Marketing strategies in foreign markets sensitive to consumer ethnocentrism and confidence: Empirical evidence from Greece

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Abstract
Global recessions and the rise of patriotism in the last decade indicate shifts in consumer morale and ethnocentric tendencies. However, there is a considerable gap on the effects of consumer ethnocentrism (CET) and consumer confidence (CC) on brand related consumer behaviour. This paper fills this gap by examining the moderating effects of CET on the relationship between Customer Equity Drivers (CEDs) and (re)Purchase Intentions (PI). We also unveil (two-way) interaction effects of both CET and CC on the relationship between CEDs and PI. As for the method, 398 Greek consumers participated in Athens in a Mall-intercept approach. The sampling method entailed a stratified sample to reflect national statistics. Results stressed that CET attenuated the positive relationship between Value Equity and PI. Moreover, both CET and CC dampened the positive effect between Relationship Equity and PI. Hence, this paper facilitates brand managers to adjust CEDs sensitive to CET and CC.

Keywords: Customer Equity Drivers, Consumer Ethnocentrism, Consumer Confidence

Track: Exporting & International Marketing
1. Introduction

Favourable consumer behaviour towards the brand has been one of the most researched topics in the last thirty years, since it helps businesses to apply successful strategies and practices (Rust, Lemon, and Zeithaml, 2004; Vogel, Evanschitzky and Ramaseshan, 2008; Veloutsou, Christodoulides, and de Chernatony, 2013). Purchase Intention suggests a basic Key Performance Indicator, since it predicts consumer behaviour and future sales (Frank, Enkawa, and Schvaneveldt, 2014). The higher the (re)purchase intention of the company’s products the higher the revenues deriving from both new and existing customers in the future (Vogel et al. 2008). The discounted sum of these revenues at the present concerns the market-based capital known as Customer Equity (CE) (Rust et al., 2004). Most academic research is focused on antecedents and effects of Customer Equity Drivers. The aforementioned CEDs, which concern the key marketing strategies in order to forge brand preference, include 1) Brand Equity, 2) Value Equity and 3) Relationship Equity (Rust et al., 2004; Ou and Verhoef, 2017). According to Rust et al. (2004), BE is Subjective and emotional in nature and suggests the sum of brand related perceptions, attitudes and behaviour resulting on superior emotional bonding. VE regards the utility’s objective assessment made by customers about a product relied on perceptions of customer costs comparing to value received or customer value (Rust et al, 2004). RE suggests the customers’ inclination to prefer a brand regardless of subjective as well as objective brand evaluations (Vogel et al. 2008). Marketing efforts’ effects on CEDs depend on the product category as well as on the customer involvement (Ou, de Vries, Wiesel, and Verhoef, 2013). As for the results of CEDs on consumer behaviour constructs such as brand loyalty and purchase decisions, these are found to be positive (Ou et al., 2013; Vogel et al. 2008; Rust et al., 2004).

However, in the last decade both recessions and rising ethnocentrism created a significant research gap, since the existing CEDs models mainly explore antecedents and effects of CEDs. In this project, we research on the case sensitive CEDs related to Consumer Ethnocentrism (CET) and Consumer Confidence (CC). More specifically, we explore the moderating effect of CET on the relationship between CEDs and (re)Purchase Intentions (PI). We further unveil the interaction effects of both CET and CC in the link between the CEDs and PI. As a result, this paper enables academics and practitioners to conceptualize on the implementation of sensitive strategies needed to forge (Re)Purchase Intentions (PI) in different contexts of CET and CC in foreign markets.

2. Literature Review and Development of Hypotheses

In this study, CEDs’ direct effect on PI is not the basic question. The basic scope of this research is to explore the effects of CET and CC on the relationship between CEDs and CC. As for CET, Shimp and Sharma (1987) stated the need to explore the morality of preferring foreign products and they were the first to develop a scale measuring CET, which concerns a tendency against import products or in favour of domestic goods. Since then, there has been a multitude of projects exploring the effects of CET on consumer behaviour. According to these, CET was proven to be a barrier for import products and an opportunity for domestic ones, since there was found favourable consumer behaviour towards domestic products (Balabanis and Siamagka, 2017; Diamantopoulos Schlegelmilch and Palihawadana, 2011). He and Wang (2015) further unveiled CET to be a negative antecedent of brand preference for foreign brands. Akram, Merunka and Akram (2011) stressed that low ethnocentric consumers develop higher preference for global brands comparing to high ethnocentric consumers by applying moderation analysis. Rosenbaum and Wong (2009) explored the role of CET on buying criteria for a local automobile company. The aforementioned authors reinforced that low ethnocentric customers have different buying criteria than that of high ethnocentric consumers. In fact, high CET posed a motive for customers to “accept lower product quality,
higher prices and less convenience than low-ethnocentric customers to assist domestic manufacturing production” (Rosenbaum and Wong, 2009; page 555). Hence, we expect that CET will negatively moderate the relationship between CEDs and PI for import brands. Thus, we may build the following hypotheses:

\( H_1 \): Consumer Ethnocentrism attenuates the positive relationship between BE and Purchase Intention for import brands

\( H_2 \): Consumer Ethnocentrism attenuates the positive relationship between Value Equity and Purchase Intention for import brands

\( H_3 \): Consumer Ethnocentrism attenuates the positive relationship between Relationship Equity and Purchase Intention for import brands

During the last decade, there has been a growing interest in macroeconomic indicators that monitor economic developments and provide economic analysts with early behavioral signals of different groups, such as consumers and businesses in the economic activity (Dees and Brinca, 2013). Thus, CC is a measurement to predict changes in economic cycles. However, little is it known about its value in the marketing field. Increasing uncertainty and low morale leads to shifts in buying criteria (Kaytaz and Gul, 2014). As far as the effects of CC on consumer behaviour are concerned, these vary on both the industry and the nature of contractual relationship (Ou et al., 2013). Moreover, during recessions (and low CC) consumers are expected to develop more uncertainty deriving from both functional and financial risks of choosing a no-name brand. Since brands signage credibility as well as best fit in terms of consumer needs (Rust et al; 2004), it is expected that CC negatively moderates the relationship between BE and PI. In addition, during recessions consumers seek the best utility for each dollar they spend (Leeflang and van Raaij, 1993). As a result, it is expected that CC attenuates the positive relationship between VE and PI. Last but not least, during turbulent economic situations, consumers significantly value trust and strength of relationship with the company (Rousseau, Sitkin, Burt, Camerer, 1998). Hence, it is expected that CC attenuates the positive relationship between RE and PI. In view of some recent empirical evidence, CC attenuates 1) the positive relationship between BE and CL and 2) VE and CL for non-contractual services (Ou et al., 2013). However, there was no evidence of moderating effect between RE and CL. Thus, we hypothesize the following:

\( H_4 \): CET combined with CC attenuate the positive relationship between BE and PI for import brands

\( H_5 \): CET combined with CC attenuate the positive relationship between VE and PI for import brands

\( H_6 \): CET combined with CC attenuate the positive relationship between RE and PI for import brands.

The conceptual framework of this research is being presented on Figure 1 below.
3. Methodology

3.1 Sample and Data Collection

The collection of research data were conducted in Athens, the capital of Greece. This city was suitable for this study, because it has rich consumer culture and infrastructure that offers a variety of domestic and import brands. Survey questionnaires were distributed and collected at busy retail and shopping destinations. Potential shoppers were randomly approached in order to complete the questionnaire. This technique is known as a street survey or mall-intercept and has been widely adopted in consumer research (Chaney and Gamble, 2008). In total, 398 valid questionnaires were collected using a methodology of a stratified sample to reflect national statistics of Greece. The choice of product category was determined by the availability of domestic alternatives. According to Watson and Wright (2000) the issue of availability of domestic alternative cannot be ignored in CET research, since ethnocentrism may not be triggered when domestic production is poor. Consequently, chocolates were eventually selected as the testing category, because there is a wide variety of domestic and import brands available in Greece.

3.2 Questionnaire, Measurement & Pilot Testing

Customer Equity Drivers (CEDs) were analysed using and adjusting the scales developed by Rust et al. (2004), Verhoef, Langerak and Donkers (2007), Vogel et al. (2008), Zhang, van Doorn and Leeflang (2014). First and foremost, VE was measured by the scale developed by Rust et al. (2004) and Verhoef et al. (2007). This 3 item scale focuses on the price – quality ratio and convenience. For the BE measurement, we incorporated the 4 item scale of Vogel et al. (2008), which facilitates the overall perception focus on brand image. In addition, RE was measured via the 3 item scale of Zhang et al. (2014). In order to gauge CET, the extended 17 item scale of Shimp and Sharma (1987) was adopted. However, due to the fact that many respondents did not understand 5 items of the initial construct, the researchers took the initiative to limit its length. As a result, a reduced CET scale of 12 items was employed. As far as CC is concerned, the 3-item scale of Ou et al. (2013) was used. The Likert scales, which ranged from 1 (Strongly Disagree) to 5 (Strongly Agree), were adopted for all of the above measurements.

The questionnaire was initially developed in English and then translated into Greek. The research team which contains native Greek speakers carried out the translations, and the questionnaires were translated back by university colleagues to ensure accuracy. Last but not least, a pilot testing was undertaken among 20 Greek consumers and the research instrument
was adjusted according to their recommendations in order to maximize reliability and accuracy.

4. Results

4.1 Scale Validity

In order to test the validity of the construct measures, an Exploratory Factor Analysis (EFA) was conducted. Overall, six components were extracted (Brand Equity – BEQ, Value Equity – VE, Relationship Equity – RE, (re)Purchase Intention – PI, Consumer Ethnocentrism – CET, Consumer Confidence – CC), which accounted for 64.49% of the cumulative variance. This six-factor model retained 20 of the original 28 items. These items exhibited high factor loadings (mostly above .70) and each component illustrated high reliability coefficients (BEQ: four items, α = .82; VE: two items, α = .88; RE: two items, α = .80; PI: two items, α = .90; CET: seven items, α = .91; CC: three items, α = .80). Generally, the coefficient alpha was above the commonly accepted threshold of .70 (Nunnally and Bernstein, 1994). As a result, convergent validity is supported. As far as discriminant validity is concerned, no cross loadings were found and each factor correlated with one another at level less than .70.

Afterwards, a Confirmatory Factor Analysis (CFA) was performed with AMOS 21.0. Its results indicated that the measurement model yielded an excellent fit: \( \chi^2 / \text{df.} = 1.54 \) (recommended between 1 and 5); CFI = .96 (recommended ≥ .93); TLI = .95 (recommended ≥ .90); GFI = .90 (recommended ≥ .90); RMSEA = .04 (recommended ≤ .06); SRMR = .04 (recommended ≤ .08). The aforementioned analysis proved that standardized factor loadings ranged from .63 to .95 and were statistically significant at \( p < .001 \) level. The latter signified the existence of convergent validity of the model. In addition, Composite Reliability (CR) and Average Variance Extracted (AVE) were calculated. Every factor scored CR values of above .60 (minimum = .73; maximum = .92) and AVE values of above .50 (minimum = .53; maximum = .85) (Bagozzi and Yi, 1988). Furthermore, AVE values exceeded the squared correlations between factors, supporting discriminant validity. Finally, a common method bias test was undertaken, where the unconstrained common method factor (CMF) model was compared to the zero constrained CMF model. The chi square test of this comparing turn out to be significant, which signaled that there was significant shared variance. The latter led the researchers to retain the CMF, when they imputed factors scores.

4.2 Hypotheses Testing

In order to test the research hypotheses and develop reliable research models, Structural Equation Modeling (SEM) was generated. The first model tested the interaction effects of CET and CC separately on the relationship between the Customer Equity Drivers (BEQ, VE, RE) and the PI regarding import brands. This model yielded an excellent fit: \( \chi^2 / \text{df.} = 2.05 \); CFI = .98; TLI = .91; GFI = .95; RMSEA = .05; SRMR = .04 (Bagozzi and Yi, 1988). In addition, the \( R^2 \) of the PI was excellent at level .87, meaning that 87% of the PI variance is explained by BEQ, VE, RE and the interaction effects of CET and CC separately. \( H_1 \) posits that CET weakens the positive relationship between BEQ and PI regarding import brands. This hypothesis was not supported as the interaction effect (BEQ x CET) was not statistically significant \( (p = .97 > .05) \). However, \( H_2 \) was verified, because it was proved that CET dampens (even at a small level) the positive relationship between VE and PI of import brands \( (\beta = -.07, p. < .05) \). Finally, the prediction of \( H_3 \) that CET weakens the positive relationship between RE and PI of import brands was not supported \( (p = .98 > .05) \) (See Table 2).

In order to test the last three hypotheses, the interaction effect of CET and CC was simultaneously tested on the relationship between the customer equity drivers and the PI. The model fit was also excellent: \( \chi^2 / \text{df.} = 1.85 \); CFI = .99; TLI = .94; GFI = .97; RMSEA = .05; SRMR = .04. The \( R^2 \) of the PI was also excellent at level .86, meaning that 86% of the PI variance is explained by BEQ, VE, RE and the interaction effect of CET and CC combined.
First and foremost, the fourth hypothesis (H₄), which predicted that CET and CC together dampen the positive relationship between BEQ and PI of import brands, was not confirmed ($p = .19 > .05$). The fifth hypothesis (H₅), which described that CET and CC together dampen the positive relationship between VE and PI of import brands was also rejected ($p = .79 > .05$). On the other hand, the sixth hypothesis (H₆) was supported. More analytically, it was found that when CET and CC are combined they dampen the positive relationship between RE and PI ($\beta = -.13$, $p = .03 < .05$) (See Table 2).

<table>
<thead>
<tr>
<th>Model</th>
<th>Variables</th>
<th>$\beta$</th>
<th>$t$-Values</th>
<th>$p$</th>
<th>Model $R^2$</th>
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<tr>
<td>CEDs - PI</td>
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<td>-.80</td>
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<td>VE ---&gt; PI</td>
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<td>-.99</td>
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Model Fit: $\chi^2$/d.f. = 1.85; CFI = .99; TLI = .94; GFI = .97; RMSEA = .05; SRMR = .04

5. Discussion, Conclusion, Limitations and Further Research

The main goal of this research is to shed light on the effectiveness of marketing strategies, and more specifically on the impact of CEDs, in terms of global brands' (re)purchase intentions taking into account the contexts of CET and CC. The basic findings unveiled CET as a threat of the global brand, since it dampens the positive effect of VE on PI. Thus, firms should focus more on other CEDs, such as RE by enhancing Customer Relationship Management. Last but not least, we explored the (two-way) interaction effects of both CET and CC. This contributes to academia by providing new evidence that when these are combined they can play a significant role in affecting brand (re)purchasing (Kaytaz και Gul, 2014; Leeflang and van Raaij, 1993; Ou et al., 2013; Rust et al., 2004). The results indicated that ethnocentrism combined with confidence attenuates the positive relationship between RE and PI. Hence, a combination of CET and CC becomes a threat of global brands. As a result, brand managers should care more about the VE of their brands, by focusing on value (co)creation and minimizing customer costs (e.g. ease of access, extending warranties etc.).

Direct effects of RE and VE on PI were proven to be positive, whereas the respective effect of BE on PI was negative, revealing that Greek consumers are focused more on value offerings along with the relationship with the brand and the firm. As for the contradictory finding of negative direct effects of brand equity on (re)purchase intentions, it is explained by the low to medium customer involvement levels related to chocolates as a product. The basic limitation of this research is that we only considered customers of chocolate brands, which is a product of low-medium customer involvement. Moreover, this research was conducted in Greece. We suggest a further cross-check validation of these results to other countries. However, this project is valuable, since it fills a considerable gap on branding strategies sensitive to CET and CC in foreign markets.

References