Effective branding strategies using the CET-CC matrix in foreign markets: The Role of Consumer Ethnocentrism and Confidence on Purchase Intention

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Abstract

Firms around the globe spend millions of dollars on marketing programs in order to build strong brands and positively affect consumer behaviour (Rust et al., 2004). Marketing spending enables brands to retain existing customers, attract new ones as well as to increase their share of wallet (Oliver, 1999; Rust et al., 2004; Vogel et al. 2008; Ou et al., 2013; Lee et al.; 2014). Thus, marketing has a direct effect on cash-flow deriving from customers, posing them a market-based capital (Rust et al, 2000). Though, these marketing efforts are still very difficult to be linked to certain behavioural outcomes and returns (Vogel et al. 2008). To increase the monetary value of a firm's customers, Rust et al. (2000), proposed a customer-centric model integrating brand management, value management and relationship management. The aforementioned areas of marketing practices result in customer retention as well as higher Loyalty Intentions leading to higher levels of Customer Lifetime Value (CLV) (Rust et al., 2004; Vogel et al. 2008). The basic task of marketing is to increase the brand's perceived value, resulting on favourable consumer behaviour and thus, increased CLV (Lee et al.; 2014; Kang & Park, 2016). This is achieved through three basic strategies or drivers of enhancing customer equity referred to as Customer Equity Drivers (CEDs); brand equity (BE), value equity (VE) as well as relationship equity (RE) (Keller, 1993; Blattberg & Deighton, 1996; Rust et al., 2004). According to the aforementioned authors, company's marketing efforts (e.g. loyalty campaigns, promotion etc.) effect brand image, perceived quality and brand associations (i.e BE). They also stressed that marketing stimuli formulate consumer perceptions about value received for what it is given (i.e. VE) as well as the intensity and quality of customer's relationship with the brand (i.e. RE). Thus, marketing practices lead to limited brand switching behaviour and managers should be aware of the most effective decisions in terms of Customer Equity (CE).

On the other hand, the recent financial crisis inflicted the US in 2007 as well as the EU in 2009, unveiled a significant research gap related to the effects of recessions on consumer behaviour. Ou et al. (2013) tried to fill this gap in the customer equity area by introducing the idea of Consumer Confidence (CC) as a basic context needed to be addressed in order for service brands to apply case sensitive loyalty strategies and retain their customers. Inspired by the previous research of Rust et al (2000; 2004) and Vogel et al. (2008), Ou et al. (2013) developed a model by using CEDs as antecedents of loyalty intentions (LI) and more precisely they explored the moderating effects of CC on the relationship between CEDs and LI. They suggested BE and VE for non-contractual services as core strategies in recessions, since CC is a significant moderator effecting loyalty intentions.

However, the model of Ou et al. (2013) has three major flaws. First and foremost, consumer behaviour is complex in nature (Zinkhan and Braunsberger, 2004). Thus, CC should not be considered as an exclusive moderator of brand related behaviour. Second, Ou et al. (2013) did not distinguish their sample between domestic and foreign brands. According to Shimp and Sharma (1987), consumers may be concerned about the morality of consuming foreign products, which harms national economy. This concern may result in a ''tendency'' of consuming domestic products instead of import ones referred to as Consumer Ethnocentrism (CET). Diamantopoulos et al., (2011) unveiled

patriotism as a major antecedent of CET, which in turn differs in separate cultures and foreign markets. As a result, managers should address not only CC but also CET. Third, Siamanga & Balabanis (2015) further stressed that CET may not be triggered for brands in which domestic production is poor in terms of value for money assessments. Hence, Ou et al. (2013) failed to stress industries dominated by import or domestic products.

Hence, in this research the basic aim is to stress case sensitive CEDs in foreign markets related to the above-mentioned CC and CET. Our ultimate goal is to develop a theoretical model, proposing clear strategies in foreign markets (see Figure 2 below). Thus, a basic objective is to examine the moderating effects of CET on the relationship between CEDs and Purchase Intentions for import brands. An additional basic objective is to explore interaction effects of both CET and CC on purchase intentions. Figure 1 that follows, illustrates the basic research objectives of our study. A quantitative research will be followed in which more than 500 adult consumers are planned to participate in a mall/street survey method, using a semi-structured questionnaire of previous research. The consumers to be participated will be adult customers of import brands in the FMCG sector in Greece. The data collected will be analyzed by using IBM AMOS application. Structural Equation Modeling (SEM) will be the core quantitative methodology in order to validate a reliable and consistent research model. As far as the expected findings, we expect that CEDs' effects on ethnocentric consumers' purchase intentions will be less potent comparing to the intentions of non-ethnocentric consumers. Alternatively, non-ethnocentric consumers are expected to be highly influenced by CEDs, whereas ethnocentric consumers may be less influenced by these drivers. Furthermore, it is yet unknown to what extend does CET combined with CC interact in the relationship between CEDs and Purchase Intention (PI) for tangible branded offerings. We expect that ethnocentric consumers with low confidence may react differently towards import brands than ethnocentric consumers with high confidence. Hence, this study fills a considerate gap in the literature as it explores brand related behaviour associated to both interactions of ethnocentrism and consumer morale on purchase intentions. The implications of this study concern the implementation of case sensitive strategies and tactics needed to improve purchase intentions in different contexts of CET and CC in foreign markets. Thus, the proposed paper highly contributes to the marketing literature, since it introduces the CET-CC matrix ® that suggests the implementation of different mix of branding strategies case sensitive to the foreign market (See Figure 2 below). CET and CC could also suggest alternative segmenting variables necessary for internationalized firms to decide upon export and entry strategies to new markets.

Keywords: Consumer Ethnocentrism, Consumer Confidence, Purchase Intentions, Branding Strategies

Figure 1: Conceptual Framework

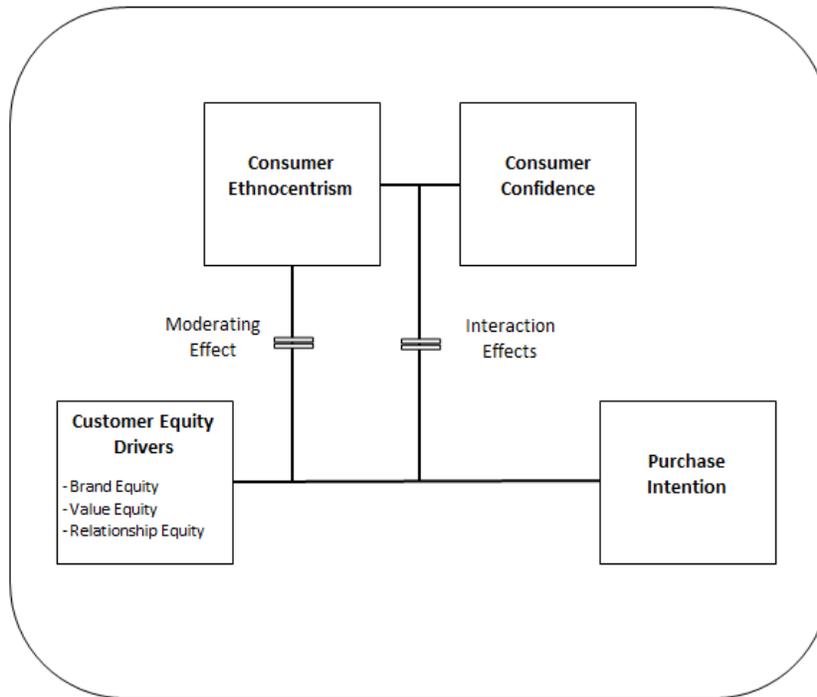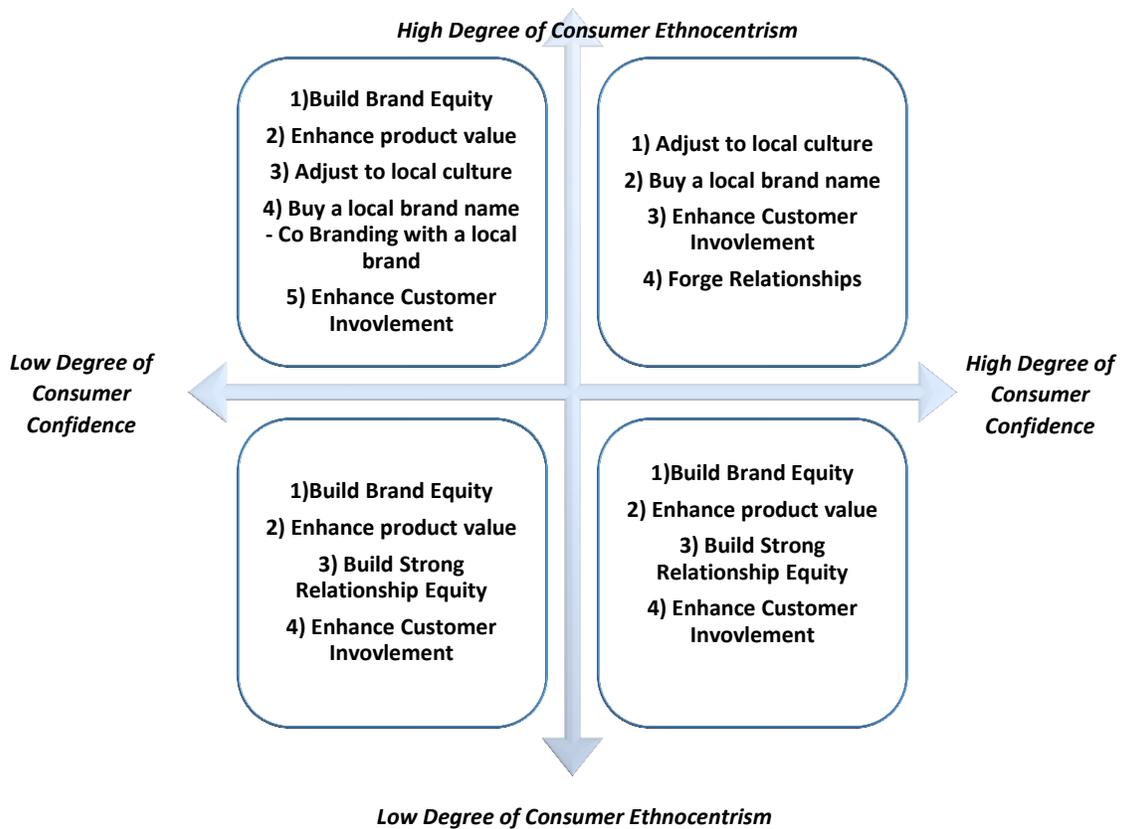## Figure 2: The CET-CC matrix ®

High Degree of Consumer Ethnocentrism

1) Build Brand Equity
2) Enhance product value
3) Adjust to local culture
4) Buy a local brand name - Co Branding with a local brand
5) Enhance Customer Invovlement

1) Adjust to local culture
2) Buy a local brand name
3) Enhance Customer Invovlement
4) Forge Relationships

Low Degree of Consumer Confidence

High Degree of Consumer Confidence

1) Build Brand Equity
2) Enhance product value
3) Build Strong Relationship Equity
4) Enhance Customer Invovlement

1) Build Brand Equity
2) Enhance product value
3) Build Strong Relationship Equity
4) Enhance Customer Invovlement

Low Degree of Consumer Ethnocentrism

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