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The role of retail price image in a multi-country context: France and the USA

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ABSTRACT

This research examines the way retail price image develops and produces marketing outcomes in two nations that contrast in both cultural profile and market characteristics. Key Individual difference constructs include sugrophobia and risk aversion. Multi-group SEM analysis compares French and US respondents to allow an assessment of two competing theoretical explanations. The results prove somewhat surprising in that individual difference characteristics related to uncertainty avoidance are diagnostic for US respondents while price image plays a more important explanatory role in France. This pattern of results supports a theoretical conceptualization based on the retail competitive structure rather than one based solely on cultural differences.

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Marketing researchers have leveraged developments in cross-cultural research techniques into numerous contributions describing how theoretical concepts and relationships vary systematically with cultural influences. Along the way, cultural differences between countries overshadow other potential factors that may also cause variations in causal processes driving important marketing outcomes (Steenkamp, 2001). In an early article addressing unique aspects of marketing across borders, Nielsen (1959) advises marketing managers that “through use of a research approach ... costly errors in foreign marketing can be avoided” (p. 405). While acknowledging cultural differences and language barriers as important factors requiring research, Nielsen (1959) also points to market factors not related directly to culture as an important focus of such a “research approach.”

Numerous factors may come together to help explain why and how consumers react to retailers' pricing policies. Research suggests that consumers with different cultural backgrounds react differently to common price promotion tactics and to price changes in general (Ackerman & Tellis, 2001; Laroche, Kalamas, & Cleveland, 2005). However, as Nielsen (1959) warns, factors other than culture shape differences in causal outcomes to price variation across different regions. Basic economic theory, for instance, suggests that the degree of market competition should change the price sensitivity of consumers. Without considering multiple potential causes for variations in reactions to price policies, managers may wrongly focus on culture, when in fact, other market factors such

as retailer competitiveness offer equally good, complementary – or even better – explanations.

Following this reasoning, the present research contributes to the cross-cultural research literature in multiple ways. The Royal Bank Seminar (RBS) and the corresponding special issues are a focal point for bringing together marketing research aimed at understanding consumers and the way all factors that go along with being from or living in a place shape consumer and marketer behaviors. Internationally, researchers look to the RBS for greater understanding of cross-national marketing research. As such, the research first presents an overview of standard cross-cultural research analytics and reviews some of its key contributions. Second, the research proposes that differences in the causes and reactions to retail price image between French and U.S. consumers may be attributable to either culture and/or to industry competitiveness. Contrasting theoretical views present the case for examining differences in consumer reactions between the two countries. Third, the overall image of retail price image is tested and leads to theoretical contributions concerning the differences in the two countries' consumers. In addition, the results lead to practical implications for retail managers with concerns in the USA and/or France, or managers who have an interest in studying the relative reactions to policy between consumers in different countries in general.

Background

This section presents a brief overview of several literature streams relevant to the present study and the special issue. First, the review focuses on cross-cultural research. Second, the review focuses on cross-cultural or international studies examining differences in consumer

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reactions to price or price promotion. Third, the review examines the literature on retail price promotions with a particular emphasis on price matching guarantees (PMG), a phenomenon seen throughout the world, but one that French retailers employ aggressively.

Cross-cultural research approaches

International trade predates the existence of any academic marketing journal. A simple search of the Ebscohost database using the key words of “cross-cultural” and “marketing research” points to Nielsen (1959) as an early academic source addressing ways marketers should adapt their policies and practices across global markets. That article focuses on key problem areas for marketers doing business internationally and calls attention to the important role of research in international marketing. Although many of the concerns touch on culture, such as language barriers, cultural values and differing customs and traditions, Nielsen (1959) also calls attention to market-based factors including differences in advertising media, regulation, and differences in promotion and price competition.

Anthropological approaches and case studies dominate early cross-cultural research (see Winick, 1961; Dunn, 1966). Nagashima (1970) presents a quantitative comparison serving as a precursor to modern cross-cultural research. The research illustrates the semantic differential scale's applicability in comparing attitudes of U.S. and Japanese businesspeople toward products from different countries, including the U.S., Japan, and France. The results point to perceptions indicating that, at the time, US made and marketed products offered better quality and value than Japanese or European products. However, this research predates advancements in analytical approaches calling attention to questions about results drawn from simple mean profile or correlation comparisons.

Structural equations modeling became commonplace in marketing research in the 1990s. Laroche, Joy, Hui, and Kim (1991) offer an initial application of confirmatory factor analysis (CFA) in cross-cultural marketing research by comparing Canadian and French salespeople. In doing so, they introduce the notion of cross-cultural measurement invariance to marketing. A few years later, a detailed illustration of how structural equations modeling (SEM) can test for both metric and scalar invariance appears (Steenkamp & Baumgartner, 2000). Metric invariance is necessary if researchers expect to draw valid comparisons in relationships across samples from different countries. The test concerns whether or not consumers use the metrics of a scale (the differences between scale intervals) the same way across groups. Scalar invariance is necessary if researchers expect to draw valid comparisons of means across samples. The test concerns equivalence of the relative magnitude of the scales across samples. These articles help establish a standard structural equations modeling approach as a standard in comparative cross-cultural consumer research.

Following these efforts, a number of studies illustrate difficulties that may arise as researchers try to apply standard measurement scales across cultures. Griffin, Babin, and Modianos (2000) demonstrate problems in validating common scales that researchers, previous to the advancement in multiple group methodologies, used to compare samples from different countries with little concern. Common concepts like materialism prove difficult to validate across cultures (Tobacyk et al., 2011). These studies illustrate the manner in which cultural differences, even after assuring translational equivalence, make establishing metric and scalar invariance difficult (Ueltschy, Krampf, & Yannopoulos, 2004).

Perhaps due to the problems researchers face when attempting to conduct valid cross-cultural research, little international research addresses the way in which consumers react to price or price promotions. Some research points to specific immigrant consumer groups' idiosyncratic characteristics. For example, one study suggests Chinese consumers display greater price sensitivity than do their domestic counterparts (Laroche et al., 2005). Left relatively unexplored in the marketing literature is the fact that retailers in different countries experience various

levels of aggressiveness with respect to competitive price pressures. Thus, this research intends to apply a valid structural equations modeling cross-validation technique across multiple groups to address the question of international consumers' reactions to retailers' competitive price policies.

National reactions to price promotion

As Nielsen (1959) espoused decades ago, multiple factors, including but not limited to cultural influences, may influence the way consumers react to retail price policies. Retailers in different countries experience differing levels of infrastructure, differing regulations regarding promotion and pricing, different media availability as well as differing consumer values and habits. This section focuses on the way that culture intermingles with retail price policy with a particular emphasis on previous research comparing U.S. and French consumers, the two countries considered in this study.

Direct comparisons between French and U.S. markets are relatively scarce in the literature. In a study involving data from five additional countries, French and U.S. consumers appear relatively similar in relying on brand name and warranties (Godey et al., 2012). Other research examines how managers from Europe and the U.S. react to pricing differences under different environmental scenarios (Rao & Steckel, 1995). Chapuis (2013) examines consumer reactions to price changes across the U.S. and Europe and finds similar reaction to price changes across cultural boundaries. The work highlights that across cultures the consumer reverts to trust and fairness perceptions when making satisfaction and loyalty judgments.

Cross-culturally driven relationship differences

Given the limited cross-cultural research pertaining to Franco-U.S. consumers, the present overview takes a brief look at examples of cross-cultural research pertaining to price and promotion across a variety of cultures. Dawar and Parker (1994) examine culture's explanatory power relative to other predictors and find as a culture becomes more risk averse, marketing messages promoting value become less effective. In a cross-cultural examination, the authors conclude that cross-cultural differences are not the only reason for differences in consumer reactions to marketing efforts and suggest that perhaps they may play a small role relative to other potential explanatory variables.

Mazaheri, Richard, and Laroche (forthcoming) examine perceived risk associated with price promotion and encourage extension of the research based on uncertainty avoidance as a core societal value (Hofstede 1991, 2001; Mazaheri et al., forthcoming). Chinese immigrants living in the U.S.A., for instance, engage in considerably more price search than their native counterparts do as they seek to reduce the risk of purchase (Ackerman & Tellis, 2001). Canadian consumers, similar to U.S. consumers in possessing relatively low uncertainty avoidance, may react more favorably to sales promotions than Korean consumers, who are generally associated with high uncertainty avoidance. Other research involving sales promotions provide support for these findings (Choi & Kim, 2008). The study of consumer materialism attracts cross-cultural research opportunities using structural equations modeling as the analysis tool. Research suggests that materialism proves particularly difficult to measure, particularly cross-culturally (Griffin, Babin, & Christensen, 2004; Tobacyk et al., 2011).

Price matching guarantee

Large retailers today rely heavily on the price-matching guarantee (PMG) to signal to consumers' commitment to low price and reduce consumers' reservations about the price risk associated with patronizing their stores. The PMG is particularly topical given the attention paid to showrooming, the term coined recently referring to consumers' use of smartphone and similar technologies to actively engage in

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