Identification of Factors Affecting Chinese Wine Consumers’ Loyalty

Yong Tae Bang* and Jin Qing Du**

To ensure the relationship of brand, company, and location image with customer loyalty, this study surveyed Chinese wine consumers by convenience sampling at a Chinese hypermarket in Yentai, China. Factor analysis resulted in four variables; brand image, corporate competitiveness image, corporate social responsibility image, and location image. Regression analysis is in congruence with previous researches, supporting the positive impact of the image variables on customer loyalty. Some implications for marketing managers attempting to tackle the Chinese wine market are suggested.

Field of Research: Wine Marketing, Chinese Consumer, Loyalty

1. Introduction

Corporate brand is argued as the most sustainable source of competitive advantage (de Chernatony & Harris, 2000). A strong positive corporate brand image not only helps a firm to achieve a competitive advantage but also encourages repeat purchases (Porter & Claycomb, 1997). There is no doubt that loyalty is an important concept for marketers (Rundle-Thiele, 2004). Executives in the lodging industry, for instance, continue to emphasize customer loyalty as a key to sustaining long-term business success (Nozar, 1999). For some product categories such as champagne consumers are more sensitive to brands, because of the level of social involvement, the low level of product familiarity, and thus the difficulty for consumers to evaluate the product on the basis of its tangible attributes (Fornerino & d’Hauteville, 2010). Schmitt & Pan (1994) caution that Asians are image-conscious consumers and the brand should be associated with prestige, but that it is also important for the company to have a positive image. Thus attention is focused on such intangible attribute as image which will be dealt with as the topic in this study. Concretely, the image in the dimensions of brand, company, and location (area of production) related to customer loyalty of a Chinese wine manufacturer is to be tackled. Kim, Song, and Byun (2009) argue that brand image and brand management are key factors of success in Chinese market as Chinese consumers are showing greater interest in brands than before because of Chinese economic development and income increase. This study may contribute to heightening the probability of business success in Chinese market by revealing some practical implications for how to approach brand

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loyalty issue. This paper is organized with the beginning of literature review relevant to the theme. Then research model composed of three independent variables and customer loyalty as dependent variable is suggested and verified with regression analysis on sample data collected by face-to-face questionnaire method. Finally academic findings and practical implications for marketing activity in China are proposed.

2. Literature Review

Silva & Alwi (2008) investigated the corporate brand image of a book retailer who sells exclusively online. The research was informed by 511 responses from experienced customers of the bookstore. The findings show that corporate brand image can have a direct positive relationship with consumer loyalty. Rundle-Thiele (2004) tested a consolidated measure of loyalty in a retail context. His paper provides an insight into how a multi-dimensional view can better explain how and why customers are loyal, providing more direction to retail marketers for improving loyalty levels. Hoare & Butcher (2008) explored the antecedent roles of the Chinese cultural values of “face” and “harmony” in influencing customer loyalty, and the service quality dimensions that are most salient to the context of Chinese diners. The Chinese cultural values were found not to have significant effect on loyalty, but two of the quality dimensions, i.e. food appeal and performance comparison were shown to influence customer loyalty. Delong, Bao, Wu, Chao, & Li (2004) focused on perceptions of registered brands sold in Shanghai, expanding understanding of brand identity from a Chinese perspective. Low brand loyalty among the Chinese shoppers meant that brand image is keen. They suggest that to remain competitive, US companies which plan to increase their market in China need to pay attention to product quality and how brand identity is interpreted within Chinese culture. Moon, Joo and Jeon (2009) investigate the sequential relations among service quality, customer satisfaction and customer loyalty with brand image as a moderating variable between satisfaction and loyalty. They find that some of service quality factors have positive effect on customer loyalty, though brand image fails to show the moderating effect. Kim, Song and Byun (2009), on the contrary, position brand image not as a moderating variable but as an independent variable. Brand image positively influences brand preference. The following table summarizes and contrasts some key features of previous literature.

3. Research Process and Outcome

3.1 Research Model and Hypotheses Formation

![Research Model Diagram]

Figure: Research Model

<table>
<thead>
<tr>
<th>Brand image</th>
<th>Corporate image</th>
<th>Location image</th>
<th>Customer Loyalty</th>
</tr>
</thead>
</table>

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Brand image is an overall impression of the brand obtained by processing information from various sources over time (Anonymous, 1998). Keller (1993) defined brand knowledge in terms of two core components, brand awareness and brand image. Brand image refers to the set of associations linked to the brand that consumers hold in their memory.

A strong corporate image is the start point for subsequent customer loyalty-building (Nguyen & LeBlanc, 1998). Measuring a consumer’s overall attitude towards the company is fit for corporate image as suggested by Nicholls, Roslow, & Laskey (1994), and Ko, Kim, Claussen, & Kim (2008). Partly inciting Goldsmith, Lafferty, & Newell (2000) this study argues that corporate image is the value perceived and accumulated in the consumers’ mind. But I would like to add that perceived corporate image is accumulated not only by personal experiences but also by information acquired through contact with other people and media. Dowling (2004) conceptualized corporate image as the descriptive beliefs an individual holds about an organization. This image is formed by perceptions of the company’s ability, character, and behavior, which are going to be defined operationally at the later part of this study. Ghosh, Ahmed, Annavarjula, & Lie (2004) categorize company name associations into corporate ability and corporate social responsibility. The construct of corporate image in my model exactly represents those two categories, though the components of corporate ability are not totally matching between them and me. Corporate social responsibility is the citizenship dimension that extends the economic, legal, and ethical demands imposed on a corporation by various stakeholders (David, Kline, & Dai, 2005: 297). Environmental protection, community participation, and public welfare are included in the main subjects of corporate social responsibility (Chang, 2009: 418).

The prevailing studies have dealt with country of origin or manufacture (e.g. Lee & Lee, 2009; Yasin, Noor, & Mohamed, 2007), but not with area of production (location) in a country. Country image was first defined by Nagashima (1970) as particular picture, reputation, and stereotype towards products of a specific country held by consumers. He added that country image is formed by the country’s representative product, political and economic background, and historic tradition variables, which mean overall country image. As Chiou (2003) indicates, novices may base their product evaluation on stereotypical information such as country of origin. It is because they are unable to analyze intrinsic cues, such as physical product attributes (Maheswaran, 1994). Nonetheless, I have the same opinion as Lee & Lee (2009) in that a particular country image provides clues of product quality. This is called a halo effect (Erickson, Johansson, & Chao, 1984) whereby a country’s name triggers feelings that may be transferred on the product. Likewise, area of production (location) in a country can be assumed to be a surrogate indicator for consumers’ product evaluation and lead to loyalty. Yasin, Noor, & Mohamad (2007) propose many consumers believe that a “Made in...” label means a product is superior or inferior depending on their perception of the country. Likewise, brands from an area of production (location) that has a favorable image will be readily accepted than those from other areas of production with less favorable image. Thus, place images are powerful stereotypes that influence behavior in all types of target markets.
Day (1969) first proposed that loyalty is a concept comprising two dimensions, namely attitudinal and behavioral loyalty. These two dimensions are adopted and measured in this study. According to Zeithaml, Berry, and Parasurman (1996) loyalty may be expressed in such way as consumer preferences for a brand over others, repeated purchase of a specific brand. But this study excludes repeated purchase as it can be considered a component of purchase intention.

The following hypotheses are raised in this study.
Hypothesis 1: Brand image has a positive impact on customer loyalty. Tong & Hawley (2009) posited that brand association (image) has a significant positive effect on brand loyalty. Shukla (2009) assumed product image is the most influential factor to brand loyalty.
Hypothesis 2: Corporate image has a positive impact on customer loyalty. Merrilees & Louise Fry (2002) demonstrated that corporate image has direct impact on customer loyalty. Moreover, Selnes (1993) confirmed the direct effect of corporate image on customer loyalty. Silva & Alwi (2008) also verified the positive effect of corporate image on loyalty.
Hypothesis 3: Area of production (location) image has a positive impact on customer loyalty. Yasin, Noor, & Mohamad (2007) found that country of origin image positively and significantly influences customer loyalty.

3.2 Survey

Questionnaire method is the most effective way to collect data for quantitative statistical analysis, especially in the study of individual consumer behavior. Questionnaire was first written in Korean, and then translated into Chinese by a Chinese graduate student with the author’s assistance for detailed semantic explanation. The Chinese version was retranslated into Korean by another two Chinese graduate students, which was confirmed by the author as appropriate for collecting information relevant to this study.

Research population was obtained through convenience sampling, and intercept survey was conducted when distributing the questionnaire in the Carrefour hypermarket located at Yentai, China in April 10th, 2010. The sample size collected for this study is 49 which exceed the minimum guideline for the use of multivariate statistical procedures to analyze the data, which should be greater than five times of independent variables (Hair, Anderson, Tatham, & Balck, 1998; Elliott & Boshoff, 2007). Roscoe (1975) presented more stringent principle as follows; performing multivariate analysis, sample size must exceed many times the variables in the research, and ten times or above would be most appropriate. Even applying his principle to this study in which three independent variables (factors) are formed, the sample size of 49 is moderately acceptable. The effective response rate is 80.1 percent. The Chinese surveyor reported that 11 out of 60 were lost. Age distribution was biased toward the younger generation, especially those between 20 and 29 years of age (45.8 percent). 77.5 percent of the respondents indicated they had completed a 2-year or 4-year colleges and above educational background;
34.7 percent reported monthly income ranging from 2,000 to 2,999 RMB. The female ratio is rather higher than male ratio (53.1% vs. 44.9%).

3.3 Measurements and Data Analysis

According to Pope & Voges (2000: 97), brand familiarity appears to be based on prior experience and brand exposure by other means. Substituting brand image for brand familiarity in the above commentary of Pope & Voges, the same logic can be repeated regarding brand image. Pappu & Quester (2006) mention that retailer associations are consumers’ thoughts linked to the name of the retailer. Product variety is embraced into the measurements of brand image in this study, as it was pointed to be one of the important associations by Dominguez (2007) and Parameswaran & Pisharodi (1994). Eves & Cheng (2007) found that Chinese consumers are most likely to purchase healthy foods and least likely to buy new convenience products. This led me to include health-directedness into the brand image. Reputation was adapted from Aaker & Keller (1990) and Parameswaran & Pisharodi (1994). The competitiveness item of brand image was transferred from the ‘competent retail store’ image item in Martenson (2007) and product attribute of good value for the money in Parameswaran & Pisharodi (1994). The item of excellent advertising/PR is applied to this study from the two items of intense advertising and informative advertising in Parameswaran & Pisharodi (1994).

Javalgi, Traylor, Gorss, & Lampman (1994) measured corporate image by six items, but I adopt just two of them, i.e. ‘sponsors have good products’ and ‘sponsors are involved in the community.’ These two items are exactly the same as two of five corporate image measures in Pope & Voges (1998). David, Kline, & Dai (2005) settle on three categories of corporate social responsibility, to which 11 items belong. I adopt one item of moral category, ‘to act responsibly toward the environment’, and two items of discretionary category, ‘to contribute resources to the art and cultural programs’, and ‘to support public health programs. One additional item was newly developed for this study, ‘to support educational institutes’. These dimensions were also handled as corporate philanthropy in Barich & Kotler (1991), Winters (1988), and as environmental orientation in Belch & Belch (1987).

Area of production (location) image extracts some of its components from Srikatanyoo & Gnoth (2002) who view country image as beliefs about a country’s industrialization and national quality standard. Essoussi & Merunka (2007: 411) propose that country of design and country of manufacture may have two sub constructs: one representing country image in global terms (e.g. is the image of France favorable?) and the other representing the perceived capacity of the country to design or manufacture a specific product category (e.g. are automobiles designed or manufactured in France valued?). In addition, Roth & Romeo (1992) assert that consumers form their understanding to specific country based on their recognition of advantages and disadvantages of manufacturing products from a specific country in the past. Inspired by the above researchers, I opted for overall location image and perceived historical/cultural/environmental capacity of area as the measures for area of production image. Economy represented by income level in this
study was also selected as one of the items for country image in Han &
Terpstra (1988). Friendliness/likableness item was selected from the country
attribute in Parameswaran & Pisharodi (1994).

Customer loyalty is operationalized as a preference for a specific brand, a
priority selection of a brand over others, and disinclination to purchase other
competing brands. Some researchers also state resistance to competing
offers is a dimension of loyalty (Ganesh, Arnorld, & Reynolds, 2000; Narayandas,
1999). Loyalty as the tendency to prefer a focal retailer as demonstrated by the intention to buy from the retailer as a primary choice
(Pappu & Quester, 2006), Tong & Hawley (2009)'s indicator “when buying
clothing X would be my first choice”, and Wang (2010)'s measure of customer
loyalty as the first choice of hairstyling/barber services are all the same as that
of a priority selection of a brand over others in this study. Two of the three
measurements in this study, a priority selection of a brand and disinclination to
purchase other brands can be observed in Pappu & Quester (2008) as well.

The data collected were analyzed using SPSS version 12.0. Statistical
techniques such as factor analysis and multiple regression analysis were used
to achieve the goals of this study. Confirmatory factor analysis was employed
to clarify which variables most belong to each factors by varimax factor
rotation. Standard criterion for the factor analysis includes Kaiser’s criterion of
eigenvalue of 1 or greater, at least three items per factor, and primary loadings
of 0.40 or greater (Gorsuch, 1983: 160-164). Each item is rated on a five-point
Likert-type scale anchored by “strongly disagree” (1) and “strongly agree” (5).
Items that were cross loaded in more than one dimension can be deleted or
related to a different factor. I chose to relate them, as was performed in Silva
& Alwi (2008). Table 2 shows that corporate image turned out to be separated
into corporate competitiveness image and corporate social image. Brand
diversity and health-oriented were originally associated with brand image but
are now grouped into corporate competitiveness and social image,
respectively. One of the original corporate image items ‘good tax payer’ was
found to belong to brand image. However, I decided to delete the item from
further analysis, because I failed to find out any theoretical, empirical or
practical basis on which ‘good tax payer’ item can be declared to belong to
brand image. The final round of analysis on the retained 17 items resulted in a
four-dimensional structure. They explained 70.8% of the overall variance.

In order to assess the reliability of the items, Cronbach’s alpha internal
consistency measure was used. The results indicate a high level of internal
consistency among the four dimensions: brand image (0.74), corporate
competitiveness image (0.87), corporate social image (0.88), and location
image (0.83). The benchmark for reliability Cronbach alpha score is .70
recommended by Nunnally (1978), thus all above the recommended 0.70 cut-
off point. The regression analysis was employed to test the relationships
posited in the model. Factor scores from the factor analysis were used as the
input variables following Kim, Ma, & Kim (2006). The coefficient of
determination ($R^2$) for the equation used in this study has large effect size
($>0.26$) according to Cohen(1962)’s convention.
3.4 Findings

The dependent variable, customer loyalty, was regressed on all the variables – brand image, corporate competitiveness image, corporate social image, and location (area of production) image. The results are shown in Table 3. The model is significant at $p<.001$ indicating 99.9 percent confidence in explaining the dependent variable. All the four variables are found to have a significant and positive influence on customer loyalty at a significant level of .001 or .01. The $R$ square of .51 indicates that 51 percent of the variance in customer loyalty was explained by the variations in the four independent variables. The standardized beta weights are in the hypothesized direction. These findings substantively support H1, H2, and H3. Looking at the beta coefficients, corporate image has the highest contribution towards customer loyalty (beta=.45), followed by brand image and location image.

<table>
<thead>
<tr>
<th>variables</th>
<th>mean</th>
<th>standard deviation</th>
<th>social image</th>
<th>location image</th>
<th>brand image</th>
</tr>
</thead>
<tbody>
<tr>
<td>competitiveness</td>
<td>3.48</td>
<td>0.93</td>
<td>0.73***</td>
<td>0.53***</td>
<td>0.60***</td>
</tr>
<tr>
<td>image</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>social image</td>
<td>3.45</td>
<td>0.81</td>
<td>1</td>
<td>0.56***</td>
<td>0.58***</td>
</tr>
<tr>
<td>location image</td>
<td>3.65</td>
<td>0.83</td>
<td>0.56***</td>
<td>1</td>
<td>0.24</td>
</tr>
<tr>
<td>brand image</td>
<td>3.42</td>
<td>0.86</td>
<td>0.58***</td>
<td>0.24</td>
<td>1</td>
</tr>
</tbody>
</table>

Table 1: Correlation coefficients of independent variables
Table 2: Confirmatory factor analysis

<table>
<thead>
<tr>
<th>Component</th>
<th>Competitive image</th>
<th>Social image</th>
<th>Location image</th>
<th>Brand image</th>
</tr>
</thead>
<tbody>
<tr>
<td>brand fame</td>
<td>.398</td>
<td>.255</td>
<td>.061</td>
<td>.532</td>
</tr>
<tr>
<td>advertising excellence</td>
<td>.106</td>
<td>.112</td>
<td>- .085</td>
<td>.892</td>
</tr>
<tr>
<td>competitiveness</td>
<td>.335</td>
<td>.315</td>
<td>.112</td>
<td>.650</td>
</tr>
<tr>
<td>brand diversity</td>
<td>.794</td>
<td>.159</td>
<td>.251</td>
<td>.250</td>
</tr>
<tr>
<td>health-oriented</td>
<td>.179</td>
<td>.792</td>
<td>.108</td>
<td>.216</td>
</tr>
<tr>
<td>growth potential</td>
<td>.684</td>
<td>.281</td>
<td>.125</td>
<td>.279</td>
</tr>
<tr>
<td>quality excellence</td>
<td>.790</td>
<td>.317</td>
<td>.114</td>
<td>.179</td>
</tr>
<tr>
<td>luxury image</td>
<td>.753</td>
<td>.248</td>
<td>.256</td>
<td>.152</td>
</tr>
<tr>
<td>corporate citizenship</td>
<td>.408</td>
<td>.497</td>
<td>.317</td>
<td>.298</td>
</tr>
<tr>
<td>eco-friendly activity</td>
<td>.372</td>
<td>.697</td>
<td>.227</td>
<td>.268</td>
</tr>
<tr>
<td>cultural philanthropy</td>
<td>.259</td>
<td>.688</td>
<td>.164</td>
<td>.368</td>
</tr>
<tr>
<td>public health investment</td>
<td>.580</td>
<td>.641</td>
<td>.109</td>
<td>-.088</td>
</tr>
<tr>
<td>educational investment</td>
<td>.290</td>
<td>.677</td>
<td>.168</td>
<td>.141</td>
</tr>
<tr>
<td>locational likability</td>
<td>.342</td>
<td>.108</td>
<td>.829</td>
<td>-.072</td>
</tr>
<tr>
<td>locational wine history</td>
<td>.068</td>
<td>.090</td>
<td>.836</td>
<td>.291</td>
</tr>
<tr>
<td>income level of the location</td>
<td>.024</td>
<td>.551</td>
<td>.581</td>
<td>-.012</td>
</tr>
<tr>
<td>locational environment for wine</td>
<td>.313</td>
<td>.343</td>
<td>.697</td>
<td>-.232</td>
</tr>
</tbody>
</table>

Eigenvalue          7.91   1.96   1.11   1.05
Cumulative variance 46.55% 58.07% 64.60% 70.79%
Cronbach’s alpha     0.87   0.88   0.83   0.74

Extraction method: principal component analysis.
Rotation method: varimax with Kaiser normalization.
Rotation converged in 7 iterations

4. Conclusion and Implications

It is interesting to compare the result of this study regarding brand image in terms of its reputation with Kim, Ma, & Kim (2006). They inferred that

Table 3: Regression analysis

<table>
<thead>
<tr>
<th>Factors</th>
<th>Standardized coefficients (Beta)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate competitiveness image</td>
<td>.45***</td>
</tr>
<tr>
<td>Corporate social image</td>
<td>.45***</td>
</tr>
<tr>
<td>Location image</td>
<td>.33**</td>
</tr>
<tr>
<td>Brand image</td>
<td>.36**</td>
</tr>
<tr>
<td>Age</td>
<td>-.23</td>
</tr>
<tr>
<td>Monthly income</td>
<td>-.06</td>
</tr>
<tr>
<td>Sex</td>
<td>-.04</td>
</tr>
<tr>
<td>Job</td>
<td>.02</td>
</tr>
<tr>
<td>Educational background</td>
<td></td>
</tr>
<tr>
<td>Adjusted R2</td>
<td>.51</td>
</tr>
<tr>
<td>F value</td>
<td>5.71***</td>
</tr>
</tbody>
</table>

*** p<.001, ** p<.01
reputation does not automatically promote product loyalty, while this study confirms the role of brand reputation as one of the components of brand image contributing to customer loyalty. As Veloutsos, Gioulistanis, & Moutinho (2004) implied, products with a strong brand image would create more loyal followers.

Maintaining healthy relationships between a company and the public is perceived to contribute to a corporation's ability to be a leader within a product category. Brown & Dacin (1997) also demonstrate that development of brand equity via socially responsible actions can be used to generate competitive advantages. McGuire, Sundgren, & Schneeweis (1988) analyzed the Fortune 500 companies and found that the businesses without social responsibility usually cannot implement their strategies effectively.

Favorable information about the location (area of production) helps create positive attitude toward the customer loyalty. A plausible explanation for this expected relationship is that Chinese consumers perceive the wine brand originating from the area of production (Yentai) is reliable and high quality. Since consumers are mostly well educated, as indicated by the education level of the study sample (77.5% of them with college degree), it can be expected that they are well informed about the original production area of their selected brand. I note, however, that the importance of location image as a contributor to customer loyalty is lowest in this study. This supports Akaah & Yaprak's (1993) claim that intrinsic cues are more significant than extrinsic cues. Khan & Bamber’s (2008: 586) remark on why country of origin seems to exert a more limited influence among buyers may account for the result of location image in this study; the higher educational qualifications means that such consumers are better informed and have more detailed extra information, thereby being less influenced by national stereotypes. Accordingly, location (area of production) image may be a part of any product evaluation but will not dominate the customer loyalty.

The findings imply that wine producers attempting to tap into Chinese market should put greater emphasis on creating good image of their brand, company and production area in order to ensure loyal customers. Marketing practices should also be directed to enhance overall image. As Epstein & Roy (2001) state, a key performance driver of a successful program is communication and promotion of the program. Thus marketing managers should take more pains to maximizing the effect of their marketing communication strategy. In implementing that strategy price-oriented promotions should be used with caution in China, as frequent price discounts negatively affect brand image even though they possibly promote brand awareness (Tong & Hawley, 2009: 578). Hsieh & Li (2008) empirically shows that company's dedication to the proactive of PR is worthwhile because PR can definitely enhance customer loyalty. But the researchers give a caution that when brand image is unfavorable, a company's messages differ greatly from consumer cognitions and consequently the company's objectives are more difficult to achieve. The findings of Tong & Hawley (2009: 577) that TV advertising expenditures have a negative relationship with brand loyalty imply that advertising (especially traditional media advertising) is not as effective in the Chinese market as it is
in Western markets, for the consumers in collectivist societies such as China and Korea interdependently interpret advertising messages and thereby diluting the impact of advertising. Schultz & Robinson (1986) warn that often special promotions such as price discounts and coupons do not create brand loyalty.

In a wine marketing context, retailers acknowledge the importance of origin (location) through their practice of categorizing bottled wine in the shelves by origin (Orth, Wolf, & Dodd, 2005: 89). Nowak, Thach, & Olsen (2006: 317-318) suggest emotion marketing to wine marketers, which means a total company effort by employees, events, and communications to give the customer a tremendous sense of belonging and camaraderie. They exemplify tasting room experience as a perfect place to start building this relationship with younger wine consumers. Loyalty programs such as community-building (i.e. support of local schools or events) can build strong emotional bonds. It seems there is an immutable link between wine production location and quality. Tying all the information together on the relationships between brand image, corporate image (in terms of competitiveness and social responsibility), and location (area of production) image sought by consumers provides marketers with a powerful tool for effectively addressing and persuading consumers, thereby acquiring customer loyalty.

Though the shopping center (hypermarket) intercept survey is recognized as an effective method of collecting data, limitations arise from the lack of random sample selection. Replication of the study with different product categories in different countries would be beneficial in understanding the extent of the model's usefulness.

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