Intern. J. of Research in Marketing 32 (2015) 431–434

Contents lists available at ScienceDirect

Intern. J. of Research in Marketing

journal homepage: www.elsevier.com/locate/ijresmar

# The impact of perceived brand globalness on consumers' willingness to pay

Vasileios Davvetas *, Christina Sichtmann [1], Adamantios Diamantopoulos [2]

*Department of International Marketing, University of Vienna, Oskar-Morgensternplatz 1, 1090 Vienna, Austria*

ARTICLE INFO

*Article history:*
First received on January 28, 2015 and was under review for 1½ months
Available online 10 June 2015

Replication Editor: Joel C. Huber

*Keywords:*
Global brands
Perceived brand globalness
Willingness to pay
BDM lottery

ABSTRACT

This research replicates the study of Steenkamp, Batra, and Alden (2003) on perceived brand globalness (PBG) and provides a stringent test of their documented effects through (a) considering the impact of PBG on consumers' willingness to pay (WTP), and (b) experimentally manipulating brand globalness. Across four studies, the results suggest that consumers are willing to pay more for global brands as long as their globalness leads to a more favorable brand attitude. Testing a comprehensive set of consumer characteristics as moderators, we find that the increased tolerance towards global brand price premiums is robust across consumer segments.



## 1. Introduction

In a seminal paper for global branding research, Steenkamp et al. (2003) (henceforth SBA), introduced the construct of perceived brand globalness (PBG), defined as the extent to which "consumers believe that a brand is marketed in multiple countries and is recognized as global in these countries" (Steenkamp et al., 2003; p.54). They find a positive influence of PBG on brand purchase intentions mediated through enhanced perceptions of brand quality and prestige, and a moderating effect of consumer ethnocentrism which attenuates the effects of PBG on brand value.

In light of some consumers' critical stance towards globalization, some authors (e.g. Riefler, 2012) have doubted the universal relevance of global brands and the managerial usefulness of brand globalness as source of competitive advantage. Moreover, although multiple studies have reported positive influences of PBG on brand preference (e.g., Özsomer, 2012; Steenkamp et al., 2003), it is unclear whether this increased preference also translates to an increased capacity to charge higher prices. This unresolved issue can be addressed by investigating the impact of PBG on willingness to pay (WTP) which, unlike purchase intentions, captures the resource sacrifice component of the purchase decision and provides a much more stringent test of PBG's impact.

Against this background and across four studies, we replicate the work of SBA but with a set of significant conceptual and methodological differentiations which further test the propositions of the original article and provide additional insights for global branding research and practice. First, we substitute purchase intentions with WTP as the dependent variable, which we measure both with a contingent valuation method and with the BDM lottery approach (Becker, DeGroot, & Marschak, 1964). The latter involves an *actual* transaction where consumers have to use their own money to buy a real product and thus simulates market behavior. Second, instead of using only real brands, we develop fictitious brands for which we experimentally manipulate brand globalness. This approach is followed to establish internal validity by "isolating" the effect of PBG on WTP from confounds like brand strength or familiarity. In a separate study, however, we investigate the PBG–WTP relationship using real brands to enhance external validity and ensure managerial relevance. Third, instead of focusing on the mediating role of brand quality and prestige, we propose a broad mediating role for brand attitude, as a holistic construct capturing all functional, symbolic and identity-strengthening associations of global brands. Finally, we test a comprehensive set of consumer characteristics (consumer ethnocentrism, global/local identity, consumer cosmopolitanism, demographics) as moderators of the PBG–WTP relationship to identify potential boundary conditions.

## 2. Method

We test our model in four complementary studies covering distinct product categories, WTP measurement approaches and PBG manipulations (Table 1). Across all studies, data were collected with face-to-face

* Corresponding author. Tel.: +43 1 4277 38035; fax: +43 1 4277 838035.
*E-mail addresses:* vasileios.davvetas@univie.ac.at (V. Davvetas), christina.sichtmann@univie.ac.at (C. Sichtmann), adamantios.diamantopoulos@univie.ac.at (A. Diamantopoulos).
[1] Tel.: +43 1 4277 38038; fax: +43 1 4277 838038.
[2] Tel.: +43 1 4277 38031; fax: +43 1 4277 138032.

http://dx.doi.org/10.1016/j.ijresmar.2015.05.004
0167-8116/

**Table 1**
Overview of studies.

| | Study 1 | Study 2 | Study 3 | Study 4 | |
|---|---|---|---|---|---|
| | | | | A | B |
| Product category | Laptop bag | Shower gel | USB stick | Soft drink | Headset |
| Brand type | Fictitious | Fictitious | Fictitious | Real | Real |
| Brand name | Brynx | Blu | Storexpress | Schartner BombeFanta | AKGPhilips |
| Globalness manipulation | Print ad | Print ad<br>Product | Print ad<br>Product | Logo/brand name | Logo/brand name |
| WTP measurement | Contingent valuation | BDM lottery | BDM lottery | Contingent valuation | Contingent valuation |
| N | 91 | 65 | 64 | 108 | 90 |

**Table 2**
Manipulation checks.

| | Study 1 | Study 2 | Study 3 |
|---|---|---|---|
| Global | 4.11 (1.13) | 4.94 (.94) | 5.30 (.96) |
| Local | 3.24 (1.21) | 2.67 (1.10) | 2.71 (1.05) |
| t-value | 2.846 | 6.219 | 8.016 |
| p-value | 0.006 | 0.000 | 0.000 |

Note: Means on PBG 7-point scale. Standard deviations in parentheses.

interviews conducted by trained researchers in Austria. Respondents were regular consumers, recruited in universities, cafés, malls, etc. and selected based on a quota sampling rule with regards to age and sex (see Web Appendix). Based on pre-tests, the selected product categories varied significantly in terms of involvement, visibility and hedonic/utilitarian properties.

Studies 1–3 exposed consumers (between subjects) after random allocation to (otherwise identical) print ads (and actual products for Studies 2 and 3) of fictitious brands for which globalness was manipulated through verbal cues of global/local/neutral availability ("Available worldwide"/"Available only in [country]"/"Now available" — see Web Appendix). Study 4 exposed consumers to pairs of real brands (one local and one global). Across all studies, measures of PBG, brand attitude (BATT), and WTP were collected, as well as responses on product category involvement, income (and brand familiarity in Study 4) to be used as covariates (See Web Appendix for relevant measurement scales).

To measure WTP, we employed a contingent valuation method ("Which is the maximum amount of money you would pay to buy this product?") in Study 1, where the product (laptop bag) is quite expensive to be sold in an actual transaction, and in Study 4, where existing reference prices for the real brands used might confound the application of a lottery experiment. In contrast, in Studies 2 and 3, we developed and sold actual products carrying fictitious brand names through the BDM lottery procedure.[3] BDM is a non-hypothetical, incentive-compatible method where consumers have to use their own resources to buy the product; it thus promises more accurate WTP measurements (Wertenbroch & Skiera, 2002) and limits potential biases in WTP responses driven by consumers' self-representation as locally- (or globally-) attached.

## 3. Results

For Studies 1–3, where globalness was experimentally manipulated, manipulation checks using the PBG scale indicate that our globalness manipulation was successful (Table 2).

For all studies, the effect of PBG on WTP through BATT was estimated using the Preacher and Hayes (2008) bootstrapping technique which estimates 95% confidence intervals (CI) for the proposed effect using 5000 resamples. All models include product category involvement and income dummies as covariates. Results are robust across studies (Table 3).

In Study 1 (laptop bags), we find a positive impact of PBG on WTP, mediated through BATT ($\beta_{indirect} = 7.93$, $p < .01$, 95% $CI = [3.407, 14.838]$, $R^2 = 42.5\%$). Similarly, in Study 2 (shower gel), the results show a positive impact of PBG on WTP through BATT ($\beta_{indirect} = .09$, $p < .05$, 95% $CI = [.016, .257]$, $R^2 = 11.3\%$). Further support is provided by Study 3 (USB stick) where the relevant effect is again significant and positive ($\beta_{indirect} = .20$, $p < .05$, 95% $CI = [.020; .486]$, $R^2 = 21.4\%$). Finally, in Study 4, the pooled data across the four real brands in both product categories (soft drinks and headsets) corroborate the findings of Studies 1–3 by also revealing a positive effect of PBG on WTP through BATT ($\beta_{indirect} = .97$, $p < .05$, 95% $CI = [.109; 2.391]$, $R^2 = 50.4\%$). The latter results are obtained after controlling for prior brand knowledge, brand-specific influences and product category price level (by including brand familiarity and brand dummies as covariates) and are robust after splitting the dataset and estimating the model distinctively per product category.[4]

In a further effort to strictly replicate the original model of SBA, in Study 4, we included single-item measures (5-point Likert scales) for brand quality ("This brand stands for high quality."), brand prestige ("This brand is prestigious.") and brand purchase intentions ("How likely is it that you will buy this brand in the future?" 0 = I will definitely not buy it, 100 = I will definitely buy it). These items broadly correspond to the constructs SBA used in their original paper. We estimated one model with purchase intentions as the outcome variable (as in the SBA model) and one model with WTP as the outcome variable, using quality and prestige as mediators in both models. The purchase intention model yielded the exact same pattern of effects as the original study (Steenkamp et al., 2003, p.59). PBG positively affects both quality and prestige, but only quality has a positive influence on purchase intentions, leading to a significant indirect effect of PBG on purchase intentions through quality ($\beta_{indirect} = 1.56$, 95% $CI = [.614; 2.849]$, $R^2 = 34.5\%$). However, when substituting purchase intentions with WTP as the outcome variable, we find a flipping of the effects. Although PBG still positively influences both quality and prestige perceptions, only prestige impacts WTP, leading to a significant positive effect of PBG on WTP just through prestige ($\beta_{indirect} = 1.56$, 95% $CI = [.071; 1.628]$, $R^2 = 50.6\%$). Although these results require further validation, they indicate that the drivers behind global brand purchase and tolerance of global brand premiums likely diverge.

Finally, in Studies 1–3 we considered a set of moderators which could potentially influence the effects of PBG on BATT and WTP. Specifically, we tested the moderating effects of consumer ethnocentrism, global/local identity, consumer cosmopolitanism, and demographic characteristics (gender, age, education, location) on the PBG → BATT

[3] For a detailed presentation of the Interview/BDM lottery procedure, as well as the relevant manipulation checks for the BDM lottery (Studies 2 and 3) see Web Appendix.

[4] Note that in none of our studies, when controlling for mediators, did the direct effect of PBG on WTP turn up significant.