Differences in the Effects of Marketing Mix Elements For Local and Foreign Brands

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Since the introduction of the marketing mix, researchers have tried to answer the question, which elements of the marketing mix are most critical in making brands successful. To our knowledge, no study has investigated which marketing mix elements are more suitable for local brands or foreign brands, yet. We attempt to close this research gap by introducing a model with four exogenous variables (price, advertising, quality, and distribution), two mediators (brand image and brand satisfaction) and two final constructs (intention to repurchase, and intention to recommend). Employing the PLS approach we analyze data for nondurable goods from a study conducted in China.

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EXTENDED ABSTRACT

The relationships from exogenous variables derived from the marketing mix on endogenous variables of behavioral intentions are well established. By focusing on eight relationships (price, advertising, quality, distribution for the exogenous variables and intention to repurchase/intention to recommend for the final endogenous variables), the current paper attempts to extend this research in three areas: 1. Drawing on the theories of disconfirmation of expectations (Oliver, 1980) and cognitive psychology (e.g. Folkes, 1988) we introduce a model with two mediators (brand image and brand satisfaction). Since most of the proposed eight relationships differ significantly in terms of direct and indirect effects, the mediators will help to explain and clarify how these relationships work. 2. Two subgroups are investigated in more detail: Chinese brands and foreign brands. Some of the investigated relationships diverge in terms of total effects as well as mediation. Understanding the discrepancies will offer valuable insights for researchers and brand managers alike. 3. As de Matos and Rossi (2008) show in their meta-study, there is a lack of research papers that investigate the relationships between marketing mix elements and repurchase/recommendation intention for products. Since a simple transfer of knowledge from service-studies to products is very questionable (e.g. Fornell et al., 1996), there is a need for more research that investigates the effects of marketing mix elements on behavioral intentions for goods.

For data collection market research was conducted in China in 2010 on 25 different FMCG products (12 Chinese brands, 13 foreign brands) with about 30 respondents per brand. For the analysis, Structural Equation Modeling with the Partial Least Squares Method (PLS) was chosen for two reasons: Although the relationships from the marketing mix elements to behavioral intentions are well established, the findings of the division of foreign and Chinese brands are of exploratory nature. PLS is known to be a robust method and is thus a good match for our purpose. Second, PLS is applicable for small sample sizes, which might be of advantage to analyze further subsamples in the future (Chin and Newsted, 1999).

After completing the commonly accepted reliability and validity assessments, the following major findings are deemed significant: Perceived price is found to have no effect on repurchase intention for Chinese brands. The reason is a suppression effect due to a negative indirect effect of price on brand satisfaction. One possible explanation is the insecurity of consumers, which is induced by a large number of Chinese brands and a blurred position of brands in the market. Accordingly, price is seen more as an indicator (e.g. for status, or quality) than a monetary measure. Foreign brands, however, are perceived differently. Due to a better established market position, reasonable or even attractive prices also have a positive effect on repurchase intention. This argument is supported by the finding that perceived quality has a significantly stronger relationship on repurchase intention for Chinese brands than for foreign brands. In short, perceived quality is a driver for Chinese brands, whereas perceived price is a mean to increase sales of foreign brands.

For the relationship from perceived price/quality on recommendation intention no significant differences for Chinese brand and foreign brands were detected. For both groups price has no effect on recommendation intention, while quality has a significant effect. This might be due to social pressure: to avoid being seen as a stingy person, price recommendations are avoided, while an advice for excellent quality will not lead to any embarrassment.

Advertising is found to have a significant indirect effect (mediated by brand image and brand satisfaction) on the intentions to repurchase/recommend for both product groups. As established in numerous contributions, advertising reinforces the consumer’s brand-related beliefs and attitudes and as a result contributes to strong brand loyalty (e.g. Shimp, 1997).

Distribution is found not to have a significant effect on repurchase/recommendation intention for Chinese brands. Foreign brands, on the contrary, show a significant indirect effect on both the intention to repurchase and recommend. In the literature there are arguments to organize distribution in terms of exclusivity or availability. Although foreign brands are often positioned in the higher priced segments, from the Chinese customers’ standpoint a more convenient distribution could improve their market share. For Chinese brands, customers seem to be already used to purchase goods without wasting time and effort; as a result there is no significant effect on behavioral intentions.

When comparing the two mediators of our study, brand image is found to have a stronger effect (comparing $R^2$) for foreign brands, whereas brand satisfaction has a stronger effect for Chinese brands. Two possible explanations are found in the established literature: First, foreign brands are often perceived to be more prestigious and thus have a higher brand image. Second, Chinese customers are more familiar and...
experienced with local brands and are therefore more capable of evaluating the attributes of the products. For this reason, customers are less distracted by the halo effect of brand image when purchasing local brands (e.g. Andreassen and Lindestad, 1998).

REFERENCES