



Does the importance of value, brand and relationship equity for customer loyalty differ between Eastern and Western cultures? ☆



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ABSTRACT

The use of the customer equity framework as a focal marketing strategy to increase customer loyalty has emerged as an important topic. Despite a growing number of investigations, previous studies are limited by their strong U.S. and European orientations. Research into Western consumers cannot necessarily predict the behaviour of Eastern consumers though. Therefore, this study investigates whether the link between customer equity drivers (value equity, brand equity and relationship equity) and loyalty intentions is sensitive to the cultural environment. A sample of 1553 Chinese and 1085 Dutch consumers in the banking and supermarket industries reveals that all three customer equity drivers exert a greater impact in Western than in Eastern cultures. This study also shows that Eastern consumers in general have higher loyalty intentions than Western consumers.

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1. Introduction

Loyal customers are critical to any firm (Tsai, 2011), in that they are less costly to serve (Shugan, 2005), willing to buy and pay more (Seiders, Voss, Grewal, & Godfrey, 2005), and engage in positive word of mouth (Reichheld & Sasser, 1990). The customer equity framework (Rust, Lemon, & Zeithaml, 2004) suggests that three factors are of particular importance in building a loyal customer base: value equity, brand equity and relationship equity. Previous empirical studies also report a positive link between these 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 rely on concrete evidence

(De Mooij, 1998), such as task completion, efficient delivery and time savings; Asian customers tend to focus on the quality of their interactions with employees (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. Liu and McClure (2001) 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).

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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.

2. Theoretical background

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 (Liu & McClure, 2001). Compared with Western societies, China is a collectivist society (Verburg, Drenth, Koopman, Van Muijen, & Wang, 1999). 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 Hofstedeian 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 needs (Wong & Ahuvia, 1998). 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 way to keep, save and gain face (Liao & Wang, 2009). Empirical evidence also suggests that face positively affects consumers' brand-conscious orientations (Bao et al., 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 & Miller, 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.

2.2. Conceptual framework

Fig. 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 and intangible assessment of the brand, above and beyond its objectively perceived value (Lemon, Rust, & Zeithaml, 2001). Relationship equity is the tendency of the

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