citizenship". Steenkamp et al. (2003) refer to this aspect as the "belongingness pathway", as global brands offer purchasers the chance to acquire and demonstrate their participation in the desirable global consumer culture. Dimofte et al. (2008) use the term "aspirational component" to describe the role that global brands may fulfill for consumers in helping them achieve their material goals.

Other research also suggests that global brands engender feelings of global belongingness by fostering consumer desire for quality and image (Belk *et al.*, 2003). Many scholars have identified factors such as media, increased travel and urbanization for fostering symbols and shared meaning of global brands; owning these brands communicates membership in the global consumer community (Steenkamp *et al.*, 2003; Appadurai, 1990; Hannerz, 1990). When a brand becomes associated with global consumer culture, this global image may give a brand more power and value (Shocker *et al.*, 1994). Friedman (1990) also notes that owning a brand with a global image may provide enhanced self-worth and status through purchase and ownership of the brand. Finally, a globally positioned brand may develop noteworthy credibility, authenticity and authority compared to local brands (Kapferer, 2008). USA brands may function much like any global brand; however, Chinese may have different associations with USA brands, given how USA lifestyle is featured in the media and in Hollywood movies.

Dimofte *et al.* (2008) note that marketing and brand managers are challenged by what the globality of their brands means to consumers and the extent to which this globality should be used as a brand attribute in positioning the product overseas. Several researchers (c.f., Steenkamp *et al.*, 2003) argue that a global brand can have a strong effect on brand purchase intentions because of the higher-quality perceptions and the feeling of status. Alden *et al.* (1999) contend that globally positioned brands are likely to be more attractive than local brands in emerging markets. Indeed, Ozsomer (2012a, 2012b) found that consumers in emerging markets were more likely to purchase products that were viewed as global brands. Understanding the culture of these new markets is essential and a necessary first step in establishing strong markets there. Studies have also found a preference for major global brands, especially by those who are rich and well-educated (Boston Consulting Group, 2008; Wang, 2008a). In sum, it appears that these brands may operate as a meta-symbol for globalization, consumerism and modernity of the West (Askegaard, 2006).

How this global brand effect is influenced by psychological forces is not clear, especially in emerging markets (Dimofte *et al.*, 2008). Few studies have looked at global and USA brands in terms of how specific consumer

psychological factors shape brand attitudes. Some researchers assert that the global myth of the brand is the underlying reason for the global brand effect (Holt *et al.*, 2004), while others argue that cosmopolitanism and the urge to belong to a global community are the important forces (Alden *et al.*, 1999). The extant literature, therefore, is incomplete in providing an explanation for the global brand effect. Clearly, there must be other forces at work.

The goal of this research is to explore specific psychological variables that may predispose some consumers to strongly prefer global or USA brands. In particular, this study examines the impact of these psychological variables on four dependent variables: identification with global consumer culture, attitudes toward global brands, attitudes toward USA brands and intention to buy USA brands. Six psychological variables (independent variables) are examined: self-monitoring, life satisfaction, brand relevance, social demonstration effect, change-seeking behavior and reference groups.

This study is guided by this thinking:

The era of building brands namely through mass media advertising is over. The predominant thinking of the world's most successful brand builders these days is not so much the old game of reach (how many consumers see my ad) and frequency (how often do they see it), but rather finding ways to get consumers to invite brands into their lives (Business Week, 2005).

Investigating psychological drivers deals with understanding how to "invite brands into their lives". It is essential that marketers understand how consumers make choices regarding global and USA brands. The paper will now examine the reason for the selection of each variable and its associated research hypotheses.

## Research hypotheses

Through globalization and exposure to global media and global brands, Chinese have been introduced to a consumerism that often reflects the Western or developed world. The outcome of these forces and changes has been the crystallization of a new type of culture called global consumer culture. Held *et al.* (1999) captures this new order this way:

Few expressions of globalization are so visible, widespread and pervasive as the worldwide proliferation of internationally traded consumer brands, the global ascendancy of popular cultural icons and artifacts, and the simultaneous communication of events by satellite broadcasts to hundreds of millions of people at a time on all continents. The most public symbols of globalization consist of Coca-Cola, Madonna, and the news on CNN (p. 327), [all of which are now strongly anchored in China]. As a result, these corporations have overwhelming economic, political, and social power to influence the consumption patterns of the technologically less advanced countries. The outcome of these influences is an extension of global consumerism (p. 112).

Those who wish to enjoy the bounty of global consumerism have developed a transformed mindset and an identification with global consumer culture with a heightened consciousness about popular global brands, modern lifestyles and consumption preferences.

This research proposes that Chinese who are urban, educated and young are more likely to have been "transformed" or acculturated to global consumer culture, given their exposure to Western symbols of consumerism; their mindsets may reflect a strong identification with global consumer culture. It is likely that some of the driving forces propelling such acculturation are demographically linked. For example, living in urban environments introduces a consumer to the most modern lifestyles and practices, as cities arguably offer the latest fashions and consumer products that are available to their counterparts in developed countries. Being

educated and young also is likely to predispose consumers to more modern thinking, living and interacting. Arnett (2002) stresses that young consumers in developing countries are in a state of flux in terms of their adaptation to globalization. For this reason, the respondents in this study have an urban and young demographic profile. Accordingly, the following hypothesis is proposed:

H1a. Young Chinese will show a high level of identification with global consumer culture.

Global and USA brands represent the cutting edge of global consumer culture, as these brands are associated with the Western world – the world where styles, trends and fashion often emanate. This study posits that young Chinese will not only have a positive view of global and USA brands, but they also will express an intention to buy USA brands. For example, Gillette (2012) states that "Made in the USA" still sells well to emerging markets such as China, and that "the value of America communicates as a brand enhancing, anabolic sales booster. Budweiser, General Motors, Tiffany, Jack Daniels, Levi's – the more American sounding the better". Similarly, Sirkin (2013) also reports that the American brand image has high value in China. Hence, USA brands are likely to be viewed positively.

Given the preceding discussion about global brands, it is hypothesized that young Chinese are more inclined to have a positive attitude about such brands. Based on the discussion above regarding the "global myth effect" and "belongingness pathway" reflecting that global and USA brands offer the purchaser the chance to acquire and demonstrate their participation in the desirable global consumer culture, the following hypotheses are proposed:

H1b. Chinese consumers overall will have a positive attitude toward both global brands and USA brands.

H1c. Chinese consumers overall will express an intention to buy USA brands.

## Hypotheses based on the independent variables

The overall positive attitudes in identification with global consumer culture and for global and USA brands and the intention to buy USA brands that are expected to be found for *H1a*, *H1b* and *H1c* will be governed by psychological constructs that were identified by a careful review of the marketing and branding literature. These variables were chosen because they reflect psychological dimensions that are likely to operate as drivers of attitudes. No study has assembled the constructs as explored in this study. The discussion below elucidates the variables that will be examined and the resulting research hypothesis.

Self-monitoring describes a person's tendency to modify or adapt his/her behavior when in the presence of others so that it is more similar (Becherer and Richard, 1978). Those who score high on self-monitoring exhibit a chameleon-like tendency in their willingness to modify their behavior, unlike low self-monitors who are unwilling to alter their behavior to comply with those around them and their expectations of them. Sharma *et al.* (2010) and Luo (2005) stress that high self-monitors are more concerned about their self-image and trying to gain social acceptance while seeking both approval and status (Rose and DeJesus, 2007). Indeed, Rose and DeJesus (2007) speculate that self-monitors are higher in "wanting to belong" and that they respond more favorably toward image-oriented advertisements. Therefore, material goods such as global or USA brands may allow a consumer to comply with the consumption behaviors and expectations of those who are around them. Hence, it seems plausible that young Chinese who identify with global consumer culture may have developed this mindset to attain social acceptance among those around them who also have this mindset. Rose and DeJesus (2007) propose a cognitive process that operates as follows:

High self-monitors value wealth and luxury because they believe materialistic acquisition will help them attain social acceptance, and the belief that material acquisitions will help them attain social acceptance arises from their strong motive to belong (p. 107).

Hence, it is likely that Chinese consumers, who score high in self-monitoring, are more likely to desire and buy USA and global brands that will help them improve their self-image and be consistent with those in their social groups. Expressed as a hypothesis:

*H2.* Self-monitoring will have a positive impact on attitudes toward identification with global consumer culture, global brands, USA brands and intention to buy USA brands.

Life satisfaction (i.e. quality of life) has been defined as "an individual's subjective evaluation of his or her own life" (Alfonso et al., 1996). Bhardwaj et al. (2011) discuss the idea that this subjective evaluation is based on two dimensions: the cognitive dimension that relates to an intellectual assessment, and the affective dimension which is based on happiness and good feelings. How life satisfaction is connected to material goods such as brands is not well-researched. Nonetheless, extant research has shown that material possessions seem to be related to happiness and satisfaction with life (Andrews and Withey, 1976), and as the standard of living increases, life satisfaction also increases (Nakano et al., 1995). China clearly has seen a dramatic increase in the standard of living over the past two decades. Both Joung and Miller (2007) and Meadow (1983) found positive relationships between life satisfaction and personal goods such as fashion, clothing, personal care items and recreation. Hence, it is likely that young Chinese will associate a higher satisfaction in life if they identify with global consumer culture and the global brands represented by such culture. Moreover, they may view USA or global branded goods (especially those that are popular and desirable) as a means to provide life satisfaction which will help to drive their intention to buy USA brands. Based on this knowledge, the following hypothesis is expressed:

H3. Life satisfaction will have a positive impact on attitudes toward identification with global consumer culture, global brands, USA brands and intention to buy USA brands.

Brand relevance deals with the importance to which the brand name plays in the buying decision process (Fischer et al., 2010). In product categories with higher brand relevance, consumers have an increased focus on the benefits the brand will provide, such as the product's quality, assurance, reputation and trust. As such, these benefits mitigate risk for the consumer during the buying process. When a brand is more relevant to a consumer, there is a greater propensity for paying a higher price and being more loyal to the brand. Brand relevance, therefore, is linked to important considerations made by consumers when comparing brands in the decision-making process and in finalizing their choice or purchase. Most importantly, Fischer et al. (2010) note that "in markets in which customers are more brand sensitive, demand is more responsive to brand expenditures" (p. 827). According to the Dorfman and Steiner (1954) theorem, firms should spend more brand resources in such markets and use this knowledge for marketing resource allocation decisions in choosing among markets. This study proposes that brand relevance will be associated with a consumer's identification with global consumer culture, as brands are central to this culture. Moreover, brand relevance will be also be associated positively with the global and USA brands and the intention to buy USA brands. Hence, given the growing affluence of Chinese consumers and their desire for global brands, brand relevance is likely to be an important driver, as reflected in the following hypothesis:

*H4.* Brand relevance will have a positive impact on attitudes toward identification with global consumer culture, global brands, USA brands and intention to buy USA brands.

Social demonstration effect reflects that a brand can serve a symbolic function (i.e. status symbol) in allowing a consumer to project their self-image; this concept has been well-established in the literature (Aaker, 1997, Levy, 1958). A brand can be used for symbolic communication in conveying various consumer needs or motives such as self-expression, ego, prestige or modernity, and can permit conspicuous consumption. The symbolism of the brand is contingent on the nature of the consumer and their social system or surroundings of that person

(Grubb and Grathwohl, 1967). The social demonstration effect is also related to susceptibility to normative influence. A fundamental principle of self-enhancement theory is based on the self-concept where people try to preserve, maintain and enhance their self-concept by displaying the brands they purchased and their connection to them. As a consumer's self-concept is a product of social interaction, consumers can become brand-conscious by those with whom they interact. For example, Apple brand (e.g. i-Phone) has developed a cache that is aligned with electronic savvy and trendy consumers. Hence, consumers use brands as means to communicate or relate with others and to reflect the persona they would like to have (Belk, 1988; Escalas and Bettman, 2005, 2003). Cultural norms can condition consumers to be more brand-conscious. In the case of China, the younger segment is very much tuned into what it means to be modern and how brands can reflect such modernity or identification with global consumer culture. "Being cool" can be established through owning and "showing off" the right brands. Given that younger Chinese are likely to want to model Western consumers (especially those in the USA), global and USA brands are likely to provide this outcome. Intention to buy USA brands should be higher for those wishing to fulfill this social demonstration effect. The following hypothesis captures this understanding:

*H5.* Social demonstration effect will have a positive impact on attitudes toward identification with global consumer culture, global brands, USA brands and intention to buy USA brands.

Change-seeking behavior deals with the desire for novelty and stimulation in one's life. Some consumers are much more active in seeking out newness and novelty for their optimal fulfillment compared to others who are more passive in this regard. Change-seeking behavior can be captured with the CSI Scale (Change-Seeking Index), which measures "the need for variation in one's stimulus input in order to maintain optimal functioning" (Garlington and Shimota, 1964). Consumers who score high on CSI use exploratory behavior to derive satisfaction from experiencing new stimuli and environments. Hence, young Chinese consumers are likely to have varying degrees of this characteristic or trait. This study predicts that Chinese who desire more stimulation will be more prone to liking global or USA brands and will have a stronger identification with global consumer culture. Foreign brands, including USA brands, may seem exotic or "foreign", which can satisfy the need for stimulation. Feeling part of consumer culture may also encourage some consumers to seek stimulation from modeling the lifestyles they see in advertisements featuring those who consume foreign or USA brands. Buying USA brands, in particular, can satisfy this need for stimulation. Expressed as a hypothesis:

*H6.* High levels of change-seeking behavior (CSI) will have a positive impact on attitudes toward identification with global consumer culture, global brands, USA brands and intention to buy USA brands.

Reference groups represent a person or group of people who are viewed as important by the individual and can influence an individual's behavior. The idea that other people or groups have an influence on an individual's choices is well-established in the psychological and marketing literature (Bearden and Etzel, 1982; Escalas and Bettman, 2005, 2003; White and Dahl, 2006; Duhachek et al., 2007). Many studies have demonstrated that a person's choice of brands can be driven by his/her connections to various reference groups (Bearden and Etzel, 1982). Social identity theory (Reed, 2002) offers an explanation why consumers rely on reference group influence to develop connections between themselves and the brands they choose. When consumers use a brand in settings involving other people, they are signaling that they wish to be associated with the type of people who are consuming that brand. As such, consumers may develop a self-brand connection based on furthering or maintaining their self-concepts, which may be influenced by the reference groups they value. Wei and Yu (2012) found evidence that young Chinese consumers either chose or rejected brands on the basis of images that were either congruent or not congruent with various reference groups. Hence, a reference group gives consumers an important source of meaning regarding the brands that they choose and their evaluation of these brands. This choice is also based on how they think others will view them in consuming a certain brand. As

young Chinese have more purchasing power, they have the means to buy products or brands that help them reflect the important reference groups in their lives.

Chu and Huang (2010) examined two types of reference group effects. One type was called interacted reference groups because a consumer has regular interactions with these groups and they provide normative influence on a consumer due to their social proximity. Peers, parents and teachers represent those in this type of reference group. In contrast, the other type was called non-interacted reference groups because consumers do not interact with these groups on a regular basis, as such groups tend to be socially distant. Nonetheless, consumers use these reference groups for comparative reasons in determining appropriateness of their own behavior. One example relates to the referents (such as movie stars or global celebrities) consumers may see in advertisements; these socially distant referents may be promoting certain brands or lifestyles that are associated with various brands. Chu and Huang (2010) found a positive influence from both types of reference groups on Chinese attitudes toward global brand; they did not, however, investigate other associations with these types of reference groups. Hence this study proposes that these two types of reference groups will have additional impacts, as expressed in these two hypotheses:

*H7a.* Interacted reference groups will have a positive impact on attitudes toward identification with global consumer culture, global brands, USA brands and intention to buy USA brands.

*H7b.* Non-interacted reference groups will have a positive impact on attitudes toward identification with global consumer culture, global brands, USA brands and intention to buy USA brands.

## Research method

## Sample

Data were collected in early 2013 in Guangzhou, China, from a sample of 152 people, with males comprising 52 per cent of the sample with a mean age of 21. To ensure homogeneity, all sampled subjects were young adults in university, who presumably are exposed to modern life. Homogeneous samples such as those employed in this study are preferred, and non-probability samples are acceptable (Reynolds *et al.*, 2003; Whitman *et al.*, 1999). Homogeneous samples also ensure that any observed differences are due to true differences on the underlying constructs of interest in this study and not due to sample differences. A young adult sample is also appropriate for this study, given that McKinsey (2012) has named young Chinese consumers (20-35) as one of the top three segments targeted by brand managers. As such, young people represent the future of consumerism in China.

#### Measures

All the measures used 7-point Likert scales that have been established in published research as psychometrically sound with alpha reliability coefficients exceeding 0.70. The *dependent variables* investigated in this study are as follows: *identification with global consumer culture* (six items, Cleveland and Laroche, 2007), *attitude toward global brands* (four items, Alden *et al.*, 1999), *attitude toward USA brands* (four items, developed for this study) and *intention to buy USA brands* (1 item, developed for this study). The *independent variables* investigated in this study are *self-monitoring* (five items, Sharma *et al.*, 2010), *life satisfaction* (seven items, Bhardwaj *et al.*, 2011), *brand relevance* (four items, Fischer *et al.*, 2010), *social demonstration effect* (four items, Fischer *et al.*, 2010), *change-seeking index* (CSI) (seven items, Steenkamp and Baumgartner, 1995), *interacted reference group influence* (three items, Chu and Huang, 2010). Table I provides the variables, sample questions and the alpha reliability coefficients.

## Common method variance and stylistic response pattern

To minimize the threat of common method variance, the survey was administered anonymously. Participants were instructed to respond to the questions honestly, as they were told that there were no right or wrong answers. Measures of dependent and independent variables were randomized to different sections of the survey, with some measures included that were unrelated to this study. To rule out social desirability bias, the survey did not ask respondents for any personal information other than their gender and age. To control for the presence of response styles, the survey data were examined to see if it exhibited any type of response pattern and found no discernible response pattern. Across the measures of the variables, subjects' choices of responses on the 7-point rating scales varied from 1 to 7, thus ruling out the presence of extreme response style (consistent selection of 1s and 7s), acquiescence response style (selection of all 1s or all 7s) and middle response style (consistent selection of 4).

#### Results

## Discriminant validity tests for dependent and independent measures

Confirmatory factor analysis was performed using Lisrel 8.5 to determine the dimensionality and discriminant validity of the seven psychological variables that comprise the independent variables of the study (self-monitoring, life satisfaction, brand relevance, social demonstration effect, CSI and interacted and non-interacted reference group influence), and the three dependent variables that were measured using multi-item scales (identification with global consumer culture, attitudes toward global brands and attitudes toward USA brands). Parenthetically, the dependent variable of intention to purchase USA brands was not included in confirmatory factor analysis, as it is a single item. Confirmatory factor analysis of the independent variables revealed that the seven psychological variables are distinct yet correlated. The fit indices for this model [ $\chi$ 2 of 642.04 (474 df), CFI = 0.91, TLI = 0.91, RMSEA = 0.08] are superior to the model that assumed that the seven psychological variables represent the same construct [ $\chi$ 2 of 1,105.87 (495 df), CFI = 0.67, TLI = 0.65, RMSEA = 0.17]. These results confirm that there is discriminant validity among the independent variables and that they should be treated as separate constructs.

As for the three dependent variables (identification with global consumer culture, attitude toward global brands and attitude toward USA brands), confirmatory factor analysis results support their distinct identity. The fit indices for the model that assumed three dependent measures are distinct (yet correlated) and provided a superior fit [ $\chi$ 2 of 120.12 (74 df), CFI = 0.94, TLI = 0.93, RMSEA = 0.08] to the model that assumed the three dependent measures to represent one construct [ $\chi$ 2 of 408.31 (77 df), CFI = 0.61, TLI = 0.53, RMSEA = 0.30]. Hence, the dependent measures, too, exhibit discriminant validity. Based on the support received for the separate treatment of the various independent and dependent measures, a series of independent-sample t-tests were performed to determine the impact of the seven psychological variables on the four dependent measures. As the various dependent variables and independent variables exhibited acceptable reliability scores (above 0.7) for each variable, the responses to individual items were summed to form a composite score for that variable. These composite scores were then analyzed to test various hypotheses.

## Hypothesis tests

To facilitate various hypothesis tests, dichotomous categories were created for each psychological variable. For example, if a consumer's composite score on the self-monitoring scale was in the top 33 percentile of all scores, then he/she was assigned to the "high" self-monitoring group. In contrast, consumers in the "low" self-monitoring group scored in the bottom 33 percentile on the shopping opinion leader scale. The same procedure was used for the remaining psychological variables to identify the relevant "high" and "low" consumer groups. The dependent variables in the *t*-tests are identification with global consumer culture, attitude toward global

brands, attitude toward USA brands and intention to buy USA brands. According to Preacher *et al.* (2005), analyzing the data in this manner is justified to determine whether predictor variables have an impact on the dependent variable.

For ease of discussion, the hypothesis is restated followed by the results.

H1a. Young Chinese will be show a high level of identification with global consumer culture.

H1b. Chinese consumers overall will have a positive attitude toward global and USA brand.

H1c. Chinese consumers overall will express an intention to buy USA brands.

Table II shows descriptive statistics for the four dependent measures. The mean responses for the four measures are above the scale mid-point of 3.5, implying that young Chinese consumers have identification with global consumer culture; however, their identification was not high. There was clearly dispersion in this identification, as displayed by the range in responses. The remaining dependent variables had higher means (close to 4.3) demonstrating a positive attitude toward global and USA brands and a favorable intention to purchase USA brands. The dispersion around the mean values implies that there is a variation in Chinese consumer attitudes toward global and USA brands. These results show that young Chinese do not have a monolithic attitude toward global consumer culture and the brands it represents. Nonetheless, the results in Table II support *H1a*, *H1b* and *H1c*.

*H2.* Self-monitoring will have a positive impact on attitudes toward identification with global consumer culture, global brands, USA brands and intention to buy USA brands.

Contrary to expectations, the results in Table III show that self-monitoring was significantly associated (at the 0.05 level) only with global brand preference, but not with identification with global consumer culture, USA brand attitude or intention to buy USA brands. This result suggests that high self-monitors among the Chinese youth, who are concerned with their self-image and desire to gain social acceptance, have a positive inclination toward global brands, as possession of such brands would enable them to be socially acceptable by other Chinese. Yet, contrary to expectations, they did not need to have a feeling of identifying with global consumer culture to drive their tendencies to want USA brands. Instead, it seems as if those who scored high on self-monitoring do not use the images associated with ownership of USA brands to fulfill their self-monitoring tendency. Overall, results provide only a partial support for *H2*:

*H3.* Life satisfaction will have a positive impact on attitudes toward identification with global consumer culture, global brands, American brands and intention to buy American brands.

As displayed in Table III, life satisfaction was found to have a statistically significant impact on identification with global consumer culture (0.01 significance), global brand attitude (0.07 significance) and attitude toward USA brands (0.05 significance), but not on intention to buy USA brands. The result implies that those who seek higher life satisfaction identify themselves with global consumer culture. For such consumers, favoring global brands may be related to their desire for improved living standards and lifestyle, which explains the significant impact of life satisfaction on global brand preference. Life satisfaction was not a driver for the intention to buy USA brands, which suggests that respondents were not motivated to buy USA brands to fulfill a desire for happiness or satisfaction with life. Nonetheless, a positive attitude toward USA brands is associated with the good life. It is possible that exposure to media, such as movies featuring USA and global brands as a reflection of success and satisfaction with life, may have contributed to the association between attitudes toward USA and global brands. Overall, *H3* is mostly supported:

*H4.* Brand relevance will have a positive impact on attitudes toward identification with global consumer culture, global brands, USA brand and intention to buy USA brands.

The data show unequivocally in Table III that brand relevance is a strong driver of all the dependent variables at 0.01 or better levels of significance. Hence, the brand *per se* can be seen as a very important determinant in how Chinese develop their attitudes toward global and USA brands, which also impacts their intention to buy USA brands. If the brand is seen as an important determinant, the young Chinese view global and USA brands positively. For those who do not see the brand as important, USA or global brands are not important to them. Moreover, their identification with global consumer culture is also associated strongly with the extent to which brands are relevant to them. In sum, *H4* was supported. This result has many implications regarding marketing and positioning of brands, as will be discussed in the conclusion:

*H5.* Social demonstration effect will have a positive impact on attitudes toward identification with global consumer culture, global brands, USA brands and intention to buy USA brands.

The analysis in Table III demonstrates very clearly (at the 0.001 level of significance) that social demonstration operates as a strong determinant in influencing attitudes toward global consumer culture, global and USA brands and intention to buy USA brands. This result is not surprising, given that identification with global consumer culture shapes the desires of consumers to want to join and consume like other modern global consumers. The Chinese have a reputation for displaying their success to others through material possessions. Hence, global brands and USA brands permit a Chinese consumer to project their self-image and symbolically communicate their status level to others. Using global and USA brands also permits young Chinese to display their self-concept and show off modern and worldly brands. *H5* was supported:

*H6.* Change-seeking behavior (CSI) will have a positive impact on attitudes toward identification with global consumer culture, global brands, USA brands and intention to buy USA brands.

The desire for stimulation as measured by the CSI also was found to be an influencing force, as featured in Table III, but only for identification with global consumer culture and with global brand attitude (both were at the 0.001 level of significance). Interestingly, this psychological quality did not have an impact on USA brand preference or intention to buy USA brands. As such, we may infer that USA brands are not viewed as those that gratify this urge for stimulation. It is possible that USA brands (such as Kraft or Coca-Cola) are viewed as brands that satisfy various needs, but do not satisfy the need for stimulation. It is also possible that USA brands give assurance of quality, but this expectation of quality does not link to change-seeking behavior. More research is needed to investigate this outcome. Therefore, *H6* is only partially supported:

*H7a*. Interacted reference groups will have a positive impact on attitudes toward identification with global consumer culture, global brands, USA brands and intention to buy USA brands.

*H7b.* Non-interacted reference groups will have a positive impact on attitudes toward identification with global consumer culture, global brands, USA brands and intention to buy USA brands.

The analysis in Table III shows that both types of reference groups had a strong impact on all the dependent variables, except for the association of interacted reference groups on attitude toward global brand. Hence, both interactive and non-interacted reference groups affected identification with global consumer culture, attitude toward USA brands and intention to buy USA brands. These results parallel other results of this research that show that self-monitoring and social demonstration are associated with the dependent variables. This pattern seems intuitive, as reference groups may operate in the background concerning self-monitoring and social demonstration. In addition, because China has been described as a collectivist society, individualism does not guide consumers as it does in other countries. Consumers are more likely to want to fit into the group,

which makes the impact of reference groups that much more powerful, especially concerning brand choice. Interestingly, the results did not agree with those found by Chu and Huang (2010), who found an association between non-interactive reference groups and global brand attitude.

#### Discussion

As discussed earlier, global and USA firms are keenly interested in growing their revenues in China. Knowing the mindset of the Chinese consumers is a prerequisite in determining how to position and merchandise products in that country. As the Chinese continue to become more urbanized, they are leaving the countryside and joining communities in more densely populated cities. In these communities, they see how others live and consume. In this environment, they are also exposed to affluent lifestyles, an enormous array of goods and brands, ubiquitous shopping malls, international media and other influential forces that reshape their lives and their thinking. Moreover, younger consumers do not have a background of knowing another way of life; to them, urban modern lifestyle is all that they have been exposed to. The influences of globalization are, therefore, much more powerful for younger consumers, which is why this segment was examined. Younger consumers represent the future of China and a segment that multinationals eagerly wish to cultivate as consumers of their brands.

This set of physiological variables was chosen because these are important constructs that are likely to help explain dynamics that determine those consumers who are more likely to be favorable toward global consumer culture, global brands and USA brands. The analysis found that self-monitoring does not play a major role in driving identification with global consumer culture or USA brands. Life satisfaction, however, did play a more important role for those who identified with global consumer culture and in their preference for USA and global brands. However, this association did not translate into intention to buy USA brands. Change-seeking behavior (as measured by the CSI) also was not related to all the dependent measures, suggesting that this variable does not have the same explanatory power as the other variables. The most powerful predictors were brand relevance, social demonstration effect and reference group influence; all of these were associated significantly with almost each of the dependent variables. There is a commonality among this set of variables that deals with the social dimension embedded in each one of these variables. Brand relevance, for example, may occur because of the importance of the brand in making statements to others. Similarly, the social demonstration effect and reference groups deal with impressing others. This finding makes considerable sense, given the collectivist mentality of the Chinese and the importance of fitting in.

For marketers, these results offer insight into how to penetrate the Chinese market more effectively, especially for the younger segment. For example, as brand relevance is important to this group, positioning a brand (whether it be USA or global) as a brand that will provide quality, assurance, reputation, popularity and trust can command the attention of this segment. Chinese may not wish to buy a brand just because it is foreign (either from the USA or elsewhere). Instead, they wants brands that will also provide instrumental value either functionally or symbolically. The results for the social demonstration effect demonstrate that the symbolic value of global and USA brands are important to young Chinese consumers. In particular, those who have an identification with global consumer culture are more inclined to be influenced by the social demonstration effect. Such an effect can signal the opportunity to engage in conspicuous consumption.

The expression that "I would rather cry in my BMW than smile on my bicycle" captures the new mentality of young consumers in China. It is noteworthy that a global brand, BMW, is used in that expression. Adding more insight into explaining the mindset of the young Chinese was the finding that reference groups also were powerful in influencing attitudes toward identification with global consumer culture, global brands, USA brands and intention to buy USA brands. Hence, positioning USA or global brands using reference group appeals may be an effective way of attracting young Chinese consumers. Showing them that such brands permit them to

demonstrate that brand socially to others in a positive way may also resonate well with their mindset. It is likely that J. Crew (as discussed at the beginning of this paper) will find such an approach successful.

In sum, this research was based on the impact of globalization and how this juggernaut is changing consumers as they acculturate to global consumer culture. As young Chinese acquire increasing purchasing power from the inexorable growth of that country, they will seek to express themselves in various ways. Global and USA brands can serve as instruments that fulfill their desire to become full members of global consumer culture. Global and USA brands can enjoy increasing revenues from the convergence in values and consumption patterns of the young Chinese with their counterparts in Western economies. Knowing the psychological drivers that direct their behavior is key in positioning, merchandising and communicating brands to them. The study represents an effort toward that end.

**Table I** Variables analyzed, sample scale items and reliabilities

Variable	Sample of scale items	Reliability						
Dependent measures								
Identification with global consumer culture	l consumer or global companies							
Attitude – global brands	Good/bad, pleasant/unpleasant, positive/negative	0.92						
Attitude – US brands	It makes sense to buy American brands instead of other brands Even if another brand has the same features, I prefer to buy American brands	0.93						
Intention to buy US brands	I intend to buy American brands in the future	N/A						
Independent measures								
Self-monitoring	In social situations I have the ability to alter my behavior if I feel that something else is called for Once I know what the situation calls for, it is easy for me to regulate my actions accordingly	0.74						
Life satisfaction	The conditions in my life are excellent I am satisfied with life I am pleased with myself as an individual	0.81						
Brand relevance	To me, it is important to purchase a brand new product To me, it is important to purchase a brand name product	0.84						
Social demonstration	I purchase particular brands because I know that other people notice them I pay attention to the brand because its buyers are just like me	0.86						
Change-seeking behavior (CSI)	I like to experience novelty and change in my daily routine I am continually seeking new ideas and experiences	0.72						
Interacted reference group	I want to be like my parents, teachers and peers. I often try to buy the same global brands as they buy When buying brands, I generally purchase those global brands that I think my parents, teachers and peers will approve	0.79						
Non-interacted reference group	If I want to be like sports heroes and entertainment celebrities, I often try to buy the same global brands that they buy I achieve a sense of belonging by purchasing the same global brands that sports heroes and entertainment celebrities purchase	0.86						

**Table II** Descriptive statistics for the dependent measures

Dependent Measures		Minimum	Maximum	Mean	Standard deviation
Identification with global consumer culture		1.00	6.52	3.82	1.13
Attitude – global brands		1.00	6.50	4.51	1.31
Attitude – US brands	6.00	1.00	7.00	4.37	1.42
Intention to buy US brands		1.00	7.00	4.24	1.55

Note: The scores of the four dependent measures are shown on a scale of 1 (low) to 7 (high)

Table III Cross-section analysis: relationships between identification with global consumer culture, global brand, US brand and intention to buy US brand

	Self- monitoring			Life satisfaction			Brand relevance			Social demonstration effect			Change- seeking behavior (CSI)			Reference group – interactive			Reference group – non- interactive		
Dependant variables	Low	High	p- val	Low	High	p- val	Low	High	p- val	Low	High	p- val	Low	High	p- val	Low	High	p-va	Low	High	p- val
1. Identification with global consumer culture	2.92	3.51	0.23	3.63	4.23	0.01	3.38	4.15	0.00	3.29	4.02	0.00	3.26	4.19	0.00	3.23	4.47	0.00	3.27	4.03	0.00
2. Attitude – global brands	2.92	3.51	0.02	3.07	3.47	0.07	3.08	3.77	0.01	3.06	4.02	0.00	3.07	3.94	0.00	3.06	3.41	0.13	2.99	3.88	0.00
3. Attitude – US brands	3.23	3.25	0.47	3.21	3.73	0.05	3.01	4.19	0.00	2.49	4.37	0.00	3.77	3.89	0.41	2.73	4.06	0.00	2.86	4.09	0.00
4. Intention to buy US brands	3.92	4.01	0.38	4.09	4.31	0.27	3.91	4.75	0.00	3.76	4.69	0.00	3.32	3.45	0.26	3.44	4.49	0.00	3.32	4.64	0.00

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