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The moderating role of Hofstede’s cultural dimensions in the customer-brand relationship in China and India

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Abstract
Purpose – The purpose of this paper is to enhance the understanding of customer-brand relationships in the international marketplace, and empirically investigates and compares the customer-brand relationship development process between Indian and Chinese markets. In detail, four out of Hofstede’s original five national culture dimensions were adopted as moderators in the process of customer-brand relationship development between two markets.

Design/methodology/approach – To test hypotheses, responses from 539 Indian and 400 Chinese mobile phone consumer samples were achieved, and the proposed model was estimated by using structural equations based on the partial least squares algorithm.

Findings – The results demonstrate that utilitarian value and brand affect play a significant role in building brand loyalty for Chinese consumers, while hedonic value and perceived risk contribute more in building brand loyalty for Indian consumers.

Research limitations/implications – This study indicated that the cultural difference affects both on brand trust formation and on the relationship between brand trust/affect and brand loyalty, implying that more customized brand management strategies should be adopted.

Practical implications – Global brand values must be communicated for each culture appropriately. It is desirable that the identified match, utilitarian value-Chinese customers and hedonic value-Indian customers, be consistently presented to each cultural market in a more integrative manner.

Originality/value – This study identified that the route from the development of value proposition to building up brand trust and brand affect is a critical step toward achieving brand loyalty in Indian and Chinese markets.

Keywords Brand trust, Brand affect, Cultural difference, Global brand management, Utilitarian/hedonic value

Paper type Research paper

1. Introduction
Brands play a critical role for companies in establishing a relationship with their consumers and enhancing their market performance (Schau et al., 2009). This is especially true in highly competitive markets with their increasing volatility and decreasing product differentiation, making brand loyalty a central element of marketing strategies and tactics (Walsh and Mitchell, 2005) and the creation of a solid basis for company sustainability. The study of brand loyalty in terms of its origin and its formation process has tended to focus on the role of psychological and emotional aspects as a spur to the purchasing
intention (Bloemer and Kasper, 1995). The psychological component acts as a personal connection in customer-brand relationships, which in turn becomes the basis for a customer pursuing hedonic value when purchasing a brand. On the other hand, many customer-brand relationships are primarily utilitarian or functional in nature, since they solve problems in customers’ everyday lives (Hess and Story, 2005). Customers who perceive utilitarian or hedonic value in their brand consumption form a favorable and reliable image for the brand in question, resulting in a longer-term relationship with that brand.

Even though utilitarian or hedonic value may initiate a customer-brand relationship, it is difficult to attribute this initiation to brand loyalty directly. For this reason, trust has been identified as one of a number of important bridging factors that differentiate relationships from transactions (Delgado-Ballester and Munuera-Alemán, 2001; Jiménez and Martin, 2014; Morgan and Hunt, 1994). Affect is another factor accompanying emotional investment and personal attachment to a brand (Burnham et al., 2003; Hess and Story, 2005). Trust and affect have also been investigated as attitudinal components of brand loyalty (Chaudhuri and Holbrook, 2001; Matzler et al., 2008), suggesting a significant role for them in the formation of the customer-brand relationship. This process may be thought to start with consumption values (utilitarian and hedonic values) acting as starters or initiators of the relationship, with the appearance of brand trust and affect as the relationship expands, and finally brand loyalty as an outcome of the relationship.

In contrast to the wealth of valuable research into the origin and the formation process of customer-brand relationships, studies investigating the effects of cultural differences on this formation process have been noticeably sparse (Broyles et al., 2010). Considering the significance of customer-brand relationships as a core competitive asset for companies in the global marketplace (Keller, 2003), there is an urgent need for a study which adopts a comprehensive framework with customer-brand relationship initiators (e.g. utilitarian or hedonic value), mediators (e.g. brand trust or brand affect), and outcomes (e.g. brand loyalty), and moreover, one which investigates the stability of the framework across different national markets.

Many companies clearly make a serious effort to globalize their brand to overcome local competition and create new opportunities (Bond and O’Byrne, 2014). The recent flurry of companies entering the Indian and Chinese markets exemplifies this trend well. Of the Fortune 500, 480 firms operate in China (Tse, 2010) and 225 have established R&D center in India (Accenture, 2011), revealing that India and China have become substantial markets in the world economy. The GDP growth rate of India and China is now over 8 percent (tradingeconomics.com, 2011), and some suggest that by 2020, India and China will surpass Japan in GDP in purchasing power parity (Wall Street Journal, 2014). This remarkable economic resurgence and the future promise of India and China will push many more global firms to enter into the Indian and Chinese markets (Johnson and Tellis, 2008).

Although the decision to enter these growing global markets is intuitively logical, global brands frequently fail to achieve their expected performance goals (Ross et al., 2008; Haig, 2003) because of the lack of understanding of the cultural differences of those markets and their customers. The relative dearth of investigation into the initiators and the process of customer-brand relationship building in cross-cultural contexts may be a contributory factor in this pattern of failure (Brady et al., 2008; Dant et al., 2008).

In this context, the current study aims to enhance our understanding of customer-brand relationships in the international marketplace, and empirically investigates and compares the customer-brand relationship development process in the Indian and Chinese markets. In the next section, the theoretical background of the relations between the relationship...
initiators (i.e. utilitarian/hedonic value and perceived risk), the relationship expanders (i.e. brand trust and brand affect), and the outcome of the relationship (i.e. brand loyalty) are examined by way of constructing the research framework. The cultural differences (India vs China) of the developed framework are then discussed by taking national culture as a moderator in the customer-brand relationship.

2. Conceptual framework

2.1 Customer-brand relationship: initiation and expansion

When customers encounter a brand, their perceived consumption values, such as hedonic value and utilitarian value, and perceived risk play a critical role in their decision as to whether the brand is likable or trustworthy (Holbrook and Hirschman, 1982; Veloutsou and Bian, 2008). The value of the product that customers purchase includes two features: utilitarian values with tangible or objective features, and hedonic values with intangible or subjective features. Hedonic value is defined as the pleasure potential of a product class and utilitarian value is defined as the ability to perform functions in the everyday life of a consumer (Chaudhuri and Holbrook, 2001). Hedonic value and utilitarian value have different roles in initiating the customer-brand relationship. The relationships will be influenced by utilitarian value (e.g. product quality) if the customers acknowledge the purchasing behavior as an objective and rational process of problem solving. Therefore, brand trust, which is often determined by a calculative process of tangible aspects, has a greater impact on the relationship. On the other hand, the relationship will also be influenced by hedonic value (e.g. brand image) if the customers recognize the purchasing behavior as a subjective and emotional process of experiential behavior. Therefore, brand affect which is often determined by an intangible benefit has a greater impact on brand loyalty (Bettman, 1979; Holbrook and Hirschman, 1982). On the other hand, there are some cases where both utilitarian and hedonic values have a positive influence on developing brand trust and brand affect at the same time. As Okada (2005) identified, both utilitarian and hedonic orientations are discretionary and the difference between the two is a matter of degree or perception. When purchasing a clothes brand, for example, a person may seek tangible values, such as durability, as well as intangible values, such as self-image or outstanding design. This type of dual value-oriented product would significantly help to develop both brand trust and brand affect. Considering that this study used brands of mobile phone, another good example of a dual value product (Khan et al., 2005), the separate paths utilitarian value→brand trust and hedonic value→brand affect are not our research focus; rather, we comprehensively examine the full relationships between four constructs (i.e. utilitarian/hedonic value, brand trust/affect).

Even though a customer deals with the same brand product, this decision may have different results in different purchasing environments since the degree to which a customer is willing to take a risk may vary by situation (Mandrik and Bao, 2005). The existing literature suggests that a brand can reduce perceived risk as it becomes a consistent and credible symbol of product quality (Erdem et al., 2006). Furthermore, Mayer et al. (1995) suggested that brand trust exists in an uncertain and risky environment and arises in a risky situation. Having only limited cognitive resources available, consumers seek to reduce the uncertainty and complexity of buying processes by applying mental shortcuts (Matzler et al., 2008). One of the effective mental shortcuts is purchasing a trustworthy brand. This shortcut results in the decrease of complexity when customers face uncertainty in their purchasing process. In the process of reducing uncertainty and perceived risk, customers also depend on the emotional evaluation of the brand from past experience, which is brand affect.
Consequently, perceived risk can be seen as a basic function of determining a brand’s trustworthiness (brand trust) and its likeability (brand affect) in customer-brand relationships (Matzler et al., 2008).

2.2 Customer-brand relationship: expansion to outcome

The significance of brand trust and affect is emphasized as the outcome of the customer-brand relationship (brand loyalty) which is explained as having two aspects: a behavioral aspect, meaning the repetitive purchase behavior of the same brand, and an attitudinal aspect, implying a degree of dispositional commitment in terms of some unique value associated with the brand (Chaudhuri and Holbrook, 2001).

Brand trust is defined as the average consumer’s willingness to rely on the ability of the brand to perform its stated function. Brand trust leads to brand loyalty because trust creates exchange relationships that are highly valued (Morgan and Hunt, 1994), implying that brand trust is one of the essential aspects of creating brand loyalty. On the other hand, brand affect is defined as a brand’s potential to elicit a positive emotional response as a result of its use (Chaudhuri and Holbrook, 2001). The literature on the mental representation of social episodes shows that people’s mental representations can be mainly formed by the affective characteristics of episode stimuli (Bower and Forgas, 2001). Along the same lines, Zajonc (1980) stated that the affective quality of the original input is the first element to emerge when people try to retrieve an object (such as an episode, person, story, or name) from their memory. The findings of Bower and Forgas (2001) and Zajonc (1980) point out that affect can play an important role in consumer brand recall and recognition. In this regard, brand loyalty, as an enduring attitude or disposition about a brand, is associated with positive brand affect, which may prevent the exploration of other alternatives in the short run, whereas steady customer benefits are likely to accrue from such affective bonding in the long run (Chaudhuri and Holbrook, 2001). Consequently, brand loyalty reflects the ongoing process of continuing and maintaining a valued and important relationship that has been influenced by trust and affect (Delgado-Ballester and Munuera-Alemán, 2005).

2.3 National culture as a moderator in the customer-brand relationship

Hofstede (2001) identifies five dimensions of national culture, namely, individualism, power distance, uncertainty avoidance, masculinity, and long-term orientation. Although Hofstede recognizes five dimensions of culture that can provide insights into the norms and values of countries, we test the moderating effect of only four dimensions (i.e. individualism, uncertainty avoidance, masculinity, and long-term orientation) in order to maintain alignment with the theoretical explication of the relationships under study (Eisingerich and Rubera, 2010; Griffith et al., 2000). In the next section, the role of these cultural dimensions will be elaborated and their theoretical relationships with four antecedents of brand loyalty will be hypothesized.

Masculinity: utilitarian value – brand trust/affect. As one of Hofstede’s five culture dimensions, masculinity is defined as the degree to which a society is characterized by either assertiveness or nurturance. More “masculine” societies place greater emphasis on wealth, success, ambition, material objects, and achievement, whereas more “feminine” societies place greater value on people, helping others, preserving the environment, and equality (Hofstede, 1980). Based on this proposition, Doney et al. (1998) suggested that a trust relationship is developed through a calculation process in more masculine societies. It is highly likely that the members of more masculine societies choose products based on tangible features such as product quality and convenience. They also tend to evaluate
their satisfaction based on whether the purchase itself accomplishes their utilitarian value. In turn, in the creation and expansion of trust and affect toward the brand for the members of masculine societies, they put greater value on the utilitarian aspects of the brand and the brand becomes more trusted when these utilitarian values are achieved during the purchase process. On the basis of these arguments and the findings that China shows a higher level of masculinity than India (Hofstede, 1980, 2001), we hypothesize the following:

**H1a.** The positive influence of utilitarian value on brand trust will be greater in the Chinese market than in the Indian market.

**H1b.** The positive influence of utilitarian value on brand affect will be greater in the Chinese market than in the Indian market.

**Individualism: hedonic value – brand trust/affect.** Individualism refers to the degree to which individuals are integrated into groups, so individualistic societies show loose ties between individuals (Hofstede, 1980) and seek forms of society that are more independent. Individualism is found to be one of the most significant cultural dimensions because it affects a person’s self-concept (de Mooij and Hofstede, 2002). Self-concept is defined as a set of self-schemas or knowledge structures about the self that help people represent, and make sense of, themselves in their environment (Aron et al., 1992). Bhattacharya and Sen (2003) describe the linkages between a consumer’s self and organizations as the primary psychological substrate for the kind of deep and meaningful relationships that marketers are increasingly seeking to build with their consumers. This linkage is also identified in the relationship between a consumer’s self and a brand. The intention to include the brand in one’s self-concept is another type of desire to separate oneself from others (Bhattacharya and Sen, 2003). Therefore, a more individualistic society has a desire to separate itself from others, and in turn, members of an individualistic society show a greater tendency to use brands to define themselves (Hofstede, 1980; Escalas and Bettman, 2005) and to identify themselves with certain brands. In the process of customers’ self-brand identification, symbolic attributes or the hedonic value of a brand are mainly involved (Kressmann et al., 2006). Therefore, it is easily expected that customers who identify themselves with a brand are highly likely to trust and to like the brand. In this regard, the more individualistic societies will develop a stronger linkage between hedonic value and brand trust/affect. Based on these discussions and the findings that India shows a higher level of individualism than China (Hofstede, 1980, 2001), we hypothesize the following:

**H2a.** The positive influence of hedonic value on brand trust will be greater in the Indian market than in the Chinese market.

**H2b.** The positive influence of hedonic value on brand affect will be greater in the Indian market than in the Chinese market.

**Uncertainty avoidance: perceived risk – brand trust/affect.** Uncertainty avoidance refers to the extent to which people feel threatened by ambiguous situations and create beliefs and institutions in an attempt to avoid them (Hofstede and Bond, 1984). This dimension captures the cultural pattern of seeking stability, predictability, and low risk rather than change and new experiences (Rao, 2009). Consequently, customers in a society with higher uncertainty avoidance will prefer a brand which provides trustworthy product quality and image (Robinson, 1996). They tend to be highly risk-averse and intolerant of ambiguity, and they also tend to depend greatly on their past purchasing or...
usage experiences when they deal with higher perceived risk. Given the fact that perceived risk significantly decreases the trustworthiness and likeability of a brand, the strength of the relationship between perceived risk and brand trust/affect is expected to be moderated by uncertainty avoidance, i.e. the relationship will be stronger for a higher uncertainty avoidance culture. Based on the study of Hofstede (2001), uncertainty avoidance is higher in India than it is in China. On the basis of these arguments, we hypothesize the following:

\( H3a. \) The positive influence of perceived risk on brand trust will be greater in the Indian market than in the Chinese market.

\( H3b. \) The positive influence of perceived risk on brand affect will be greater in the Indian market than in the Chinese market.

Long-term orientation: brand trust/affect – brand loyalty. Long-term orientation refers to the extent to which a society exhibits a pragmatic, future-oriented perspective rather than a conventional historic or short-term perspective (Hofstede, 1980). Because long-term oriented cultures value perseverance, thrift, and adaptations of traditions to new circumstances, people are cautious and do not readily adapt to sudden changes (Dwyer et al., 2005). In other words, the characteristics of these long-term oriented societies may deter their consumers from purchasing new, relatively untested, or unfamiliar products.

Long-term oriented cultures place more emphasis on a long-lasting relationship that has been created over an extensive period of time, and in turn, a trust relationship is created by a long-lasting relationship (Monga and John, 2007). Trust is known to be a key factor in brand loyalty. Therefore, a culture with a long-term orientation is highly likely to show a stronger relationship between brand trust/affect and brand loyalty than a culture with a short-term orientation. On the basis of the previous discussion and the findings that China presents a significantly higher level of long-term orientation than India, we hypothesize the following (Figure 1):

\( H4a. \) The positive influence of brand trust on brand loyalty will be greater in the Chinese market than in the Indian market.

\( H4b. \) The positive influence of brand affect on brand loyalty will be greater in the Chinese market than in the Indian market.

3. Methodology

3.1 Sample

Since our aim was to investigate the robustness of the relationships between shopping values, perceived risk, brand trust, brand affect, and brand loyalty across country market segments differentiated by their cultural differences, we sought to identify two culturally distinct countries of significant importance in the global market. China and India were selected based on the attention they are receiving from economic analysts around the world and Hofstede’s (1980, 2001) analysis of cultural orientations across nations. In this study, we based our comparison of Chinese and Indian culture on the first four of Hofstede’s dimensions (see Table I). His power distance dimension was intended to reflect the degree to which members of institutions and organizations accept that power is distributed unequally. We decided that this dimension score was not large enough (i.e. China: 80; India: 77) between the two countries nor was there a strong theoretical rationale for its influence in our model. The other four dimensions were adopted (Table I).
in this study to test the moderating role of Hofstede's cultural dimensions based on the score differences we identified between China and India. It should be noted that Hofstede's findings were derived from research conducted over nearly three decades (Hovav and D'Arcy, 2012).

The sample for this study was drawn from Indian and Chinese mobile phone customers who purchased and used mobile phone services, respondents being asked to answer questions about their brand consumption experience relating to their own mobile phones. The data were collected from the major metropolitan areas in the two countries.
(India: New Delhi and Mumbai; China: Beijing and Shanghai) through a face-to-face survey implemented by a market research firm in India and China. The survey produced 539 usable responses from Indian customers and 400 from Chinese customers. The demographic characteristics of the Indian sample are as follows: gender (male: 54.9 percent, female: 45.1 percent), age (Mean: 31.4, SD: 9.1, 20-29 years: 47.3 percent, 31-39 years: 28.0 percent, 40-49 years: 24.7 percent), and brand usage (LG: 18.9 percent, Motorola: 18.9 percent, Nokia: 22.4 percent, Samsung: 22.4 percent, and Sony Ericsson: 20.8 percent). The Chinese sample has the following demographic characteristics: gender (male: 49.8 percent, female: 50.2 percent), age (Mean: 31.6, SD: 8.8, 20-29 years: 47.0 percent, 30-39 years: 30.3 percent, 40-49 years: 22.8 percent), and brand usage (LG: 22.0 percent, Motorola: 22.0 percent, Nokia: 22.0 percent, Samsung: 22.0 percent, and Sony Ericsson: 12.0 percent). Local marketing managers confirmed that this sample is largely representative of their customer base.

3.2 Measures
Existing scales were used in the questionnaire. The scales selected were English-based and required double translation. The translation of the English questionnaire into Chinese followed the process recommended by Brislin (1970). The survey questionnaire consists of seven parts: utilitarian value; hedonic value; perceived risk; brand trust; brand affect; brand loyalty; and demographics. Utilitarian value and hedonic value were measured by using two items adapted from Chaudhuri and Holbrook (2001). Perceived risk was measured by six single indicators/components (time risk, financial risk, performance risk, physical risk, social risk, and psychological risk) adapted from Zikmund and Scott (1974) and Mieres et al. (2006). To measure brand trust and brand affect we used the multiple scales proposed by Chaudhuri and Holbrook (2001). Finally, brand loyalty was measured by four items adapted from Yoo and Donthu (2001).

All the measures were adopted or adapted from existing studies with careful consideration of the research context of the present study. For example, brand loyalty was measured with a Likert scale developed by Yoo and Donthu (2001), which is in line with the definition of brand loyalty proposed by Oliver (1997). Oliver (1997) defined brand loyalty as the tendency to be loyal to a focal brand, which is demonstrated by the intention to buy the brand as a primary choice. The items from Oliver (1997) measure the difference in consumer choice between focal brand and competing brand given the same level of product features. The items developed by Yoo and Donthu (2001) were chosen since they were found to be the key predictors of mobile phone purchases. All scale items were measured with a seven-point Likert-type scale (except for brand loyalty being measured with a ten-point scale) requiring respondents to indicate the extent to which they agreed or disagreed with the items (see Table II).

Methods suggested by Sin et al. (1999), and Hult et al. (2008) were employed to establish metric equivalence. Functional, conceptual, and category equivalences were assured prior to the data collection through the literature review and the validation of the questionnaire. Interviews with researchers and consumers in both countries were performed to ensure the face validity of the instrument. The questionnaire was pre-tested with a sample of respondents to identify and eliminate potential problems regarding question wording, sequence, form, and layout. Overall, the questionnaire performed well and required only minor changes. Sample equivalence was sought by employing similar sample frames in both countries: metropolitan cities (India: New Delhi and Mumbai; China: Beijing and Shanghai), gender ratio, age, and education.
4. Data analyses and results

4.1 Analysis strategy

To test our hypotheses, we employed partial least squares (PLS) path modeling. The PLS algorithm allows each indicator to vary in how much it contributes to the composite score of the latent variable (Chin et al., 2003). Even though PLS suffers from the major disadvantage of not being able to provide a fit index to test the measurement model, it remains an alternative to structural equation modeling (SEM) due to its incorporating formative measurement in the model both implicitly (Diamantopoulos and Winklhofer, 2001, p. 274) and explicitly (Chin, 2010). The debate as to whether to employ SEM or PLS has not been clearly settled and the decision has been closely related to the formative vs reflective measurement included in the model (Diamantopoulos and Winklhofer, 2001; Jarvis et al., 2003). Whereas some studies suggest that the presence of formative indicators does not automatically disqualify the use of SEM (e.g. Diamantopoulos and Winklhofer, 2001), other studies explicitly express concerns about employing SEM for a model including formative indicators. According to Chin (2010, pp. 664-665), “If the underlying

<table>
<thead>
<tr>
<th>Measure/statistic</th>
<th>Loading India</th>
<th>Loading China</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Utilitarian value</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I rely on this product</td>
<td>0.88</td>
<td>0.88</td>
</tr>
<tr>
<td>This product is a necessity for me</td>
<td>0.85</td>
<td>0.84</td>
</tr>
<tr>
<td><strong>Hedonic value</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I love this product</td>
<td>0.89</td>
<td>0.93</td>
</tr>
<tr>
<td>I feel good when I use this product</td>
<td>0.88</td>
<td>0.94</td>
</tr>
<tr>
<td><strong>Perceived risk</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(1) I am afraid that buying it would be a waste of time if I have to change it for another brand</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>(2) I would pay a competitive price for this brand®</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>(3) This brand would fail to perform to my satisfaction</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>(4) I think that this brand may cause you some physical harm</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>(5) The thought of purchasing this brand makes me feel psychologically uncomfortable</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>(6) My friends and relatives would think more highly of me if I bought this brand®</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>Brand trust</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I trust this brand</td>
<td>0.87</td>
<td>0.92</td>
</tr>
<tr>
<td>I rely on this brand</td>
<td>0.86</td>
<td>0.86</td>
</tr>
<tr>
<td><strong>Brand affect</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I feel good when I use this brand</td>
<td>0.84</td>
<td>0.88</td>
</tr>
<tr>
<td>This brand makes me happy</td>
<td>0.79</td>
<td>0.92</td>
</tr>
<tr>
<td>This brand gives me pleasure</td>
<td>0.84</td>
<td>0.88</td>
</tr>
<tr>
<td><strong>Brand loyalty</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>You would patronize this brand in the future</td>
<td>0.83</td>
<td>0.83</td>
</tr>
<tr>
<td>You would repurchase this brand in the future</td>
<td>0.89</td>
<td>0.86</td>
</tr>
<tr>
<td>Everything considered how likely are you in the future to purchase another product of this brand?</td>
<td>0.77</td>
<td>0.74</td>
</tr>
<tr>
<td>Would you recommend this brand to a friend or relative?</td>
<td>0.75</td>
<td>0.68</td>
</tr>
</tbody>
</table>

**Notes:** Perceived risk consisted of formative items; ®, reversed item; (1), time risk; (2), financial risk; (3), performance risk; (4), physical risk; (5), social risk, and (6), psychological risk

**Table II.** Measures
construct (e.g. perceived risk) was to change in magnitude, would all its items change well? The other order, is it necessarily true that if one (e.g. social risk) of perceived risk items (assuming all coded in the same direction) were to suddenly change in a particular direction, others (e.g. psychological or financial risk) will change in a similar manner? If the answer is no and the items suggest multidimensionality and may, in fact, be formative and SEM estimates would be invalid. However, PLS explicitly estimates the outer weights to form construct scores, modeling formative indicators is much less problematic. PLS based formative indicators are inwards directed to maximize the structural portion of the model.”

With this debate in mind, we confirmed that PLS was more appropriate to estimate our hypotheses considering the characteristics of the perceived risk items (i.e. formative items).

Furthermore, in testing the hypotheses, we controlled for brand (dummy variables), gender, and age not only because they have been found to have an influence on the level of brand trust and affect but also because they have been shown to have an influence on brand loyalty (e.g. Polo and Sesé, 2009; Lam and Shankar, 2014). As our research subjects used one of five mobile phone brands (i.e. LG, Motorola, Nokia Samsung, and Sony Ericsson) in the two countries, we employed four dummy variables to control the brand effect on brand affect, brand trust, and brand loyalty.

4.2 Reliability and validity testing
We evaluated the measurement model for reliability and convergent and discriminant validity using commonly accepted guidelines. These results are shown in Tables II and III. First, internal reliability was assessed using Cronbach’s $\alpha$. Most of the constructs (except for utilitarian value) provided a value above 0.7, indicating good consistency of the constructs (Nunnally, 1978). In addition, all standardized factor loadings were significant, indicating convergent validity (see Table II). Furthermore, composite reliability and the average variance extracted (AVE) of these constructs met the suggested levels of 0.7 and 0.5, respectively (Fornell and Larcker, 1981). We checked the condition for discriminant validity among constructs as suggested by Fornell and Larcker (1981). All AVE were larger than the squared correlation between the construct and any others (see Table III). Overall, our constructs therefore exhibit sound measurement properties.

<table>
<thead>
<tr>
<th>Mean</th>
<th>SD</th>
<th>$\alpha$</th>
<th>CR</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
</tr>
</thead>
<tbody>
<tr>
<td>India sample</td>
<td></td>
<td></td>
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<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Utilitarian value</td>
<td>6.09</td>
<td>0.80</td>
<td>0.67</td>
<td>0.86</td>
<td>0.75</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Hedonic value</td>
<td>6.24</td>
<td>0.78</td>
<td>0.73</td>
<td>0.88</td>
<td>0.70</td>
<td>0.79</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Perceived risk</td>
<td>2.54</td>
<td>1.40</td>
<td>–</td>
<td>–</td>
<td>–0.16</td>
<td>–0.23</td>
<td>–</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. Brand trust</td>
<td>6.13</td>
<td>0.78</td>
<td>0.77</td>
<td>0.86</td>
<td>0.63</td>
<td>0.70</td>
<td>–0.26</td>
<td>0.75</td>
<td></td>
</tr>
<tr>
<td>5. Brand affect</td>
<td>6.05</td>
<td>0.77</td>
<td>0.77</td>
<td>0.87</td>
<td>0.73</td>
<td>0.71</td>
<td>–0.21</td>
<td>0.68</td>
<td>0.68</td>
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<tr>
<td>6. Brand loyalty</td>
<td>8.66</td>
<td>1.27</td>
<td>0.83</td>
<td>0.89</td>
<td>0.47</td>
<td>0.60</td>
<td>–0.25</td>
<td>0.50</td>
<td>0.51</td>
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<td>China sample</td>
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<tr>
<td>1. Utilitarian value</td>
<td>5.68</td>
<td>1.09</td>
<td>0.66</td>
<td>0.85</td>
<td>0.74</td>
<td></td>
<td></td>
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<tr>
<td>2. Hedonic value</td>
<td>5.40</td>
<td>1.13</td>
<td>0.87</td>
<td>0.94</td>
<td>0.75</td>
<td>0.88</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Perceived risk</td>
<td>3.94</td>
<td>1.09</td>
<td>–</td>
<td>–</td>
<td>–0.40</td>
<td>–0.32</td>
<td>–</td>
<td></td>
<td></td>
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<tr>
<td>4. Brand trust</td>
<td>5.72</td>
<td>1.07</td>
<td>0.73</td>
<td>0.88</td>
<td>0.77</td>
<td>0.67</td>
<td>–0.34</td>
<td>0.79</td>
<td></td>
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<tr>
<td>5. Brand affect</td>
<td>5.35</td>
<td>1.27</td>
<td>0.88</td>
<td>0.92</td>
<td>0.78</td>
<td>0.76</td>
<td>–0.36</td>
<td>0.70</td>
<td>0.80</td>
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<tr>
<td>6. Brand loyalty</td>
<td>8.17</td>
<td>2.02</td>
<td>0.80</td>
<td>0.86</td>
<td>0.64</td>
<td>0.61</td>
<td>–0.43</td>
<td>0.58</td>
<td>0.63</td>
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</table>

Table III.
Descriptive statistics, correlations, and average variance extracted (AVE)

Notes: CR, composite reliability; $\alpha$, Cronbach’s alpha; italicized values in the diagonal represent AVE values
4.3 Common method variance
We employed two techniques to examine the potential for common method variance. First, we used Harman’s one-factor test and ran an exploratory factor analysis of all observed measures with varimax rotation (Podsakoff and Organ, 1986). In both the Indian and Chinese groups, we found four clearly interpretable factors – one for each of our independent variables – with no significant cross-loadings between measures. In the Indian sample, the first factor accounted for 35.7 percent of the variance, and the last for 6.7 percent of the variance. In the Chinese sample, the first factor accounted for 39.6 percent of the variance, and the last for 6.1 percent of the variance. These findings suggested that common variance should not be a serious threat in our study.

Second, in light of the possible limitation of Harman’s one-factor analysis test, we employed the partial correlation procedure of including a marker variable in the model. Lindell and Whitney (2001) argued that common method variance can be assessed by identifying a marker variable (i.e. a variable that is not theoretically related to at least one other variable in the study). Similar to previous research (e.g. Griffith and Lusch, 2007), we used respondent age as the marker variable. The marker variable was not related to any of the variables in any of the two groups. This provides further evidence that common method variance is not a serious problem.

4.4 Hypothesis testing
To answer our hypotheses, we compared the variables in the study to examine whether any differences exist between Chinese and Indian customers. To do so, cross-cultural measurement invariance was tested using AMOS 18.0 as suggested by Steenkamp and Baumgartner (1998). Specifically, multi-group confirmatory factor analysis was performed with the constructs, namely, customer value, brand affect brand trust, and brand loyalty. As perceived risk was measured as a formative scale, it was not included in the invariance testing (e.g. Ku et al., 2013). First, the entire sample was used to test the measurement and structural models through SEM (AMOS 18.0). The results show an acceptable fit ($\text{CFI} = 0.95; \text{TLI} = 0.92; \text{RMSEA} = 0.08$) but the $\chi^2/df$ ratio (9.91) was large. However, the $\chi^2$ statistic may be sensitive to model complexity and sample size, and is not the sole determinant of model fit in measurement invariance tests (Cheung and Rensvold, 2002; Vandenberg and Lance, 2000). Further support was found for this model using the other recommended fit indices (CFI and RMSEA). Considering that cross-cultural research relies on the possibility of generalizing different measurement across multiple countries, a multi-group confirmatory factor analysis was performed to assess measurement invariance (Steenkamp and Baumgartner, 1998). In particular, we controlled for two types of measurement invariance: configural and metric. Configural invariance is achieved if the pattern of factor loadings is similar in China and India. That is, if the factor loadings are significantly different from zero in both countries, the constructs exhibit discriminant validity, and the measurement model in the two countries is adequate. As Table II shows, the factor loadings are significant and similar in both countries. Furthermore, discriminant validity was identified in both countries (See Table III). Finally, the measurement model demonstrates adequate fit in both countries. In sum, the results shown in Tables II and III demonstrate the configural invariance between the two countries in our study.

Metric invariance refers to the equality of metrics and is established by setting constraints on factor loading for each of the items and comparing obtained model fits with the base model (Steenkamp and Baumgartner, 1998; Strizhakova et al., 2008). We controlled for measurement invariance between the two countries by comparing two models: first, a configural invariance model without equality constraints; and second, a metric invariance
model in which we constrained the matrix of factor loadings to be invariant between the two countries. The $\Delta \chi^2$ difference test comparing the configural invariance model with the full invariance model was statistically significant ($\Delta \chi^2_{18} = 18.97, p < 0.05$), indicating that the full metric invariance model was not supported by the data. We therefore proceeded to the test for the third model of partial metric invariance by freeing some factor loadings. After one-factor loading was set free, the partial metric invariance model was found to have a model fit that was not significantly worse ($\Delta \chi^2_{7} = 13.56, p>0.05$) than that of the configural invariance model. In terms of other fit statistics, CFI was the same while TLI, RMSEA, and CAIC actually improved. Thus, it can be concluded that partial metric invariance is supported, which allows the subsequent cross-cultural comparison (Steenkamp and Baumgartner, 1998).

Multi-group analysis is often selected to analyze the moderating effects in PLS models, since it is especially useful for discrete moderators (e.g. gender, country, customer type, etc.). Group comparisons are commonly used in the SEM environment (Jöreskog, 1971) but can also be applied in PLS (Chin, 2000; Keil et al., 2000). Basically, a discrete moderator can be interpreted as dividing the data into groups of samples (i.e. Chinese vs Indian customers). In particular, it permits the comparison of the path coefficients between two groups at a time, which allows an interpretation of the differences in the effects between the groups. In the context of this study, the different mechanisms impacting upon customer-brand trust, brand affect, and loyalty can be revealed by comparing the models resulting path estimators across the groups. According to Chin (2000), these structural differences can, furthermore, be tested for significance with a pair-wise $t$-test (see Eberl, 2010, pp. 497-509). In sum, at the $\alpha = 0.05$ level, the coefficient between the same two variables in the India and China samples must be considered different if the $t$-value is higher than 1.96. Table IV shows the results.

$H1$ contended that utilitarian value would have a stronger effect on brand trust and brand affect in the more masculine culture (China) than in the less masculine culture (India). We found that utilitarian value had a positive effect both on China ($\beta_{\text{trust}} = 0.60$, $p < 0.01$; $\beta_{\text{affect}} = 0.43$, $p < 0.01$) and on India ($\beta_{\text{trust}} = 0.28$, $p < 0.01$; $\beta_{\text{affect}} = 0.46$, $p < 0.01$). The critical ratio for the different structure loading linking utilitarian value to brand trust in China and India was greater than the critical threshold ($t = 4.58, p < 0.01$). Thus, we can conclude that the effect of utilitarian value on brand trust is stronger in China than in India, as presented in $H1a$. However, the difference between the structural loading of utilitarian value to brand affect in China and India is smaller than the critical threshold ($t = 0.45, p > 0.05$). Therefore, $H1b$ was not supported.

<table>
<thead>
<tr>
<th>Hypotheses test</th>
<th>$t$-value</th>
<th>Notes</th>
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<tr>
<td>$H1a$</td>
<td></td>
<td>Accept</td>
</tr>
<tr>
<td>$H2a$</td>
<td></td>
<td>Accept</td>
</tr>
<tr>
<td>$H3a$</td>
<td></td>
<td>Reject</td>
</tr>
<tr>
<td>$H1b$</td>
<td></td>
<td>Reject</td>
</tr>
<tr>
<td>$H2b$</td>
<td></td>
<td>Reject</td>
</tr>
<tr>
<td>$H3b$</td>
<td></td>
<td>Reject</td>
</tr>
<tr>
<td>$H4a$</td>
<td></td>
<td>Reject</td>
</tr>
<tr>
<td>$H4b$</td>
<td></td>
<td>Accept</td>
</tr>
</tbody>
</table>

Notes: *$p < 0.05$; **$p < 0.01$
We predicted that hedonic value would have a stronger effect on brand trust/affect when the cultures were more individualistic. We found that hedonic value had a positive effect both on China (β\text{trust} = 0.21, p < 0.01; β\text{affect} = 0.41, p < 0.01) and on India (β\text{trust} = 0.47, p < 0.01; β\text{affect} = 0.37, p < 0.01). The critical ratio for the different structure loading linking hedonic value to brand trust in China and India was greater than the critical threshold (t = 3.43, p < 0.01). Thus, we can conclude that the effect of hedonic value is stronger in India than in China, in accordance with $H2a$. However, $H2b$ was not supported, since the difference between the structural loading of hedonic value to brand affect in China and India is smaller than the critical threshold (t = 0.93, p > 0.05).

According to $H3$, perceived risk is hypothesized to have a greater impact on brand trust and brand affect in countries with a high uncertainty avoidance culture. We found that perceived risk had no effect on brand trust in China (β\text{trust} = −0.04, p > 0.05) while it had a significant, positive effect in India (β\text{trust} = −0.11, p < 0.05). In addition, we also found that perceived risk had no significant effect on brand affect both in China (β\text{affect} = −0.06, p > 0.05) and in India (β\text{affect} = −0.05, p > 0.05). Therefore, the results did not support $H3a$ or $H3b$.

Finally, $H4$ maintained that brand trust/affect would have a greater impact on brand loyalty in cultures with a more long-term orientation. We found that brand trust and brand affect had a positive effect on brand loyalty both in China (β\text{trust} = 0.24, p < 0.01; β\text{affect} = 0.38, p < 0.01) and in India (β\text{trust} = 0.26, p < 0.01; β\text{affect} = 0.28, p < 0.01). The critical ratio for the different structure loading linking brand affect to brand loyalty in China and India was greater than the critical threshold (t = 1.97, p < 0.05). Thus, we can conclude that the effect of brand affect on brand loyalty is stronger in China than in India, as hypothesized in $H4b$. $H4a$, on the other hand, was rejected due to the difference between the structural loading of brand trust to brand loyalty in China and India being smaller than the critical threshold (t = 0.27, p > 0.05).

5. Discussion

Existing studies suggest two major advantages of globally marketed brands: the economies of developing a brand on a global scale and the value of being recognized in different countries (Holt et al., 2004; Hsieh, 2002). Other studies, however, raise the issue that global brands can experience hardships when they do not consider local specificities (Cayla and Arnould, 2008). In this regard, we believe that the effect of cultural differences inherent across country market segments should be emphasized more, even though global brand management in a standardized manner has received much attention in the literature (Craig and Douglas, 2000; Eckhardt, 2005; Holt et al., 2004; Hsieh, 2002). In this study, we investigated four different brand management decision elements which may be central to developing and strengthening customer-brand relationships involving cultural differences.

5.1 Theoretical implications

Despite India and China's significant position in the global market, only a few studies investigating the customer-brand relationship have been conducted in those markets. With this limitation in mind, this study evaluated the differences of the customer-brand relationship (perceived values and risk→brand trust or brand affect→brand loyalty) between India and China, based on Chaudhuri and Holbrook’s (2001) proposed model.

The following theoretical implications present themselves based on the current study. First, the study indicated that the route from the development of value proposition to the building up of brand trust and brand affect are critical steps toward achieving brand...
loyalty in both the Indian and Chinese markets. Moreover, the finding that the effect of perceived value on brand trust in two country market segments is significantly different suggests that more customized brand management strategies should be adopted. It should be noted, however, that the effect of perceived value on brand affect is not significantly different between the two countries, with the result that $H1b$ and $H2b$ were not supported. One of the reasons might lie in the fact that the mobile phones targeted in our survey are considered a dual value product stimulating both utilitarian value and hedonic value (Chun et al., 2012). This study initially hypothesized that consumers with high individualism would consider a brand as “enjoyment” leading them to express themselves through a brand, whereas consumers with high masculinity would evaluate a brand in terms of its “usefulness” and show their achievement through a brand. In this regard, consumers with high individualism would show a stronger relationship between hedonic value and brand affect ($H2b$), whereas consumers with high masculinity would show stronger relationships between utilitarian value and brand affect ($H1b$). For dual value products, “usefulness” and “enjoyment” are equally and significantly involved in building brand affect (Chun et al., 2012). It is assumed, therefore, that a mobile phone’s “usefulness” and “enjoyment” will tend to reduce the moderating effect of individualism and masculinity, respectively. Millan et al. (2013) also identified the weak moderating effect of cultural difference between perceived value and brand affect for dual value products (e.g. clothing).

Second, this study found that the effect of perceived value on brand trust is different between the two country market segments. China, a relatively more collectivistic and masculine country, showed that utilitarian value has a stronger effect on brand trust. On the other hand, India, a relatively more individualistic country, showed that hedonic value has a stronger effect on brand trust. That is, focusing on a utilitarian value proposition to develop brand trust is appropriate for Chinese markets, whereas emphasizing a hedonic value proposition is better for Indian markets. Likewise, the strength of the path brand trust/affect $\rightarrow$ brand loyalty, which is closely related to long-term orientation, was also found to be different between the two country markets. This raises the issue of how to develop more customized brand loyalty building strategies for short-term oriented cultures such as India.

Third, it is interesting to note that the difference of the effect of perceived risk on brand trust/brand affect was not statistically significant between the two cultures investigated, implying that both cultures show similar patterns in the relationship between perceived risk and brand trust/affect. The reason for this result may be traced back to the product characteristics of the smartphone and the timing of the data collection. When the data were collected in 2011, the mobile phone market was experiencing a major transition from the feature phone to the smartphone. Consumers who adopted the smartphone were offered significantly increased utilitarian and hedonic values, while at the same time having to learn new ways to use it and integrate it in their lives. This type of requirement tends to lead to higher perceived risk (Kang et al., 2014). It is interesting to note that other recent studies (Liao and Hsieh, 2013; Kesharwani and Bisht, 2012) also report relatively high perceived risk for Chinese smartphone consumers (3.78 on a five-point Likert scale) and for Indian smartphone consumers (4.33 on a seven-point Likert scale).

Finally, this study found the moderating effect of long-term orientation between brand trust and brand loyalty was not significant ($H4a$). One of the causes of this result could be that China shows higher long-term orientation and also expresses higher collectivism than India. Considering that consumers with high collectivism tend to refer
to in-group opinions and interactions in their decision making, the relationship between brand trust and brand loyalty resulting from individual experiences could be counter-influenced by China’s high collectivism.

5.2 Managerial implications
From a managerial perspective, this study provides brand managers with empirical support for which brand-related activities are likely to be most effective in country markets distinguished by their cultural differences. First, global firms should be careful when attempting to enhance the long-term customer-brand relationship. Global brand values must be communicated for each culture appropriately. In the context of this study, it is desirable that the identified match between utilitarian value and Chinese customers and between hedonic value and Indian customers should be consistently presented to each country market in a more integrative manner. Considering that perceived value significantly led brand trust/affect followed by brand loyalty, the appropriate proposition of brand value is as the starting point for building the customer-brand relationship.

Second, the current findings suggest that similar marketing efforts could produce different results in brand trust development depending on a consumer’s cultural orientation. Therefore, global brands need to design tailored and specific perceived value→brand trust→brand loyalty development processes for each of the Indian and Chinese markets. For example, India shows a lower level of long-term orientation and this significantly weakens the path from brand trust to brand loyalty. Brand managers in India should try to find the driver for the long-term orientation from within their unique cultural background rather than simply try to keep Indian customers by offering promotional tactics.

Third, this study provides brand management guidelines for the global brand or marketing manager who attempts to enter India (individualism, reduced long-term orientation, femininity) and/or China (collectivism, long-term orientation, masculinity). It suggests that a brand which communicates with customers in a particularly emotional way is more likely to be successful in the more individualized and less masculine Indian market than it would be in China. Indeed, Indian TV commercials tend to have more musical, emotional, and entertainment elements than those in China. Therefore, developing a marketing program that emphasizes more emotional marketing or branding experiences should be important for the customers in India. For China, however, a tangible marketing program will significantly increase brand trust. In other words, designing marketing programs that emphasize the functional benefits of a brand such as “quality assurance” or “unconditional after service policy” are likely to be more appropriate for the Chinese market.

Fourth, it has been emphasized that brand loyalty formation in emerging markets, such as India and China, is mainly induced by emotional aspects of brand (Kumar et al., 2009). That is, consumers in emerging markets tend to admire and respect global brands, which provide them with unique and pleasurable consumption experiences. This positive emotion leads to favorable brand affect and consequent brand loyalty, including repeat purchase. This tends to be the stereotypical customer-brand relationship building process for global brands that enter emerging markets. The findings in this study, however, suggest that brand trust is equally important in the generation of brand loyalty and that favorable brand affect is not enough to assure brand loyalty formation.

Finally, our findings provide ample justification for marketing managers considering standardization vs localization strategies in implementing a global marketing program. Specifically, the effect of perceived value on brand trust is significantly different between the two markets, but the strength of the relationships between perceived values and
brand affect are not different between the two countries. This result suggests that it may be more effective to implement localization strategies which emphasize utilitarian value in China but hedonic value in India in order to build and maintain brand trust. In terms of building up and supporting brand affect, however, the fact that our results do not support the hypothesized moderator effect of culture between China and India points to more standardized strategies being adopted in preparing a global marketing program.

5.3 Limitations and further research
In order to achieve a higher level of validity for the findings of this study, the following limitations should be noted. First, the culture scores used in this study were not obtained from individuals but instead adopted wholesale from the country-level culture scores suggested by Hofstede (1984, 2001). By doing so, this study was not able to test the statistical difference between the two countries for each of the culture dimensions, and could not control for possible variations among citizens within each country. Even though previous studies in various areas have widely used this particular scoring rubric for country cultures, for example in brand management strategies (Eisingerich and Rubera, 2010), consumer behavior in general (Millan et al., 2013), B2B contexts (Cannon et al., 2010), and e-commerce (Chen et al., 2014), the analysis and investigation of culture at the individual level would offer greater insights into the effectiveness of different branding activities. Second, this paper analyzed the customers’ attitudes toward global brands and the country of origin effect may be present throughout the study. Further research on adopting global and local brands would enhance the validity of the findings in this study. Third, as our study used a measurement of perceived risk which consisted of multiple components each with a single indicator (i.e. a formative measure), PLS instead of CB-SEM was used to test the hypotheses, an obvious limitation due to the possibility of estimate inaccuracy and not being able to provide a model fit index of the structural model. Future research might consider using an overall measure of perceived risk (i.e. a reflective measure) in order to validate the results from this study. Fourth, the use of Hofsted’s dimensions to measure cultural differences should also be checked with a view to establishing greater external validity for the results here. For example, Globe Study (House et al., 2004) suggested nine cultural dimensions which were elaborated and refined from Hofsted’s work, including the sub-categories of collectivism and the newly added assertiveness and humane orientation. These richer cultural dimensions should help to validate the brand relationship formation process model presented in this study and thereby offer sophisticated managerial implications based on the identified detailed cultural differences. Fifth, the study compared sample customers from China and India. Further study could extend this study’s findings by conducting comparative research in other emerging economic markets, such as the other two BRIC countries (Brazil and Russia), or by comparing emerging markets and advanced countries. Finally, since this paper focussed on a single dimension of brand loyalty, further study might benefit from wider consideration of various outcomes such as brand commitment, attitudinal loyalty, word-of-mouth, or brand price premium.

Note
1. In our research, perceived risk is treated as a higher-order formative construct as suggested by Luo et al. (2010, p. 228): “Formative representation is preferred over reflective because the increase in one risk dimension such as perceived social risk doesn’t necessarily cause an increase in other types of perceived risks (e.g. performance risk, financial risk, etc.).” In addition, treating perceived risk as a formative construct follows the decision rules suggested by Coltman et al. (2008) and Chin (2010).
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