

International Journal of China Marketing

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International Journal of China Marketing Statement

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The International Journal of China Marketing is proposed by a group of scholars who believe that given the fast growing business in China it is necessary to have a platform to share ideas and knowledge about marketing in China. Currently there is no international academic journal about marketing in China. The journal is in its process to be registered with SSCI index service and the articles published in the journal are fully indexed by google scholar.

This peer reviewed international journal is published biannually for practitioners and academicians interested in marketing in China and study about China. It provides essential reading for those who need to keep in touch with the ever-evolving facets of marketing practices and theories in China. Practitioners and scholars from various disciplines apply theories, methods, and skills to identify, to study, and to provide the solutions to all kinds of marketing problems in China that are faced by all kinds of business organizations, from the small scale family-run stores to the large corporations.

Our journal is dedicated to the advancement and dissemination of business and marketing knowledge by publishing, through a double-blind refereed process, ongoing results of research in accordance with international scientific and scholarly standards. Articles are written by business leaders, policy analysts, and active researchers for an audience of specialists, practitioners and students.

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Editorial Commentary: The Socialism with Chinese Characteristics

The reform and opening up of China has made brilliant achievements in the first 5 years of the new century. Moreover, the Communist Party of China's new generation of collective leadership with Hu Jintao as the general secretary has sized up the situation and has put forward a scientific outlook on development, as well as a ruling strategy of "being people-oriented and constructing a harmonious society", which has vitalized national development greatly. During the 10th Five-Year Plan period (2001-2005) the national economy has maintained a sustainable and rapid development at the macro level. On March 14, 2006, the fourth session of the 10th National People's Congress approved the 11th Five-Year Plan (2006-2010) for National Economic and Social Development. The economic development in the twelfth Five Year Plan period (2011-2015) will have a decisive impact and has exerted a tremendous influence in laying a solid foundation for the formulation of the growth of economy in China.

The Great Accomplishments

According to the 11th Five-Year Plan for Chinese economic and social development formulated previously, the gross domestic product (GDP) of China should have reached 26.1 trillion yuan in 2010 with an annual growth of 7.5 percent, and the per capita GDP should have reached ¥19,270 RMB with an annual growth of 6.6% (National People's Congress, 2006). However, by 2007, China's GDP had reached ¥26.58 trillion RMB and per capita GDP exceeded ¥20,000 RMB (The National Bureau of Statistics, 2011). The data published by the National Bureau of Statistics of China showed that China's national economy took the lead in recovering from the international financial crisis in 2009. In 2009, China's GDP reached ¥33,535.3 billion RMB, 8.7% higher than that in 2008 but 0.9% point lower than that in 2007 at the comparable prices. In 2009, the total social investment in fixed assets was ¥22,484.6 billion RMB, up 30.1% year-on-year, 4.6% higher than that in the previous year.

The retail aggregate of social consumer goods reached ¥12,534.3 billion RMB, increased by 15.5% over the previous year, a real increase of 16.9% and 2.1% higher than that in the same period of previous year with the considering of the price changes (National Bureau of Statistics, 2010). During the period of 11th Five-Year Plan, the Chinese economy maintained a relatively fast growth instead of the international financial crisis happened in the same period. China's GDP reached ¥39.8 trillion RMB with an average annual growth rate of 11.2%, and the national fiscal revenue increased from ¥3.16 trillion RMB to ¥8.31 trillion RMB (Wen, 2011), which indicated that the economic goals of the 11th Five-Year Plan were successfully completed.

In 2006 China surpassed Italy, France and England became the fourth-largest economy with a GDP worth \$2.229 trillion USD, while the United States maintained the strongest economic power in the world with a GDP of \$12.455 trillion USD; Japan was ranked second with a GDP of \$4.505 trillion USD. Germany was ranked as the third one followed by China (Reuters, 2006). In January 2009, China's National Bureau of Statistics announced that the GDP growth rate of China in 2008 was 13%. In 2007, the China's GDP in 2007 was about \$3.383 trillion USD, slightly surpassing the third largest economy

Germany, whose GDP in 2007 was \$3.321 trillion USD. Vivek Arora, the chief representative of the International Monetary Fund in Beijing, publicly announced that, China was already the third-largest economy following the United States and Japan in 2007. On February 14, 2011, Japan's Kyodo News reported that the nominal GDP of the country in 2010 was \$54,742 billion USD \$4,044 billion USD less than that of China, which means China overtook Japan became the second-largest economy (Tian, et al., 2013a).

Historical Process

The course of historic process is never smooth for the Chinese people. After the Opium War launched by the British Army in 1840, China gradually became a semi-colonial and semi-feudal country, the development of Chinese nation suffered a significant setback. However, Marxism-Leninism was introduced to China from Russia, the first socialist country in the world; those who were influenced by Marxism-Leninism in the early 1920s founded the Communist Party of China. The first generation leadership group of the Party, with Mao Zedong as the representative, mastered the essence of Marxism-Leninism, comprehended the situation of Chinese society, and carried out a series of revolutionary action by encircling the cities from the rural areas and seizing political power by armed forces. They led the Chinese people practiced and developed Marxism-Leninism within the Chinese context and established People's Republic of China in 1949. In the first Five-Year Plan of economic development period, Mao Zedong and his comrades worked hard to recover the national economy from wars, which laid a foundation stone for Chinese transformation from a backward agricultural country into an advanced industrial country.

In 1960, China encountered some difficulties and general feeling of insecurity in the process of socialist construction. In order to tide over the crisis, Mao economized on food and clothing together with his fellow citizens. He emphasized that we have to settle down to build our modern industry, modern agriculture, modern science and culture, and modern defense (Mao, 1999a). Later, Mao and his team announced an ambitious plan: to realize the modernization of agriculture, industry, military, and science in China. The goal of four modernizations inspired the whole nation and generated great powers to overcome difficulties. At the same time, Mao Zedong spoke highly of the science and technology activities in the production initiated by the Chinese people across the country. He clearly pointed out that the innovation and technology revolution has now become a great movement. It is very urgent to sum up experience, strengthen the leadership and solve the problems in the movement, to guide the movement into a proper and scientific track (Mao, 1999b). Under the leadership of the Chinese Communist Party, the Chinese people united as one, overcame difficulties and worked hard for the realization of the four modernizations proposed by the central government.

Since 1978, the second-generation leadership group of the Communist Party of China, with Deng Xiaoping as the representative, advocated emancipating minds to reform the rigid planned economy and to open the door to the world. . Deng Xiaoping led the Chinese people to continue the construction of the four modernizations put forward by Mao Zedong, based on new historical conditions. Deng Xiaoping's theory states the contradiction, as well as the task and direction of the primary stage of socialism, is the program of making a fortune for the Chinese people by hard working. In about 20 years, Chinese people obtained high-speed development in socialist economic construction and solved the problem of food and clothing by the end of 2000. Chinese people who have been striving for food for thousands of years were wreathed in smiles (Tian, et al., 2013b).

In short, since 1840, under the guidance of Marxism-Leninism, Chinese people creatively established some significant thoughts including Mao Zedong Thought, Deng Xiaoping's Theory, Three Represents, and the Outlook of Scientific Development, and formed the theoretical system of socialism with Chinese characteristics. These theoretical innovations are the core of all the party's policies, the essence of national development strategy and the soul of the Chinese nation. Without the guidance of correct theories, China would not be able to gain the success that attracts worldwide attention. Obviously, it is a matter of great importance for China to put forward innovational theory to keep developing constantly.

Socialist Theory with Chinese Characteristics

Marxism believes that human society is an organic unity of economy, politics, culture and the natural environment. In Marxism perspective, civilization is an organic unity of material civilization, political civilization, spiritual civilization and ecological civilization. Marxist classical writers provided some specific descriptions of a society which provides social members the opportunity to fully display their creative ability instead of having their development constrained. In fact, human beings have concluded some basic rules of material civilization, political civilization, spiritual civilization and ecological civilization in the experience and lessons of social practice. In addition, they have carried out a variety of activities which comply with objective law and have made excellent achievements.

The Chinese people have an especially deep understanding of the “Four Civilizations” in the process of modernization. On one hand, in the process of development in human society, the “Four Civilizations” are closely connected with each other, which is also the universal law of human societal development. On the other hand, once political civilization and spiritual civilization is formed, they have relative independence and historical inheritance and their own particularity. Socialist material civilization, political civilization, spiritual civilization and ecological civilization is a mechanism with closely connected and unified with the practice of socialist modernization. Due to various reasons, many people seem to understand theoretically that socialist society is a one with comprehensive development of material civilization, political civilization, spiritual civilization and ecological zoology civilization. However, in practice, some people do not act in accordance with the standard of social comprehensive development. As a result, they fail to reach the goals of social development outlined by Marxist classical writers.

On January 9, 2006, the National Science and Technology Congress was held in the Great Hall of People in the Chinese capital of Beijing. As China’s first grand meeting of science and technology in the new century, it not only provided a stage to display talents, but also offered an opportunity to develop strategies for modernization development. On the same day, the General Secretary of the Chinese Communist Party Hu Jintao stated that the country must adhere to the path of independent innovation with Chinese characteristics, and turn China into an innovative country. Hu’s statement was a summary of innovative concepts in Chinese history, as well as a proposal of the Chinese historic task in the 21st century. The development of socialism with Chinese characteristics and the construction of an innovative country were not only a strategic objective but also a challenge to the Chinese people. Hu emphasized that turning China into an innovative country within 15 years is an extremely arduous task, at same time it is an extensive and proud social change (Hu, 2006). The period from 2006 to 2020 is a significant historical stage for the Chinese socialist economy construction. Chinese people have taken up the historic mission of national rejuvenation. The development of socialism with Chinese characteristics and the construction of an innovative country can be reflected in the following aspects:

-Independent innovation is the foundation Rapid development of science and technology in the 21st century is inevitable. The competition between countries actually is the competition of comprehensive national power, which is formed by the culture of a world economy and the military. The key method for the country with stronger comprehensive national power is to attain fully to all the achievements of scientific and technological innovation of independent intellectual property rights. Without independent innovation, it is difficult for the country to break through the limitation of the intellectual property rights barrier or to solve fundamentally the major strategic problems produced by development and the country’s security needs.

Independent innovation is the foundation of the independent development of the national economy and society; it is also the foundation of the indispensable lifeline of China’s growth and development. Chinese people should increase the country’s comprehensive innovation ability significantly from the aspect of a broad world vision. Only in this way can they have the competitive advantage in basic science and frontier technology research, and only in this way can they improve the key technology and core competitiveness to enhance greatly comprehensive national strength. Eventually, innovation can help China become more powerful to seize opportunities, easily take on various challenges and to do its best to press forward the socialist cause.

-Goal: to enrich Chinese people The ultimate goal of Chinese socialist construction and economic system reform is to establish a powerful socialist economy, and to create a well-off society that has never before existed, and to build a harmony society to benefit the Chinese people. It will take a long time to achieve this goal. In 1960, after suffering some setbacks, Mao Zedong expressed his understanding to international friends and domestic comrades clearly: it will take 100 years or more to make China become a strong socialist economy (Mao, 1999c). After more than 30 years, the practice of reform and opening up has not only confirmed this profound understanding but also further developed Mao Zedong's thoughts. Chinese economic construction experience and lessons in the second half of the 20th century indicated that, three serious transformations must be carried out: switch from a planned economy to a market economy, switch from an agricultural society to an industrial one, and switch from a closed society to an open one.

However, in the process of building socialism with Chinese characteristics and building an innovative country, Chinese people carry out innovation practice independently and get benefits from the achievements. As such, Chinese people are delighted about the current economic and social situation. On the other hand, there is also something to worry about. Most people experience the happiness brought by the reform, and sincerely support reform. At the same time, they are dissatisfied with the widening income gap and inconvenient public service. The former economic construction had never met such problem. Therefore, we should use innovative thinking and explore methods to look for the answer. In a word, a people's feeling of happiness is the true bond of cohesion of national power. Through the active practice of reform and innovation, and through expanding the opening of and the deepening of reform of the economic system, we can solve the deep-seated problems exposed, safeguard the legitimate rights and interest of people, and share the results of the reform.

-The courage to participate in world market competition The competition of world business like a cold war. The competitors need to occupy the commanding heights of international economic competition with a high-spirited attitude and a fighting spirit. Compared with the high technology in developed industrial countries, the overall level of China's science and technology remain low. It should keep bettering itself in the commercial competition of science and technology. China should apply the achievements of independent innovation in product manufacturing, to occupy an important part of the industrial chain of world economic integration. Otherwise, it will lose its vitality and eventually be eliminated by the market. China should invest more capitals in some specific areas of technology to catch up with other industrial countries.

In addition, in some scientific areas related to national development and security, China should try to seek a breakthrough in new technology, should focus on some significant fields, and should expand its international market share, in accordance with national conditions and strength. Nowadays, China is trying to step into the international business market, by providing some products using independent intellectual property rights to meet the needs of the world market. China's products in high-tech fields, such as satellite launching, shipbuilding, and products of daily use, such as clothing, toys, hardware, sneakers, are being sold worldwide. As such, China has become the "world factory" of those products. China should keep developing brand-new, pertinent and practical technology, to guarantee the competitive advantage in different levels of science and technology (By: Tian Guang and Li Baoku).

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An Inter-organizational Perspective on Marketing Channels Governance: The Influence of the Institutional Environment

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Researches on marketing channels constitute an important part of marketing research. With the change of the competitive situations in the markets and the development of the marketing theories, the focus of the marketing channels research changed from emphasizing on efficiency and benefits to power and conflicts, and then to relationship and alliance as well as networking. Most of the previous marketing channel studies have applied an efficiency-based task environment perspective and largely overlooked a legitimacy-based institutional environment approach in studying the process of channel governance. In the paper, I propose that marketing channel is a kind of institutional arrangement and inter-organizational relationship in the nature. So companies must pay attention to the degree of acceptance and agreement of their decisions and behaviors when they are governing marketing channels. The paper first reviews previous theories and studies on marketing channel governance and inter-organizational relationships. The author absorbs valuable ideas from them and proposes a theoretical framework and some propositions, and explains and tests the framework and the propositions through two case studies.

INTRODUCTION

Wilkinson (2001) divides studies about marketing channels into three stages: channel structures, channel behaviors, and channel relationships. In the first stage, researchers tried to find out ways of optimizing the efficiencies and benefits of managing marketing channels. In the second stage, researchers tried to unveil the power and conflict between channel members. In the third stage, researchers tried to find out ways of reducing or eliminating opportunistic behaviors through mutual commitment and honest. Actually, some scholars had begun to study marketing channels from the perspective of network governance.

In most of these studies, many scholars have used the political economy framework (Achrol, Reve, and Stern, 1983; Frazier, 1999; Hutt, Mokwa, and Shapiro, 1986, Stern and Reve, 1980). Scholars implicitly have ascribed active choice behavior to channel members while stressing efficiency in governing channel relationships. They have considered the implications of environmental uncertainty or dependence on environmental resources for dyadic channel relationships (such as conflicts and cooperation, Dwyer, Schurr, and Oh, 1987), power balances (such as power-dependence relationships, Frazier, 1983b), and relationships with entities outside the dyads (such as regulators and other actors, Dutta, Heide, and Bergen, 1999) from traditional economic efficiency perspectives. In the process, scholars have largely overlooked the ubiquitous influences of the institutional environments and how inter-organizational relationships such as marketing channels are embedded in the larger social context (Granovetter, 1985; Grewal & Dharwadkar, 2002). Recent advances in organization theory suggest that organizations strive for both economic fitness, which emphasizes the competition for scarce resources and

underscores the importance of the task environment, and social fitness, which stresses the pursuit of legitimacy in the eyes of important societal stakeholders and pinpoint the significance of the institutional environment.

The term *governance* has been broadly defined as a “mode of organizing transactions” (Williamson and Ouchi, 1981). A more precise delineation was offered by Palay (1984), who defines it as “a shorthand expression of the institutional framework in which contracts are initiated, negotiated, monitored, modified, and terminated.” Heide (1994) states that governance is a multidimensional phenomenon that encompasses the initiation, termination and ongoing relationship maintenance between a set of parties.

In this paper, the authors propose that marketing channels are inter-organizational relationships in the nature. When companies are governing marketing channels, they are actually governing inter-organizational relationships. This is an institutional process. The primary measuring standard of the governing effects is legitimacy, but not the traditional efficiency.

THEORETICAL BACKGROUNDS AND MODEL

Institutional theory holds that a company’s institutional environment is made up of the norms and values of its stakeholders, which include customers, investors, guilds, trustee councils, governments, and partners. According to institutional theory, a company adopts some structure, behavior or process to satisfy other stakeholders. This behavior of seeking external recognition is the result of the institutional environment’s influence. Therefore, legitimacy becomes a key concept in institutional theory.

Suchman (1995) “a generalized assumption or perception of the actions of an entity are desirable, proper, and appropriate within some socially constructed norms, values, beliefs, and , definitions.” Legitimacy requires companies’ behaviors to be consistent with public cognition and emotional expectations. That is, companies will adopt those structures, behaviors, and processes that are considered as effective, appropriate, and popular. Accordingly, companies are not rationally pursuing efficiency but conforming to external rules and norms, so as to make their behaviors be accepted, understood, and recognized by other stakeholders. Therefore, gaining legitimacy is of great importance to companies that operate within the institutional environment. In order to gain legitimacy, many aspects of organizational structure and behaviors are designed and performed to be accepted by the institutional environment but not to pursue efficiency.

Marketing channels governance is a part of a company’s operations. The decision, behaviors, and processes of governing channels must be consistent with the company’s strategy. They all have to be accepted, understood, and recognized by other stakeholders. This is an institutionalized process. Therefore, gaining legitimacy of their channel-governing decisions, behaviors, and processes is also of great importance. Market channel won’t be one of the sources of sustained competitive advantages if the decisions, behaviors, and process are not legitimate.

INTER-ORGANIZATIONAL STUDIES

Inter-Organizational institutions

Institutional theory insists that we should study organizations’ environments so as to better study and understand companies’ behaviors and explain organizational phenomena (Meyer & Rowen, 1977). Institutional theory divides environments into institutional environments and task environment, which have different influence on organizations. Organizations should take into account the task environment and the institutional environment as well, since organizations are always influenced by the institutional environments and they are institutionalized organizations. Institutional theory stresses that organizations are able to take initiatives to change their environments so as to better survive and develop. According to institutional theory, a company is operating within a social framework of norms and values. Their economic behaviors are constrained by technology, information, income, and social constructs as well. Being consistent with social expectations is beneficial to their survival and successes (Baum and Oliver, 1991; Carroll and Hannan, 1989; DiMaggio and Powell, 1983; Oliver, 1991). Organizations improve their

legitimacy, resources, and surviving capabilities through following up so as to gain benefits.

Inter-Organizational Imitations

Inter-organizational imitation of practices and structures plays a central role in several theories of organizational actions (Haunschild, 1993). For example, theories of organizational learning argue that organizations copy other organizations, letting others absorb the costs of experimentation or discovery (Dutton & Freedman, 1985; Levitt & March, 1988; Lant & Mezias, 1990). Strategic choice theories suggest that imitation can be a strategic response to competitor activities, so second-movers take the advantages of the fact that the risks associated with product development have been absorbed by first-movers (Lieberman & Montgomery, 1988). Institutionalization theory argues that organizations copy practices that adopted by others in an effort to gain legitimacy (DiMaggio & Powell, 1983).

It is self-evident that inter-organizational imitations are of great importance. But how do organizations imitate? Haunschild & Miner (1997) indicate three modes of inter-organizational imitation, including frequency-based imitation, trait-based imitation, and outcome-based imitation. With frequency-based imitation, organizations tend to imitate actions that have been taken by large numbers of other organizations. Several theoretical rationales have been marshaled to support frequency imitation, and considerable empirical evidence documents its occurrence. According to early institutional research, firms adopt practices and structures that many other firms have adopted because when many firms adopt a practice, the legitimacy of that practice is enhanced (Tolbert and Zucker, 1983; DiMaggio and Powell, 1983). This effect can occur because the desire for legitimacy leads firms to adopt legitimate practices (Meyer and Rowan, 1977). In trait-based imitation, organizations may also selectively imitate practices that have been used by some subset of other organizations. Arguments for trait imitation have generally emphasized the importance of social processes. Early institutional theorists (e.g., DiMaggio and Powell, 1983) suggested that firms adopt the practices of “legitimate” organizations and that legitimacy is inferred from traits like large size and success. Organizations may also seek to acquire status by imitating higher-status organizations (Fombrun and Shanley, 1990), which are usually large and successful. With outcome-based imitation, organizations use the outcomes that occur after other organizations use a practice or structure to determine whether they should adopt. Thus, neither the number nor the characteristics of others doing practice “A” is important. Instead, it is the apparent outcomes that occur after other organizations do “A” that determines whether “A” will be imitated. Practices or structures that produced positive outcomes for others will be imitated; those that produced negative outcomes will be avoided. Selective imitation does not arise from features of other users but from perceived consequences of the practice. Companies are not limited to only one of the three modes. During the competition, the imitation mode they will apply varies with their competitors and decisions.

Inter-Organizational Power and Dependence

The most comprehensive theoretical statement on inter-organizational power and dependence was a 1978 book by Pfeffer and Salancik, which presented a detailed theoretical discussion as well as the results of a number of the authors’ earlier empirical works. Pfeffer and Salancik began with four key premises: organizations are first and foremost concerned with survival; in order to survive they require resources which they cannot generate internally; as a consequence, organizations must interact with elements in the environment on which they are depend, which often include other organizations; survival is therefore based on an organization’s manage its relations with other organizations. Because organizations depend on elements in their environment for resources, those groups can make claims on them, and organizations may find themselves attempting to satisfy the concerns of these environmental constituencies. According to Pfeffer and Salancik, there are three crucial factors that determine to which one organization depends on another: the importance of the resource to the organization’s survival, the extent to which a particular group inside or outside the organization has access to or discretion over use of the resource, and the extent to which alternative sources of the resource exist.

One important feature of Pfeffer and Salancik’s discussion is their point that dependence can be mutual. Just as one organization can depend on another, two organizations can simultaneously depend on

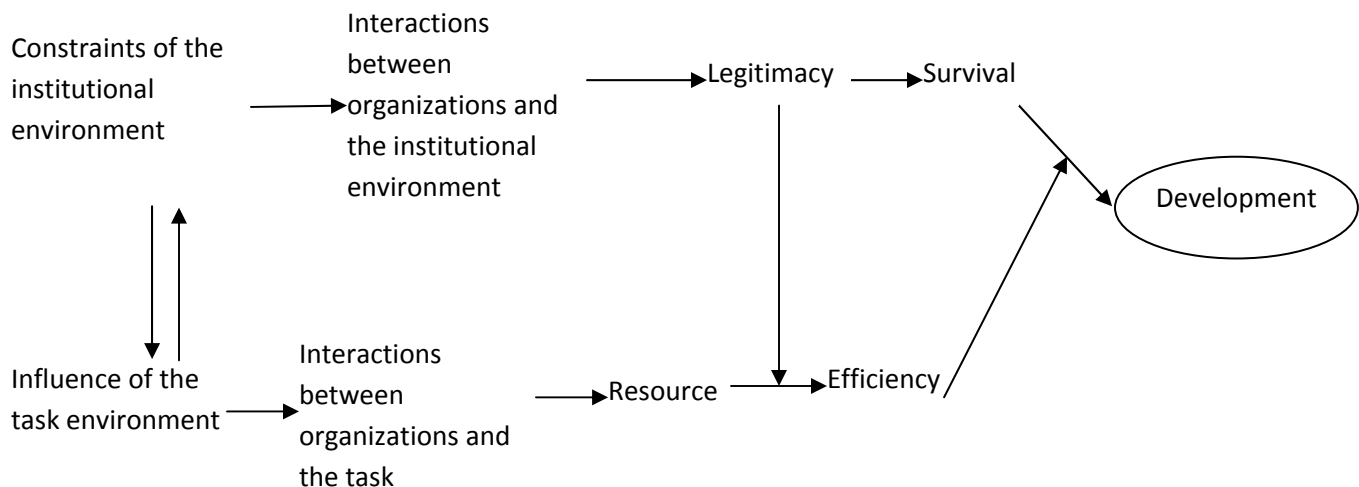
each other. Power becomes unequal when one organization's dependence exceeds the other's.

CONCLUSION

In order to survive organizations should first be recognized by other organizations or stakeholders. That means they should acquire legitimacy first. Only after acquiring legitimacy can organizations create efficiency through operating resources they obtained from their interaction with the task environment and facilitate organizations sustained development. Therefore, organizations should first consider the legitimacy of their decisions, behaviors, and processes in their operations, and then pursue efficiency. In this way, organizations can survive and develop in the long run.

Since late 1990s, some scholars have begun to elaborate and argue the institutional environment's influences (Handelman and Arnold, 1999; Homburg, Workman, and Krohmer, 1999; McFarland, Bloodgood, and Payan, 2004). Grewal and Dharwadkar (2002) indicate that the institutional environment influences the channel attitudes, behaviors, processes, and structures. They proposed a theoretical framework and logic for studying the institutional environment's influence on dyadic channel relationships. They developed three institutional processes (regulating, validating, and habitualizing) and their underlying mechanisms according to the various attributes of the institutions and legitimacies, and elaborate on how these processes might influence channel relationships. Reacting to Grewal and Dharwadkar's calling for empirical studies on the institutional environment in marketing channels, McFarland, Bloodgood, and Payan (2004) applied institutional theory to examine channel reaction behaviors in supply chains, attempting to explain why fellow channel members imitate one another's behaviors. The study explains how the institutional environment influence channel behaviors and processes. They argued that institutional isomorphism can provide a rationale for the take-for-granted channel behaviors, which are not able to be explained with economic rationality.

FIGURE 1
ORGANIZATIONS' SURVIVAL AND DEVELOPMENT
INSTITUTIONAL PERSPECTIVES ON MARKETING CHANNEL GOVERNANCE



In order to study the roles of the institutional environment in marketing channels, we should first know what the institutional environment in marketing channels is. Based on institutional theory (Meyer & Rowan, 1977; DiMaggio & Powell, 1983; Scott, 1987), we divide institutions into regulatory institutions, normative institutions, and cognitive institutions. We can describe the rules, expectations, and habitual behaviors by dividing the three institutions (Scott & Meyer, 1983). But the power and acting space the organizations get are double-edged and locked-in. On the one hand, organizations must conform to rules, expectations, and habitual behaviors required by the institutional environment, which might be a

constraint. On the other hand, organizations can tactically use the institutional environment as a resource and an entry barrier as well. Therefore, the institutional environment might be an extraordinary competitive advantage.

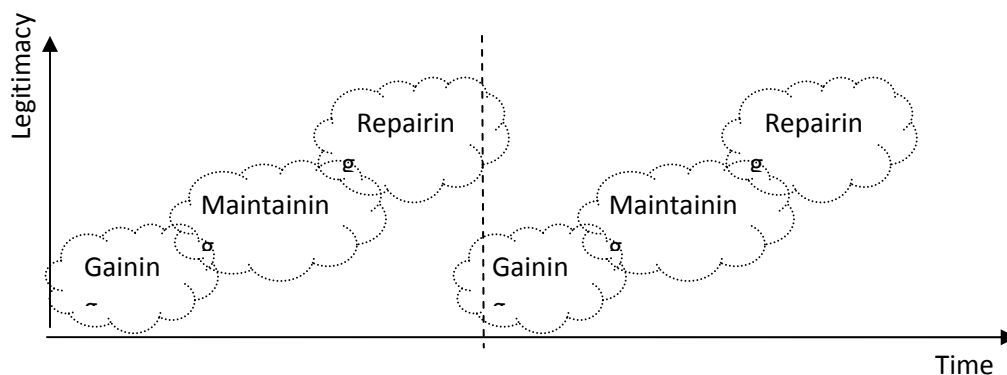
Legitimacy in Marketing Channels

In the past decades, sociologists have offered a number of definitions of legitimacy. Pfeffer and his colleagues stressed that legitimacy is an evaluation, but highlighted cultural conformity rather than overt self-justification (Downing & Pfeffer, 1975; Pfeffer, 1981; Pfeffer & Salancik, 1978). In this view, legitimacy connotes “congruence between the social values associated with or implied by organizational activities and the norms of acceptable behavior in the larger social context” (Downing & Pfeffer, 1975). Meyer and Scott (Meyer & Scott, 1983; Scott, 1991) also considered legitimacy as stemming from congruence between the organization and its cultural environment. However, they focused more on the cognitive than the evaluative side (Suchman, 1995). Organizations are legitimate when they are understandable, rather than they are desirable. “Organizational legitimacy refers to the extent to which the array of established cultural accounts provide explanations for an organization’s existence” (Meyer & Scott, 1983b: 201; DiMaggio & Powell, 1991). Suchman’s definition of legitimacy includes the both aspects. He defines legitimacy as “a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some social constructed system of norms, values, attitudes, and definitions” (Suchman, 1995).

Our definition of legitimacy in channel governance is based on Suchman’s definition. We define channel governance legitimacy as “the extent to which the decisions, behaviors, and processes are accepted and recognized by other stakeholders when they are governing inter-organizational relationships in channels”.

The institutional environment requires legitimate behaviors, so managing legitimacy is of great importance. We argue that managing legitimacy is a dynamic and continuous process (figure 2), including gaining legitimacy, maintaining legitimacy, and repairing legitimacy (Suchman, 1995). Besides, the gained legitimacies are not always effective, since they have lives. When one kind of legitimacy can not satisfy the organization’s demand for surviving and developing or a new legitimacy is needed, the organization will begin a new process. Therefore, legitimacy managing is a dynamic and loop process.

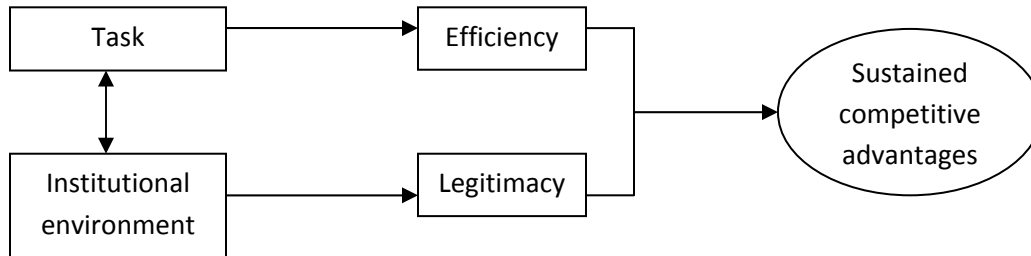
**FIGURE 2
THE DYNAMIC PROCESS OF MANAGING LEGITIMACY**



When evaluating effectiveness and performance of a company’s channel structure, behaviors, and process, we should consider both efficiency, which is influenced by the task environment, and legitimacy that is stressed by institutional theory. An organization’s demand for legitimacy is bigger than that for efficiency. Efficiency is only guaranteed in the long run after the organization has gained legitimacy. We can completely understand and explain the process of forming and implementing decisions and explain the problems organizations encounter in channel governance through combining efficiency and legitimacy.

The ultimate goal of organizations is not to pursue legitimacy and efficiency, but to gain sustained competitive advantages so as to ensure long-term survival and development (figure 3).

FIGURE 3
THE PROCESS OF GAINING SUSTAINED COMPETITIVE ADVANTAGES

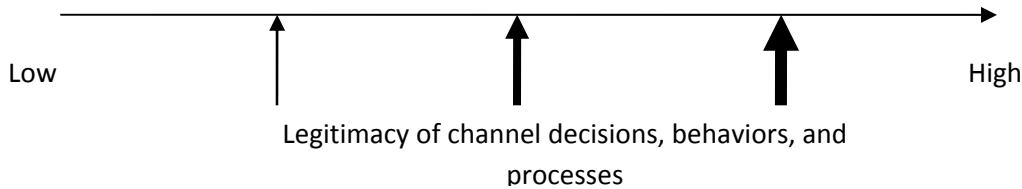


Based on the above discussions, we propose proposition 1 and proposition 2.

H1: Organizations’ channel governance decisions, behaviors, and processes are embedded in specific institutional environment. The judging standard of channel governance is the extent to which the decisions, behaviors, and processes are accepted and recognized by other stakeholders. The extent determines the possibility of gaining efficiency.

H2: Managing Legitimacy is a dynamic process, during which organizations will apply different strategies to gain, maintain, and repair legitimacy so as to make the extent to which their decisions, behaviors, and processes are accepted and recognized become higher and higher (fig. 4).

FIGURE 4
JUDGING STANDARD AND OBJECTIVE OF CHANNEL GOVERNANCE

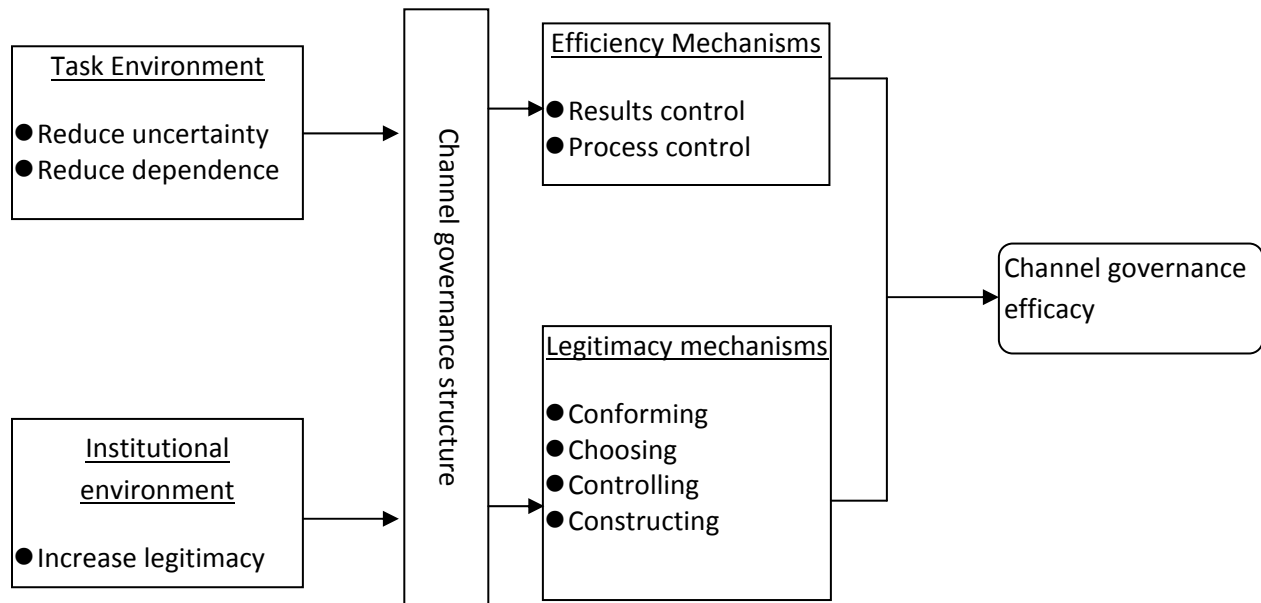


CHANNEL GOVERNANCE MODEL AND STRATEGY MATRIX

Theoretical Model

Channel governance is a kind of inter-organizational relationship governance in the nature. The fundamental objective of channel governance is to make marketing channel be one of the sources of organizations’ sustained competitive advantages so as to ensure their long-term survival and development. In order to survive, organizations need to gain efficiency. But it is of more importance that their strategies and behaviors should be legitimate. Organizations should consider long-term benefits as their ultimate objective when they are governing marketing channels. This requires them to apply different governing mechanisms to obtain legitimacy and efficiency. Guo (Guo, Zhan, Hou, Zhou, and Xiao, 2004) argued that the sustained competitive advantages gained from channel governance should not only be measured by efficiency, but also be measured by the legitimacy of strategies and behaviors. They expressed the standard as “channel governance efficacy” (figure 5).

FIGURE 5
THEORETICAL MODEL FOR CHANNEL GOVERNANCE



All companies are institutionalized ones, whose channel governance decisions and practices are influenced by both the institutional environment and the task environment. With regard to marketing channel governance, the task environment is highly related to uncertainties and dependence an organization encounters, while the institutional environment has an impact on the legitimacy of its decisions, strategies, and practices. Managers should first take into account the demands of both the institutional environment and the task environment when they are governing marketing channels. Then they decide the channel structures and choose appropriate governing mechanisms and strategies to gain legitimacy and efficiency. In the end, they will achieve high channel governance efficacy, making marketing channel a real source of sustained competitive advantages.

Managers should not attempt to reduce uncertainties and dependence at the expense of legitimacy. When managers are trying to increase legitimacy, they are actually reducing the uncertainties and dependence at the same time. Therefore, strategically speaking, managers should reduce uncertainties and dependence in market channels during the institutionalized process of channel governance.

H3: Companies first pursue the legitimacy of channel governance decisions, behaviors, and processes. The higher the legitimacy is, the higher is the possibility of achieving high efficiency.

Channel Governance Strategy Matrix

It may lead to misunderstanding by separate the task environment from the institutional environment in marketing channels, letting believe that the institutional environment and the task environment are independent. But actually, they are not mutually exclusive but concomitant. The two different environments have different impact on marketing channel governance.

Scott (1995) divided both the institutional environment and the task environment into weak and strong and get a two dimensional matrix with four combinations (figure 6). He proposed that different organizations are located on different positions in the matrix.

**FIGURE 6
CROSS-COMBINATIONS OF THE INSTITUTIONAL ENVIRONMENT AND THE TASK ENVIRONMENT¹**

		The Institutional Environment	
		Strong	Weak
The Task Environment	Strong	Public utility	Manufacturer
		Bank	Pharmacy
		Hospital	
	Weak	Psycho clinic	Hotel
		School, legal institutions	Fitness club
		Church	Nursery

Referring to Scott's Matrix, we propose that organizations belong to different quadrants in different stages of their development. Companies should apply different governing mechanisms and relevant strategies to gain legitimacy and efficiency, so as to improve their channel governance efficacy.

**FIGURE 7
CHANNEL GOVERNANCE MATRIX**

		The Institutional Environment	
		Strong	Weak
The Task Environment	Strong	Legitimacy Mechanisms	Efficiency Mechanisms
		Efficiency Mechanisms	Legitimacy Mechanism
	Weak	Legitimacy Mechanisms	Efficiency Mechanisms
		Efficiency Mechanisms	Legitimacy Mechanism

H4: Organizations can apply different combinations of governing mechanisms in accordance with the institutional environment and the task environment's influence.

H4.1: When the institutional environment's influence is stronger than that of the task environment, organizations should pay more attention to legitimacy mechanisms.

H4.2: When the institutional environment's influence is weaker than that of the task environment, organizations should pay more attention to efficiency mechanisms.

CASE DISCUSSION

In this paper, we conduct a case study to explain our propositions. We study the development of Avon and Amway in China. Since their entry into China's market, they have experienced two tremendous changes of China's policy. The first change forced to transform their operation patterns. The second one gave them a chance to develop. During the first change, the two companies chose different transforming path. The second change just begins. Our analysis tries to figure out why they chose different transforming paths during the first change and what they should do to deal with their second change, especially what Avon should do to deal with the problems raised by the second changes.

Different Transforming Paths

SCENE 1 THE FIRST TRANSFORMING

Avon entered China's market in 1990. It applied direct selling as its main distribution channel. Amway entered China in 1995 and it also applied its traditional direct selling to operate its business in China's market. However, with the fast development of direct selling in China, some cheating companies rushed out in the name of direct selling. They sold inferior products and were blamed by customers. On April 21 of 1998, China government issued a bill, prohibiting pyramid sales (including direct sales) in China. On June 18 of 1998, the Ministry of Foreign Trade and Economic Cooperation, the State Administration for Industry and Commerce, and State Bureau of Internal Trade co-released the "Notice on the Relevant Issues Concerning Foreign Investment Pyramid Sales Enterprises' Change of Sale Modes" and regulated that foreign investment pyramid sales enterprises must transform to store operation, urging ten foreign investment direct sales enterprises to transform their operations.

Avon and Amway began to transform in 1999. But the difference is that they choose different transforming paths. Avon began to set up about 6000 counters and stores in China's tier-1, tier-2, and tier-3 cities, most of which were invested by its distributors. In contrast, Amway just symbolically set up about 110 counters, which were all invested by Amway. The nature of its operation modes did not change.

In a response to the policy change, Avon and Amway transformed the operation modes. They both saw the big prospect of China market and wanted to survive and achieve fast development in China. So their operations have to conform to legal requirements and satisfy other stakeholders. After the release of "the Notice on the Relevant Issues Concerning Foreign Investment Pyramid Sales Enterprises' Change of Sale Modes", the first thing that both Avon and Amway had to do was to transform their operation modes so as to gain pragmatic legitimacy that is required by legal institutions. Therefore, Avon began to set up counters and stores in China's tier-1, tier-2, and tier-3 cities through cooperating with its distributors. Amway set up about 110 counters with its own investment. Avon totally changed its original operation modes and its transformation is considered as a successful example of combining abidance by the rules and market operations. However, Amway's transformation is more like temporary compromise. Although Amway set up 110-plus counters according to the Notice, these counters are just Amway's outlets.

Actually, their choices of transformation paths are closely related to their strategies and their respective core capabilities. Their choices of different modes are based on their core competences and inherent advantages. They both realized that the closer their transformation directions are to their core capabilities and inherent advantages, the lower the expense will be and the higher the possibilities of achieving successes.

Avon was founded by David McConnell in 1886 and was respected as the originator of direct sales. There are only two levels (SM-FD) in Avon's system of direct selling. All its incomes are based on sales. Avon never used words like "up-line or down-line". This system is totally different from the pyramid sales. Miss Avon only sells products but never persuade anybody to participate in alliances. SM is rather a small distributor in Avon's original sales chain. The only difference is that there was no counter at that time. Therefore, Avon's transformation is reasonable and logic.

Avon's traditional mode is single level marketing. Selling products at fixed places has been invented and promoted by Avon Philippines in 1970s. Avon found that the mode invented by Avon Philippines has a good effect on covering new customers, recruiting and training sales representatives, providing services to the representatives and customers, and building the company's image. Therefore, Avon decided to transform to sell products through wholesaling and retailing. Avon applied and approved the new mode of "store plus salespersons" later, but this was just an alternative choice for Avon. Actually, Avon had transformed from a direct sales enterprise to a traditional manufacturer, which sells its products through wholesaling and retailing. In order to sell products, Avon set up counters in department stores, wholesale products to distributors and retailers, and set up stores of their own.

Amway has been famous for its pyramid sales mode all over the world. Sales are achieved within the multi-level network made up of sales representatives and customers. Amway's core capabilities and inherent advantages determined that Amway would not set up too many counters and stores. Discarding pyramid sales, Amway won't be Amway any more. "Amway" stands for "the American Way". Amway left too much imaginative space for Chinese customers when it entered China in 1995. After its transformation, Amway began to recruit salespersons through the stores. In early 2005, Amway decided to stop recruiting new salespersons and manage its 70,000-plus salespersons according to their geographic locations so as to appear to be normative and effective. Actually, Amway has been retaining the essence of stimulation mechanisms of pyramid sales after its transformation, which is a key driving force for its rocket development after the transformation.

The way of implementing sales is the key to distinguish pyramid sales and traditional sales. Amway looks like other commodity manufacturers after setting up stores, but actually the stores are just extensions of its previous distribution center. Up till now, Amway only set up about 110 stores in China. Amway has repeatedly stressed that its salespersons should not sponsor sales training programs in the cities which have no Amway stores. Therefore, the stores are just symbols. They are just Amway's storehouses and outlets. The real sales are achieved through person to person sales.

Amway's advertisements are used to prove that it has transformed and is not a traditional pyramid sales enterprise any more. But actually, advertising is the basis of pyramid sales in China. When pyramid salespersons are confronted with customers' challenges, they will reply with "it is impossible to cheat you because this product has been advertised by CCTV". But all Amway's advertisements are only limited to Nutrition that has brought huge sales and profits to the company.

Amway has left people a impression that it is good at political public relations. Because of its political public relation capability, Amway was not force to really change its operation mode.

Who Suffer From Setbacks

SCENE 2

AVON AND AMWAY'S DEVELOPMENT SINCE 1998

In April of 1998, China Government released the "Notice on the Relevant Issues Concerning Foreign Investment Pyramid Sales Enterprises' Change of Sale Modes" and regulated that foreign investment pyramid sales enterprises must transform to store operation, urging ten foreign investment direct sales enterprises to transform their operations. About 7 years later, Avon had set up more than 6,000 stores in China and nearly changed into a traditional cosmetics manufacturer. In the contrast, Amway just symbolically reacted to the change and set up about 110 stores. Amway goes on to apply its traditional operation mode. In 2005, Amway's sale in China had exceeded one billion U.S. dollars. China has become Amway's biggest market on the globe. Avon's sale is four times of that before the change. But it is only 2.4 billion RMB and is less than one fourth of Amway's.

According to the description above, Amway's sale is far better than Avon's since their transformations in 1998. Our analysis provides several accounts that might explain the disequilibrium.

First of all, Avon's transformation from direct selling to traditional stores caused twitches to Avon's development. Avon had to take time to adapt to the sudden change. In the contrast, Amway just set up

about 110 stores, which are just symbols of its transformation. Amway's operation mode does not change in the nature. For Amway, it is just an investment in channels instead of twitches. Although Amway's sale once fell to 10 million RMB in the r'early stage of its transformation, that was just the temporary result of the release of the Notice.

As a sale method that has been existed in western countries for decades, pyramid sale do have its own merits. It is said that the newly issued "Regulation on Direct Selling Administration" also acknowledges this. Amway did not seek incomes from its salespersons. It was a honest enterprise. Since its transformation in 1998, it gained even more living space, since other pyramid sales enterprises were suffering from twitches raised by sudden transformation.

Secondly, most of Avon's profits were taken away by its distributors since its transformation, since most of the stores were invested by the distributors. Amway invested all its stores. When Avon chose to transform to stores, its purpose was to occupy the national market. This could be testified by its rapid expanding speed. If Avon want to set up stores in most of China's tier-1, tier-2, and tier-3 cities, it was impossible for itself to invest in all the stores. Avon had to cooperate with regional distributors. Avon could save money and time as well through cooperation with distributors. But Avon had to separate part of its profits to the distributors, or the distributors would not make investment. This is part of the reason why Avon's sale was only one fourth of Amway's.

In the contrast, Amway's prices did not change after the transformation, since its operation mode was the same. A prerequisite for pyramid sales is high price, which include the profits of multilevel salespersons. The extra high price of Amway products had always been challenged by Chinese consumers.

In the end, Amway's success of dodging policy makes those companies that really transformed look like victims. For example, Avon suffered a lot from its real transformation. Amway achieved fast development when Avon was suffering from twitches.

Based on the above analysis, we can find that both Avon and Amway have gains and pains during their first round of competition. Although Avon's sale was only one fourth of Amway's, its image as "a good boy" had been recognized. This was proved by the first license of pilot direct selling. Besides, its sale had been improved to four times of that before the transformation. Amway developed even faster and its sale had exceeded one billion U.S. dollar. But it has left an impression of "the bad boy".

Avon's Conflicts with Its Distributors

SCENE 3

CONFLICTS BETWEEN TRADITIONAL CHANNEL AND MODERN CHANNEL

On April 8 of 2005, Andrea Jung declared in Beijing that Avon had been approved by the Ministry of Commerce and the State Administration for Industry and Commerce to conduct pilot direct selling in Beijing, Tianjin, and Guangdong. On April 19, Avon announced its pilot plan in Guangzhou. Avon would recruit 3,000 salespersons in Beijing, Tianjin, and Guangdong. The salespersons would carry out sales in the three places after being trained. The bonus that the salespersons would get would not exceed 25% of the sales. To guarantee customers' benefits, Avon deposited 20 million RMB into an account specified by the Ministry of Commerce as warrants.

However, Avon had no time to applaud its victory since it encountered conflicts between traditional channel and modern channel in Guangzhou. The salespersons could provide products and service to consumers. This leads to pressures on the distributors. Several distributors gathered at Avon's headquarters in Guangzhou and desired return of goods.

Avon encountered conflicts with its distributors at very beginning of the second round of competition with Amway. We argue that the conflict is inevitable, because Avon didn't take into account the extent to which its decision and plan of the pilot direct selling are accepted and recognized by the distributors, and th reactions the distributors would take. At the present, Avon had set up more than 6000 stores and 1700 counters, most of which are invested by its distributors. Avon once promised 34% to 40% profits when it persuaded the distributors to invest in setting up stores and counters. After implementing pilot direct

selling, sales would skip the distributors and the salespersons could pick up goods directly from Avon. It was obvious that the stores would be stroked.

We argue that the conflict is inevitable out of the follow reasons.

First of all, there exist a wide gap between the objectives of Avon and its distributors. Actually, Avon's operation mode in China is not pure single level direct selling, but is more like traditional stores that wholesale and retail simultaneously, since it does not have salespersons team, nor does it have stimulation mechanisms for salespersons. Its main income comes from stores and counters. Avon and its distributors form a relative loosely connected super-organization, whose distinct feature is that the members maintain different and interdependent objective systems. Although both Avon and its distributors have contributed to improving efficiency and saving costs so as to achieving channel objectives, they have different claims and opinions with regard to how to achieve the whole channel objectives. For example, as the only enterprise that got the license for pilot direct selling, Avon surely wants to improve its market share in China and competitiveness through the pilot direct selling, so as to realize its long-term development strategies. However, the distributors treat the pilot direct selling as ominous sign, since pilot selling did not only reduce their sales, but also make their inventories a burden.

Of course, Avon wants to see co-existence of the salespersons and the distributors, providing superior service to Avon's terminal consumers. But this seems to be Avon's own wishful thinking. The channel conflicts caused by the differences in their objectives will test the marketing skills and channel governance capabilities of Avon's top management.

Secondly, the benefits of the salespersons and the distributors are unbalanced. Different channel members play different roles. Each member has its own space and action range. What's more, each member will try to strive for a decision area that is unique to itself. At the present, Avon's income mainly comes from stores and counters, who are the main forces of providing services to customers and promoting Avon's development. However, the pilot direct selling will have a great influence on the counters and stores. Since salespersons have the right to pick up products directly from Avon, direct selling can reduce indirect and direct costs. Therefore, they have the price advantages. Maybe in the near future, most of Avon's income is gained by salespersons and the stores and counters would become Avon's exhibition hall and after-service stations. The benefits of the salespersons and the distributors will be unbalanced.

Thirdly, there exist cognitive differences between Avon and its distributors. Avon believes that the advantage of direct selling lies in person to person sales, since salespersons can send products to consumers' homes and offices. The distributors hold that their patrons will become salespersons if Avon implements direct selling, which will directly influence the incomes of their employees and lead to employee drainage. The stores are not pure stores any more after the implementation of direct selling, but outlets for Avon's direct selling. This makes the distributors unable to afford the high costs of running the stores. The cognitive difference between Avon and its distributors is also one of the causes of the conflicts.

Finally, it is a result of the conflicts between multi channels. At the present, consumers can buy appropriate Avon products from various channels, including counters, stores, internet stores, and informal channels such as gray channels and illegal stores. Of course, the stores and counters contribute the most to Avon before the implementation of pilot direct selling, so Avon is highly dependent on them. Avon relies on high profit to keep its distributors' loyalty. Nevertheless, direct selling requires lots of salespersons to show its competitive advantages. In order to adapt to the rules of direct selling, Avon has to reduce its dependence on its distributors and pay attention to rear its salespersons. Since its transformation in 1998, Avon's distributors have contributed a lot to its development in China. Avon's implementation do direct selling will have a great impact on the stores' performance. The multi channel conflict between person to person sales and traditional stores is a twitch that Avon experienced during its transformation.

It is obvious that Avon's decision and implementation of direct selling is not accepted and recognized by its distributors, leading to the conflict and hostile behaviors. Avon has to apply appropriate strategies and tactics to solve the problems.

DISCUSSION AND STRATEGIC IMPLICATIONS

Marketing channel has been considered as one of the sources of sustained competitive advantages. But few companies can really gain sustained advantages from market channel. In the long-range, the primary goal of a company is to survive and then develop. The competition becomes more and more intensive, so the importance of market channels increase. But in previous studies and practices, researchers and managers paid too much attention to the influences of channel governance decisions and behaviors on organizations' performance and overlooked the influences of the extent to which those decisions and behaviors were accepted and recognized by other stakeholders on organizations' efficiency.

Limitations And Suggestions For Future Research

Our study is explorative. Some concepts are not described in detail and need further complementation and improvement. The institutional environment and the task environment may influence each other. But the influencing process might be very complicated, so we do not carry out a in-depth study.

Strategic Implications

Our study suggests that it is important for managers to understand how institutional environment shapes channel structures and processes. Institutional environment (1) regulates, (2) validates, and (3) gives meaning, to channel structures and processes. Although the influence of regulatory processes is clearly visible and discernible, problems may arise when managers deal with normative and cognitive institutions. By understanding how these institutions constrain and facilitate channel structures and processes, managers should be able to (1) better manage their channel within the confines of the institutional environment and (2) devise strategies to think and move beyond the confines of the institutional environment.

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The Influence of Culture and Biographical Variables on the Brand Image of Google and Baidu: An Exploratory Study in Guangzhou, China

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The study found significant correlations between the culture dimensions of Confucian work dynamism, human-heartedness and moral discipline and the brand image dimensions of online search engines. It was also found that several significant relationships exist between the biographical variables of age and education and the brand image dimensions, and that culture and biographical variables have a linear relationship with brand image. The findings highlight that culture and biographical information can influence Chinese consumer perceptions of an international or local brand. Organizations thus need to align their brands with the culture and biographical profile of their target markets.

Keywords: Cross-cultural management, brand image, China

INTRODUCTION AND PROBLEM STATEMENT

Growth expansion and opportunities in emerging markets such as China are becoming increasingly viable strategies for organizations traditionally operating in the developed world characterized with established or declining markets (Lee, Knight & Kim, 2008). Entering into a global market involves, among other things, creating a global brand. Marketing plays a vital role in creating a global brand identity, the consumer's perceptions of which determine a brand's image, which then affects the extent of a brand's success in a particular market (Emery & Tian, 2010).

"Brand image" is the perception that a market holds about a brand and how consumers perceive a brand's identity (Koubaa, 2008). Following this line of thought, brand identity needs to be created within a market's cultural context, and hence needs to take into consideration the differences in brand perceptions (Emery & Tian, 2010). Perceptions of a brand, in turn, affect brand equity or the value of a brand (Lee, Klobus, Tezinde & Murphy, 2009). Consequently perceptions of a brand need to be managed effectively and be appropriate to a cultural context. Likewise, the multinational organizations that have established their brands in China have had to

do so within a cultural context particular to China. This array of foreign brands, according to Li (2008) has, in general, been well accepted in the Chinese market. China has become one of the world's most prosperous markets with its population of around 1.3 billion and has an immense potential for international organizations and brands that are able to infiltrate its market (Fan & Pfitzenmaier, 2002).

According to Tian and Borges (2011, p.110) "cultural forces have long been known to influence the communication and success potential of competition in conducted international business". With regard to online search engines, Goodrich and de Mooij (2011, p.248) argue that "services are more difficult to homogenize than goods, and are also less subject to global consumer culture positioning than tangible products". This suggests that culture is relevant and influences consumer brand perceptions. It is put forward by Jansen, Zhang and Schultz (2009) that the performance of search engines is in general on a similar level, and interface designs of search engines are generally similar, and as such there are other phenomena that should be considered in explaining web search engine usage. Jansen et al. (2009) find that brand image has a significant influence on how consumers perceive the performance of search engines, by measuring search engine selection, results page evaluation, individual link evaluation and evaluation of the landing page. A study performed by Zhang (2009, p.32) contends that "higher levels of satisfaction and trust result in a significant increase in the brand's positive perception" but at the same time it is found that "the perception of brand image has a significant, direct impact on both consumer satisfaction and trust of search engine brands". The web search engines of Google and Baidu were chosen for the purpose of this study because there is likely to be higher brand awareness of large search engines in comparison to other online brands.

Google is an example of a foreign organization that has tried to enter the Chinese market and take advantage of the large consumer market. Google became a publically held company in 1998 and Google's rapid growth has resulted in its becoming a giant in the search engine industry. However, this predominance is not absolute. Google and Baidu are both global technology leaders operating in various industries, however majority of income is from advertising on their search engines (Baidu, 2012; Google, 2012). In terms of branding Google (2012, p.1) argue that "building a trusted, highly recognized brand begins with providing high-quality products and services that make a notable difference in people's lives". Google also cherishes their organizational culture which encourages the dissemination of information throughout the organization and encourages employees at all levels to freely act on ideas (Google, 2012). These values can be clearly contrasted with that of Baidu, Google's main competitor in China, who as a local organization has already established itself in the Chinese market. It can be argued that Baidu is more customer-orientated than Google when comparing corporate information released by the two organizations (Baidu, 2013; Google, 2012).

Baidu was founded in the Cayman Islands in 2000 and runs most of their business operations through Baidu Online and Baidu Netcom, with Baidu head quarters in Beijing. Chiou (2009) suggests that Baidu has been equated with 'China's Google' for years, and is challenging Google's expansion into China. According to Lee (2012) Baidu had 78.6% of China's search-ad market by revenue which is five times the amount achieved by Google and 64% of the Chinese search user market in 2010. In addition, Baidu experienced an 82% rise in their stock price in 2010 whilst Google experienced a 21% decline (Shen, 2010). Baidu (2012, p.1) argues that their success can largely be attributed to the 'Baidu' brand and put forward that "maintaining and enhancing the 'Baidu' brand is critical to increasing the number of our users, customers and Baidu Union members". On the other hand, Baidu's expansion beyond China is still in its infancy and Baidu's (2012, p.1) financial report states that "revenues generated from international operations are insignificant" with revenue from international operations increasing only 0.3% from 0.2% in 2010 to 0.5% in 2012. Baidu has already expanded their brand into domains such as online gaming, e-commerce and mobile networks and is attempting to enter several international markets. Baidu started expansion in 2002 when it begun offering its search engine in Japan and more recently has begun to initiate expansion into other countries such as Brazil, Egypt and Thailand (Sreeja, 2013; Stone & Einhorn, 2010).

In 2010 Google started to redirect their Chinese search engine users to Hong Kong so to evade China's censorship laws and 'cyber-attacks'. It has been asserted that this decision by Google was not well received by China who felt that Google had violated the entrance agreement (Helft, 2010) by. In January 2013 Google stopped warning Chinese consumers about keywords they were searching that were censored or banned (BBC, 2013). Wright (2013) argues that Google can be expected to remain in China despite tension with Chinese

officials and Google's small market share of roughly 5% as this amounts to a rough estimation of 25 million search engine users. One could argue that if Google wishes to improve its market position in China it is imperative to regain the trust of both government officials and search engine users and manage their brand image in a context that is culturally appropriate.

It is in this context that the importance of understanding consumers' perceptions of online search engines and how those perceptions are influenced by culture and biographical variables emerges. Web search engines have experienced immense growth since their inception, and a few dominating search engine brands are some of the most heavily visited sites online (Jansen et al., 2009). The purpose of the study was to conduct an exploratory study to determine the extent to which Chinese culture dimensions and biographical variables influence the brand image of online search engines. This purpose will be achieved by ascertaining the brand image of two online brands, namely Google and Baidu, in the Chinese market. The exploratory nature of this study is motivated by the lack of appropriate knowledge that is required for developing viable cross-cultural brand image frameworks.

RESEARCH AIMS AND HYPOTHESES

To achieve the purpose of this exploratory study the research aims were as follows:

- To examine the relationship between the cultural dimensions (integration, Confucian work dynamism, human-heartedness and moral discipline) and brand image dimensions (brand distinctiveness and commitment) of Google and Baidu.
- To examine the relationship between the biographical variables of consumers and brand image dimensions of Google and Baidu.
- To determine whether there is a significant difference between the brand image dimensions of Google and Baidu.
- To determine whether there are significant relationships between the independent variables of dimensions of culture and biographical variables and the dependent variable of brand image.

To achieve these aims, the following sets of hypotheses will be examined, as illustrated in the theoretical framework, Figure 1.

Ha¹: The dimensions of culture are significantly correlated with the degree of brand distinctiveness.

Ha²: The dimensions of culture are significantly correlated with the degree of brand commitment.

Ha³: The average or mean brand distinctiveness scores are statistically different across biographical variables.

Ha⁴: The average or mean brand commitment scores are statistically different across biographical variables.

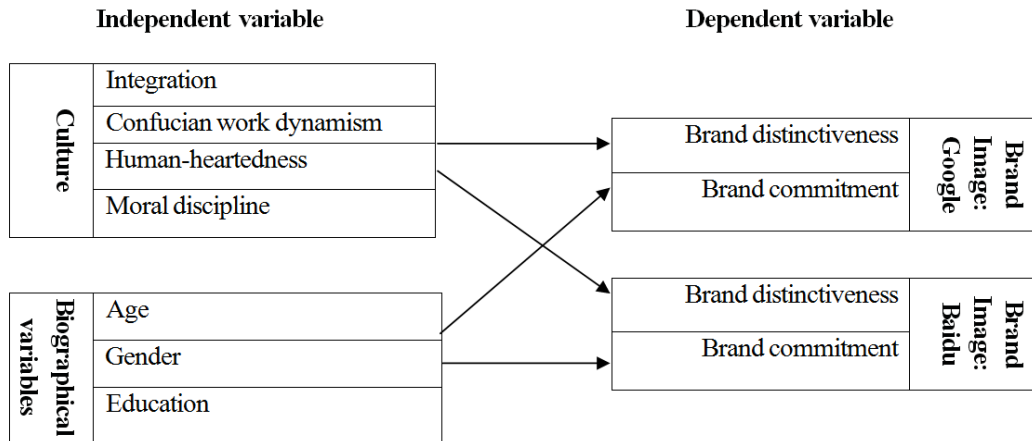
Ha⁵: There are statistically significant linear relationships between the dimensions of culture and biographical variables and brand distinctiveness.

Ha⁶: There are statistically significant linear relationships between the dimensions of culture and biographical variables and brand commitment.

LITERATURE REVIEW

China has on average seen a growth in Gross Domestic Product (GDP) of over 8% since the adoption of its open-door policy in 1978 (Cheng, Wong, & Woo, 2013). In mid-2010 China's GDP surpassed that of Japan (Kotler, 2010), making China the second largest economy in the world with the largest consumer market. It cannot be denied that China has experienced outstanding economic success and is viewed by many as a lucrative investment option (Emery & Tian, 2010). Taking into account that in 2006 it was predicted that 75% of China would be urban by 2026 (Piron, 2006) and the size of China's consumer market and economic growth, China's expansion seems to be continuing on an upward trend (Leng & Zhang, 2011).

FIGURE 1
THEORETICAL FRAMEWORK AND HYPOTHESES



Brand Image

Given the complex operating environment of the 21st century, organizations are increasingly expected to offer value greater than only core product and service offerings, and customers must be “engaged in a personable, memorable way” (Pine & Gilmore, 1998, p.97). Sääksjärvi and Samiee (2011, p.169) suggest that a brand’s worth is intimately tied to consumer reactions, and that “consumer’s perceptions of a brand contribute to the brand’s relative strength in the market, which drives a brand’s value in that market place”.

“Brand distinctiveness” can be seen as the uniqueness of the brand which can lead to differentiation and a competitive edge. Wong and Merrilees (2005) suggest that if consumers perceive a brand to be distinctive, they will be more able to distinguish it from other brands. Brand distinctiveness will therefore contribute to long-term success. If the brand is perceived as similar to other brands the brand image deteriorates and the good or service will not be in the forefront of consumers’ minds. “Brand commitment” can be viewed as “an enduring desire to maintain a valued relationship” with the brand (Walsh, Winterich & Mittal, 2010, p.78). Brand commitment develops over time, and high brand commitment strengthens connections between consumers and the brand. Brand commitment is a direct result of the brand image a consumer holds about that brand, and as brand commitment increases, brand equity rises.

The regulation of demand has always been seen as important in China. According to Amber, Witzel and Xi (2009), the focus currently is on stimulating demand in the Chinese market. China has more products and brands available than most other countries and as such there is a lack of brand commitment and brand distinctiveness as well as quick shifts in market share as consumer preference has been made volatile by the excess of brands in the market (Eyring, Johnson & Nair, 2011). Chinese consumers, according to Melewar, Meadows, Zheng and Rickards (2004), tend to have high brand awareness and prefer well established brands as they are seen as more reliable. Without brand awareness, consumers cannot form their own brand perceptions. Chaoying, Jian and Ille (2011) discovered that in a Chinese service market emotional advertising is more effective than rational advertising. Emery and Tian (2010) highlight that consumers from different cultural backgrounds are likely to respond differently to emotional and rational advertising. As mentioned earlier, little research has been conducted with respect to Chinese consumer perceptions about online services (Zhang, 2009). Zhang (2009) finds that relationships are often formed between search engines and their users, which results in a high brand commitment. These relationships are influenced by the brand image that users have of the search engine.

A Brand’s Country of Origin

Consumers’ perceptions and feelings towards the country from which a brand originates, as well as the social norms of that country, influence brand choice (Li, 2008). Country of origin effects tend to be confined to positive

experiences with particular brands (Melewar et al., 2004). When an organization is entering a new international market, Hornikx and O'Keefe (2009) contend that there are two approaches to branding available to it. Organizations can either adapt their brand identities so to align them with the local markets or standardize the brand identities. The argument of adaptation gives organizations the ability to alter their advertising and communication to suit the needs and tastes of each local culture (Witkowski, Ma, Beach & Zhang, 2003). Lee et al. (2008) propose that cultural sensitivity to the localized preferences of consumers may be necessary to compete with highly localized domestic brands which are becoming increasingly competitive. Meeting localized needs may even be a source of competitive advantage. The opposing argument is that global standardization is beneficial because of economies of scale. Hornikx and O'Keefe (2009) suggest that the benefits of standardization go beyond economies of scale and also include the creation of a corporate brand image, enabling organizations to better leverage good creative ideas. Li and Wyer (1994) ascertained that there are several organizations that have successfully branded their products in terms of the country of origin when the country of origin has a positive reputation for manufacturing the product.

Hornikx and O'Keefe (2009) find that branding activities that were adapted to align with cultural values were more persuasive than those that were unadapted. An alternative viewpoint is offered by Alden, Steenkamp and Batra (1999) who suggest that target markets are increasingly becoming global and consumer groups with shared values and assumptions can be found across international borders and propose that an international brand positioning strategy termed 'global consumer culture positioning' (GCCP) is required. GCCP, which can be linked to arguments pertaining to globalization, is contrasted with two alternative positioning models of 'local consumer culture positioning' (LCCP), which can be linked with arguments of localization, and 'foreign consumer culture positioning' (FCCP), in which the foreign country of origin of a brand is emphasized. Alden et al. (1999) find that LCCP was adopted more frequently than GCCP and FCCP and LCCP was used relatively more often in the marketing of services than products.

Foreign brands have the brand image of a higher life quality in China within certain product categories (Li, 2008). Zhou and Belk (2004, p.64) suggest that consumer responses to global brands with a Chinese name that use local advertising appeals tend to be positive and what is more important than a brand's country of origin is the extent a particular brand is perceived as global or local. In addition Zhou and Belk (2004) find that in China foreign values are not always understood by Chinese consumers. Despite this, global advertising appeals were found in most cases to have positive associations in that global brands are seen by Chinese consumers to resemble values such as status, quality and beauty rather than being valued for being a foreign brand in itself. The success of global brands in China can be seen to be fuelled by "cosmopolitanism and face" and hampered by "nationalism and cultural pride" (Zhou & Belk, 2004, p.64). Chinese organizations have, however, also begun to provide customers with equivalent quality at lower costs owing to significant progress in technological developments and production standards (Tifferet & Herstein, 2010). Technological and economic progress may cause a shift from GCCP to LCCP according to Alden et al. (1999) as consumers gain faith in local brands and foreign brands lose their prestige. It is interesting to note that culture is found to influence the importance of brand country of origin as well as moderated effects such as individualism on the importance of manufacturer identity (Tifferet & Herstein, 2010). This essentially means that not only was culture found to influence consumer perceptions about a brand's country of origin but it was also found that the impact of individualism on the importance of a manufacturer's identity was dependent on the consumer's culture.

Consumer Country of Origin and Culture

The country from which a brand originates is not the only variable that influences how consumers perceive that brand. The country the brand is trying to enter and the accompanying culture of that country are also said to heavily influence a brand's image. A study conducted by Basfirinci (2013) finds evidence that brand country of origin influenced brand perceptions of consumers and highlights that a country of origin can influence the personality assigned to a brand by consumers. Francesco and Gold (1998) suggest that culture is one of the most useful variables in explaining consumer behaviour. "Culture" in a broad sense can be described as a way of life adopted by a group of people. Hofstede and Bond (1980, p.6) define culture as the "collective programming of the mind that distinguishes the members of one category of people from those of another", which can be applied to both national and organizational culture. Culture has been described by Hofstede and Bond (1980) as nation-

specific and static, and while it may be modified, this cannot be done easily. As such it is important to adapt brands to the cultural context of a market.

The Chinese Culture Connection's (CCC) (1987) concern with the cultural neutrality of cultural typologies suggests that research instruments may themselves be culture-bound. The CCC's (1987) research created a research instrument, The Chinese Value Survey (CVS), with an Eastern bias. The CVS is said to reflect the Chinese social value system emanating from the Confucian ethos, since many of the values within the CVS are uniquely Confucian. The CCC (1987) highlight that all the CVS dimensions except for Confucian work dynamism, have been found to correlate with Hofstede's (1980; 2001) cultural dimensions.

The CVS has four dimensions, namely integration, Confucian work dynamism, human-heartedness and moral discipline. The dimension of *Integration* relates to social stability in terms of a sense of propriety and harmony with oneself and can be characterized by a tolerance for others (Ralston, Gustafson, Elsass, Cheung & Terpstra, 1992). Integration also "places importance upon being trustworthy and enjoying a close friendship" (Ralston, Gustafson, Cheung & Terpstra, 1993, p.256). This dimension contains eleven values, three of which have negative loadings. The positively loaded values "reflect a broadly integrative, socially stabilizing emphasis" (CCC, 1987, p.150). This dimension includes three negatively correlated values pertaining to filial piety and chastity in women, which indicate a strong familial bonding. Integration corresponds with Hofstede's power distance dimension. *Confucian Work Dynamism* is said to reflect "social hierarchy, protecting the status quo, and personal virtue" (Ralston et al., 1992, p.666). This dimension can be said to strongly reflect the teachings of Confucius and as such is the dimension with the strongest Eastern bias and is said to encompass a respect for tradition with a strong desire to protect 'face' (Tan, 2002; Ralston et al., 1993). There are four positively loaded values in Confucian work dynamism which reflect the Confucian work ethic, which is very hierarchical in nature. Four negatively correlated values are included which "advocate checks and distractions at the personal, interpersonal and social levels" (CCC, 1987, p.150). It was found by the CCC (1987) that there are significant differences between the factor scores of Hong Kong (0.91) and the US (-0.42). *Human-heartedness* pertains to one's "social awareness and can be characterized by a felt need to be kind and courteous to others" (Ralston et al., 1992, p.666), and is correlated with Hofstede's masculinity. This third dimension includes three positively loaded value statements relating to "ideas suggesting gentleness and compassion" (Matthews, 2000, p.121) which is countered by two negative values indicating "a harsher, legalistic approach to life" (CCC, 1987, p.150), this is expressed as compassion and moral dynamism by Tan (2002). *Moral discipline* focuses on personal control particularly with regards to whether one views themselves as an 'in group' or 'out group' member (Ralston et al., 1992). This dimension is associated with the need to be moderate, prudent and acceptable. This last dimension correlates with Hofstede's individualism-collectivism dimension (Ralston et al., 1993). The three positive values included in moral discipline pertain to moral restraint, the two negatively correlated values of adaptability and prudence are said to reflect a lack of self-control (Matthews, 2000). According to The CCC (1987, p.151) moderation illustrates a "firm and disciplined stance rather than the flexibility it can so easily be construed to endorse".

China has a collective culture which could be described as a long-standing tradition that seems to be enduring (Melewar et al., 2004). This is an important cultural dimension because Western organizations entering China tend to be individualistic and place more importance upon individual goals (Rarick, 2007). The collectivism-individualism dichotomy has been criticized by academics such as Markus and Kitayama (1991) as inadequately conceptualising East-West cultural differences, however for the purpose of this study individualism and collectivism were deemed to be appropriate. Relationships are more important in China than in many other countries, which can be traced back to the teachings of Confucius (Amber et al., 2009). According to Confucius, the appropriate behaviour to adopt in a given situation should be guided by the nature of one's relationship with others (Rarick, 2007). The importance of maintaining harmony through these relationships is said to be a major contributing factor to the collectivist nature of China (Rarick, 2007). The importance of harmony, relationships and how relationships are structured in society are depicted in integration.

Confucius also advocated the importance of five virtues, which are still visible in China today and manifest themselves in the contemporary cultural values of China (Rarick, 2007). While intra-cultural differences exist in China, Lawler, Walumba and Bai (2007) argue that they are not as large as those in countries such as India. Chinese consumers are well informed, and will search for products that meet their specific needs; this can be

problematic when switching costs are low, as is the case with search engines. Language is in general important, as it builds brand image and delivers information to consumers (Melewar et al., 2004).

According to Lawler et al. (2007) there have been academics who have been dismissive of culture as an explanation of cross-national differences. Westernization or ‘Americanization’ has arguably changed local cultures through the process of globalization (Lee et al., 2008). The Chinese people are becoming more accustomed and adaptable to new environments, and Lawler et al. (2007) propose that culture can and does change, generally with economic growth and development. The arguments of Lawler et al. (2007) highlight cultural convergence, which is characterized by the spread of English, particularly in business, and the erosion of local culture through cultural imposition. While cultural convergence can be linked to globalization and multinational organizations, the relationship may be more coincidental than causal. The products and services offered by organizations may be in response to cultural changes caused by modernity and hence the foreign countries themselves, do not cause the cultural shift. While both global marketing strategies and localized marketing strategies have found success in international markets it can be said that most multinational corporations use a hybrid approach, globalizing and localizing different aspects of their marketing efforts (Zhou & Belk, 2004).

The standardization of online strategies is unlikely to succeed, because consumers in the search engine market must have a sense of engagement (culturally or contextually) with vendors (Goodrich & de Mooij, 2011). This is reiterated by Alden et al. (1999) who argue that because of major variation in local preferences for services, services tend to be more difficult to homogenize. While countries seem to be converging with regard to the ownership of certain goods and services, there is still divergence in the manner in which consumers from different countries use goods and services.

It is clear from this line of argument that, as with the brand’s country of origin, the consumer’s country of origin also has two opposing opinions: firstly that culture is converging, and secondly that culture is diverging. A converging culture corresponds to the argument of globalization, and suggests that increased trade, travel, and the increasing interconnectedness of markets resulting in cultural exchange, has occurred, and a more homogeneous culture can be seen (Wu, 2006). Diverging theory argues that culture, language, politics and even the legal systems of particular nations or communities are becoming more individualistic or distinctive from others over time. There are those however who argue for crossvergence suggesting that elements converge and others diverge.

De Mooij (2000, p.105) finds that “although there is evidence of convergence of economic systems, there is no evidence of convergence of peoples’ value systems”. On the contrary it was revealed by Maynard and Tian (2004) that convergence in cultures and hence consumer behaviour is evident. Little consistency can be found in research as to whether culture is converging or diverging or if, in fact, crossvergence is occurring.

The Influence of Biographical Variables on Brand Image in China

The concept of gender has been apparent in the works of Confucius, who noted the pivotal roles played by family and education in the social development of gender and the identities associated with gender. It has been suggested by Hershatter and Zheng (2008) that gender as a concept has been slow to enter the Chinese language. The notion of the topic has, however, been present throughout time, in the culture, in the form man, ‘nan’ or woman, ‘nü’ which was recognized by scholars as the fundamental principle to organizing society. The differences in gender equality and access to education are significant between urban and rural areas in China (Tu & Liao, 2006). During Mao’s reign in government, the employment rate of women increased substantially, especially in urban areas. Since the post-Mao economic reform the increase has, however, been at a decreasing rate. As gender is not a dichotomous variable, the concept of gender, as used in this study, is comprised of being a ‘man’ or ‘woman’. For the purpose of this paper the concept gender will be used.

A notable trend is that of the increasing purchasing power of women and younger generations in China (Melewar et al., 2004). Knight and Kim (2007) find that in Japan there is a new emergence of female consumers who are redefining traditional lifestyles by reducing disparities in professional ranking between males and females. Lau and Phau (2010) suggest that the distinctive biological and psychological make-up of each gender is the main differentiator between how men and women process information to create brand perceptions. Lau and Phau (2010) find that women are less inclined to use elaborative processing than men, create their brand

perceptions more instinctively, and are more likely to find congruency between themselves and brand images. Men tend to express their personality in their brand choice, while women use brands to relate to others. Brand identity should thus be created with these gender differences in mind, as gender personalities influence how perceptions are created (Lau & Phau, 2010).

Hargittai (2007) asserts that men are more accustomed to the use of search engines than women. This finding is in contrast to that of Lorigo, Pan, Hembrooke, Joachims, Granka and Gay (2005) who find no meaningful differences in how search engines are used across genders. The only differences that were found suggest that men view the order of search results in a more linear fashion whereas women are more likely to go back and review the search findings provided.

China is now experiencing growth in the age distribution of its population. In 1982 its percentage of citizens over the age of 60 was 7.6%, and in 2007 the same age group had risen to 10% of the population, largely attributed to China's population control policies (Flarerty, Liu, Ding, Dong, Ding, Li & Xiao, 2007). The prevalent Confucius culture found in China is primarily associated with the older generations who value tradition in contrast to the younger generation's interest in Western influences (Alon, 2003). In the Chinese culture, respect for elders is of great importance and more attention will be given to older generations (Melewar et al., 2004). Chiou (2009) find that the average age of internet users in China was 25. A trend of decreasing average age of internet users can be seen in China, which is altering how the internet is used and what it is used for. This is consistent with Hargittai (2007) who finds that younger adults are more likely to be better informed about search engines than are older adults.

It is considered by Hargittai (2007) that a user's experience with search activities can overcome certain disadvantages caused by an individual's income and educational background. A study conducted by Li (2010) in China has determined that the Chinese middle class are younger in comparison to the population as a whole, and that accompanying this was a higher level of education. Young consumers, often referred to as "Generation Y" consumers, tend to prefer brand images based on values with which they can identify and through which they can express their individuality. Knight and Kim (2007) have established that to be successful in international markets organizations should consider how Generation Y consumers respond to their brands. These consumers tend to be "well educated, internet savvy, and eager to shop and they often are viewed as the first global consumer segment due to their exposure to worldwide communications via the internet" (Walker, 1996, p.43). It has been argued that the younger generation have diverse brand perceptions and a new self-created culture not indigenous to any one country. With respect to education level, Ogba and Tan (2009) find that brand image influences brand loyalty and brand commitment across education levels. This suggests that education influences perceptions and shifts consumers away from price to brand as a market offering differentiator. According to Kalyanam and Putler (1997, p.169) "a general finding across studies is that the impact of demographic variables on brand choice is neither strong nor consistent".

A study conducted by Tifferet and Herstein (2010) has determined that individualism and collectivism is the most significant cultural difference amongst consumers from different backgrounds. The effect of individualism was found to be stronger than that of demographic.

RESEARCH DESIGN, METHODOLOGY AND DATA COLLECTION

The research paradigm adopted for this study was that of positivism. Positivism stems from natural science and suggests that an investigation into social realities is singular and objective and as such is uninfluenced by the presence of the researcher (Collis & Hussey, 2009). In an attempt to understand the social phenomenon of consumer perceptions of brands deductive reasoning will be employed.

Research Method, Sampling and Data Collection

The "population" refers to the online Chinese consumers in China. However, the unit of analysis was an information technology (IT) organization in Guangzhou, China, and the unit of observation comprised the willing employees of an IT organization in China and the employees' family members. The IT organization chosen in China had been chosen on account of reliable access. In addition, it was expected that employees in the organization as well as their families would have experience and knowledge regarding the use of search engines.

For the purpose of this study, non-probability sampling was used. Convenience sampling was used to gain access to the employees and the families of employees in the IT organization in China. The unit of observation made use of the entire unit of analysis as all employees and their family members were requested to voluntarily participate, not a sample of the unit of analysis.

This study used a self-administered online Mandarin questionnaire made available on GoogleDocs. Two translators were used to ensure the translation accuracy. The link to the online questionnaire was sent to the Managing Director of the chosen IT organization, who made the online questionnaire available to the employees and their immediate families. Because of difficulties experienced at the IT organization in completing the online version, the questionnaires were completed on hardcopies and scanned into a document which was sent back to the researchers. All the participants were informed of this study and requested to voluntarily participate in the research project.

The questionnaire consisted of three sections. Section A measured national culture based on the CVS of Michael Bond (CCC, 1987). In this section participants responded to 40 statements according to a 9-point Likert scale pertaining to the dimensions of integration, Confucian work dynamism, human-heartedness and moral discipline. It has been said that the validity of Western culture instruments are invalid to measure Chinese culture (Matthews, 2000). The construct validity of the CVS instrument has previously been tested and deemed appropriate for use in a Chinese context by the creators of the CVS, the CCC (1987) as well as subsequent users of the instrument (Matthews, 2000; Hofstede & Bond, 1980). It is suggested by the CCC (1987) that it is likely that, given the response format, only items that are comprehensible and valued will be endorsed.

Section B of the questionnaire comprised two different marketing scales that measure the brand dimensions of brand distinctiveness and brand commitment. In this section six statements were included on brand distinctiveness developed by Yoo, Donthu and Lee (2000) with a Cronbach's alpha coefficient reliability score of 0.94 and a validity score of 0.72 (assessed using an exploratory factor analysis as well as a confirmatory factor analysis), and three questions on brand commitment developed by Yoo et al. (2000) with Cronbach's alpha coefficient reliability scores of 0.90 and a validity score of 0.75 (assessed using an exploratory factor analysis as well as a confirmatory factor analysis). In this study, participants were requested to respond to the statements according to a 5-point Likert scale. Section C comprised closed questions pertaining to the biographical variables of age, gender and highest level of education.

Data Analysis

The majority of the data analysis was performed in Statistica (StatSoft Inc., 2011). Descriptive statistics of the biographical variables were produced. Cronbach's alpha reliability coefficients were calculated to assess inter-item reliability of the questionnaire used in the study. For the purpose of this study Cronbach's alpha coefficients of 0.60 and greater were the recommended minimum value for reliability (Bryman & Bell, 2007). The Cronbach's alpha coefficients for cultural dimensions were above threshold value of 0.60, except in the case of moral discipline with a value of 0.45. The Cronbach's alpha coefficients for the brand image dimensions were all deemed good, with a value of 0.77 or greater according to Sekeran (2000).

An inferential data analysis was conducted on all the items pertaining to the brand image of the two different services, Google and Baidu, across national culture dimensions, namely integration, Confucian work dynamism, human-heartedness and moral discipline and across biographical variables, namely gender, age and education levels. Pearson's correlation coefficients and associated hypothesis tests were used to assess the nature, strengths and significance of the correlations, or linear relationships, between the various dimensions of brand image and national culture (Table 1). As the sample size is large parametric test statistics were used to assess the significance of the hypotheses. Levene's test was used to test for significant differences in variance following which the appropriate two sample t-tests were used to assess the significance of differences in the respective populations' means between the brand image variables for the gender biographical variable (Table 2 & 3). Separate one-way ANOVA's were used to assess the significance of the differences in the respective populations' means between the brand image variables for the age, gender and education biographical variables (Table 2 & 3). Multiple regression models were fit in R (R Core Team, 2013) where the dependent variable (brand image) was either the brand distinctiveness or commitment variable and the independent variables were all the items pertaining to the brand image across the culture dimensions and the biographical variables as dummy variables. The backward

stepwise regression procedure was used to determine the linear model which was the best linear model or predictor of brand distinctiveness or commitment, based on the best AIC value, based on selected dimensions of culture and biographical variables. A paired t-test was used to assess the significance of the difference in the mean brand image scores of Baidu and Google.

FINDINGS

A total of 150 questionnaires were received, all of which were usable, 68 questionnaires from employees and 82 from family members of employees. A response rate of 68% was achieved from employees (n= 100), and the remaining 82 questionnaires from family members were collected to achieve the desired 150 responses. Of the respondents in this study, 42% (n= 63) were male and 58% (n= 87) were female. The majority of the respondents, 40.7% (n= 61) were in the age group of 20-25 years, with 26.7% (n= 40) in the age group 26-30. The respondents were also well educated, with 50% (n= 75) having a Bachelor's Degree.

Hypotheses One and Two: Culture and Brand Image

From Table 1 it can also be seen that no significant correlations were found between the cultural dimensions and the brand distinctiveness of Google. More specifically, these data provide insufficient evidence that there is a statistically significant correlation between the cultural dimension of integration and brand distinctiveness ($r = -0.0334$, $p = 0.7010$), Confucian work dynamism and brand distinctiveness ($r = -0.0014$, $p = 0.9880$), human-heartedness and brand distinctiveness ($r = -0.0040$, $p = 0.9630$), and moral discipline and brand distinctiveness ($r = -0.0405$, $p = 0.6410$) for Google. Table 1 also illustrates that two positive significant correlations were found between the cultural dimensions of Confucian work dynamism ($r = 0.1882$, $p = 0.0290$) and human-heartedness ($r = 0.2421$, $p = 0.0050$) and brand distinctiveness of Baidu. These data provide insufficient evidence that there are statistically significant correlations between the cultural dimensions of integration and brand distinctiveness ($r = 0.1354$, $p = 0.1170$); and moral discipline and brand distinctiveness ($r = -0.0042$, $p = 0.9620$) for Baidu.

H_{a1} can therefore be supported for Baidu, as there is a statistically significant positive correlation between Confucian work dynamism and human-heartedness and the brand distinctiveness of Baidu. However, no significant correlations could be found between the culture dimensions and the brand distinctiveness of Google.

TABLE 1
PEARSON'S CORRELATION MATRIX: CORRELATIONS BETWEEN THE CULTURAL DIMENSIONS AND BRAND DISTINCTIVENESS AND COMMITMENT

Cultural Dimensions	Brand Distinctiveness Google	Brand Distinctiveness Baidu	Brand Commitment Google	Brand Commitment Baidu
Integration	-0.0334	0.1354	-0.1055	-0.0196
Confucian work dynamism	-0.0014	0.1882*	0.1650	0.1956*
Human-heartedness	-0.0040	0.2421*	-0.0238	0.1179
Moral discipline	-0.0405	-0.0042	-0.2022*	-0.1530

*= $p < 0.05$

n=135

All figures rounded off to four decimal places

From Table 1 it can be seen that there is one significant negative correlation, namely between the cultural dimension of moral discipline and brand commitment ($r = -0.2022$, $p = 0.019$) of Google. It can be seen (Table 1) that there is only one significant positive correlation between the cultural dimension of Confucian work dynamism and the brand commitment ($r = 0.1956$, $p = 0.0230$) of Baidu. These data provide insufficient evidence

that there are statistically significant correlations between the cultural dimensions of integration and brand commitment ($r = -0.1055$, $p = 0.2330$), Confucian work dynamism and brand commitment ($r = 0.1650$, $p = 0.0560$) and human-heartedness and brand commitment ($r = -0.0238$, $p = 0.7840$,) of Google. These data provide insufficient evidence that there is a statistically significant correlation between the cultural dimensions of integration and brand commitment ($r = -0.0196$, $p = 0.8220$), human-heartedness and brand commitment ($r = 0.1179$, $n = 135$, $p = 0.1730$), and moral discipline and brand commitment ($r = -0.1530$, $n = 135$, $p = 0.0760$) for Baidu.

H_a^2 can therefore be supported in part, as there is a statistically significant negative correlation between moral discipline and the brand commitment of Google and a significant positive correlation between Confucian work dynamism and brand commitment for Baidu.

Hypotheses Three and Four: Biographical Variables and Brand Image

A dependent t-test of these data provided sufficient evidence that the Google and Baidu brand distinctiveness scores were significantly different ($t = 3.5112$, $df = 142$, $p = 0.0006$). Levene's test indicated that, for these data, the distinctiveness scores for Google did not have significantly different variances ($F = 1.0596$, $df = 1, 142$, $p = 0.3051$) between gender groups. A two sample t-test, with a pooled estimate of the variance, indicated that the mean scores of brand distinctiveness for Google were not significantly different between gender groups ($t = 0.7275$, $df = 142$, $p = 0.4681$) as shown in Table 2. Table 2 shows that, for these data, the Google brand distinctiveness mean scores did not differ significantly across age groups ($F = 1.0544$, $df = 6, 137$, $p = 0.3932$) but did differ significantly across the various levels of education ($F = 3.2822$, $df = 4, 139$, $p = 0.0132$). Levene's test indicated that, for these data, the distinctiveness scores for Baidu did not have significantly difference variances ($F = 0.7804$, $df = 1, 144$, $p = 0.3785$) between gender groups. For these data a two sample t-test, with a pooled estimate of the variance, indicated that the mean scores of brand distinctiveness for Baidu were not significantly different between gender groups ($t = -0.1662$, $df = 144$, $p = 0.8683$) as shown in Table 2. Table 2 shows that the Baidu brand distinctiveness mean scores differed significantly across age groups ($F = 6.9294$, $df = 6, 139$, $p \approx 0.001$) and the various levels of education ($F = 5.8207$, $df = 4, 141$, $p \approx 0.001$).

TABLE 2
SIGNIFICANCE OF DIFFERENCES OF THE MEAN SCORES FOR THE BRAND DISTINCTIVENESS DIMENSION ACROSS THE BIOGRAPHICAL VARIABLES

Biographical Variables	Mean Brand Distinctiveness Scores		
	Google		
	Test Statistic	Degrees of freedom	p-value
Gender	$t = 0.7275$	142	0.4681
Age	$F = 1.0544$	6, 137	≈ 0.3932
Education Level	$F = 3.2822$	4, 139	$\approx 0.0132^*$
Baidu			
Gender	$t = -0.1662$	144	0.8683
Age	$F = 6.9294$	6, 139	$\approx 0.001^*$
Education Level	$F = 5.8207$	4, 141	$\approx 0.001^*$

*= $p < 0.05$

All figures rounded off to four decimal places

H_a^3 stating that the average or mean brand distinctiveness scores are significantly across different biographical variables is thus accepted for age and level of education.

A dependent t-test of these data provided insufficient evidence that the Google and Baidu brand commitment scores were significantly different ($t = 1.3189$, $df = 147$, $p\text{-value} = 0.1893$). Levene's test indicated that, for these data, the commitment scores for Google did not have significantly different variances ($F = 0.6557$, $df = 1, 146$, $p = 0.4194$) between gender groups. A two sample t-test, with a pooled estimate of the variance, indicated that the

mean scores of brand commitment for Google were not significantly different between gender groups ($t= 0.0806$, $df= 146$, $p=0.9359$) as shown in Table 3. Table 3 shows that the Google brand commitment mean scores differed significantly across age groups ($F= 6.5613$, $df= 6, 141$, $p\approx 0.001$) and the various levels of education ($F= 11.7508$, $df= 4, 143$, $p\approx 0$). Levene's test indicated that, for these data, the commitment scores for Baidu did not have significantly different variances ($F= 3.4969$, $df= 1, 147$, $p= 0.0635$) between gender groups. For these data a two sample t-test, with a pooled estimate of the variance, indicated that the mean scores of brand commitment for Baidu were not significantly different between gender groups ($t= 0.02848$, $df= 147$, $p= 0.9773$) as shown in Table 3. Table 3 shows that the Baidu brand commitment mean scores differed significantly across age groups ($F= 8.6182$, $df= 6, 142$, $p\approx 0$) and the various levels of education ($F= 7.7884$, $df= 4, 144$, $p\approx 0$).

H_a^4 stating that the average or mean brand commitment scores are significantly different across biographical variables is thus accepted for age and level of education.

TABLE 3
SIGNIFICANCE OF DIFFERENCES OF THE MEAN SCORES FOR THE BRAND COMMITMENT DIMENSION ACROSS THE BIOGRAPHICAL VARIABLES

Biographical Variables	Mean Brand Commitment Scores		
	Google		
	Test Statistic	Degrees of freedom	p-value
Gender	$t = 0.0806$	146	0.9359
Age	$F = 6.5613$	6, 141	$\approx 0.001^*$
Education Level	$F = 11.7508$	4, 143	$\approx 0^*$
	Baidu		
Gender	$t = 0.0285$	147	0.9773
Age	$F = 8.6182$	6, 142	$\approx 0.001^*$
Education Level	$F = 7.7884$	4, 144	$\approx 0^*$

*= $p < 0.05$

All figures rounded off to four decimal places

Hypotheses Five and Six: Regression Models

The fitted linear regression model for the brand distinctiveness of Google was found to be significant ($F= 1.095$, $df= 15, 122$, $p= 0.3684$) where only the intercept term was reported as significant ($t= 3.450$, $p= 0.0008$) and all other independent variables were not significant. The final backward stepwise regression model was significant ($F= 3.18$, $df= 4, 133$, $p= 0.01565$) where the intercept term ($t= 41.561$, $p\approx 0$) and level of education, primary school relative to bachelor degree, variable was significant ($t= -2.9$, $p= 0.0044$). The linear regression model fitted to the data for the brand distinctiveness of Baidu revealed a significant ($F= 3.858$, $df= 15, 123$, $p\approx 0.0001$) linear model where the significant independent cultural dimensions were integration ($t= 2.639$, $p= 0.0094$) and human-heartedness ($t= 2.490$, $p= 0.0141$), all other independent variables were not significant. The final backward stepwise regression model was significant ($F= 4.83$, $df= 12, 126$, $p\approx 0$) where the cultural dimensions of integration ($t= 2.590$, $p= 0.0107$) and human-heartedness ($t= 2.719$, $p= 0.0075$) were significant but the various categories of the biographical variable of age, gender and education were included in the model but were not significant.

H_a^5 is thus supported as significant linear relationships where found between the cultural dimensions and biographical variables and brand distinctiveness for Google and Baidu.

The fitted linear regression model for the brand commitment of Google was significant ($F= 4.206$, $df= 15, 125$, $p\approx 0$) where the independent cultural dimension of moral discipline ($t= -2.769$, $p= 0.0065$) and the biographical variable education were significant, primary school relative to bachelor degree ($t= -3.226$, $p= 0.0016$) and high school relative to bachelor degree ($t= -2.208$, $p= 0.0291$). All other independent variables were not significant in this linear model. The final backward stepwise regression model revealed a significant ($F= 11.26$, $df= 5, 135$, $p\approx 0$) linear relationship for the brand commitment of Google where the intercept term ($t=$

13.650, $p \approx 0$), moral discipline ($t = -2.2995$, $p = 0.0034$) and education dummy variable, namely primary school relative to bachelor degree ($t = -5.982$, $p \approx 0$), middle school relative to bachelor degree ($t = -2.625$, $p = 0.0097$), high school relative to bachelor degree ($t = -2.50$, $p = 0.0136$) were significant. No other variables were included in this model. The fitted linear regression model for the brand commitment of Baidu was significant ($F = 3.605$, $df = 15, 126$, $p \approx 0$) where the intercept term ($t = 3.149$, $p = 0.0021$) and age, namely 46 years of age or more relative to 18 to 20 years of age ($t = -2.056$, $p = 0.0418$) were significant but all other independent variables included in the model were not significant. The final backward stepwise regression model was significant ($F = 6.148$, $df = 8, 133$, $p \approx 0$) where the intercept term ($t = 5.050$, $p \approx 0$), moral discipline ($t = -2.079$, $p = 0.0396$) and age, specifically 46 years of age or more relative to 18 to 20 years of age ($t = -2.572$, $p = 0.0112$) and age 41 to 45 relative to 18 to 20 years of age ($t = -2.454$, $p = 0.0154$) were significant. All other independent variables were included in the model but were not significant.

Ha⁶ is thus supported as significant linear relationships were found between the cultural dimensions and biographical variables and brand commitment for Google and Baidu.

DISCUSSION

Moral discipline was negatively correlated with the brand commitment scores of Google while Confucian work dynamism was positively correlated with the brand commitment of Baidu, this suggests that Confucian values results in greater support for local brands while a high self control and moral constraint results in a low commitment to international brands relative to local brands. The findings in this study also indicated that there were positive correlations between the brand distinctiveness of Baidu and the cultural dimensions of Confucian work dynamism and human-heartedness, but no correlations can be found with the brand distinctiveness of Google, which supports Hornikx and O'Keefe's (2009) study. Hornikx and O'Keefe (2009) found that branding activities congruent with cultural contexts are more successful, and may explain the lower brand image of Google relative to Baidu. Due to collectivism in China it is argued by Tong and Hawley (2009) and Yoo et al. (2000) that mass media marketing reduces brand image in China as a result of interdependent brand choice. The study by Wong and Merrilees (2005) found that low brand distinctiveness negatively affects brand image as the brand is not at the forefront of the consumer's mind, which may explain the dominance of Baidu over Google in the Chinese search engine market. It can be put forward however that only 18.75% ($n = 3$) of the correlations between the brand commitment and distinctiveness of Google and Baidu and the dimensions of culture were significant. Once again the direction of the relationships are of interest in that the significant correlation between culture and the brand image of Google was negative whilst the significant relationships between the brand image of Baidu and culture were positive. This leads one to believe that there is a relationship, in terms of correlation, between culture and consumer perceptions of local and foreign brands.

Significant fitted linear regression models as well as significant backward stepwise regression models were found for the brand image dimensions of Google and Baidu. Backward stepwise regression models revealed a significant linear model for the brand commitment of Google with moral discipline and education as independent variables and for the brand commitment of Baidu with the independent variables of moral discipline and age. Significant relationships were also revealed by a backward stepwise regression model for the brand distinctiveness of Google with the significant independent variables of education and for Baidu significant linear relationships were found to exist with integration and human-heartedness. It was found by Roth (1995) that Hofstede's cultural dimensions of power distance (found to be correlated with integration) and individualism (correlated with moral discipline) significantly impacted upon brand image. Moral discipline can thus be seen to be a consistently influential dimension on brand image. A study by de Mooij (2000) found that femininity (found to be correlated with human-heartedness) and power distance were found to be predictors of internet usage. A study by Park and Rabolt (2009) also found that cultural dimensions have a significant impact on consumer behaviour and in particular consumer perceptions of brands. While these relationships were significant it is suggested that more research needs to be conducted as culture and biographical variables are not the only factors that could be used to explain the variations in brand image, as supported by the low goodness of fit of the regression models (indicated by low adjusted R-squared values). Batra and Sinha (2000) found that individual differences also explain variation in brand image. Over and above a study conducted by Batra, Ramaswamy,

Alden, Steenkamp and Ramachander (2000) found that brand perceptions are influenced by variables such as perceived brand local/nonlocal origin, origin-free brand quality, brand availability, brand familiarity and prior experience with the brand. As such frameworks should be developed to include individual differences and other possible dimensions that influence brand perceptions.

The mean brand commitment scores of Google and Baidu differed significantly across age and level of education while the mean brand distinctiveness scores for only Baidu differed significantly across age and level of education. The differences in the brand image dimensions across biographical variables is corroborated by Batra and Sinha (2000) who found that a consumers' brand choice is influenced by biographical data as well as individual differences. Overall gender can be seen to not be a very salient variable on brand image which is supported by the findings of Lorigo et al. (2005) who also found no meaningful differences between the genders with respect to online search engines. This study also established that the brand commitment scores of both Google and Baidu differed significantly across age groups, but only the brand distinctiveness scores of Baidu and not Google were statistically differed across age groups. These results indicate that younger consumers are more willing to be committed to foreign brands. This is substantiated by Hargittai (2007) who established that younger consumers have a higher probability of being well informed about search engines than older generations. Matthews (2000) who used the CVS also found that older generations are more inclined to value culture and local brands and products. According to Alon (2003) age is a significant variable in explaining brand image in China in that older generations can be expected to value tradition whilst younger generations have a greater interest in Western brands. Education level was the most influential biographical variable with regard to brand image, the brand commitment and the brand distinctiveness scores of both Google and Baidu differed significantly across educational level groups. Ogba and Tan (2009) had similar findings to this study, and suggested that the reason education level influences brand perceptions is because participants' income levels tend to be higher as education improves. As their income increased, participants made their purchase choices according to brand image rather than price.

This study determined that the mean brand distinctiveness of Baidu was higher than the mean brand distinctiveness of Google, and this difference was statistically significant however no statistical differences could be found between the brand commitment scores of Google and Baidu. It was concluded that there was a difference between the brand image of Google and Baidu, with Baidu having the higher brand image. Chiou's (2009) argument that brand image determines the dominant search engine may explain why Baidu had both a greater brand image and a greater market share in China. This is supported by the findings of Chen (2005) who found that Chinese consumers have a low global brand and organization awareness and Chinese consumers therefore do see global brands as more distinctive and are certainly not more committed to them.

CONCLUSION AND RECOMMENDATIONS

Given the lack of research and the current gap in the literature with respect to international organizations entering China, particularly with online services this study offers insight into Chinese search engine users brand perceptions (Jansen et al., 2009). This is likely to put these global organizations in good stead and assist with the planning of brand management strategies within internationalization strategies. Over and above it can be said that effective brand management is of vital importance given the ever increasing cynicism and caution with which consumers perceive brands and the communication efforts of organizations (Koubaa, 2008). Organizations need to monitor their brand images and ensure that they are aligned with their desired brand identity. Market research into brand perceptions thus enables organizations to create greater brand value and build their brand equity.

Organizations such as Google which have arguably not acknowledged the need to change certain elements of their product, service or brand to complement the foreign environment, may meet with disappointment and failure indicated by the lower brand image of Google in comparison to Baidu. Google's determination to maintain Western values of no censorship and a disregard for business etiquette resulted in major tensions between Google and China (BBC News, 2013). One can put forward that greater cultural sensitivity and a regard for the local intricacies of Chinese business and preference should be adopted and understood by Google. The Chinese have been referred to as having a high sense of brand awareness and in addition to accommodating for local Chinese consumer preferences, the challenge of brand management also requires the brand to establish itself for long

enough to be seen as reliable (Witkowski et al., 2003). Organizations may be able to build brand distinctiveness and commitment by becoming an established brand in the market. Cultural considerations are however still relevant and should be considered when establishing an international brand in the Chinese market as shown by the findings of this study and many other studies discussed.

The teachings of Confucius placed a great emphasis on education. This has resulted in a dedicated and intellectually capable population which can be seen to impact on how Chinese consumers perceive domestic and international brands (Hershatter & Zheng, 2008). Consumers are changing increasingly with the influx of international organizations and brands entering the Chinese market and while majority of the changes are within the economic environment, cultural shifts can be noted. It is a common perception that the attitudes of consumers in the East towards products and brands differ from those of the West. With the influx of Western brands into China, it is vital that brands are successfully managed to adapt to and be incorporated into the Chinese context, which is largely determined by the Chinese culture (Melewar et al., 2004).

While it is believed that this study will add a valuable contribution to the knowledge base of both marketing management and cross-national managerial issues, it is important to be aware of the limitations of the study. Firstly, all research data was collected from urban consumers, which may mask issues of localization and rural versus urban consumer behaviour and perceptions (Piron, 2006). There is a low generalisability of the study as the population consisted of participants living in the city of Guangzhou and the sample size is small, and perceptions of brands may vary across regions, as suggested by arguments of localization. In the same light, however, regional socioeconomics was found to moderate brand image and indicates that a city or town focus ought to be taken over and above looking at country level influences (Roth, 1995). The low generalisability must be kept in mind and it must be taken into account that the exploratory nature of the study offers insight for future research rather than definitive answers. Lastly, the reliability of moral discipline was not as high as the other dimensions. One ought to also be aware of the influence of non-response bias despite the acceptable response rate of 68%.

Given the struggles of Google it can be said that international success is not a prerequisite for success in China and organizations cannot rely on their market share or reputation when entering China (Melewar et al., 2004). Managers need to be aware of how Chinese consumers perceive brands and in particular how their brand is likely to be perceived if they are to be successful in the Chinese market. Brand image is an effective mechanism to safeguard current market share as well as attract new consumers (Lee & Ganesh, 1999). From the success of Baidu it can be said that a positive brand image can be a competitive advantage that is both sustainable and difficult to imitate.

With respect to the findings in the study, there are several recommendations which have been identified pertaining to future research. It is recommended that:

- research evaluating how Chinese consumer perceptions of online brands vary across geographic regions be done.
- research assessing Chinese consumer perceptions with regards to products and offline services be done.
- further refinement of a research instrument measuring brand image within a Chinese context be developed.
- research gaining greater insight into how other variables, such as income and social status, influence online brand perceptions be done.
- online marketing research is extended beyond the Chinese market and into various other emerging and developing markets particularly within an Eastern and African context.
- research assessing Chinese consumer perceptions of foreign brands not originating from America be done.

These future research agendas will greater improve the understanding of the exact relationship between culture, biographical variables and brand image.

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Exploring Chinese Consumers' Shopping Value across Retail Outlets

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This study aims to explore Chinese consumers' shopping value. Using shopping value dimensions identified through a qualitative study, a quantitative study was conducted to assess consumers' shopping value perceptions as to their shopping experiences in two retail outlets: department stores and mass merchandisers. The findings suggest that while Chinese consumers tend to shop at both retail outlets for self-gratification value and social interaction value, they gain a broader range of hedonic shopping value at department stores and experience more functional shopping value at supermarkets. The findings highlight the importance of shopping experiences and value for Chinese consumers.

INTRODUCTION

China has experienced rapid economic growth since the 1980s. With an annual average economic growth rate of about 10% since the year 1990, the annual per capital disposable income of urban residents increased about 250% from 2000 to 2008 (China Statistical Yearbook, 2009). Dramatically increased consumer spending power and a growing wealthy middle class have attracted many international retailers to Chinese markets, especially since China joined the WTO in 2001 (Liu, 2007). Meanwhile, new retail formats such as supermarkets, warehouse clubs, specialty stores, and convenience stores have become common (Wang, Li, & Liu, 2008). Retail sales of consumer goods increased 325% from 1998 to 2008 and reached 10.8 trillion RMB in 2008 (China Statistical Yearbook, 2009). The rapid growth has transformed the Chinese retail market which has become a very competitive battlefield for both international and domestic retailers (Wang et al., 2008). To succeed in this important and competitive market, it is critical to understand not only Chinese consumers' needs and wants but also their shopping and store patronage behavior. However, little has been done to systematically investigate consumers' patronage behavior in different retail channels and stores (Uncles & Kwok, 2009). Failure to fully understand Chinese consumers' unique shopping and consumption behaviour hinder the success of some international retailers. Some recent examples include Best Buy and Home Depot from the United State.

Value is one of the most important measures for gaining a competitive edge (Parasuraman, 1997) and the basis for all marketing activities (Holbrook, 1994). It is the key outcome of consumption experiences (Holbrook, 1986) and the most important indicator of repurchase intentions (Parasurman & Grewal, 2000). In the retail market, shopping value affects retail outcomes and enhances such retail variables as consumer satisfaction (Babin, Lee, Kim, & Greffin, 2005), customer share (Babin & Attaway, 2000), patronage intentions, customer loyalty, and word-of-mouth (Jones, Reynolds, & Arnold, 2006). Retailers, therefore, must deliver value to their consumers to enhance customer satisfaction and loyalty. With increasing purchasing power and abundant choices of retail outlets and products, Chinese consumers have become demanding (Wang et al., 2008). Gaining shopping experience and value has become important

for them (Davis, 2009). Understanding Chinese consumers' shopping value and its effect on store patronage behavior such as store choices and preferences has become critical for international retailers and marketers (Wang, Chen, Chan, & Zheng, 2000; Zhang et al., 2008). Since the main body of shopping value literature was established based on Western consumers and markets, the first step would be to determine if established shopping value constructs and theories are also applicable to Chinese consumers. The second important step should be to investigate Chinese consumers' value perceptions in different retail outlets to better understand their shopping behavior. The purpose of this study is, therefore, 1) to identify key consumer shopping value dimensions that Chinese consumers pursue in the marketplace; 2) to identify any similarities and differences in Chinese consumers' value perceptions when shopping at two major outlets, department stores and supermarkets.

Department stores are non-self-service retail outlets selling a large variety of merchandise that is organized into departments (Uncles & Kwok, 2009). Department stores were introduced in China in the era of the central-planned economy. Before the economic reform beginning in the late 1970s, they served as the sole distribution channel for manufactured consumer goods (Chan, Perez, Perkins, & Shu, 1997). Department stores still serve as key retail outlets that provide Chinese consumers quality merchandise as well as one-stop shopping experiences. Supermarkets, on the other hand, were first introduced in the 1980s. They started in major Chinese cities including Beijing, Shanghai, and Guangzhou (Mai & Zhao, 2004). Supermarkets expanded rapidly during the past two decades. During 2002-2007, the supermarket sector expanded with a cumulative growth rate of 22% in value sales, 19% in selling space, and 13% in outlets (Euromonitor, 2008). They are estimated to account for about 25% of the total Chinese retail market (Zhang, 2004). Similar to mass merchandisers in the United States, supermarkets in China carry a large assortment of merchandise including fresh foods, groceries, home goods, as well as textiles and apparel. Many supermarkets have multiple floors, each focusing on a different product category, just like department stores. Chinese consumers' demand for high quality and large varieties of merchandise, from groceries, home goods, to apparel and accessories, makes supermarkets very popular. Today, department stores and supermarkets are major retail outlets that Chinese consumers rely on to satisfy their needs and wants (Wong & Dean, 2009). With an increasingly crowded retail environment, these two popular retail outlets in China are facing fierce competition. By understanding consumers' value perceptions in each retail outlet, supermarkets and department stores can understand their consumers better, which can lead to better customer satisfaction and value delivery. So, the findings of this study not only contribute to Chinese consumer shopping literature by understanding Chinese consumers' shopping behavior, but also provide insight that can enable department stores and supermarkets to better position themselves in the local retail market.

LITERATURE REVIEW

Consumption Value

Holbrook (1986) defined value as "an interactive relativistic preference experience" (p.32) and argued that value is found in the experience of consumption of products (services) rather than in the purchase, although purchase can be a part of consumption experience. Therefore, although a product may have many attributes, those attributes come to represent consumer value only after they are appreciated or perceived by consumers. Holbrook (1986) also developed a value typology that was structured on broad conceptual classifications. According to Holbrook's value typology (1986), consumer value in the consumption experience has three dimensions: 1) extrinsic vs. intrinsic, 2) self- vs. other-oriented and 3) active vs. passive. Extrinsic value and intrinsic value are also known as utilitarian value and hedonic value, respectively. Value is self-oriented when a consumer appreciates a product or experience for his/her own sake and other-oriented when a consumer looks beyond self to others such as family, friends and the universe. Furthermore, value is active when it involves things done by an individual and reactive when it comes from things done to an individual (Holbrook, 1986). When combining those three dimensions, eight different types of consumption value emerge: four self-oriented values and four other-oriented values. Self-oriented values include efficiency (extrinsic/active), excellence (extrinsic/passive),

play (intrinsic/active), and aesthetics (intrinsic/passive); and other-oriented values include politics (extrinsic/active), esteem (extrinsic/passive), morality (intrinsic/active), and religion (intrinsic/passive).

Zeithaml (1988) emphasized product value and conceptualized consumer perceived value (CPV) as “the consumer’s overall assessment of the utility of a product based on a perception of what is received and what is given” (p.14). That is, CPV is a trade-off between benefits and sacrifices perceived by the consumer when considering a supplier’s offering. The benefit component of value include salient intrinsic attributes, extrinsic attributes, perceived quality, and other aspects such as convenience and appreciation; the sacrifice components include both monetary prices and non-monetary prices such as time, energy, and effort to obtain products and services (Zeithaml, 1988). Sheth, Newman, and Gross (1991) further extended the concept of CPV and developed a theoretical framework of consumption value. According to this theoretical framework, consumer choice of products and/or services is a function of multiple consumption value dimensions including functional value, social value, emotional value, epistemic value, and conditional value. Functional value is the perceived utility acquired from an alternative’s capacity for functional, utilitarian, or physical performance; social value is the perceived utility acquired from an alternative’s association with one or more specific social groups; emotional value is the perceived utility acquired from an alternative’s capacity to arouse feelings or affective states; epistemic value is the perceived utility acquired from an alternative’s capacity to arouse curiosity, provide novelty, and/or satisfy a desire for knowledge; and conditional value is the perceived utility acquired by an alternative as the result of the specific situation or set of circumstances facing the choice maker (Sheth et al., 1991).

It is clear that consumption value has been defined from different views. Some scholars view it as the outcome of consumption experiences (Holbrook, 1986) and others view it as the criteria for product/service choices (Sheth et al., 1991). Meanwhile, some researchers view it from the economic perspective and regard it as the trade-off between benefits and sacrifices (e.g. Zeithaml, 1988). Based on the different definitions, a number of different value dimensions have been identified.

Consumer Shopping Value

Based upon consumption value research, scholars approached the concept and dimensions of shopping value in a number of ways. Following Holbrook (1986), Babin, Darden, and Griffin (1994) defined shopping value as the evaluation of the overall worth of a shopping experience. As the outcome of a shopping trip, Babin et al. (1994) proposed two fundamental dimensions to shopping value, utilitarian and hedonic value, which is the extrinsic versus intrinsic dimension of Holbrook’s value typology. Utilitarian value relates to shopping as a work mentality, which can explain shopping trips as “an errand” or “work” and emphasizes task accomplishment (Babin et al., 1994). In contrast, hedonic value involves fun, playfulness, and sensory reactions, which reflects shopping’s potential entertainment and emotional worth and focuses on the immediate gratification provided by the shopping experience (Babin et al., 1994). Rintamäki, Kanto, Kuusela, and Spence (2006) argued the importance of recognizing social value as an independent shopping value construct rather than a sub-dimension of hedonic value. They (2006) further proposed that utilitarian value derives from money saving and shopping convenience; hedonic value derives from exploration and entertainment; and social value is gained from status and self-esteem enhancement.

Mathwick, Malhotra, and Rigdon (2001), on the other hand, followed the value typology of Holbrook (1986) to investigate and assess retail shopping experiences in Internet and catalogue shopping contexts. Focusing only on self-oriented value, Mathwick et al. (2001) argue that experiential shopping value has four dimensions: consumer return on investment (CROI), service excellence, playfulness, and aesthetic appeal. Using a hierarchical structure, Mathwick et al. (2001) conceptualized escapism and enjoyment as indicators of the higher order dimension of playfulness; visual appeal and entertainment as indicators of aesthetics; and efficiency and economic value as indicators of consumer return on investment. Also based on Holbrook’s (1986) theoretical framework of value typology, Kim (2002) discussed and contrasted consumer value experienced by mall and Internet shopping in a conceptual article. In the discussion, playfulness is acquired through sensory stimulation, entertainment and social interaction; aesthetics through ambience; efficiency through convenience and resources (time, effort and money); and

excellence through product performance and customer service. It can be seen that although Holbrook's value typology provides a framework for analyzing shopping value in different retail channels, researchers disagree on the components of each value dimension.

Overall, the literature on consumer shopping value is fragmented. In an effort to provide a holistic view of shopping value, Davis and Dyer (2012) investigated shopping value dimensions based on the value theory developed by John Dewey (1939) that argues that value is derived from the fulfilment of consumers' needs and wants. Consumers shop to satisfy a broad range of personal and social needs that go beyond pure acquisition of goods and services (Tauber, 1972; Westbrook & Black, 1985). Viewed broadly, consumers go shopping because they experience a need and recognize that shopping activities can satisfy that need. Based on Dewey's value theory, when the need is fulfilled, whether actual or perceived, the consumer then develops a value perception of the experience that is associated with the needs and wants that motivated the foray into the marketplace. That is, satisfying a specific shopping need leads to the consumer's perception of gaining a specific shopping value (Davis & Dyer, 2012). By connecting consumer shopping motivations and value perception, Davis and Dyer (2012) identified nine shopping value dimensions that are most relevant to compare consumers' shopping experiences in department stores and mass merchandisers. Those nine dimensions are acquisition value, transaction value, efficiency value, choice value, aesthetic value, exploration value, self-gratification value, social interaction value, and social status value. The definition of each value dimension is listed in Table 1.

TABLE 1
SHOPPING VALUE DIMENSIONS RELEVANT TO COMPARING SHOPPING EXPERIENCES IN DEPARTMENT STORES VERSUS MASS MERCHANDISERS

Shopping Value Dimension	Definitions
Acquisition Value	The perceived net gains accrued when products or services are acquired.
Transaction Value	Psychological satisfaction or pleasure gained from getting a deal or bargain.
Choice Value	A good range of products/services when shopping.
Efficiency Value	The efficiency and effectiveness of the shopping trip.
Aesthetic Value	Visual appeal—physical attractiveness of the retail setting.
Exploration Value	The enjoyment gained by shopping to keep up with trends and new fashions.
Social Interaction Value	Consumers' interaction with friends, family, salespeople, and other consumers during shopping.
Social Status Value	A consumer's feeling of social acceptability and approval as a result of shopping at certain retail stores.
Self-gratification Value	Improvement of personal well-being, i.e., stress relief, improved mood, and giving oneself a special "treat."

Source: Davis and Dyer (2012).

Consumption Value and Chinese Consumers

Although some researchers have used the value concept to study Chinese consumers, much of the effort has been focused on personal value and cultural value. For example, Tai (2008) investigated the relationship between personal values and shopping orientation among adult working consumers in Taipei, Hong Kong and Shanghai. The study found that Chinese consumers in greater China share similar personal values, and there existed significant relationships between personal values and shopping orientation. Specifically, self-actualization value was the most important personal value that affects Chinese consumers' shopping orientation (Tai, 2008). Cai and Shannon (2012) found that beside self-actualization (or self-enhancement) value, self-transcendence value, which is related to protecting and enhancing the wellbeing of other people and nature in general, positively affects Chinese consumers'

attitude towards mall attributes. Chan (2001) also found that the traditional cultural value of collectivism and man-nature orientation positively affect Chinese consumers' attitude towards green purchases.

Few studies have explored the role of consumption value in Chinese consumers' consumption behavior, and even fewer have tapped into consumer shopping value. First, Chinese consumers were found to emphasize more on the utilitarian or functional value of products (Tse, Belk, & Zhou, 1989). However, with improving personal income and living standards, Chinese consumers may focus more on other dimensions of product and consumption value. Xiao and Kim (2009) reported that functional value, emotional value, and social value conceptualized by Sheth et al. (1991) were positively related with Chinese consumers' purchasing of foreign brands. Yu and Bastin (2010), furthermore, explored the relationship of hedonic shopping value and impulsive buying behavior. They (2010) identified five dimensions of hedonic shopping value, namely novelty, fun, praise from others, escapism and social interaction for Chinese consumers. Further empirical study shows that novelty, fun, and praise from others have a significant positive relationship with Chinese consumers' impulsive buying behavior (Yu & Bastin, 2010). In conclusion, limited studies confirmed that consumption value is effective for understanding Chinese consumer behavior and more extended research in the area is needed.

Two major retail outlets in China, department stores and supermarkets, may satisfy different consumer needs and wants, as they do in western countries, thus offering different types of shopping value to Chinese consumers. Wong and Dean (2009) found that product quality and customer orientation, or retailers' commitment to consumer needs and value delivery, positively related to perceived value for Chinese consumers in supermarkets and department stores respectively. Chinese consumers seek quality and choices at supermarkets and recreational shopping experiences at department stores (Wong & Dean, 2009; Davis, 2009). Department stores are popular destinations for weekend family outings (Chan et al., 1997). Therefore, it is hypothesized that the shopping value that Chinese consumers perceive gaining in department stores is different from that they perceive gaining in supermarkets.

Hypothesis: The shopping value that Chinese consumers perceive gaining from shopping at department stores is different from that they perceive gaining from shopping at supermarkets.

METHODOLOGY

Qualitative Preliminary Study

For the purpose of this study, a qualitative study was first conducted in Northwest China to identify shopping value dimensions that are most relevant to Chinese consumers' shopping experiences in department stores and supermarkets. A convenience sample of 18 consumers who frequently engaged in shopping activities participated in in-depth interviews. The majority of them were female consumers. Ten of the participants were in their 20s and 30s and six in their 40s and 50s. The interviews were lightly structured, using focused, open-ended and non-directive questions in which discussions followed participants' responses and issues (Mariampolski, 2001). In-depth interviews were conducted in locations that were convenient to participants, including their homes and offices. Each interview was from 30 to 60 minutes long. All the interviews were recorded upon permission and later transcribed into text for interpretation.

Content analysis methods were used to identify possible shopping value dimensions that participants perceived they gained and actively sought from their shopping experiences. Common themes were developed based on the shopping value framework developed by Davis and Dyer (2012). The data reveal that for the majority of participants, shopping is an important part of their daily lives. To satisfy their needs for everyday products and services through shopping, some participants tended to shop around to gain the best economic product value or acquisition shopping value. They valued the broad range of product categories and assortments that provide one-stop-shopping convenience and freedom of choices, and enjoyed the efficiency and effectiveness of their shopping trips. Therefore, choice value and efficiency value are important for participants. Some participants shopped a lot for the excitement and thrill of finding deals and bargains. For many participants, the retail market is an important product and market information source. They liked to shop just to find out about new products and fashions, and

discover new trends. Furthermore, for the majority of participants, shopping is about releasing stress and improving mood. More importantly, shopping for them is about socializing with family and friends. Therefore, transaction value, exploration value, self-gratification value, and social interaction value are all important for participants. Finally, some participants also emphasized shopping to appreciate beautiful retail visual displays and enjoy a pleasant shopping environment. Therefore, they sought aesthetic shopping value. In conclusion, the findings reveal that all shopping value dimensions except social status value identified by Davis and Dyer (2012) are also commonly pursued by northwest Chinese consumers.

Quantitative Study

To test the hypothesis, a survey instrument was developed using existing scales adopted from Davis and Dyer' (2012) study (See Table 2). The responses to scale items were measured on a seven-point Likert-type scale anchored between "strongly disagree" (1) and "strongly agree" (7). Scales were translated into Chinese and then back-translated into Chinese to ensure accuracy of the Chinese translation (Malhotra, 1996). The data was collected in Lanzhou City, Gansu province. As the capital city of Gansu province, Lanzhou is one of the most important cities in Northwest China. It has the largest economy in Gansu province with a population of 3.32 million. Its retail landscape has changed dramatically since 2000 with the opening of its first supermarket – Lanzhou Hualian. In 2008, the retail sales in the city reached 342.66 billion RMB. However, international retailers have not entered the local market, which makes it appealing to international retailers.

TABLE 2
STUDY VALUE CONSTRUCTS AND SCALE MEASUREMENT ITEMS

Shopping Value Construct	Value Measurement Scales with Modified Items	Factor Loading	Cronbach Alpha	Original Source
Aesthetic Value	XYZs have attractive décor.	0.79	0.84	Terblanche and Boshoff 2004
	XYZs have attractive physical facilities (check-out counters, shelves, etc.).	0.72		
	XYZs have attractive product and promotional displays.	0.79		
	XYZs have well-spaced product displays.	0.61		
Exploration Value	Shopping at XYZs makes me keep up with new fashions.	0.81	0.89	Arnold and Reynolds 2003
	Shopping at XYZs makes me keep up with the trends.	0.77		
	I shop at XYZs to see what new product is available.	0.69		
	I shop at XYZs to experience new things.	0.64		
Social Status Value	Shopping at an XYZ would help me to feel acceptable.	0.72	0.91	Sweeney and Soutar 2001
	Shopping at an XYZ would improve the way I am perceived.	0.88		
	Shopping at an XYZ would make a good impression on other people.	0.86		
	Shopping at an XYZ would give me social approval.	0.71		
Social interaction Value	I go shopping at an XYZ with my friends or family to socialize.	0.81	0.84	Arnold and Reynolds 2003
	I enjoy socializing with others when I shop at an	0.82		

	XYZ. Shopping at an XYZ with others is a bonding experience.	0.68		
Transaction Value	Taking advantage of a price-deal at an XYZ makes me feel good. I would get a lot of pleasure knowing that I had saved money at reduced sale prices at an XYZ. Beyond the money I save, taking advantage of price deals at an XYZ gives me a sense of joy.	0.74 0.86 0.74	0.84	Terblanche and Boshoff 2004
Efficiency Value	Shopping at an XYZ is an efficient way to manage my time. Shopping at an XYZ makes my life easier. Shopping at an XYZ fits with my schedule.	0.75 0.73 0.75	0.83	Arnold and Reynolds 2003
Choice Value	XYZs offer a choice of different product categories. XYZs offer a variety of products that are available in many different sizes. XYZs offer a wide variety of products.	0.65 0.77 0.77	0.69	Terblanche and Boshoff 2004
Acquisition Value	XYZs' products are a good economic value. Overall, I am happy with XYZs' prices.	0.69 0.72	0.90	Mathwick, Malhotra, and Rigdon 2001
Self-gratification Value	When I am in a down mood, I go shopping at an XYZ to make me feel better. To me, shopping at an XYZ is a way to relieve stress. I go shopping at an XYZ when I want to treat myself to something special.	0.74 0.83 0.75	0.81	Arnold and Reynolds 2003

Note: Subjects responded to each survey item on a 7-point Likert-type scale ranging from (1) strongly disagree to (7) strongly agree. The original scales were modified by substituting “supermarkets” or “department stores” within each measurement item. Those substitutions are represented here by XYZ.

Two hundred fifty-three female Chinese consumers from a convenience sample participated in the study. All respondents shopped at both supermarkets and department stores regularly. The majority of them were 25 to 44 years of age. About 83% of respondents belonged to the Han ethnic group. While 46% of respondents have college education, only 8% of them earn more than 3,000 RMB per month. Therefore, the respondents tend to be younger consumers with relatively lower incomes. The respondents' demographic information is presented in Table 3.

TABLE 3
SUMMARY OF DEMOGRAPHIC CHARACTERISTICS OF PARTICIPANTS

Demographic variables	Percentage (%)
Age	
18-24	15.1
25-34	32.3
35-44	29.5
45 and older	23.1
Ethnic background	
Han	82.6
Others	18.4
Education background	
Junior high school	12.3
Senior high school	30
University	45.5
Others	14.2
Personal income (RMB/month)	
Less than 1,000	48
1,000 to 2,999	43.9
3,000 to 4,999	7.0
Above 5,000	1.2

ANALYSIS

To validate the study constructs, a principal component factor analysis with varimax rotation was conducted. Factors with eigenvalues greater than 1.0 and loadings of .50 were used as the criteria for retaining items (Hair et al., 2006). Items did not have high loading on any one dimension and those that have high loadings on more than two dimensions were eliminated from further analysis. The factor analysis indicated that after the scale purification, all the remaining items measuring each shopping value construct loaded highly on only one dimension (see Table 2). In conclusion, the factor analysis confirmed that all constructs of the study are valid. Furthermore, each scale satisfied the Cronbach's alpha larger than 0.70 criterion preferred in previous research studies, with the exception of the choice value scale which at 0.69 was considered borderline but acceptable (Peter, 1979; Peterson, 1994) (see Table 2).

To compare participants' shopping value perception from their shopping experiences at department stores and supermarkets, a full factorial multivariate analysis of variance (MANOVA) and univariate analysis of variance (ANOVA) tests were used to analyze data. Table 4 presents the MANOVA and ANOVA results. The MANOVA test was used because it is a conservative test that is ideal for controlling for the overall type I error rate for multiple comparisons (Hummel & Sligo, 1971). The p-value of Wilks' lambda test was significant at $p < 0.001$, suggesting that overall shopping value that participants perceived at department stores was significantly different from that they perceived at supermarkets ($p < 0.001$). Thus the null hypothesis is supported. The descriptive statistical analysis shows that participants perceived gaining high levels of acquisition value ($u = 5.15$), transaction ($u = 5.01$), efficiency ($u = 5.01$), and choice value ($u = 5.57$) at supermarkets, and high levels of exploration value ($u = 5.46$), aesthetic value ($u = 5.19$), and choice value ($u = 5.97$) at department stores (see Table 4).

ANOVA tests were used to compare participants' perception of each shopping value at department stores versus supermarkets. ANOVA tests show that participants perceived significantly higher levels of acquisition value, that is, what-you-get-from-what-you-give value at supermarkets ($u = 5.15$) than at department stores ($u = 3.61$). They also perceived significantly higher levels of transaction value, or

gaining pleasure by finding deals and bargains, as well as efficiency value at supermarkets ($u = 5.01$ for both dimensions) than at department stores ($u = 4.58$ and 4.77 , respectively). Meanwhile, participants perceived significantly higher levels of choice value, aesthetic value, exploration value, and social status value at department stores with the mean of 5.97 , 5.19 , 5.46 , and 3.82 respectively. However, there is no significant difference in social interaction value or self-gratification value between department stores ($u = 4.34$ and 4.63 , respectively) and supermarkets ($u = 4.41$ and 4.33 , respectively).

TABLE 4
ANOVA AND MONOVA RESULTS

Dependent Variable	Store ID	Mean	Type III Sum of Squares	DF	Mean Square	F	p-value
Acquisition Value	1*	5.15	148.58	1	148.58	50.37	0.000
	2**	3.61					
Transaction Value	1	5.01	11.43	1	11.43	4.86	0.028
	2	4.58					
Efficiency Value	1	5.01	13.81	1	13.81	6.18	0.014
	2	4.54					
Choice Value	1	5.57	11.15	1	11.15	9.79	0.002
	2	5.97					
Aesthetic Value	1	4.57	24.64	1	24.64	17.15	0.000
	2	5.19					
Exploration Value	1	4.36	77.22	1	77.22	42.18	0.000
	2	5.45					
Self-gratification Value	1	4.33	5.63	1	5.63	2.64	0.118
	2	4.63					
Social Interaction Value	1	4.41	0.23	1	0.23	0.10	0.748
	2	4.34					
Social Status Value	1	3.40	10.94	1	10.94	4.40	0.037
	2	3.83					

Note: MANOVA: Wilks' Lambda=0.617; p-value <0.001

Note: *1 = supermarkets; **2 = department stores

RESULTS AND DISCUSSION

Although shopping value significantly affect consumers' patronage behavior (e.g. Babin & Attaway, 2000), limited studies have explored shopping value and its effects on consumers' patronage behavior in China. This research sought to investigate Chinese consumers' shopping value perception at department stores and supermarkets, which are two most popular retail outlets in China. The study first explored major shopping value dimensions shared among Chinese consumers using a preliminary qualitative study. The findings from the qualitative study reveal that all value dimensions except social status shopping value from the shopping value framework provided by Davis and Dyer (2012) are common among Chinese consumers. To satisfy their needs for goods and services, Chinese consumers seek acquisition value (economic value of products), choice value (a broad choice of merchandise), and efficiency value (the efficiency of their shopping trips). They also shop to satisfy a broad range of psychological and emotional needs, as Davis, Peyrefitte and Hodges (2012) concluded. The satisfaction of those needs leads to exploration value (finding novelty goods and learning fashion trends), social interaction value (socializing with family and friends), self-gratification value (improving personal well-being), aesthetic

value (enjoying pleasant retail visual displays), and transaction value (gaining pleasure from finding a bargain).

The study then explored the similarities and differences in value perception from their shopping experiences at department stores and supermarkets using a follow up quantitative study. The statistical analysis reveals that participants perceived gaining significantly different shopping value at department stores and supermarkets. They perceived significantly higher levels of hedonic shopping value, including exploration value, aesthetic value, and social status value at department stores, which means that they felt learning more about fashion trends, seeing more beautiful visual displays, and gaining higher levels of the sense of social approval when shopping at department stores. However, findings reveal no difference between the perception of gaining self-gratification value and social interaction value at those retail outlets, which indicates that Chinese consumers shop at both outlets to socialize with others and/or improve their personal well-being. Because self-gratification and social interaction are two dimensions of hedonic shopping value (Yu & Bastin, 2010), the findings suggest that supermarkets do provide some levels of recreational shopping experiences in the marketplaces. However, department stores provide a broader range of recreational shopping experiences and hedonic shopping value to consumers.

Secondly, although participants perceived significantly higher levels of social status value at department stores, the means of social status value at both retail outlets are relatively low with 3.82 at department stores and 3.40 at supermarkets. This finding is consistent with that of the preliminary qualitative study, which suggests Chinese consumers are less likely to shop to gain social approval and acceptance. Although Chinese consumers do shop to satisfy social needs, their social needs can be very different from those of Western consumers (Davis et al., 2012). Therefore, social status shopping value may only be effective in explaining certain specific Chinese consumers' shopping behavior such as mall shopping (Cai & Shannon, 2012) and consumption of luxury goods. Thirdly, participants perceived gaining higher levels of choice value at department stores, which can be explained by the fact that major local department stores are all full-line department stores and some of them even have a grocery store within. On the other hand, participants perceived gaining significantly higher levels of acquisition value, which means that they perceived getting better price value and deals, at supermarkets. They also perceived gaining significantly higher levels of transaction value at supermarkets, which may be explained by more bargain hunting opportunities in supermarkets because of frequent promotions and weekly specials. Furthermore, participants perceived significantly higher levels of efficiency value at supermarkets which also indicates that consumers are more likely to shop at supermarkets to satisfy their needs for everyday products where efficiency is important.

CONCLUSION AND IMPLICATIONS

With the economic development and improvement of living standards, Chinese consumers are becoming more demanding (Wang et al., 2008). Meanwhile, the development of the Chinese retail industry and the entrance of international retailers have created a very competitive retail environment. To be successful, retailers have to create and deliver value to their consumers, just as in Western markets. Therefore, it is more important than ever for retailers to identify critical shopping value for Chinese consumers and understand the effect of shopping value on their shopping behavior. This study contributes to the literature by exploring key shopping value dimensions for Chinese consumers and their value perception in two most popular retail outlets, department stores and supermarkets, by using the shopping value framework developed by Davis and Dyer (2012). The findings indicate that shopping value has multiple dimensions for Chinese consumers, as it does for Western consumers, which supports Yu and Bastin's (2010) findings. They also indicate that majority value dimensions identified in western markets are also applicable to Chinese consumers because of the newly established consumer culture. It is clear that from Chinese consumers' perspective, shopping is about satisfying different needs and wants, thus pursuing different shopping value. Rather than just focus on functional value of products, as indicated in earlier studies (e.g. Tse et al., 1989), Chinese consumers emphasize a broad range of shopping value, including hedonic value. Yu and Bastin (2010) concluded that hedonic shopping value has become

important for Chinese consumers. The findings of this study provide further evidence that today's Chinese consumers are very likely to shop for fun and experiences, that is, to pursue hedonic shopping value. Like Western consumers, Chinese consumers desire a pleasant shopping experience in the marketplace. Chinese consumers have become more hedonic orientated. Thus, pursuing both utilitarian and hedonic value has become essential to explain Chinese consumers' shopping behavior.

On the other hand, the findings also suggest that today's Chinese retail markets do provide a broad range of shopping value to consumers, from those associated with purchasing goods and services, such as choice value, acquisition value, and efficiency value, to those related to hedonic shopping experiences like exploration value, social interaction value and self-gratification value. However, Chinese consumers do experience somewhat different shopping value at department stores versus supermarkets. They experience and perceive gaining more dimensions of hedonic shopping value at department stores, and more dimensions of shopping value that are associated with exchange activity at supermarkets: transaction, acquisition, and efficiency value. But at the same time, they perceived gaining similar levels of socialization value and self-gratification value in both retail outlets, which means that they gained similar hedonic shopping experiences in those retail outlets by socializing with family and friends, releasing stress, improving mood, or treating themselves to something special there. This is quite different from US retail markets where consumers mainly perceived gaining utilitarian shopping value from shopping at mass merchandisers (Davis & Dyer, 2012).

The difference in consumers' value perception from shopping at department stores and supermarkets also indicate that those two retail outlets clearly have different marketing positions and value propositions in the local market. That is, department stores deliver a broader range of hedonic shopping value and supermarkets do a better job delivering functional shopping value. To cater to local consumers' desire for gaining different value and shopping experiences, these outlets may want to strategize not only to reinforce their key value proposition but also explore other choices. For example, supermarkets, which already deliver good socialization and self-gratification value, may want to emphasize more on satisfying consumers' needs for relaxation and socialization by adopting simple strategies such as providing resting areas and adding snack bars, thus enhancing hedonic shopping value for consumers. Department stores, on the other hand, may host special events such as fashion shows and emphasize a more exciting shopping environment to attract more consumers.

LIMITATIONS AND FUTURE STUDIES

Although this study contributes to our understanding of Chinese consumers' shopping value, it has some limitations. This research used a convenience sample; therefore, special care should be taken to generalize the findings to the overall population. Further studies may use other sampling methods such as store intercept and random sampling to further verify the findings. Content-wise, while the study shed light on Chinese consumers' value dimensions and value perception in two key retail outlets in China, it did not investigate which value dimensions are more important for consumers shopping at each outlet. Therefore future studies may focus on evaluating the importance of each value dimension at different shopping outlets. Although the findings of the study suggests that many shopping value dimensions identified in the western consumer markets are also applicable for Chinese consumers, future studies may still focus on identifying unique shopping value dimensions for Chinese consumers because of their unique culture and history background. Meanwhile, future research may focus on developing better value measurement scales specific for measuring Chinese consumers' shopping value. It is also critical to investigate the effect of shopping value on consumer patronage behavior, such as shopping frequency, expenditure, store choices and retail brand loyalty.

Furthermore, China's retail market is highly fragmented. Because of unbalanced economic development and changes in personal values as part of a changing social environment (Zhang, Grigorious, & Li, 2008), Chinese consumers from different regional markets have very distinct shopping and purchasing behaviours (Tse et al., 1989; Cui & Liu, 2000). With the rapid growth of both domestic and international retailers, more retailers would expand aggressively to inland regions (Liu, 2007). However,

limited attention has been given to consumers' shopping and patronage behaviour in less developed inland China (Tsang, Zhuang, Li, & Zhou, 2003; Liu, 2007). Therefore, it becomes critical to understand consumers in those regional markets. Cross-cultural research comparing Chinese consumers from different regional markets is highly needed, which will shed more light on Chinese consumers' shopping behavior and provide more insights for international retailers aiming to enter and expand in Chinese markets. Finally, further studies may want to focus on shopping value theory development because of the constant changes in consumer demand and culture, especially in emerging markets.

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None for All and All for None: Moral Dynamics in China's Consumer Society

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This paper analyses ethnographic data gathered in Anshan city, Liaoning Province, between 2005 and 2010, to argue that actions must satisfy two major interrelating reference points in order to accrue moral value in China. First, the “altruistic deferent”, which demands that a “good” action serves as many people as possible — your community or collective, the nation, and yourself last. Second, the “proximity law” which demands that a “good” action serve first those people in your intimate in-group — your immediate family, extended family, then closest friends, and so on, before serving others in close proximity, with rapidly decreasing priority given to those distant from the intimate sphere, to strangers, who have only recently begun to figure in moral action in China. I will show how the performance of “altruistic” moral discourse can be highly self-assertive, however: how people find it socially expedient to use the language of this morality to claim various sorts of purity for themselves though they also engage in morally self-contradictory behavior. I also show discourses of morality are changing rapidly in China; how individuals increasingly feel they have a moral responsibility towards fulfilling their own pleasure; and how morality in China may be moving from a politics based on networks of mutual obligation to a politics based on empathy with non-intimate others.

INTRODUCTION

From 2005 to 2010, I conducted an ethnographic study in Anshan, a burgeoning “third-tier” city in China’s northeastern Liaoning Province, seeking to examine how individuality in this context was structured and generated (Griffiths 2012).¹ My Chinese language teachers had given me the name “Standing Man” (*Ge Lifu*), which I took that to mean that I was an autonomous and altogether individuated figure, but also that I was grounded and connected, to some extent determined. This essentially dual agency made sense to me, and I somewhat narcissistically took the name to be a marker of authenticity, thinking that as well as capturing something enduringly self-evident about human life, this also said something about myself.

It was only later, when I reviewed the literature on China’s consumers in the context of the contemporary fascination with China’s domestic market in both the social sciences (Davis 2000) and business (Garner 2005) that I learned that this essentially dual agency was widely denied to Chinese individuals themselves. Instead of being both of these imperatives at the same time, Chinese consumers were variously characterized as being passive, interdependent, arational or emotive creatures whose identities and actions were supposedly entirely determined for them by their social circumstances, not by themselves. While “Westerners” were seen as autonomous, transcendent and altogether independent from

other social actors (cf. Hsu 1953; 1971), Chinese people were seen as entirely determined by their cultural environment and the mere “egotistical” product of social concerns (cf. Fei et al. 1992).

Management scholars in particular seemed to implicitly equate “modern” and “Western” with “individuality”, and “Chinese” with “backward” and “non-individuality” (Chan and Cheng 2002; Tse et al., 1989). And to the extent that it was allowed that China is not a static and amorphous culture, it was usually only imagined that China was modernizing on a linear path towards ever increasing similarity with the West. Consumer culture was often seen as the vehicle of this transformation: younger, wealthier and better educated Chinese supposedly enjoyed “conspicuous consumption”, aspired to “self-actualization”, and “worshipped Western lifestyles” (Wei and Pan 1999; Zhang and Shavitt 2003), versus older, poorer and less well-educated consumers whom were implicitly supposed to languish in a timeless Confucian quagmire (see also Bond 1996; Hwang et al. 2003; Markus and Kitayama 1991). Seen through the haze of positivism and the preoccupation with selling to “billions!” of new Chinese consumers, there appeared no way possible for Chinese consumers to be all of these binary oppositions at the same time — individual and collective, modern and traditional — albeit in locally specific ways.²

These stereotypes of Chinese culture date back through early Western sociological engagements with China to Christian missionaries’ early expeditions there: the radically different Oriental “Other” has always been a function of Western countries’ needs to define themselves in their own autonomous and individuated terms (Said 2003). The reproduction of these stereotypes in contemporary scholarship owes much to the work of Chinese sociologist Fei Xiaotong (Fei et al. 1992) and psychological anthropologist Francis K. Hsu (Hsu 1953; 1971). Fei developed a functionalist model of Chinese society structured by “networks” of social relations and sustained through the fulfillment of various social roles. Regrettably, his search for “ideal types” and rational motivations for action meant that Fei systematically overessentialized the “individualism” of Western cultures as the “Other” against which his “differentially associated” Chinese society was constructed. Hsu proposed that whereas the Western the concept of “personality” was understood as given, Asian “personage” was achieved by modifying behavior in accordance with prevailing interpersonal cultural standards (Hsu 1971). Hsu’s approach thus implied an essentialized “core” psychological self somehow prior to the conditioning of a naively homogenous culture, even for the “relational” Asian he sought to set against this (Hsu 1985).

Contemporary anthropologists have approached these problems in ways which stridently avoid the essentialisms inherent in earlier approaches (e.g. Chen et al. 2001). But contemporary anthropologists have often been guilty of obfuscating the actual dynamic genesis of individuality beneath factual detail, theory, and the great many objectifying caveats and qualifications such scholars must make to assert their own positions. Anthropologist Xin Liu’s *The Otherness of Self* (2005), for example, begins by structuring practices of “selfhood” in contemporary China in interesting and poignant ways, but then leads the reader deep into theoretical discussions as far removed from what Chinese are doing in the act of asserting their individuality as can be imagined. Quite similarly, Frank Pieke’s *The Ordinary and the Extraordinary* (1996) gives less room to Chinese people’s actual practices than he promises between the large parts of his book devoted to showing that he knows about social theory and those “telling the story” of the 1989 Beijing democracy movement. Similar charges could be made of many of the theoretically and methodologically approximate works in the field, even of Andrew Kipnis’ *Producing Guanxi: Sentiment, Self, and Subculture in a North China Village* (1997).

My research sought to go beyond these approaches by approaching individuality as a node of action and connection, constantly produced afresh in everyday life by recourse to languages, symbols, and the human relationships formed around these. I applied critical discourse analysis (Fairclough 1995) to the ways in which people in Anshan drew symbolic boundaries through judgments of “purity”, “taste” and “worthiness” most broadly construed, thus deconstructing the actual differentiating dynamics by which individuality was asserted (Lamont 1992). My approach was distinct from studies of “individualization” in China, which have emphasized the diachronic extent to which Chinese must deal with the increased risk and responsibility arising from their country’s reforming collectively-owned infrastructure and market reforms (Hansen and Svarverud 2010; Yan 2009): these literatures make no attempt to show how individual agency is itself structured rather than just in various in ways “simply” constrained. My

approach was distinct too, from cultural sociologies which have examined practices of “social distinction” in China in ways very similar to my research (Hanser 2008): closer to the epistemological concept Pierre Bourdieu called “genetic structuralism” (Bourdieu 1992), my research intended not so much to draw out sociological conclusions about class, gender and so on, but to disaggregate assertions of individuality as a synchronic system, thus describing its genesis.

This essay focuses on a category of analysis I referred to as “morality”. Taking my inspiration from Nietzsche (1994) and Foucault (1975), I unpack the “internal” structure of discourses of morality in Anshan and in doing so show how Anshan’s moral culture differs in many respects from moral cultures found in religious or Western, liberal democratic cultures. I will show how Chinese individuals find it expedient to use the language of morality to claim various sorts of purity for themselves, though they nevertheless also engage in morally self-contradictory behavior and manipulate moral norms in order to assert themselves. Further, I will show how discourses of morality are changing rapidly in China in light of the re-introduction of consumerism, how individuals increasingly feel they have a moral responsibility towards fulfilling their own pleasure, and how morality in China may be moving from a politics based on networks of mutual obligation to a politics based on empathy with non-intimate others.

It is important to make clear that my synchronic approach remains closer to de Saussure’s original structural linguistics metaphor (Sanders 2004) than say, Foucault, who was primarily concerned to excavate the evolution of subjectivity. Though culture consists in a historical perspective, the analytical value of my approach consists in the analysis of contemporary discourse. This point is important to stress, since when readers recognize elements of Chinese philosophies in my research, they are typically oblivious of the sense in which structure is prior to history (Archer 1996, 97). A reconstructivism of “origins” of the cultural norms I find in Taoism, Confucianism, Buddhism, (Chinese) Christianity and Marxism etc, are for another study.

The analysis presented here is based on data gathered from consumerist youths, dissident intellectuals, enterprising farmers, Communist Party cadres, the staff of an inner-city restaurant, the staff of an industrial machine-repair workshop, and a range of white-collar professionals. This data is supplemented by cases drawn from popular culture and media.

THE ALTRUISTIC DEFERENT

During the “Maoist” era (1949-1978), individuality in China was remarkably standardized in accordance with the cybernetic rationality of Communist political discourse. With the Great Proletarian Cultural Revolution (1966-76), in particular, pluralism became anathema, and “redness” the only social and moral category of significance (Kraus 1977; Chan et al., 1980). Urban incomes were meager and highly approximate across social and professional ranks; consumption as an end-in-itself regarded negatively; and everyone wore the same drab clothes and sported the same bland haircuts. It not until after Deng Xiaoping’s economic “reforms and opening” (*gaige kaifang*) were initiated in late 1978 that China began to change into a place where people were able to manifest their individualities more readily. As the post-reform state encouraged individual and household spending throughout the 90’s in order to sustain economic growth, conspicuous consumption rapidly became popular, stimulating “cultural shock” (Barmé 1999) within China and a flurry of worldwide business interest (Croll 2006).

Western social science observers were inclined to think that China’s “consumer revolution” (Davis 2000) promised Chinese greater possibilities for self-expression than ever before, but the discourses of egalitarianism, public subservience and “comradeship” that had served to systematically suffocate individuality during the Maoist era continued to have a huge purchase on everyday life. Still today, in 2013, Chinese parents will routinely remark out of hand that they want their child to make a “contribution” (*gongxian*) to the country or nation, and young people can be observed to speak passionately about finishing school or university and “entering society” to contribute to its development. My elderly neighbor in Anshan, Grandma Liu, has a particularly excellent reputation in these altruistic respects, she assures me, for “taking pleasure in helping others” (*zhuren weile*). She is not all self-effacing as she volunteers to me that her neighbors leave their house keys with her whenever they go away.

The converse of this residual vein of Socialist moral discourse in contemporary China is that actions performed for the sake of the self alone are still widely regarded distasteful. Though individualism, selfishness, and uncivil behaviors are significantly on the rise — the “flies” Deng admitted would fly ion the “open door” (Yan 2009a) — many people still regard the open pursuit of self-indulgence, or placing yourself before others in social situations, unacceptable. Still today, aging self-professed “revolutionaries” will play on the negativity that remains latent in the Chinese word for “private” (*si*) in their judgments of business people as “selfish”; and whereas in many Western markets you might legitimately say, “If I don’t profit, someone else will”, people in Anshan see right through this, acknowledging the economic exploitation even where this is also acknowledged as an effective strategy for creating social wealth.

Entrepreneurship is highly admired in contemporary China for the fairness, level-headed decision making, and self-control it necessitates (Griffiths 2012). The resentment of business people is reserved primarily for those who do not keep within limits of propriety, who are unfair and excessively exploitative. Oddly enough, this has made for some positive popular verdicts for some rather corrupt businesspeople from the 1980’s: they took more than their fair share, but this was justified by their “altruistic” contribution to the local economy. Middle-aged Anshan businessman, Zhao, considers himself to be particularly good at balancing these altruistic respects, he tells me, because when the neighborhood committee wanted to install a security camera in the street, a whip-round was conducted to which he contributed “more than half”. Moreover, Zhao recalls, having observed that the lamp in the bike-shed was broken on his way home one night, he went out and fixed it “even though I don’t use the shed myself”.

From the perspective of this “altruistic deferent”, material or hedonistic pleasures can be understood as “transgressive”. Material gratification is far more acceptable today than it was under Mao, where frugality was lionized as integral to moral character through rhetoric such as “Take pleasure in poverty” (*yiqiong weile*), but advertising themes around “being good to yourself” or “treating yourself” are still much more difficult to negotiate than in Western markets. It is not that Chinese do not understand the individualist appeal in L’oreal’s personal hair-care products’ tagline “Because you’re worth it”, but that the strap-line contains a sort of taboo-transgression which makes the brand stand out in a thrillingly iconoclastic way.

Indeed, the Chinese translation of L’oreal’s tagline goes some way to showing why materialism has recently been so curiously successful in this moral climate. “*Ni zhide yongyou*” is closer to the logic of possession. The translation is awkward, but the Chinese formulation reflects the fact that naked self-interest is difficult to legitimize in China — i.e. the thatness of the individual is only important insofar as the object is made the center of value. In the English “Because you’re worth it”, on the other hand, the value is firmly centered on the individual — i.e. the whatness of the “it” is equivalent to something intrinsically valuable about that individual.

As well as altruistic service, therefore, many people in Anshan find active self-sacrifice very necessary. Zhu Jun’s elderly mother, for example, insists that we sleep on the bed in the master bedroom while she sleeps on the floor. The fracas results in us finding a room in a nearby hotel, but not before relations have been frayed to their limits in cross-wired attempts to give and save “face” — i.e. where face is to be seen as of good moral character (*lian*).

Anshan people can often be observed to try to take over responsibility (*zeren*) for matters that are plainly outside of their remit of duty or personal capability, believing that this earns them moral credit. You should stand up on the bus, and if someone offers you a place to sit you should vehemently decline. Some Anshan people will apparently behave quite irrationally in the cause of “duty”, perhaps standing when there is an empty seat, or otherwise refusing the help of a third-party on the grounds that their own hardship is somehow serving a greater good. It is not uncommon to hear people say things like “If my hardship allows others to be happy, that’s fine”, though perhaps not without an element of post-Mao tragic irony.

Anshan people thus disposed balance the conspicuousness of outward acts of altruism and self-sacrifice with “inner” moral control. Particular people of all ages will appear ready to forgo their own desires and satisfactions in particular situations, because they are of “good moral character”. It is not that these people do not have personal desires, but that to sate them without first finding an altruistic deferent

is seen as crass. Thus these people can be observed to emphasize qualities such as forbearance, frugality, and chastity.

Whereas in contemporary Britain or the USA, material or sexual gratification means that desires be fulfilled, therefore, in Anshan many people profess to be gratified where desire remains unfulfilled. Suffering without consummation is a more meaningful motivator than the simple happiness of desires met: a form of asceticism that reifies and aestheticizes so that the judgment of good moral character actively promotes rather than denies the benefit to self. Indeed, there is even a sense by which “good acts” can be legitimately highlighted for others to notice, that is, without the imperative to downplay your deeds common to Western cultures. Once your actions are seen as benefitting others, it is acceptable to declare yourself virtuous as if this was a mark of distinction closer to status, or the profligate deployment of a prestigious brand.

Take Zhang, for example, rural-migrant-turned entrepreneur, who is keen to document her moral credentials in discussion with me. Zhang talks at length about money she has lent friends at times of need: “This money has not been paid back even till today, but think, in the future when your friend makes a big profit, will he be able to overlook you? So, amongst my friends I am considered good.” Zhang goes on without provocation:

“Everyone says I’m filially pious; I can face my parents. My father explained to me about the importance of having moral spine (*zuoren*). He said that if people were poor, they had to be clever, and never be shortsighted. I just take care of Mother’s illness and wait on my husband’s mother, and everything’ll be fine.”

It is significant that Zhang highlights at every turn the losses to herself here, as if her actions would not otherwise be valuable. And it is doubly significant that she anticipates reciprocal benefits as a consequence of her actions, indeed that these benefits are the point of performing these actions in the first place. “Moral spine” reaps material returns.

And thus does the “good act” bind in Anshan, holding others over to reciprocate. Anshan people are of course no less capable of “selfless” actions than people elsewhere, but discursive acts such as Zhang’s demonstrate that “good” actions in Anshan usually come with the expectation of reciprocity attached, to which we might add that people believe that actions which do not explicitly demand reciprocity demand them nonetheless.

The corollary is that it can be very hard to do something for free in Anshan, the word “bond” quite capturing the sense in which autonomy has its wings clipped here. The rights to legitimate individuality in Anshan are realized primarily through networks of obligation, not through religious practice or the observance of a codified moral law as is maintained in many other cultures. In this “binding” sense of social obligation, those others comprising the network of which you are part actually belong to the self (Eckhardt and Houston 2001).

This interpersonal (as opposed to a heavenly or constitutional) basis for moral evaluation is what has motivated the conjecture about “Chinese collectivism” critiqued above. But I maintain that China’s particularly situational form of morality does not mean that Chinese are less free to act and judge as individuals than social actors elsewhere. Categorically, if there is any argument to be made here, it must be that Chinese do not set much store by the idea of equality and liberty for all. Or more precisely, that discourses of morality in contemporary China are informed by cultural politics which systematically deny individuals comparable agency.

This essay will continue to unpack this politics, arguing that actions must satisfy two major reference points in order to accrue moral value in China. We have already discussed the “altruistic deferent” (above), whereby “good” actions must serve as many people as possible — your community or collective, the nation, and yourself last. Secondly, there is the “proximity law”, whereby “good” actions must first serve those people in your intimate in-group or network — your family, then closest friends — before serving others in close proximity, with rapidly decreasing priority given to those further away from the

intimate sphere, to strangers last who have not generally figured in “moral” action in China until recently. Since these two principles interrelate in actual practice, I will refer to this politics as “proximal altruism”.

THE PROXIMITY LAW

The “proximity law” contradicts the imperative that a “good” action should serve as many people as possible by demanding that a “good” action serve your own people first. On the other hand, without this second imperative the altruistic deferent would demand that all actions be reciprocated by everyone, which is to say that individuals would need to be recognized as having intrinsic value — which is in fact what this discourse functions to deny.

The proximity law consists in a strong inclusion-exclusion dynamic which binds people closely together according to a sliding scale of network density, but also binds them strongly apart from other Chinese (Fang 2003, 361). The construction exists to preserve purity and minimize social risk: it is an almost genetic factor of action where individuals are the essentially self-seeking “carriers” of the “family gene”. Observe that the characters in the Chinese word for “social relations” (*guanxi*), which is perhaps best understood here as mutually beneficial intentions or care (Kipnis 1997; Yang 1994), happens to be composed of two characters which on their own can mean “close” or “closed” and “system”: the boundary judgment demarcating “in” and “out” is subjectively-centered, conforming to locally-specific networks.

In just this consanguineous way too, the word “everyone”, which in English signifies a situational and vaguely-defined collective of individual people, translates most readily into Chinese as “big family” (*dajia*), an equally situational yet highly subject-centered “we” which excludes as well as includes by definition. Essentially, the Chinese word *dajia* stands in relation to the English word “everyone” in exactly the same way that the Chinese exclusive term for “we” (*zanmen*) stands in relation to the Chinese inclusive term for “we” (*women*). To get the same meaning of “every individual” in Chinese, you would have to say *mei yi ge ren*, which nevertheless loses the situational collectivity implied in the English “everyone”.

The proximity law partly explains why the public sphere is so abused in Anshan, as across China (Yan 2009b), since rather than having civil responsibilities to society at large, Chinese citizens have “moral responsibilities” (*zeren*) to intimate in-groups and networks which otherwise remain unaccountable to each other. The extent of corruption in official institutions can be readily explained by the fact that from a proximity perspective an action can be both public vice and family virtue at the same time (Blackman 2000, 6). Since corruption cuts across official claims to moral purity, it is tragic that so many people in China today have come to interpret the greed of corruption simply as “the way things get done now”, where acrobatics of cynicism and self-deception mask publically detrimental actions as the “proper thing to do”.

For this same reason too, the altruistic notion of helping downtrodden strangers or persons from foreign lands makes little sense in China: you look out for sufferers in your intimate network, and then you have to help out of an emotive sense of duty that becomes an almost rational imperative even if the sufferer is judged undeserving of your help, but help is not usually either expected or solicited from strangers (Yan 2009b). Indeed, helping a stranger can be interpreted as a sign of a guilty conscience in China, as demonstrated in the case of the “Nanjing judge” — a popular reference to a situation in 2006 when a judge ruled in favor of an elderly woman whose family brought a law suit against a man who helped her when she fell over in the street. When a baby girl was struck by a truck in a hit and run accident in 2011 before being left to die in the street as no fewer than eighteen pedestrians passed by, one of these pedestrians said in an interview that he hadn’t felt the need to help because the baby wasn’t his own child; the driver of one of the vehicles that ran the baby over justified leaving the scene by reference to the costs he would incur in compensation payments; and, despite much public outcry, a large number of online commentators empathized with those had not helped, admitting they would have done exactly the same for fear of facing another “Nanjing judge”.

The exception to the function of the proximity law is where the “nation” is invoked as the mother of all in-groups and “the people” are marshaled together as assertion against foreign powers (Pye 1990). Antagonism towards foreigners, or “resistance” to the perceived influence of the West on China, is of course to maximize the collective referent and lever the proximity law simultaneously (Barme 1999, 254-280). Decades of state-propaganda have taught Chinese to be hyper-sensitive about foreign bullying and people in Anshan remain highly suspicious of foreign criticism (Pye 1993). Proximity demands an enemy, so Chinese can often be found setting an explicitly “Chinese” claim to moral character against their retroactive perception of the “West” as morally vacuous on account of its polluting “individualism” (Yan 2003).

Anshan people regularly harp about my Nan who lives alone, in good health, supported by nearby family and friends. Many find it incomprehensible that she enjoys her independence (cf. Thorgersen and Ni 2008). Also frequently encountered is the characterization of Westerner’s “kicking their children out of home as soon as they are eighteen”. Westerners, however, are equally complicit in reproducing this discourse and routinely match gripes about Chinese incivility with claims that Chinese are kind and hospitable – a perception which probably owes much to Chinese eager to include “token” foreigners within their proximity networks.

In these same ways, Chinese people have routinely essentialized their own culture. Since the “patriotic education campaign” began in 1991 in particular, where the state condoned the resurrection of the Confucianist and Taoist ideals outlawed under Mao, Chinese authorities have embraced values and ideologies that essentialized China’s ancient past and allowed them points of identification and moral judgments vis-à-vis Western powers (Ong 1999, 63). These emphases were fused with Western financial interests in the 1990’s myth of “Asian Values”, a notion which promised flourishing capitalism wherever individual sovereignty was subordinated to the social role in the family, society, and nation – though notably not the world (Sen 1997).

In addition to the simple proximity law, indeed, your roles in relation to others are particularly important in the construction of good moral character in Anshan. Your obligations as a husband, father, son and brother, and their female equivalents, are all immensely important, and deviance from these is particularly hard to cast in a positive light. Likewise, whether you are an employee, colleague (read: comrade), manager, boss and/or party-official etc, your responsibilities (*zeren*) are taken very seriously. Children will hardly ever openly act against their parent’s wishes, and parents will do virtually anything for their children, not infrequently to the extent of spoiling them awfully. Adults are equally concerned to buy their parents products that promote longevity as they are to buy things that their children can study with. “Respect for the old and care for the young” are imperatives enshrined in contemporary law.

If you are without such social roles to play, however, say you are a homeless person, an outlaw or outcast, the proximity law means that it could be quite possible to be the world’s loneliest person in the world’s most populous country, though doubtless homeless people and outcasts form their own networks of mutual belonging and moral expectation too. Loneliness, significantly, is what the “exiles” complain about, those overseas Chinese students living a life in many cases to be endured only for the sake of the parents who made such sacrifices to send them there — that is, where a sacrifice is returned for a sacrifice. These students often profess to find Western countries “cold”, “selfish” and “impersonal” (*lengmo*) and huddle together for “warmth” (*reqing*) in clans of ethnic brethren. While the degree of ethnic exclusion Chinese experience overseas must not be underestimated, Westerners in China seem altogether more capable of embracing the challenge of being the “lone foreigner” (though it should be noted that Western expatriates often form cliques too), hence the prevalence of the “teaching abroad” phenomenon in which there is something of the challenge of self-discovery and self-becoming.

The strong boundary judgment of the proximity law demands also accounts for the sense in which discourses of moral character in China can appear strongly characterized by highly polar judgments of individuals as either “good” or “bad”, in black and white terms, with very little room for people in between and shades of grey (Pye 1993). Whereas Westerners weaned on the Christian tradition feel the need to balance their moral judgments with acknowledgement of their own sins, even if many people no longer believe in God, at least many Chinese seem to instinctively believe they are righteous until

convinced to think otherwise. If you have satisfied the altruistic referent and the proximity law then why should you feel bad?

This is why, in front of journalists' cameras, Chinese police can be observed to hand prisoners indicted for drug dealing over to the state executioner without a moment's hesitation or remorse. Grandma Zhai, a neighbor, clearly finds it solely a matter of pride that she once approved the execution of 30 people who had been designated criminals.

Criminals in China, for their part, on television at least, are often forced to confess their crimes by police, and to repent, since this is an important part of getting individuals to accept that they have done something wrong. Without the extraction of a confession and a repentant attitude the requisite sense of shame by which the boundary of the proximity collective is policed could not be provoked. This is quite a different situation to moral psychology in Western countries of course where, particularly if you are religious, the omniscient God or his incarnation in moral law means that you likely feel guilty before you have even been caught.

Thus, although the Chinese are particularly proud of their nation, this discourse operates at a level of abstraction which somewhat overlooks the sanctity of the individuals who comprise it. The value of individual life is relegated to the value of broader collectives, collectives which are metaphorically delimited by the Great Wall, because moral worth can only be attributed to the self when the altruistic deferent and the proximity law have first been met.

Further to social role, the level of moral conduct expected of individuals in China also varies significantly according to various types of status, not least if your status is explicitly intended to maximize the altruistic referent. In these respects, the contemporary government official can be likened to the Confucian *junzi*, the scholar-officials who led society in imperial times and who were tasked with cultivating their own moral being for the good of humanity versus the "small people" (*xiaoren*), that is, ordinary folk who were supposed to be petty, narrow-minded, self-seeking and materialistic. The fact that historical discourses on immoral officials who need to be punished and cynicism about inadequately disciplined officials both resonate soundly in China today suggest that Chinese people may have always understood that assertions of moral purity are only evoked with certain socio-political ends in mind.

There are still further ways that these various moral imperatives — altruism, proximity, role and status — can come into conflict too. One of China's popular old stories is about a waterworks engineer, Da Yu, who passed the door to his home without entering to pay his respects at three separate critical times because he was needed to harness a flood disaster effecting ten-thousand households (the three critical occasions where when his wife was ill, pregnant, and delivering his child respectively). His obligation to the wider population was seen as even more binding than his familial responsibilities (Stafford 1992).

A similar though structurally converse point of conflict was marked in the aftermath of the massive earthquake that struck the Chengdu region in May 2008, when a school teacher ran from his school then admitted afterwards that in his moment of terror he thought of saving no-one except his daughter. "Run-Away Fan" was publicly defamed as unfit to teach since the state-sponsored media considered that his "proximity" concern should have been made secondary to the altruistic, almost heroic demands of saving quantitatively more students. Fan attracted further wrath sometime later when he tried to defend his actions, explaining that when life and death hung in the balance he "wouldn't even have stopped to save his own mother", a boast the public found exceedingly distasteful. Resisting media pressure, Fan refused to retract these statements, professing that he was a "person who believed in freedom and justice, not some kind of self-sacrificing hero", thus bringing the politics underscoring "proximal altruism" starkly into view. Explicitly, large sections of China's population will have read Fan's comments as directly challenging issues of power without accountability and mass moral / self-deception.

Altruistic and proximal imperatives can overlap so many ways. China even has a longstanding "altruistic" criticism of the cultural tendency to promote proximity ethics. Every Chinese with a high school education knows of the legendary judge Bao Zheng who refused to give his family members preferential treatment to because he had the interests of "the people" at heart. Though oppressed, this

tradition lives on today through reformers and dissidents who argue that corruption and lack of political accountability threaten the nation.

GOOD SEX AND MORAL DILEMMAS

We will now turn to sex, which in many expressions of morality is a prime measure of good character alongside lying, stealing and so on. Both the Bible and the Koran feature two types of sex, the legitimate and the illegitimate. The illegitimate is so because it is seen as socially harmful; if you transgress and have illegitimate sex, you betray your intimate in-group. Adultery remains far from acceptable in most Western contexts, and the lines of judgment can be drawn very sharply in people's private moral judgments. However, in certain democratically legislated cultures, particularly liberal-leaning North European cultures, if you are "unhappy in love" then almost everything becomes permissible; even sympathy for the adulterer becomes almost acceptable since it is recognized that the individual has "moral" obligations to themselves too.

None of this is at all the case for people in Anshan, however, where adultery is less about "sinning" in the first place, but about upsetting the almost civil gradations between the intimate and the public spheres; an almost bodily matter much more situational than categorical, but nevertheless subject to strict prophylactic control (Ding 2012). What might pass as "innocent" flirting between elsewhere already attached individuals in North European cultures will likely reap the harshest of moral judgments from a certain Chinese perspective, and popular, state-sponsored media seek to reinforce faithful moral stereotypes wherever possible.

When I was working with rural migrants in a hotpot kitchen, several young women refused to be interviewed alone, stating that "Chinese cultural tradition" prevented them from speaking alone to a man to whom they were not married. I took this to be a somewhat extreme position, but as highly revealing nonetheless. It was not so much that these women felt uncomfortable with me but that they did not want to be judged as permissive by the other men and women present. The young, urban-registered men in approximately parallel jobs who I asked about this, who were quite happy to converse with me alone, explained this behavior to me as a function of these women's "backwardness" and "rurality", versus their own more "modern" and "open" ways (Griffiths 2010; Zhou and Sun 2010). Almost needless to say, some married men were unwilling to let me speak with their wives, yet this was also notably more the case for people of low status and education. On the other hand, in circumstances where I have broached intimate inter-sexual relations in China, most often I have been led through an elaborate, morally-fringed "mating dance" where I have been expected to resolve all the contradictions for the female by making promises of commitment, marriage, future children, and so on, before the female, let alone her family, will consent: a philosophical approach to the question of whether partners will necessarily remain together will likely find me foul of the charge of "lacking a sense of responsibility" (*meiyou zerengan*), the catch-all sin (McMillan 2006).

Commitment is therefore the sexiest form of social currency in China, again a factor of the proximity law impacting on action. Outside a local university, a sports car has the word *zhongcheng* inscribed upon its side, meaning "devotion". This signifies a meaning quite at odds with the implicit lack of devotion and the promise of a ride with a quite possibly illegitimate lover that the same car might signify elsewhere! But despite the reversal of signifiers, the signified "moral" meaning is ultimately just as self-promoting.

Indeed, in exactly this ever-so morally-laced way, hairdresser Zhan makes advances to my wife whilst cutting her hair (my wife reports). He says he still likes the friends he's had since childhood: "they are very true" (*zhencheng*), and "friends who can help each other, because when you want to start on your feet in society you need some friends". Is Zhan interested in other girls? "Of course not", comes the reply, and moreover, he wagers that "if my friends think that I'm really good to my girlfriend then I must be a really good person to trust".

Indeed, in spite of all the chastity and piety on the surface of public discourse in China, the proximity boundary is widely being transgressed in actual practice. The huge letters daubed on the walls of my residential compound read: "Community is at the center of my heart" (*shequ zai wo xinzhong*) and "I

contribute to the community” (*wo wei shequ gongxian*). Immediately below these, however, are smaller signs advertising the services of private-detectives who will spy on spouses suspected of adulterous liaisons. Divorced wives in China of all social ranks tell stories of husbands who have “turned bad” (*xuehuaile*), “ran off to the South to earn money” and left them and their children penniless. The category *baornai* is widely used to label secret second wives who provide sexual favors whenever their wealthy patron visits in return for their keep; the second wife knows that she is just the secondary wife and so she is judged a little “bitch/whore” (*biaozi*). Similarly, “playboy” (*huahua gongzi*) is used to indicate men who indulge in “play” (*wanr*), which is understood as the opposite of “responsibility” (*zeren*) since it involves what people in the West might quite permissibly call casual sex (Farrer 2002).

Complicating this discursive arrangement, however, is the observation that people engaged in “illegitimate” sexual acts may also feel “legitimate” moral obligations to each other. These expectations will be set against protagonists’ duties to prior roles, not only as spouses but against other familial roles too, so that if the transgression was to be publically exposed it would “shame” (*chi*) the whole group. We may now imagine the case of the woman who bails her male lover out of a blackmail situation incurred over gambling debts but then requests the money back from his family and chastises them for being negligent of their duty; her liaison with him binds her to help him out but since she is bound to keep her affair a secret she is doubly bound to demand the money back from his family; the act of bailing out is expected of a lover, but her denial is even more expected so she has to make a claim vis-à-vis his family.

Secrecy therefore stands above all other moral obligations in China: just as the “goodness” of an action consists only in its being acknowledged by its beneficiary, if sexual indiscretions are not revealed, the notion of illegitimacy need not apply (Farrer and Sun 2003, 19).

Indeed, in a moral climate informed by “proximal altruism”, there need not necessarily be any sense of guilt apart from the fear of being found out, since “shame” is manifest only in its revelation. Similarly, you don’t “confess” in Anshan because there is not the same sense in which you should be shown forgiveness and absolved of “sin”. Though the Christian God in His various global guises may forgive and forget in ways neighbors cannot, in Anshan a “face” (*lian*) tainted is tainted for life. The fact that extramarital sexual activity so often does not result in divorce in China is a function of the overriding “responsibility” individuals feel to their families; once the transgressor has been shamed, especially where children are involved, not to forgive in this context would be considered selfish (Farrer 2003, 20).

If you are “found out” cheating on love in China, the results can be spectacular. When more than a thousand hacked photos of Hong Kong star Edison Chen involved in sexual acts with a range of female Chinese stars were leaked to the internet in the summer of 2007, the mainland media vilified Edison so intensely that he had to move abroad for fear of public ridicule and lethal reprisals from the families of the women involved. Edison was back in Hong Kong and back in the media before long with a new “bad-boy” image, but the shame for the actresses involved was so severe that despite high-profile public displays of atonement film directors refused to employ them since the mainland movie market demanded that they be thought of as “morally pure”. The Hong Kong media confronted the schadenfreude, hypocrisy and moral double standards of the scandal, but Chinese media were entirely self-righteous, even though much of the populous found the scandal, and the online photos, highly entertaining. Of greatest significance, however, was that the hackers made no demands for ransom to any of the stars involved: otherwise inexplicably, as if the whole operation was a comment on the role of shame in China’s “proximal altruism” morality, the hackers didn’t want anything back.

Taking this argument about “proximity” sex to its logical conclusion, and especially if we further consider the proximity law from a bodily perspective, “illegitimate” sexual acts might even be thought of positively in China. In Taoist medicine, promiscuity is thought of as “nourishing” and there is an emphasis on cultivating essential energy (*jing*) from multiple sexual partners. For all the attention on self-denial and moral self-control in Chinese discourse, at bottom, fulfilling your desires is recognized as healthy. Anshan’s side-street massage parlors are marketed by appeal to “cultivating sexual health” (*xing baojian*) and “washing” (*xiyu*), and – the very real possibility of disease transmission aside – it is not entirely paradoxical from this perspective that the men who frequent these places are elsewhere also doting husbands and fathers (Farrer 2003, 19-23). Further, there is also a biological sense in which sex

with partners outside of your immediate network has maintained the health of a group governed by the “proximity law” which would otherwise have had a very limited gene pool. Incest is of course this same boundary turned in upon itself, which is why it is the cardinal sexual sin, and the hardest bend to morality’s flexible fabric in China as elsewhere (Douglas 1966).

Proximal altruism, after all, is an essentially self-seeking morality, a highly malleable moral discourse where social actors justify their actions by appeal to the same referents, from different social positions but for fundamentally similar reasons. Take masseuse Jiang, for example, who says that her husband knows she does massage but doesn’t know this involves working with other naked male bodies: “He would be really upset if he knew; you have to understand the economic situation; I do this for my husband and my son”. Similarly, masseuse Jun says she left both school and her boyfriend to support her family: “I do this kind of work for my younger brother’s tuition fees; of course my parents don’t know”. In ways such as these, provided that otherwise illegitimate actions are projected as according with the other “rules” bearing on morality, these actions and their justifications become entirely legitimate (Zheng 2008).

We might observe that even overtly unscrupulous types will appeal to the same moral referents in order to secure a discursive edge and justify their actions, stressing the high personal risk and sacrifice made in order to achieve their “worthy” results. The gold-digger is “just looking for commitment”. Whores, like thieves, “stick together”. Sharks will stress the loans they offer as a service to the public, whereas gangs “provide employment”.

Morality in China is the product of negotiation between different actors in the situational context, distinctly perspectival and practical in nature. Different actors draw on the same discursive axioms to forge legitimate social identities for themselves.

GOOD TIMES, BAD TIMES

The moral order may be changing rapidly in Anshan, as across China (Yan 2009b). Many Chinese seem to perceive that the strong altruistic referent in Chinese moral discourse is inverting to a radically weakened one, replaced by an emphasis on the consuming and commoditized self, a perception which is directly linked in the popular imaginary to post-reform China’s break pursuit of economic growth. This perception is widely expressed in searing criticisms of the wealthy, corrupt, materialism and the self-seeking youth (Ci 1994). Consider an example of this kind of discourse from an Anshan taxi driver:

“In the past people would just drop you round some dumplings, but not anymore. This is directly related to economic development. People nowadays have become bad. There’s no help, no friendship between them. The police only know about fines, not how to help others. Young people these days don’t understand us; they don’t know about Mao Zedong. I love Mao Zedong; I don’t like Deng Xiaoping and anything he brought with him. Some people only have money, but nothing else. They’ve got no culture, no knowledge, no education; they don’t know how to help others. I look down on them; they’re bad, disgusting. If I had lots of money, I’d be completely different; I’d be virtuous and help others. People have no social responsibility, they’re selfish, and only know how to consume, to buy the most expensive car or villa. I am completely different from these kinds of people. Helping others is much more important than being rich. I admire Bill Gates. He gave all his money away. People like Bill Gates in China are too few.”

Whereas in the Maoist political era it was popularly said “Ridicule the whore, not the poor” (*xiao chang bu xiao pin*), in China today this expression is mocked and made to revert to what some people say is its original inverse form: “Ridicule the poor, not the whore” (*xiao pin bu xiao chang*). The implication is that “whores” are using their “ability” (*nengli*) to make money in a comparatively “honest” way, which at least makes them better than beggars who are widely accused of playing on “good” people’s heart-strings to trick them out of their hard-earned cash. The moral flux, opportunism and cynicism of the contemporary era is also expressed in the formula: “Rich men will be bad, bad girls will be rich” (*nanren you qian jiu xue huai; nüren xue huai jiu you qian*). Indeed, it is probably only those who are sufficiently

young, sufficiently old, sufficiently partisan in the sense of the “good Communist”, or sufficiently wealthy to be secure in their naïveté who attempt to deny this cynicism in the contemporary moral order.

However, many Chinese are not yet ready to publically admit that people given to anti-social and self-seeking actions often get ahead of the “altruistic” masses, for this would be to explicitly acknowledge that the morality of collective self-sacrifice is indeed being replaced by a cultural logic of the self. Many individuals complain about contemporary youths not being self-sufficient and hard-working enough, but only “selfish”, a double-charge since youths in China’s modernizing market economy are expected to be both competitively independently-minded and intensely filially-pious at the same time. Many others, particularly those of the emerging middle class who have reaped superior material benefits from China’s reforms, say they feel that China’s resilient emphasis on “altruism” is “holding China back in its development”, by which they usually mean that they want to see the enhanced individual rights and the rule of law that would protect their personal gains from the whims of the Party state. China does have many genuinely altruistic-minded writers, artists and a great many younger, educated, socially mobile professionals who are ready to challenge the political status quo in the public sphere, but many of these have suffered terrible injustices for doing so. The official media, bureaucrats, government censors and powerful elites, as well as a great many older, poorly educated and socially immobile persons, whether deliberately or inadvertently, continue to reproduce the lies and mass deception that have kept the unaccountable Party in power.

Thankfully, and perhaps even as remedy to these tensions, the “proximity law” may be softening to reveal a much broader collective referent across Chinese society. Even during the time taken to conduct my research, the 2008 Beijing Olympics did much for China’s consciousness as a member of a global collective. The events immediately following the massive Sichuan earthquake in 2008, moreover, where charitable donations took on an unprecedented popularity across China, led observers to document “the first time in recent history that ordinary Chinese have participated in a national movement that was not a protest against something — usually a foreign power. Us vs. Them changed to Us without Them... forging a new sense of “modern identity without resorting to foreign scapegoats” (Forney 2008). The earthquake was also a very good example of the “yearning for common decency” which saw public sentiment aroused and aimed directly against the government, as had also occurred in the vigils in the German Democratic Republic before the fall of the wall, in the Belgian protests against the bureaucrat pedophile ring, and in the buildup to the events of ‘89 in China’s capital (Christiansen and Hedetoft 2004, 15). This other kind of “Us vs. Them” is no doubt part of what the Chinese state is trying to address in its “comprehensive personal quality” (*suzhi*) campaign, with all of its altruistic and can stabilizing communications, recognizing that in a society where altruism is weakening, the proximity law only serves to foment unrest in the population (Jacka 2009).

“Ordinary” charitable acts towards strangers (i.e. acts that are not part of a mass popular movement), which might perhaps have been until recently seen as a weakness in places like Anshan, may now be on the increase in China too, a new kind of distinction for Chinese consumers and individuals who can now afford to feel sufficiently secure in their superiority. The success of film star Jet Li’s “One” foundation evinces well that China’s emerging middle classes now enjoy what Nietzsche called “the delight of doing good”. Citing the state’s reversal of their long-time suppression of organized charity for fear of autonomous civil movements, Li says that launching his foundation required the building of a culture of charity amidst what I have called “proximal altruism”. Not only did China’s “massive corruption and lack of transparency” (which again may be seen as functions of proximity) prompted Li to station his charity in nearby Singapore, Li says, he self-consciously named his foundation “One” to reflect his belief that universal humanist values are necessary to “change his country’s attitude” (Bishop 2009). And though it cannot have escaped the public’s attention that it is relatively easy for a multi-millionaire to say that “everyone can afford to give at least one yuan per month” (the charity motto), this has not dampened a new-found nationwide enthusiasm for giving.

The Anshan entrepreneurs I interviewed all professed a penchant for charity despite the morally dubious nature of their respective climbs to wealth in karaoke bars, saunas, and state sector-related

business (Ma and Parish 2003). “Blatant benevolence”, after all, is akin to Veblenesque “conspicuous consumption” (The Economist 2007).

Volunteering, too, in the form of collectively referential practices — tutoring students from impoverished families, neighborhood security programs and so on, has taken a stridently self-fulfilling form in the contemporary era, quite the contrast of the “forced duty” of Maoist times (Rolandsen 2008). A self-fulfilling form, that is, rather than a self-sacrificing form, since the “good act” in China may now no longer necessarily be expected to take something away from the individual (Rolandsen 2008, 112).

Recent years have also seen moral complication emerge in media and popular culture. The “good crook” that faces off against the “bad cop” in the 2002 movie “Nothing Between Morals” (*wujiandao*) is an example where proximity “black” and “white” are mixed to get grey. Indeed, Edison Chen’s new-look “bad boy” image (see above) was an example of this emergent type too.

Morality in China then, may be moving from a politics based on proximity to a politics based on empathy with non-intimate others. Christian communities, which are supposed to embrace people without probing their character and credentials, and which of course sometimes play an important part in integrating “exiled” Chinese visitors to foreign countries, are perhaps playing a role here, since it is significant that as overseas Chinese churches have grown rapidly these have forged ever-increasing connections with China’s huge home-grown Christian movement (Williams 2007). Christianity has been shown to take a form of syncretism in China, associated with modernization and advanced status, an almost fashionable endeavor, even as worshippers find shared identity with new forms of collectives (Madsen 1998).

No doubt those youthful iconoclasts glamorized by writer Weihui in her popular cult novel *Shanghai Baby* (Weber 2002; Knight 2003) exist in significant numbers too: that is, Chinese who believe they have a moral responsibility towards their own pleasure, who break bonds and taboos in order to “realize themselves”, and who ruthlessly restrict solidarity to similarly-minded others.

Legitimate individuality in contemporary China is emerging as a highly individualized inflection of moral discourse, where variables such as formal education, age and generation, and distance from the state-owned-enterprises and collectivized agricultural farming, are crystallizing to produce more reflexive and existential subjects most immanent in those sectors of society best adapted to the demands of state-market transition and the responsibilities this brings.

From the perspective of “proximal altruism”, the irony is that it is only by first becoming more “selfish” — that is to say, legitimated as individuals per se — that myriad new forms of (post-)modern Chinese individualities will find themselves more self-sufficient and more inclined to empathy for those beyond their immediate collectives.

CONCLUSIONS

I have argued that discourses of morality in Anshan, China, are informed by cultural politics which demand that actions must take two major interrelating reference points in order to accrue moral value. First, that a “good” action serves as many people as possible — your community or collective, the nation, and yourself last. Second, that a “good” action serves first those people in your intimate in-group — your immediate family, extended family, then closest friends, and so on, before serving others in close proximity, with rapidly decreasing priority given to those distant from the intimate sphere, to strangers, who have only recently begun to figure in moral action in China. I have shown, however, how Chinese individuals’ performance of this moral discourse can be highly self-assertive. I have argued, moreover, that the same imperatives that join Anshan’s citizens in networks of obligation also profoundly separate them from non-intimate others. In these ways, I have exposed the differences between discourses of morality in one of China’s most typical industrial cities and norms common to religious cultures and institutions in contemporary Western democratic cultures.

Anshan’s cultural logic consists in a moral matrix quite different to the religious or modern liberal politics that are found in elsewhere in the world. But at bottom, Chinese are just like individuals everywhere, and though it is ultimately just as impossible for them to escape their perspectives on the

world as it is for anyone else, the realization that discourse can be stretched to anywhere but this latter impossibility is latent with the same radical capacity in Anshan as it is everywhere — freedom in constraint. Indeed, it is not so much that there is something quintessentially “relational” about Chinese individuals that disposes them to appreciate the impossibility of a moral “goodness” above and beyond social discourse; quite the contrary, China is a place in such rapid flux that individuals have little choice but to be adept at subverting essentialist allusions, and this, despite the sense in which certain sectors of China’s populous are deeply invested in the myth of the nation’s own originating foundation, the extension of this purity over time, and its unfortunately politicized consanguineous manifestation.

Since we already understand social interaction to be inherently political, we may also admit that where governments in the contemporary liberal West often make all-pervasive claims of egalitarianism vis-à-vis China’s “authoritarianism”, and where the pseudo-Socialist Chinese state foments a popular rejection of such “Western values”, discourses of morality in China are informed by particular political forces which conspire to deny Chinese individuals intrinsic worth (Yan 2003, 225-35). As a corollary, many Chinese individuals are deeply invested in reproducing these forces, effectively making themselves complicit in denying individual agency a role in politics, though they do not necessarily frame the discourse in these terms themselves. Moral discourses are changing rapidly in China, however, and many individuals are willing to express the yearning for a more universal basis for value judgment. My research finds that for certain individuals who are on the whole younger, better educated, more competitive at work and have higher incomes, the performance of discourse becomes altogether more individualized and aesthetic in ways which eclipse the ethically-tinged iterations of “proximal altruism” moral discourse (Griffiths 2012). As recent literature on “individualization” in China has shown, Chinese people are increasingly realizing individuality in relation to shifting discursive and institutional frameworks demand that they be individuals. I would suggest that when China transcends the fascination with urbanization and consumerism that so many of its people presently share, the political agency of the emergent middle class will increasingly demand equal stakes in democratic political reform, where the risks and responsibilities of an individualized society are matched in equal measure (cf. Yan 2009; Halskov-Hansen and Svarverud 2010).

Finally, my analysis has implications for how we should approach Chinese consumers and individuals as moral observers and participants. Firstly, as consumers of modern political discourse and media, we must take care not to be duped by the generalizing statements about Chinese culture that circulate widely on business school curriculums and in mass media style of reporting. As researchers, we must be ever more careful about how we move from ethnographic observations to broader, possibly essentializing statements about Chinese society and social strategies, relations and networks. As ethnographers, far from trying to make Chinese fit essentialist agendas, Chinese individuals’ skills at turning pervasive cultural norms to their personal advantages should inspire us to admire them just as they are.

NOTES

1. This essay is adapted from my book *Consumers and Individuals in China: Standing out, Fitting in* with permission from Routledge.
2. The management literature essentializing Chinese culture as “collectivist” is vast. This literature owes much to the influence of cross-cultural management texts by Geert Hofstede who himself warned against employing such stereotypes in uncritical fashion. Anthropologists have long been guilty of stereotyping Chinese culture, however, as have the Chinese themselves, points I will make later in this essay. For a fuller critique of these essentializing statements, see my book and / or Emery and Tian (2010).

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Young Chinese Consumers' Social Media Use, Online Privacy Concerns, and Behavioral Intents of Privacy Protection

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A paper survey of 489 Chinese college students in spring, 2012 showed that young Chinese Internet users' prior negative experience of online disclosure increased their online privacy concerns that elevated their perceived risk and undermined their trust. Their prior negative experience also positively predicted their intent to falsify personal information online. Their online privacy concerns mediated the impact of prior negative experience on their intent to refuse information provision, ask for removal of their personal information, spread negative eWOM, and complain to online companies. Their heightened risk enhanced their intent to falsify personal information online, to ask for removal of their personal information, and to report to authority.

INTRODUCTION

The inappropriate collection, use, and dissemination of consumers' personal data on the Chinese web are prevalent, especially on social networking sites (SNS). Only 2 per cent of the Top 1500 Chinese websites, 8 per cent of the Top 100 commercial websites and 4 per cent of the Top 100 B2C websites seem to comply with the FTC (1998) four fair information practice principles of (1) Notice/awareness, (2) Choice/consent, (3) Access/participation, and (4) Integrity/security (Kong, 2007). One of the biggest Chinese online security firms warned Internet users that SNS had become the major culprit of abusing online privacy (Rising, 2009). To make things worse, SNS themselves are vulnerable to various attacks from hackers and cyber predators because security, access controls, and privacy are weak by design on most SNS (Rising, 2009; Shin, 2010).

Mishandling Internet users' online privacy would curb their enthusiasms of divulging truthful personal information, erode the effectiveness of Internet marketing, attract regulators' attention, and eventually hinder the rapid growth of Internet industry. The sustainable development of Chinese SNS such as Qzone and Renren depends on the truthfulness and accuracy of personal information provided by millions of subscribers. Indeed, Chinese online companies and Internet marketers began to suffer from some bad consequences of their inadequate protection of consumers' online privacy. For instance, 33.1% of Chinese SNS users declared that they would never volunteer truthful personal information online (CNNIC, 2012). Research also shows that Chinese SNS users' approval rate of all kinds of ads on SNS was below 30% in 2009 while only 31.5% of Chinese SNS users had clicked ads on SNS in 2010 (CNNIC, 2010; CNNIC, 2011). The People's Congress has been working on a national law to protect Chinese citizens' online personal information after it passed the Tort Liability Law that specifically listed Chinese citizens' right to privacy in 2010. Many Chinese scholars believe that the Tort Liability Law can be evoked to protect Chinese Internet users' online privacy (e.g., Ma, 2011; Xu & Luo, 2010). Observers

are concerned that Chinese new privacy law might be more stringent than Western privacy law (e.g., Antisdell & Ghalayini, 2011).

Adolescents and young adults are the heaviest users of SNS in China but little is known about their online privacy protective behaviors. CNNIC (2012) estimated that 67.9% of Chinese SNS users aged 10-29 and 57.4% of them aged 20-29. Previous Chinese studies mainly focus on analyzing business strategies of social networking websites (e.g., Lei, 2011; Li, 2010), investigating the motives behind Chinese consumers' SNS use (e.g., Xu, Shao, & Chen, 2009; Xu & Zhao, 2011) and examining the effectiveness of marketing communications on SNS (e.g., Wang & Wu, 2010; Xiang, Hu, & Dong, 2009). Almost no empirical research has examined the antecedents of young Chinese consumers' willingness to adopt six online privacy protection behaviors.

Many important questions left unanswered concerning young Chinese Internet users in social media. Are they protecting their online privacy? Is their online privacy protection proactive or reactive? What are the social-political and economic implications? Should the Chinese government take actions to protect online privacy in social media? Should China's Internet industry self-regulate social media? To provide some answers, the current study constructs and tests a conceptual model of online privacy protection in social media. Hopefully, online marketers and social media companies will improve their marketing practices after learning new insights of young Chinese consumers on SNS.

THEORETICAL FRAMEWORK

Social Contract Theory

Social contract theory is adopted to explain the relationship of young Chinese SNS users' prior negative experience, online privacy concerns, perceived risk, trust, social media use, and intent to adopt six online privacy protection behaviors. Social contract theory was applied to examine consumers' privacy concerns in both offline and online contexts in developed countries (e.g., Culnan & Bies, 2003; Malhotra, Kim, & Agarwal, 2004; Phelps, Nowak, & Ferrell, 2000; Okazaki, Li, & Hirose, 2009). Moreover, Dunfee and Warren (2001) drew upon social contract theory to examine ethical implications of Guanxi or connection for doing business in China. Finally, Chinese scholars suggest that the social contracts approach to business could help Chinese firms gain consumers' trust and build brand equity (e.g., Hou, 2010; Lin, 2004).

Consumers' exchange of personal information with marketers can be considered as an implied social contract (e.g., Culnan, 1995; Milne, 1997; Milne & Gordon, 1993). From this perspective, a social contract is formed whenever a consumer provides a marketer with personal information on the Internet in exchange for any incentive (including free convenient services of social networking websites). The consumer expects that their personal information will be managed responsibly. The implied contract is regarded as "fair" if the marketer complies with the FTC's five fair information practice principles, and the consumer has reasonable control over the personal information collected by the marketer (Culnan, 1995). The contract will be breached by the marketer if a consumer's personal information is collected without his knowledge or consent, is provided to a third party without permission, or is used for any other purpose not agreed upon by the consumer. Similarly, the implied contract with the marketer will be breached if the accuracy of the consumer's personal data is not safeguarded, if the consumer is not offered an opportunity to opt out, or if the consumer is not informed of the firm's privacy policy (Phelps et al., 2000). When none of the listed improper behavior occurs, consumers' privacy is protected but will be invaded when consumer control is lost or reduced involuntarily after a marketing transaction (Milne & Gordon, 1993).

Therefore, a prior negative experience of online disclosure is considered a breach of an implied social contract for Chinese consumers. Accordingly, their online privacy concerns will be increased, their risk of online disclosure heightened, and their trust undermined. Consequently, they will be more likely to take reactive measures to protect online privacy such as refusing to provide personal information, falsifying personal information, requesting the removal of personal information, spreading negative eWOM, complaining to online companies, and reporting privacy abuses to the authority.

Online Information Privacy Concerns

Chinese Internet users' online information privacy concerns are conceptualized as the degree to which an Internet user is concerned about online companies' collection of personal information, the unauthorized secondary use, improper access, and error of one's online data. As Smith and associates (1996) suggest, *Collection* becomes consumers' concern when they perceive that "extensive amounts of personally identifiable data are being collected and stored in databases." Consumers are also concerned about *Unauthorized secondary use* - "information is collected for one purpose but is used for another, secondary purpose." *Improper access* bothers consumers when "data about individuals are readily available to people not properly authorized to view or work with this data." Consumers also worry about *Error* because "protections against deliberate and accidental errors in personal data are inadequate" (p. 172). Smith and associates (1996) developed a scale to measure these dimensions and validated it across the populations of students, consumers, and professionals. The validity and reliability of this instrument have been tested by subsequent empirical studies (e.g., Milberg, Smith, & Burke, 2000; Rose, 2006; Stewart & Segars, 2002). Moreover, the scale was used to measure Chinese Internet users' online information privacy concerns satisfactorily (e.g., Hsu, 2004; Lowry, Cao, & Everard, 2011; Yao & Zhang, 2008; Yang, Wang, & Wang, 2008). Hence, Chinese Internet users' online information privacy concerns are treated as a four-dimensional construct and a second-order factor as did previous scholars (e.g., Stewart & Segars, 2002; Malhotra, Kim, & Agarwal, 2004; Okazaki, Li, & Hirose, 2009).

The Consequences of Prior Negative Experience

Prior negative experience of personal information disclosure could significantly increase consumers' information privacy concerns online and offline (e.g., Bansal, Zahedi, & Gefen, 2010; Okazaki et al., 2009; Yang, 2011). After a prior negative experience of online disclosure, consumers perceive that online companies or Internet marketers have breached an implied social contract. Consequently, dissatisfied consumers feel that they are taking a bigger risk in providing personal information online and they will be less likely to trust that online companies or Internet marketers will handle their disclosed online data in good faith. Research shows that prior negative experience of online privacy invasion can not only heighten consumers' risk perception of online disclosure directly (Bansal et al., 2010) but also undermine their trust in online companies or Internet marketers or laws to protect online privacy (Yang, 2012).

Research also shows that after Internet users find that an implied social contract is breached by SNS, they will take coping measures to address their heightened privacy concerns such as withholding or falsifying personal information (e.g., Son & Kim, 2008). Among other things, when Internet users perceive that their personal information is mishandled, they will refrain from patronizing these SNS. Chen, Xu and Mao (2010) showed that Chinese Internet users were less likely to disclose truthful and sensitive personal information on SNS if their privacy risk is high. Yang (2011) found that American college students' prior negative experience of online disclosure not only significantly increased their online privacy concerns but also reduced their time spent on SNS. So, when Chinese Internet users had a bad experience of online disclosure, they may refrain from visiting social networking websites.

Therefore,

H1: Young Chinese consumers' prior negative experience of online disclosure will (a) increase their online information privacy concerns, (b) increase their perceived risk of online disclosure, and (c) undermine their trust of online companies, Internet marketers and laws to protect online privacy.

H2: Young Chinese consumers' prior negative experience of online disclosure positively predicts their intent to (a) refuse information provision, (b) falsify personal information, (c) request the removal of personal information, (d) spread negative eWOM, (e) complain to online companies, and (f) report to the authority.

H3: Young Chinese consumers' prior negative experience of online disclosure reduces their time spent on SNS.

Online Privacy Concerns, Trust and Risk

Perceived trust of online disclosure is conceptualized as the degree to which Internet users believe that online companies and marketers will use their personal data properly and the laws will protect their online privacy (Merisavo et al., 2007). In addition, Internet users reasonably expect that online companies and marketers will abide by privacy laws to safeguard their disclosed personal data. From a social contract perspective, when parties involve in a contractual relationship, one party must assume that the other will act responsibly to fulfill its promises (Okazaki et al., 2009). In this sense, consumers often give online companies a confidence vote before providing their personal information. However, their heightened online privacy concerns can undermine their trust.

Studies show that Internet users' privacy concerns negatively influence their trust in websites (e.g., Metzger, 2004), but addressing consumers' online privacy concerns helps build their trust of online companies (e.g., Rifon, LaRose, & Choi, 2005). Other studies also reveal that consumers' information privacy concerns seriously undermine their trust in online companies' commitment to protect their personal information (e.g., Malhotra et al., 2004) and their trust in mobile advertisers' proper handling of their personal information (Okazaki et al., 2009). Similarly, Chinese empirical studies found that proper protection of online privacy could build Chinese consumers' trust of commercial websites (e.g., Cao, Chu, & Lu, 2006; Shao & Meng, 2005; Zhang, 2008; Wang, 2008). The opposite should be true too. Hence,

H4: Young Chinese Internet users' online privacy concerns will undermine their trust in online companies, marketers and laws to protect their online privacy.

Perceived risk refers to the expectation that a high potential for loss is associated with disclosing personal information to online companies and marketers (Malhotra et al., 2004). Because of the impersonal and distant nature of e-commerce and Internet marketing, Internet users feel that there is a risk that online companies will behave in an opportunistic manner by mishandling their personal information. In addition, considering various security threats to online companies' databases, Internet users are also uncertain whether their personal information will be leaked, breached, or stolen by hackers (Pavlou, 2003). Western studies provided empirical evidence that consumers' perceived risk would be exacerbated by their elevated information privacy concerns (e.g., Malhotra et al., 2004; Okazaki et al., 2009). Correspondingly, Chinese empirical studies have identified online privacy concerns as an important dimension of Internet users' perceived risks of engaging in e-commerce activities (e.g., Dong, Li, & Yang, 2005; Jing, Zhou, & Wang, 2007; Yang, Qian, & Pang, 2011). Thus,

H5: Young Chinese Internet users' online privacy concerns will increase their perceived risk in providing personal information on the web.

Previous studies demonstrate that trust plays a central role in determining consumers' risk-taking behaviors such as online purchasing and disclosing personal information to Internet marketers (e.g., Pan, Zhang, & Gao, 2010; Sirdeshmukh et al., 2002; Yu & Song, 2005). Research also suggests that trust can mitigate their perceived risk of disclosing personal information to direct marketers and conducting online transactions and thus reduce consumers' uncertainty of participating in e-commerce and interactive marketing activities (Jarvenpaa et al., 1999; McKnight et al., 2002; Malhotra et al., 2004; Pavlou, 2003; Okazaki et al., 2009). Chinese empirical studies corroborate that online consumers' perceived risks and trust are negatively related (e.g., Chen et al., 2010; Lin, Lu, & Lu, 2011; Yang, Qian, & Pang, 2011; Zhao & Ji, 2010). More relevantly, Chen et al. (2010) found perceived trust of SNS significantly mitigated consumers' perceived privacy risk. So,

H6: Young Chinese Internet users' trust in online companies, marketers and laws to protect their online privacy will decrease their perceived risk of disclosing personal information online.

Online Privacy Concerns, Trust, Risk and Privacy Protection

Consumer studies have consistently found a positive relationship between the level of privacy concerns and protection behaviors. Scholars found that consumers' online privacy concerns influenced their behavioral responses such as refusing information disclosure or transactions, providing incomplete

information, falsifying information, asking to remove personal information or names, or refraining from using a website (Lwin et al., 2007; Milne et al., 2004; Sheehan & Hoy, 1999; Wirtz et al., 2007). Similar behavioral patterns were discovered among teenagers in the United Kingdom and United States (e.g., Moscardelli & Divine, 2007; Youn, 2005; Youn, 2009). In China, Gao and Yang (2011) found that Chinese college students' online privacy concerns positively predicted their intent to refuse to provide information, to falsify personal information online, and to complain to online companies. It follows that

H7: Young Chinese consumers' online privacy concerns positively predict their intent to

(a) refuse information provision, (b) falsify personal information, (c) request the removal of personal information, (d) spread negative eWOM, (e) complain to online companies, and (f) report to the authority.

Studies show that consumers' trust of online companies and marketers is positively associated with their behavioral intent to disclose personal information online (Joinson et al., 2010; Malhotra et al., 2004; Metzger, 2004; Rifon et al., 2005). Correspondingly, trusting consumers will be less likely to adopt online privacy protection measures. Their trust will be gained if online companies and Internet markers act responsibly and comply with the self-regulatory industry rules for online privacy protection (Tang, Hu, & Smith, 2008; Antoniou & Batten, 2011). In turn, consumers are more willing to trade their personal information for the communication benefits of SNS instead of adopting privacy protection measures. Chinese research reveals that consumers' online trust positively predicts their intent to disclose personal information on SNS, perceived usefulness of SNS, and participation on SNS (e.g., Guo, Shim, & Otondo 2010; Wu et al., 2012). Expectedly,

H8: Young Chinese consumers' trust in online companies, marketers and laws to

protect online privacy negatively predicts their intent to (a) refuse information provision, (b) falsify personal information, (c) request the removal of personal information, (d) spread negative eWOM, (e) complain to online companies, and (f) report to the authority.

The expectation of losing control or suffering losses will keep Internet users from disclosing personal information on SNS. Studies indicate that perceived risk negatively affected Internet users' willingness to disclose valuable personal information to online companies and marketers (LaRose & Rifon, 2007; Malhotra et al., 2004; Myerscough et al., 2006; Norberg et al., 2007; Olivero & Lunt, 2004). Chinese researchers also found that online consumers' perceived risk restrained them from divulging personal information online (e.g., Chen et al., 2010). Consequently, Chinese Internet users will be more likely to engage in privacy protection behaviors to mitigate their risk perceptions. Recent U.S. studies confirmed that perceived risk of online disclosure led to consumers' adoption of privacy protection behaviors such as the use of anti-virus technologies, fabricating or withholding personal information, and abstaining from some websites (e.g., Lee et al., 2008; Youn, 2005; Youn, 2009). Some Chinese studies also show that consumers' perceived privacy risk is positively correlated to their online privacy protection behavioral intent (e.g., Xie, Li, & Cui, 2012). Therefore,

H9: Young Chinese consumers' perceived risk of online disclosure positively predicts their intent to

(a) refuse information provision, (b) falsify personal information, (c) request the removal of personal information, (d) spread negative eWOM, (e) complain to online companies, and (f) report to the authority.

Social Media Use and Privacy Protection

Heavy SNS users are more inclined to share personal information with friends and relatives in social media to strengthen their social relationships. The growing literature on social media use contains a quite consistent finding that SNS are used to maintain offline relationships with friends, relatives, colleagues, and other acquaintances (Boyd and Ellison, 2007; Chu & Choi 2010). Heavy Internet and SNS users commonly have more offline social ties (Marshall et al., 2009).

In addition, frequent SNS visitors tend to have more trust in SNS after they perceive that online companies and marketers have honored the implied social contract to protect their personal information. Accordingly, they feel more comfortable to disclose their personal information on SNS. Indeed, studies show that SNS users hold favorable attitudes toward SNS and have higher trust in SNS than non-users

(Fogel & Nehmad, 2009; Paek et al., 2011). It is reasonable to expect that if young Chinese consumers spend a lot time on SNS, they are less likely to take action to protect their online privacy. Hence,

H10: Young Chinese consumers' time spent on SNS negatively predicts their online privacy protection intent to (a) refuse information provision, (b) falsify personal information, (c) request the removal of personal information, (d) spread negative eWOM, (e) complain to online companies, and (f) report to the authority.

METHOD

In spring 2012, cooperating professors administered a paper survey at 5 public universities in Beijing, China. College student sample is suitable considering that 57.4% of young adults aged 20-29 and 61.8% of Internet users with college or higher degrees are SNS users in China (CNNIC, 2012). Students were primary samples (44.7%) in 219 social media studies in advertising, communication, marketing, and public relations from 1997-2010 published in top journals in these fields (Khang, Ki & Ye, 2012).

The survey questionnaire was translated into Chinese and back translated into English to check content validity. It consists of 38 questions including an open ended question about their daily time spent on SNS, a 4-item scale of Internet users' prior negative experience (Cho et al., 2004), Smith et al.'s (1996) 15-item scale of concerns for information privacy (CFIP), Merisavo et al.'s (2007) 3-item scale of Internet users' trust of marketers, online companies and laws, Malhotra et al.'s (2004) 5-item scale of perceived risk of online disclosure, six measures for behavioral intent to protect one's online privacy (Son & Kim, 2008), and demographic questions. All measures are 5-point Likert scales except the SNS use and demographic questions.

With SPSS-19 and AMOS-19, the survey data set was subject to statistical analyses including confirmatory factory analysis, principal axis factoring analysis, and structural equation modeling.

RESULTS

The descriptive statistics of 489 respondents are reported in Table 1. The majority of participants are females. Most of them are very young (99% of them aged 17-28). Their family annual income is distributed normally but slightly skewed to lower income brackets. Similarly, their personal monthly income is evenly distributed. On average, Chinese college students spend 138.7 minutes on SNS daily.

TABLE 1
DESCRIPTIVE STATISTICS OF CHINESE RESPONDENTS (N = 489)

	Male	Female	Mean	SD	
Gender	24.1%	75.9%	20.26	1.76	
Chinese Family Income (SES)			Chinese Personal Income		
< 24,000 yuan		15.1%	< 300 yuan	24.9%	
24,001 – 36,000 yuan		15.1%	301 – 600 yuan	13.3%	
36,001 – 48,000 yuan		19.6%	601 – 900 yuan	16.8%	
48,001 – 60,000 yuan		13.3%	901 – 1200 yuan	23.1%	
60,001 - 72,000 yuan		10.8%	1201 - 1500 yuan	13.3%	
> 72,000 yuan		26.0%	> 1500 yuan	8.6%	
(Minutes)	Mean	SD	Median	Mode	Range
SNS Use	138.7	132.03	120	60	0-720

Table 2 presents Cronbach coefficients (α) of 8 adapted scales and the results of principle axis factoring analyses with varimax rotation. A liberal minimum requirement for scale reliability is 0.60 (Peter, 1979), while some scholars recommended a stricter minimum requirement of 0.70 (e.g., Nunnally

& Bernstein, 1994). Therefore, six scales' performance is quite satisfactory and two scales' reliability is acceptable. In addition, eight scales all yielded the extracted variance above the 0.50 recommended level (Fornell & Larcker, 1981).

TABLE 2
SCALE RELIABILITY AND EFA RESULTS

Construct	Mean	Cronbach α	Variance explained
Prior negative experience	3.00	.659	51.0%
Collection (CFIP subscale)	3.89	.814	64.6%
Secondary use (CFIP subscale)	4.26	.910	78.8%
Improper access (CFIP subscale)	4.21	.885	81.3%
Error (CFIP subscale)	3.54	.885	74.5%
Concern for Information Privacy (CFIP)	3.96	.915	72.0%
Perceived trust	2.93	.673	63.0%
Perceived risk	3.72	.743	56.2%

Note. N = 489. Results of principal axis factoring analyses with varimax rotation. CFIP = Concern for Information Privacy.

A confirmatory factor analysis demonstrates that the CFIP measurement model fits the survey data very well: $\chi^2 = 220.44$, $df = 83$, $p < .01$; Normed $\chi^2 = 2.66$; RMSEA = 0.058; TLI = 0.965; CFI = 0.972. It exceeded four conventional standards: the normed chi-square (the model chi-square divided by the degree of freedom) in the 2:1 or 3:1 range (Carmines & McIver, 1981), the Root Mean Square Error of Approximation (RMSEA) $\leq .06$, Tucker-Lewis Index (TLI) $\geq .95$, and Comparative Fit Index (CFI) $\geq .90$ (Hu & Bentler, 1999). So, the CFIP model is considered a satisfactory measure of young Chinese Internet users' online privacy concerns, and included in further analyses.

The maximum likelihood method of structural equation modeling was adopted to fit the research model to the survey data to test hypotheses. Figures 1-6 present six tested structural models with standardized path estimates and critical ratios while Table 3 displays the model testing results.

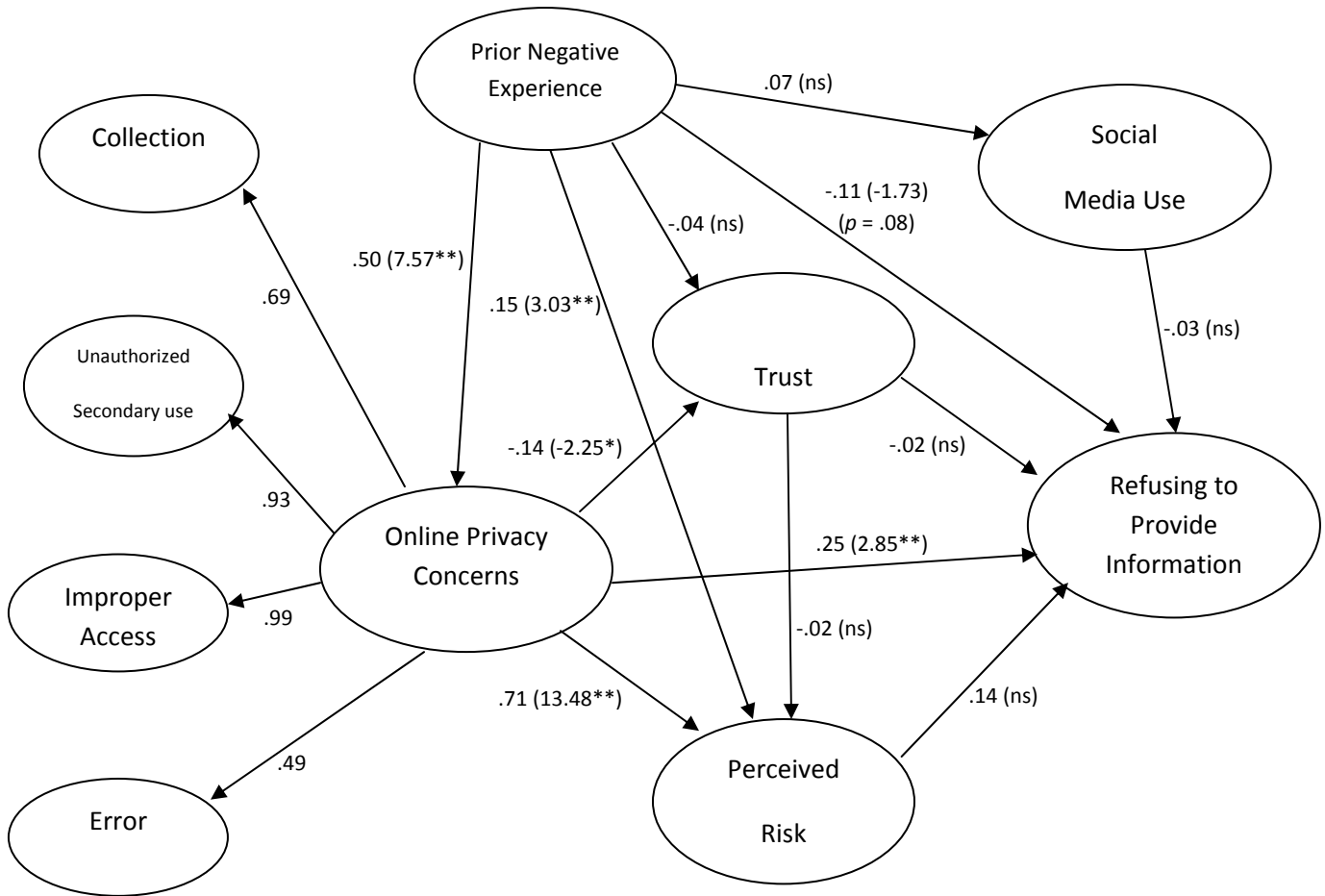
Six research models achieved satisfactory fit. Six normed chi-square values (chi-square value divided by its degrees of freedom) were below 3:1 (Carmines & McIver, 1981), six RMSEA values were smaller than .06 (Hu & Bentler, 1999), and all comparative fit indices exceeded .90. Six Tucker-Lewis indexes were slightly below .95 probably because it penalized the complexity of the tested models. In addition, Marsh, Hau and Wen (2004) argue that the cutoff value of .95 for the TLI is probably too stringent for hypothesis testing. Thus, the fitness of six models was deemed satisfactory.

TABLE 3
FITNESS INDICES FOR SIX RESEARCH MODELS

Model	$\chi^2(df)$	Normed χ^2	RMSEA	TLI(NNFI)	CFI
Research Model1	895.66 (358)*	2.50	0.055	0.919	0.928
Research Model2	905.20 (358)*	2.53	0.056	0.918	0.928
Research Model3	889.36 (358)*	2.48	0.055	0.920	0.929
Research Model4	911.74 (358)*	2.55	0.056	0.917	0.927
Research Model5	892.04 (358)*	2.49	0.055	0.919	0.929
Research Model6	900.09 (358)*	2.51	0.056	0.918	0.928

Note. Normed χ^2 : χ^2/df , RMSEA: root mean square error of approximation, GFI: goodness of fit index, TLI: the Tucker-Lewis index or NNFI: non-normed fit index, CFI: comparative fit index. * $p < .01$. N = 489.

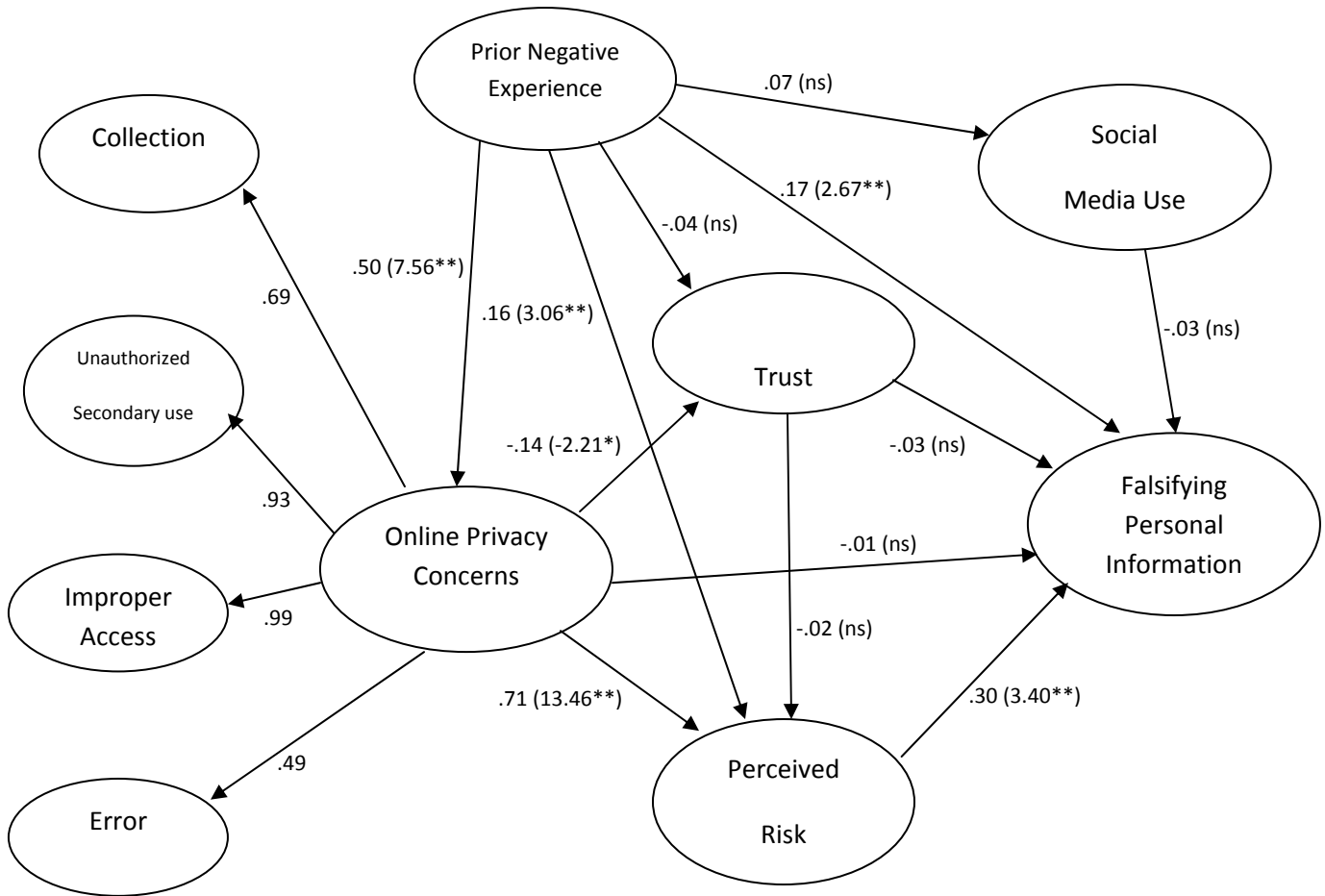
FIGURE 1
STRUCTURAL EQUATION MODEL 1 WITH STANDARDIZED PATH ESTIMATES



Note. Significance of the path estimates are shown in parentheses (critical ratio). * $p < .05$, ** $p < .01$, ns = not significant. Model fit: $\chi^2 = 895.66$, $df = 358$, $p < .01$; RMSEA = 0.055; TLI = 0.919; CFI = 0.928. N = 489.

The path estimates shown in Figures 1-6 supported Hypothesis 1. Young Chinese consumers' prior negative experience of online disclosure strongly increased their online privacy concerns. Only H2b was supported while H2a, H2c, H2d, H2e, and H2f were all rejected. Their prior negative experience positively predicted the intent to falsify personal information online but did not directly influence their intent to adopt the other five online privacy protection behaviors. H3 posited that their prior negative experience would reduce their time spent on SNS. It was rejected.

FIGURE 2
STRUCTURAL EQUATION MODEL 2 WITH STANDARDIZED PATH ESTIMATES

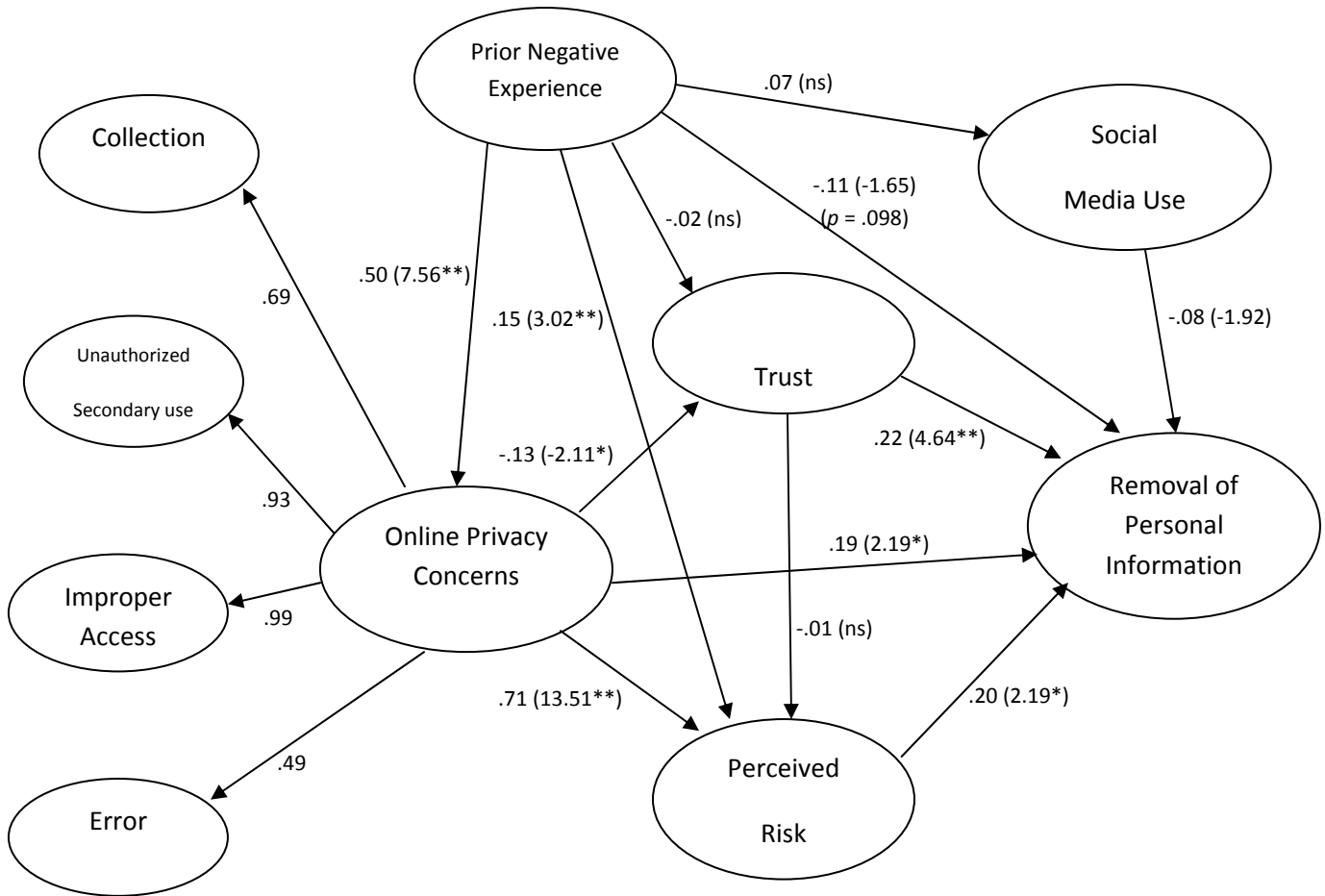


Note. Significance of the path estimates are shown in parentheses (critical ratio). * $p < .05$, ** $p < .01$, ns = not significant. Model fit: $\chi^2 = 905.20$, $df = 358$, $p < .01$; RMSEA = 0.056; TLI = 0.918; CFI = 0.928. N = 489.

Six significant negative path estimates supported Hypothesis 4 as young Chinese consumers' online privacy concerns seriously undermined their trust in online companies, marketers and laws to protect online privacy. Meanwhile, their online privacy concerns greatly elevated their perceived risk of online disclosure. Thus, Hypothesis 5 was strongly confirmed.

Unexpectedly, young Chinese consumers' trust could not mitigate their perceived risk of online disclosure and so, Hypothesis 6 was disconfirmed.

FIGURE 3
STRUCTURAL EQUATION MODEL 3 WITH STANDARDIZED PATH ESTIMATES



Note. Significance of the path estimates are shown in parentheses (critical ratio). * $p < .05$, ** $p < .01$, ns = not significant. Model fit: $\chi^2 = 889.36$, $df = 358$, $p < .01$; RMSEA = 0.055; TLI = 0.920; CFI = 0.929. N = 489.

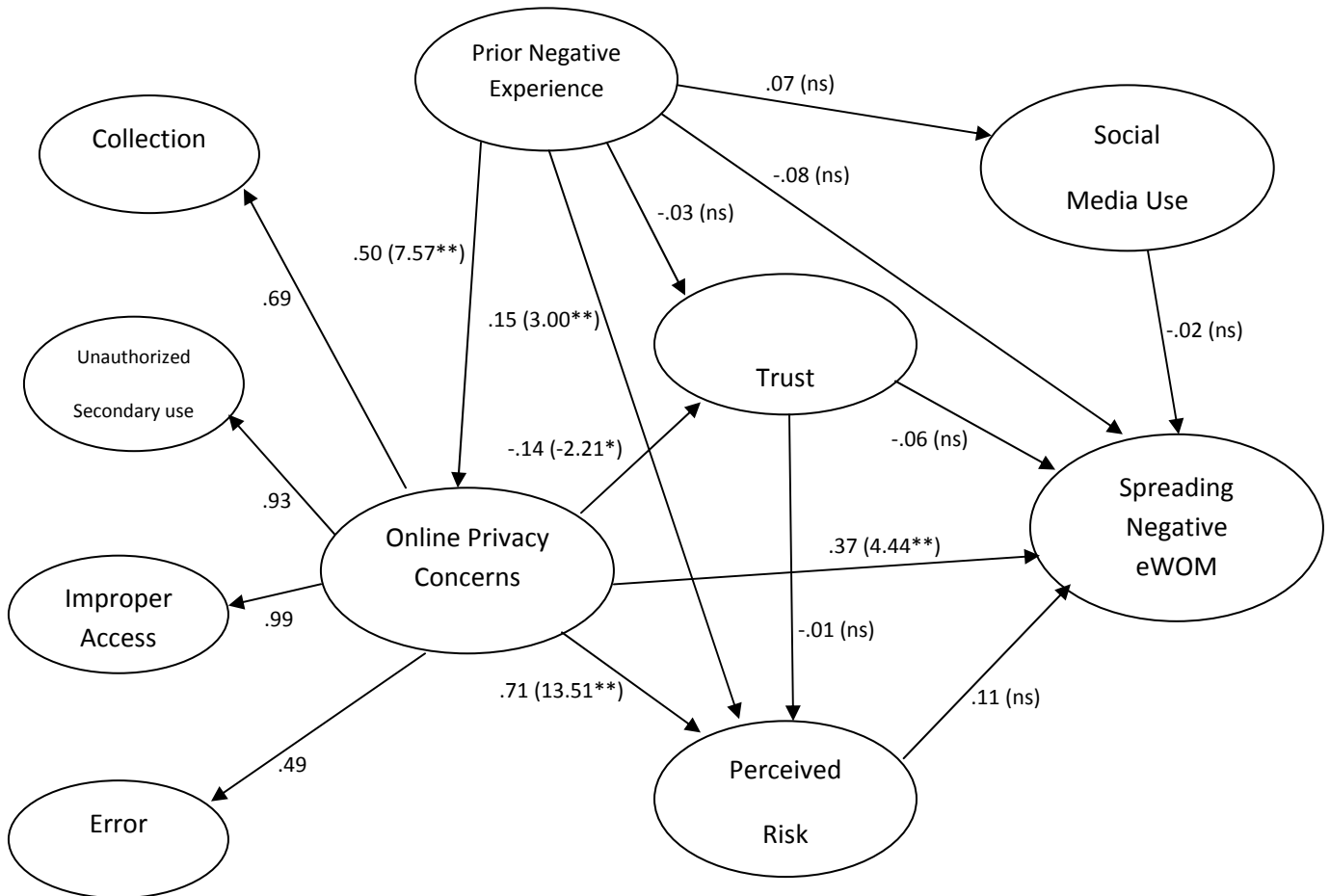
H7a, H7c, H7d, and H7e were supported but H7b and H7f were rejected. Young Chinese consumers' online privacy concerns positively predicted their intent to refuse information provision, request the removal of personal information, spread negative eWOM, and complain to online companies but had no direct influence on their intent to falsify personal information and report to the authority.

H8a, H8b, H8c, H8d, H8e, and H8f were not supported as young Chinese consumers' trust of online companies, marketers and laws to protect online privacy did not negatively predict their intent to refuse information provision, falsify personal information, and spread negative eWOM, but positively influenced their intent to request the removal of personal information, complain to online companies, and report to the authority.

However, H9b, H9c, and H9f were supported. Young Chinese consumers' perceived risk of online disclosure positively affected their intent to falsify personal information on SNS, request the removal of personal information, and report to the authority. Whereas their perceived risk did not significantly

predict their intent to refuse to provide personal information on SNS, spread negative eWOM, and complain to online companies, H9a, H9b, and H9d were rejected.

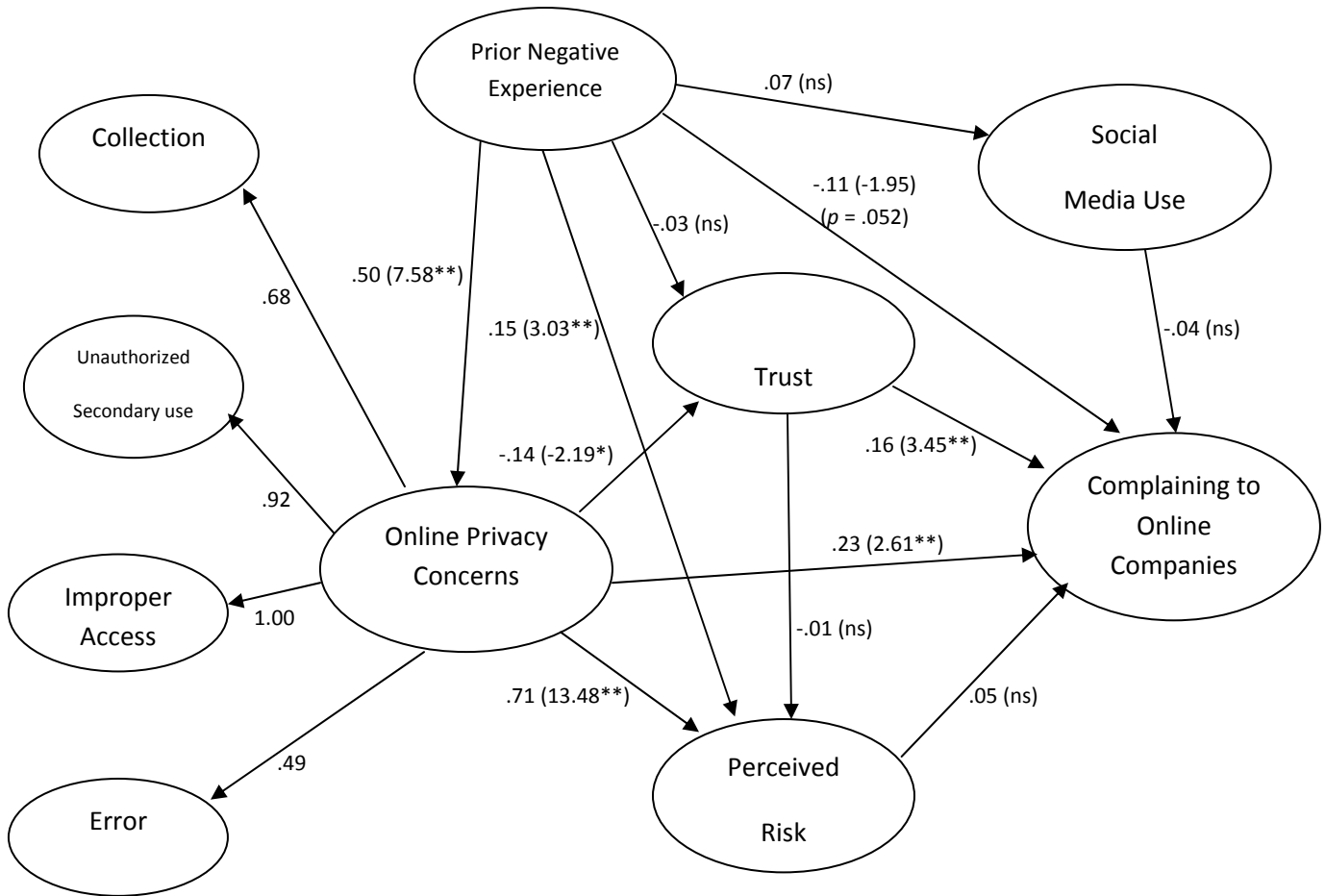
FIGURE 4
STRUCTURAL EQUATION MODEL 4 WITH STANDARDIZED PATH ESTIMATES



Note. Significance of the path estimates are shown in parentheses (critical ratio). * $p < .05$, ** $p < .01$, ns = not significant. Model fit: $\chi^2 = 911.74$, $df = 358$, $p < .01$; RMSEA = 0.056; TLI = 0.917; CFI = 0.927. N = 489.

Finally, young Chinese consumers' SNS use did not reduce their intent to adopt five online privacy protection behaviors but hindered their intent to ask for the removal of personal information to some extent ($p = .056$). Thus, only H10c was marginally supported while H10a, H10b, H10d, H10e and H10f were all rejected.

FIGURE 5
STRUCTURAL EQUATION MODEL 5 WITH STANDARDIZED PATH ESTIMATES

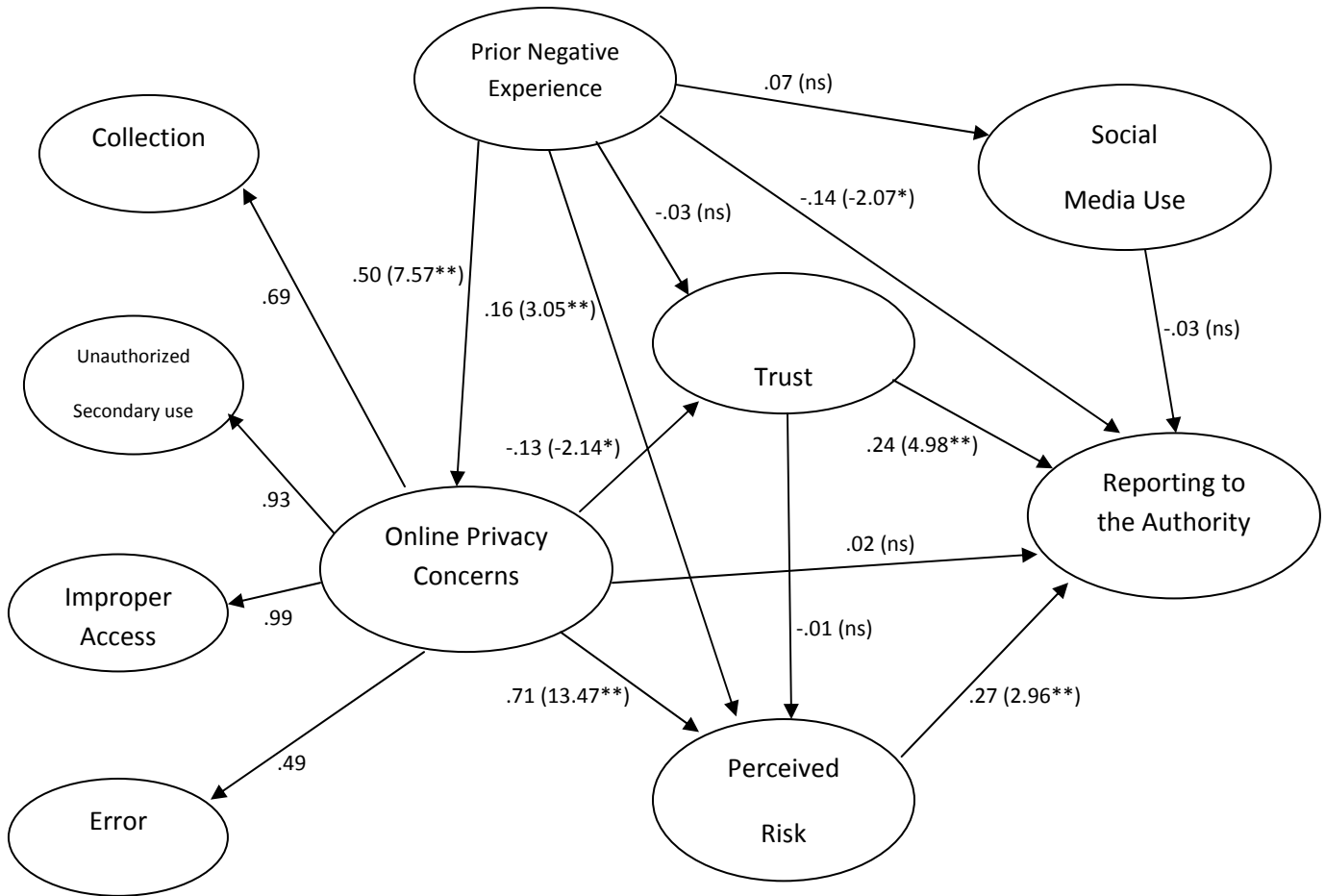


Note. Significance of the path estimates are shown in parentheses (critical ratio). * $p < .05$, ** $p < .01$, ns = not significant. Model fit: $\chi^2 = 892.04$, $df = 358$, $p < .01$; RMSEA = 0.055; TLI = 0.919; CFI = 0.929. N = 489.

DISCUSSION AND IMPLICATIONS

This study constructed and tested satisfactorily six research models of young consumers' behavioral intent of online privacy protection on SNS in China. As one of the first studies, this research shows that social contract theory can be applied to explain young Chinese consumer online privacy protection in social media. It also provided considerable empirical evidence about how online privacy concerns, trust, risk, and SNS use work together to mediate the effect of young Chinese consumers' prior negative experience on their intent to adopt six kinds of privacy protection behaviors. The underlying dynamics are useful insights for interactive marketing researchers, policy makers and Internet industry practitioners.

FIGURE 6
STRUCTURAL EQUATION MODEL 6 WITH STANDARDIZED PATH ESTIMATES



Note. Significance of the path estimates are shown in parentheses (critical ratio). * $p < .05$, ** $p < .01$, ns = not significant. Model fit: $\chi^2 = 900.09$, $df = 358$, $p < .01$; RMSEA = 0.056; TLI = 0.918; CFI = 0.928. N = 489.

The study also shows that the 15-item CFIP scale of Smith et al. (1996) can be adopted to measure Chinese SNS users' online information privacy concerns. It is consistent with Western studies (e.g., Milberg et al., 2000; Rose, 2006; Stewart & Segars, 2002). It suggests that young Chinese SNS users are worried about collection of personal information, unauthorized secondary use, improper access to the collected online data, and inaccuracy of database.

Further, this study discovers that young Chinese Internet users' prior negative experience of online disclosure will considerably increase their online information privacy concerns and force them to falsify personal information on SNS. This finding confirms previous studies (e.g., Bansal et al., 2010; Okazaki et al., 2009; Sheehan & Hoy, 1999; Yang, 2011). However, their prior negative experience could not prompt them to adopt five kinds of privacy protection behaviors, nor discourage them from using SNS. It can be partly explained by the fact that a majority of them (58.8%) had not yet fallen victim to the invasion of online privacy (group mean = 12 on the summed scale of 1-20). Another reason is that a majority of Chinese Internet users usually register on SNS with pseudonyms (DCCI, 2011), which might protect them against online privacy invasion.

Chinese social networking websites owners, operators and online marketers should act responsibly when they try to monetize subscribers' profiles. Once young Chinese subscribers perceive the abuse or misuse of their online privacy, their online information privacy concerns will be exacerbated. Consequently, they will falsify personal information on SNS in addition to using pseudonyms.

The results demonstrate that young Chinese consumers' online privacy concerns can increase their perceived risk of online information disclosure, undermine their trust of online companies, markers and laws to protect online privacy, and directly affect their intent to refuse information provision, request the removal of personal information, spread negative eWOM, and complain to online companies. To make it worse, their perceived risk cannot be mitigated by their trust. The findings validate the influence of consumers' online privacy concerns on trust and risk evidenced by previous studies (e.g., Jarvenpaa et al., 1999; McKnight et al., 2002; Malhotra et al., 2004; Pavlou, 2003; Okazaki et al., 2009) but the relationship of trust and risk in the present study is inconsistent with the literature. The present study also corroborates the impact of consumers' online privacy concerns on their online privacy protection behaviors shown in past research (e.g., Lwin et al., 2007; Milne et al., 2004; Moscardelli & Divine, 2007; Sheehan & Hoy, 1999; Wirtz et al., 2007; Youn, 2009).

These findings have important implications for Internet companies and marketers in terms of social media marketing. Online companies and marketers should be clearly aware that current young Chinese SNS users are very concerned about their online privacy. If no proactive measure is adopted to address their online privacy concerns, they will be more likely to engage in online privacy protection behaviors such as refusing to provide personal information, requesting the removal of personal information, spreading negative eWOM and complaining to online companies. Online companies and marketers should improve their communication strategies to increase Internet users' awareness of their online information privacy policies. Both advertising and public relations techniques should be utilized to build a trustworthy reputation in terms of online information privacy to earn positive media coverage on SNS privacy issues. Responsive customer relationship management (CRM) is strongly advised to encourage the frequent use of current SNS users and attract new subscribers. A competent CRM team should closely monitor negative comments of dissatisfied SNS users and make necessary adjustments immediately.

Whereas young Chinese Internet users' privacy risk positively predicted their intent to falsify personal information on SNS, request the removal of personal information, and report to the authority, their trust positively influenced their intent to request the removal of personal information, complain to online companies, and report to the authority, without diminishing their intent to refuse information provision, falsify personal information, and spread negative eWOM. These findings are inconsistent with the current trust literature (e.g., Guo et al., 2010; Joinson et al., 2010; Malhotra et al., 2004; Metzger, 2004; Rifon et al., 2005) but agree with the risk studies (e.g., Chen et al., 2010; LaRose & Rifon, 2007; Malhotra et al., 2004; Myerscough et al., 2006; Norberg et al., 2007; Olivero & Lunt, 2004; Zhao & Ji, 2010). The mixed results can be explained partly by young Chinese consumers' low initial trust and their high risk perceptions of online disclosure.

These findings serve as a warning for online companies and marketers. They should take proper measures to gain young Chinese SNS users' trust and to alleviate their perceived risk of online disclosure. They should note that if their perceived risk perceptions are severe enough, young Chinese consumers would take protective measures such as falsifying personal information on SNS, requesting the removal of personal information, and reporting to the authority. However, even with their high risk perceptions, some of them still do not bother to spread negative eWOM or complain to online companies about online privacy issues, willing to disclose their truthful personal information on SNS. In addition, young Chinese SNS users with higher initial trust are more likely to request the removal of personal information online, complain to customer services of online companies, and report privacy abuses and misuses to elected officials and consumer organizations. Therefore, young Chinese consumers' requests, complaints and reports should be taken seriously by both online industry and government in order to foster a culture of trust in ecommerce and Internet marketing in China. It is in their best interests to cater to trusting young Chinese consumers.

Given adequate privacy assurance, more Chinese SNS users will open up and patronize SNS more frequently so that targeted marketing communications in social media will be more relevant and effective. For starters, online companies and marketers can disclose their online privacy policy conspicuously on their websites, before or after Internet users provide their personal information (Miyazaki, 2008). Online companies and marketers can also gain consumers' trust and reduce their perceived risk by seeking a privacy seal from third party institutions such as Beijing EC Trust Center and PayPal (Han & Hu, 2009; Li & Liu, 2008). Finally, online companies should consider sponsoring public relations and cause-related marketing activities to build a good reputation that can influence online consumers' trust (Wang, 2008; Zhang, 2010).

Consumer advocacy groups and government agencies should be concerned that young Chinese consumers' heightened risk does not enhanced their intent to refuse to provide personal information on SNS, spread negative eWOM, and complain to online companies. The results imply that, currently, young Chinese consumers' perceived risk of online disclosure is not high enough. Indeed, young respondents exhibited a moderate level of risk in disclosing personal information online. Therefore, it is still necessary to educate young Chinese Internet users about effective protection of online privacy. However, this bodes well for social media companies and marketers. Young Chinese consumers' perceived risk will probably stay so if social media companies and marketers conduct their business in good faith to honor the implied social contract. Until they have a negative experience of online disclosure, young Chinese Internet users likely will continue to take advantage of many benefits provided by SNS. Actually, a majority of the sample (58.8%) has not yet experienced any incident of online privacy invasion.

In addition, this research reveals that the more time young Chinese consumers spend on SNS, the more reluctant they will be to ask online companies to delete their personal data but their SNS use cannot disarm them in terms of online privacy protection. The results suggest that social media companies and marketers should invest more in customer relationship management and keep providing satisfactory services to SNS subscribers.

Caution should be used when we generalize these findings to general population due to some limitations. External validity of the current study should be strengthened by future research as the survey data were collected from a large convenience sample of college students at five public universities in Beijing. The participants do not represent China's college student population very well. As some gender differences were identified, future research should include more male participants.

Future scholars could investigate the effects of open disclosure of online privacy policy and privacy seals on Chinese SNS users' online privacy protection behaviors. Further studies can also focus on the influence of Chinese SNS users' online privacy protection behaviors on their participation in e-commerce and Internet marketing activities, and on the effectiveness of social media marketing. It will be interesting to study these topics in a cross-cultural context too.

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Chinese Firms' OFDI Entry Mode Choice and Survival of Foreign Subsidiaries: Contingency Effects of Economic and Cultural Distance

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Entry mode strategies are considered as one of the key decisions multinationals have to make while investing abroad. This paper integrates the internationalization process theory and the liabilities of foreignness perspective and develops a contingency framework on the relationship between entry mode strategies and subsidiary survival. Using a sample of Chinese firms' direct investment from 1996 to 2004 worldwide, this paper finds important main effects of entry mode choice, economic distance, and cultural distance on subsidiary survival. Furthermore, the effect of entry mode choice is contingent on economic distance and cultural distance. At last, we found that in the host countries with larger economic distance, the greenfield investment entry mode is preferred. Cultural distance has a negative impact on subsidiary survival, but the effect is weaker if foreign parent choose the greenfield investment entry mode.

INTRODUCTION

During the past decades, foreign direct investment (FDI) has been one of the most important topics of international business. According to the statistics of UNCTAD, the total value of FDI in 2011 has reached a record-high \$1.66 trillion worldwide. And from an enterprise perspective, on one hand FDI will facilitate firms to explore the strategic assets needed, on the other hand provide the potential opportunities for firms to exploit their own specific advantages, then help firms develop the international markets, improve the global market power, and accumulate internationalization experience (Contractor, 2007). However, in reality a large number of FDI disappear (exiting the host countries or acquired by other firms), which made the survival of FDI become the focus of scholars and managers, since survival, in the long term, is the prerequisite for success in other aspects (such as market share and profitability in the international market) (Suarez and Utterback, 1995), and at the same time survival has been considered as the common means to examine the performance of foreign subsidiaries (Barkema et al., 1997; Lu and Beamish, 2004).

Entry mode choice, as the key strategy decision during the FDI process, is very important for the firms' performance (Brouthers, 2002; Brouthers, Brouthers, & Werner, 2003). Specifically, the entry mode choice involves two aspects (Meyer et al., 2009): the ownership decision (joint venture vs. wholly owned

subsidiaries), and establishment mode choice, through acquisition or greenfield investment (Cho and Padmanabhan, 1995). In this paper, we focus only on the latter, investigating the relationship between the establishment mode choice and foreign subsidiaries' survival, in the assumption that these two decisions are basically separate.

Based on the current literature, we found the inconsistent findings on the relationship between entry mode choice and the subsidiary performance, namely there are positive, negative, and no relationships (Brouthers and Hennart, 2007; Slangen and Hennart, 2007). Actually, the prevailing theories within the FDI, like internalization theory or eclectic paradigm, all suggest that no one particular entry mode would be optimal (Gaur and Lu, 2007). So scholars point further that the relationship between the entry mode and performance is contingency (Slangen and Hennart, 2007), namely firms should make a particular type of strategy superior under certain conditions (Gaur and Lu, 2007). In this paper, we introduced economic distance and cultural distance concepts to analyze that how to choose the entry mode specifically under different economic development levels and different cultural backgrounds to improve the survival rates.

Besides, the inconsistent findings on the relationship between entry mode choice and subsidiary performance also bring up the need to introduce new theoretical perspectives to explain. The so-called 'tripod' essential theories of the international studies, including the transaction cost theory, resource-based view, and institutional, and the eclectic framework based on these three theories occupy almost 90% of the published entry mode studies (Brouthers and Hennart, 2007). In this study, we introduced internationalization process theory and the liabilities of foreignness perspective, then examined the relationship between the entry mode choice, economic distance, and the cultural distance, and the foreign subsidiaries' survival, further we examined the moderating effect of economic and cultural distances, investigating the relationship between the entry mode choice and performance under different situations. We test our hypotheses in the sample of Chinese firms' outward FDIs from January 1996 to December 2004, and examine the five years' later survival situation.

THEORY AND HYPOTHESES

Entry mode strategy

There has been two ways for the multinationals to establish their foreign subsidiaries, namely greenfield investment and acquisitions, which greenfield investment stands for creating a new subsidiaries from beginning, including wholly owned subsidiaries and joint ventures (Barkema and Vermeulen, 1998), while acquisitions mean buying a existing corporations partly or wholly (Barkema and Vermeulen, 1998; Larimo, 2003).

While conducting cross-border transactions, firms find always hard to (1) fully understand and evaluate the target firm in advance (inspection problem), (2) and integrate the target firm in their network after the transaction (interaction problem) (Ravenscraft and Scherer, 1987). The same problems challenge the firms when they establish their foreign subsidiaries, we will discuss how these two establishment modes perform specifically on the inspection and interaction problems.

If firms decided to enter the host country through acquisition, the acquirers need to pay the estimated value and turnover premium under the going-concern assumption (Caves, 1996; Pennings et al., 1994), however, because of the distances between home and host countries, acquirer firms always find it more difficult to evaluate the true value of target firms, which made the turnover premium easily higher than the acquisitions happened domestic (Harris and Ravenscraft, 1991; Inkpen et al., 2000). This inspection problem is likely to be more significant for multinationals with little internationalization experience, leading firms to opt for greenfield investment instead (Slangen and Hennart, 2007).

Firms will face another target integrating problems after the acquisition transaction (interaction problem). Considering the differences on value and institutions between home and host countries, MNEs will confront more challenges while operating in host countries (Kindleberger, 1969; Ghemawat, 2001), such as the extra cost burden generated from the intangible assets transferred from home countries to host countries, like organizational or managerial routines, additional training, monitoring, and controlling costs (Egelhoff, 1982; Schneider and DeMeyer, 1991), which scholars call 'liabilities of foreignness' (Zaheer,

1995). However, the extents of the extra costs caused by the liabilities of foreignness are different between the greenfield investment and acquisitions modes. For the acquired subsidiaries, since the employees have been used to their original culture and practice, there would be larger costs of transferring practices generated (Hennart and Park, 1993), and with the distance between home and host countries getting larger, the more easily conflicts caused (Cho and Padmanabhan, 1995; Larimo, 2003). On the other hand, the costs of transferring practices to greenfield subsidiaries will hardly increase with the distance getting larger between home and host countries, because MNEs can recruit new employees who are not yet used to any practices and hence more willing to accept those of MNE (e.g., Hennart et al., 1996; Larimo, 2003).

In sum, compared with the greenfield investment entry mode, cross-border acquisitions face more challenges both from the evaluation of target firms ex ante and the liabilities of foreignness after entering the host markets.

Hypothesis 1a: When firms enter into the host country market, there is a significantly negative relationship between the acquisition mode and foreign subsidiaries' survival.

Hypothesis 1b: When firms enter into the host country market, there is a significantly positive relationship between the greenfield investment mode and foreign subsidiaries' survival.

Economic distance

Ghemawat (2001) defined the economic distance as the level of economic development of the host country relative to that of the home country. The economic distance between two countries mainly reflects the discrepancies in wealth and economic size, which often represents in factor costs, technological capability, advancement of infrastructure, and so on, and the economic distance has been considered as one of the important factors significantly affecting FDI performance (Du, Lu and Tao, 2008).

The large economic distance comes in two kinds: one is the economic development level of the host countries higher than home countries, the other one is the level of the host countries lower than the home countries. There are always certain location-specific factors in more developed host countries, like advanced technologies, new business model, customers with great purchasing power, well-developed industry chain and so on (Galan et al., 2007). As in today's knowledge-based global economy, MNEs' ability to sustain and increase its strategic assets over time has become an increasingly important element of its dynamic competitive advantages (Dunning, 1998, 2000), the location-specific aspects from the more developed countries provide the potential opportunities for the MNEs to access to these dynamic advantages (Chen and Chen, 1998; Kumar, 1998; Makino et al., 2002). As shown by Donald's (1993) research, Indonesian multinationals going abroad access and develop ownership advantages they did not previously possess, which improved their performance dramatically in terms of management expertise, exports, quality, and cost control. The other side of the large economic distance embodied in the economic level of the host countries lower than that of host countries, in which situation the MNEs always could develop their advantages further through accessing to the low cost factors (including both nature source and labor forces). Besides, relative to better developed home countries, the host countries with lower economic level always have underdeveloped infrastructures, lower level of technical advancement and innovative abilities, and slim inter-industrial reciprocities (Galan et al., 2007), which make local firms might be generally laggard in most nodes on their value chains: technological creativity, managerial expertise, marketing experience, and so on, since long embedded in a domestic market of such situations, thus not as competitive as their foreign competitors (Luo and Tung, 2007). Therefore, it is quite reasonable that in host countries that are less developed than their home countries, FDIs will have better chances to survive, and exploit the technological and managerial advantages they intrinsically possess.

Above all, in the host countries with large economic distance, FDIs can locate and operate in chosen host countries with lower hazard rates and enjoy certain location-specific advantages from either resource exploration in more developed countries or resource exploitation in less developing countries.

Nonetheless, in host countries with similar economic development levels, MNEs are less likely to enjoy the above-mentioned benefits of either exploration in more developed countries or exploitation in less developing countries. On the one hand, similarity of economic development level is usually associated with similar resources and conditions of firms, so firms from host countries with similar economic development levels are less likely to possess much advantage over local firms. As resource commitment is regarded as one of effective approaches to compromising liabilities of foreignness and improve MNEs' bargaining power (Luo et al., 2002) in a local setting, FDIs in similar economic environment are less likely to have or maintain a favorable competitive position. On the other hand, in host countries of similar economic development levels, it is quite possible that local firms rely on the same or similar business model as the foreign entrants did and it is hard to find an area for complementarity with local firms or partners, which would easily caused the impeding and fighting back from the local government and business partners to prevent foreign firms' convenient or free access to local knowledge and resources to penetrate their market turf home and abroad (Chen, 2005). Thus, when MNEs enter the host countries with such low economic distances, their foreign subsidiaries are likely to meet more challenges.

In summary, all other things being equal, FDIs in host countries with bigger economic development discrepancy compared with their home country will enjoy better chances of survival, due to more opportunities of either exploration or exploitation, while they will be less able to gain competitive advantage relative to local firms or to acquire desirable strategic assets in host countries that are similarly developed to the home countries from where their FDIs depart. Hence, we propose,

Hypothesis 2: The survival rates of FDIs in host countries with high economic distance are higher than those in host countries with low economic distance.

As we mentioned before, the economic distance displayed in the two aspects, namely the more developed host countries with higher economic development level than home countries and the less developing countries with lower economic development level than home countries. Within the developed host countries, except the location-specific advantages including the advanced technologies and infrastructures (Galan et al., 2007), they normally own the steady business traditions, like the trust and mature legal system, which could ensure the safety of conducting the acquisition transactions, and lower the relative operation risks. Beyond that, because of the strategic assets including the advanced technologies in the developed countries, foreign firms could access to these strategic assets quickly through acquisitions, which could mitigate the extra costs and the liabilities of foreignness caused by the information asymmetry and the integration problems specifically before and after the transactions (Barkema and Vermeulen, 1998). In addition, the local market of the developed countries provides good environment for the development of the greenfield investment subsidiaries because of the well trained employees, the large number of customers with great purchasing power, and the advanced infrastructures etc. In summary, the well developed host countries, on one hand, could help entrants alleviate the liabilities of foreignness caused by the acquisition modes, and provide the potential growth room for the greenfield investment subsidiaries. In the less developing host countries, as we talked before, the local firms are not as competitive as foreign entrants (Luo and Tung, 2007), so the acquisition costs are relative low, and foreign firms could transfer and exploit sufficiently their technology and managerial experience developed in their home countries. At the same time, the greenfield investment subsidiaries will face smaller resistance from the local challengers during the development process.

However, there would be the opposite situations in the host countries with the similar economic development levels with home countries. MNEs cannot obtain the new strategic assets in local markets, because of the similar resources they own. Besides, normally the local firms and the entrants from similar countries adopt the similar business model with similar development pace, where the greenfield investment subsidiaries would be easily resisted by local firms, because of the new competitor brought in to seize the market share (Chen, 2005).

Hypothesis 3a: The negative relationship between acquisition mode and survival of foreign subsidiaries would be weaker if they enter into the host countries where economic distance is high.

Hypothesis 3b: The positive relationship between greenfield investment mode and survival of foreign subsidiaries would be stronger if they enter into the host countries where economic distance is high.

Cultural distance

Cultural distance refers to discrepancy in national culture systems and cultural norms between countries (Hofstede, 1980; Kogut and Singh, 1988). As one of the most intensively concerned and discussed variables in international business since the publication of the seminal study of Kogut and Singh (1988), cultural distance has been employed to explain a wide range of issues about MNEs strategies and organizational characteristics (Brouthers and Brouthers, 2001).

However, while cultural distance is widely identified as an important determinant of MNEs' actions and performance, prior research has provided mixed evidence in terms of its practical effect on international investments (called 'cultural distance paradox') (Brouthers and Brouthers, 2001; Tihanyi, Griffith, and Russell, 2005). Some studies have suggested negative correlations between cultural distance and MNE performance and survival (e.g., Luo and Peng, 1999; Tsang and Yip, 2007; Garg and Delio, 2007), based on the argument that cultural distance leads to higher level of complexity and uncertainty of strategic making as well as increase MNEs' operational difficulties in foreign markets (Shane et al., 1995). Alternatively, a number of studies suggest cultural distance may have a positive influence on performance, reasoning that investing in culturally distant markets may offer investors unique opportunities of acquiring and integrating new skills, or amortizing expenses (Kobrin, 1991; Morosini et al., 1998; Shane et al., 1995), the result of which is improved performance.

The internationalization process theory emphasizes the significance of non-economic factors in MNC location decision-making, and suggests that firms start their internationalization process entering their proximal countries, and only when enough knowledge is accumulated through the operation in that country they would expand their operations to more cultural distant countries (Flores and Aguilera, 2007; Johanson and Vahlne, 1977; Vahlne and Johanson, 2002). Because of the existence of cultural distance (lack of understanding of value and institutions), foreign subsidiaries will face more uncertainty, which could augment the difficulty of operating abroad. So MNCs need to interpret local customers' requirements, adjust corporate routines, adapt to new regulations and local norms, and gain local legitimacy (Flores and Aguilera, 2007). Chinese firms' internationalization overall is at their early stage, so choosing the foreign locations culturally proximate will reduce the risk, and improve the survival rates.

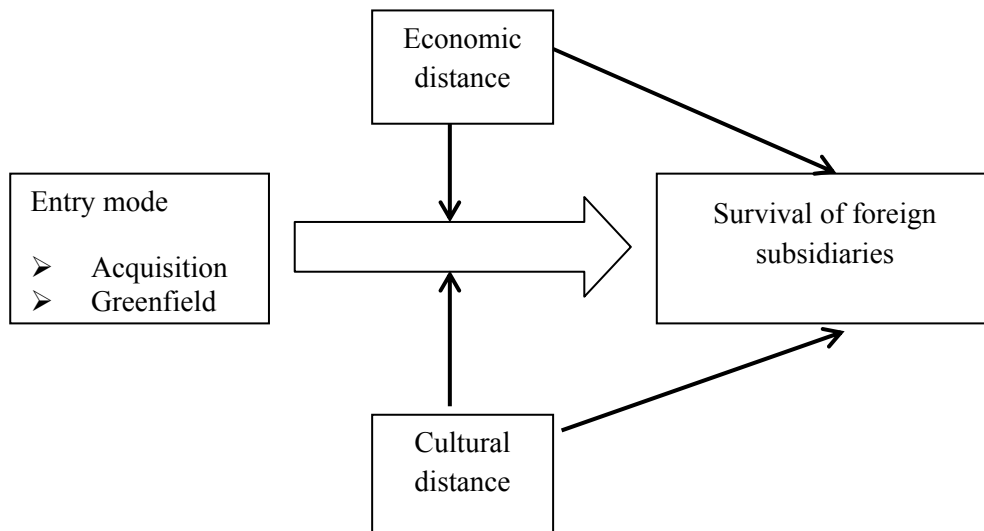
Hypothesis 4: The survival rates of FDIs in host countries with high economic distance are lower than those in host countries with low economic distance.

While firms going abroad, the higher the cultural distance, the more costs spent on the intangible assets (organization and managerial routines) transferring to the foreign subsidiaries from home country (Hennart, 2000). Within the foreign subsidiaries established by acquisitions, there would be more possibilities encountering the cultural clash between the employees from the acquirer firms and the target firms, since the target firms' employees used to original management styles. So it is more difficult for the parent firms to carry out business activities based on their own routines and transfer their developed core competitiveness to the foreign subsidiaries (Cho and Padmanabham, 2003). At the same time, the organizational internal contradictions originated from the discrepancies of values between home and host countries (Tihanyi et al., 2005), increased the liabilities of foreignness the MNCs facing. About the greenfield investment, the foreign subsidiaries need to adapt to local culture, which would bring more difficulties to operate in international markets (Schwarz, 1999), so the cultural distance between home and host countries also add the entry costs of greenfield investment, lower the firms' performance, and impede the core competitiveness transferring to the host countries (Bartlett and Ghoshal, 1989; Palich and Gomez-Mejia, 1999).

Hypothesis 5a: The negative relationship between acquisition mode and survival of foreign subsidiaries would be stronger if they enter into the host countries where cultural distance is high.

Hypothesis 5b: The positive relationship between greenfield investment mode and survival of foreign subsidiaries would be weaker if they enter into the host countries where cultural distance is high.

FIGURE 1
CONTINGENCY FRAMEWORK ON THE ENTRY MODE STRATEGIES



METHOD

Data Source and Sample

Our sample consisted of outward investment conducted by Chinese firms during the period from January 1996 to December 2004. China currently as the largest, the most dynamic transition economy, has been developing very fast, and the market economy system has been improving. Besides, China is also the place where the culture of Confuciusm originated, which made its culture different with most of other nations. So the cultural distance between home and host countries could be more accurate measured. The research around MNEs from developed countries has dominated the international studies in the past (Dunning, 1993), which makes it difficult to generalize the applicability of the conclusions drawn in the context of advanced market economies to the FDIs conducted by firms from emerging countries. So our research sample not only helps us examine the basic hypotheses, also make contributions to explore whether the FDI related theories raised within developed countries context still be suitable for the emerging countries like China.

We got all information of our sample investments from the Ministry of Commerce, PRC (formerly MOFTEC- The ministry of Foreign Trade and Economic Cooperation), since Chinese law requires indigenous Chinese firms to register their cross-border investments in that agency. In the reporting materials put on records there, applicants were all required to provide detailed information about the investor (ownership, age, industry, annual sales, total assets, etc), the investment (industry, scale of investment, entry mode, period of investment, etc), and their appraisals of the location factors in the chosen host country (in the form of 'compared with the condition in our home country'), and the self-reported data would be adjusted by official criterions issued by MOFTEC before officially put on records. Besides, officers and experts in MOFTEC would present their risk evaluations and recommendations to each FDI at the end of each censoring material.

The reasons we chose the time period between 1996 to 2004 are: first, Chinese firms did not significantly get involved in outward FDI activities before 1996, only 74 FDIs from 1978 to 1995 were recorded. In 1996, the Chinese government promulgated the policy of 'going global', which stimulated large increase in the number of FDI projects of Chinese firms and represented a milestone. Secondly, we chose to end the FDIs in 2004 because we need to analyze their survival after five years.

In addition to this time frame selection, we employed several criteria to construct our sample in accordance with prior studies. First, to be included, a Chinese firm had to have an annual sale of at least RMB 30 million at the end of the year in which it conducted the investment; in other words, we only included the FDI activities of medium and large firms in our studies (Tsang & Yip, 2007). Mainly driven by the lure of nonrecurring and risky chances, many cross-border extensions of Chinese small firms were occasional, thus leaving these FDIs much easier to go to early termination. This criterion excluded 124 FDI cases. Second, the firm had to be officially registered at least 5 years before it conducted the FDI. By doing so, we excluded the FDI activities of 'born global firms', which were different from those of other firms. This criterion left another 89 cases. Third, we excluded investments that exited the survey for reasons other than failure. For example, some investments were terminated because they were sold for profit- such investments would demonstrate different characteristics as those long-term orientation investments. This criterion excluded 211 cases. Coding of this criterion was based on descriptions in the dataset of the censoring materials of MOFTEC. Fourth, all cases from travel agencies were excluded in our studies, since a considerable number of travel agencies belonged to international chains, and their cross-border behaviors tend to be very different from those in other industries. This criterion left out 24 FDI cases. Last, we ruled out the cases involving acquiring firms for natural resources, because these FDIs, by nature, shall exist and run for a relatively long time. Using all these criteria, we ended up with a sample consisted of 489 FDIs in 39 countries and districts in almost all the industries under the ten two-digit SIC codes.

Variables

Dependent Variable

Our dependent variable, the survival of the foreign subsidiaries, is a dummy variable that captures whether the foreign subsidiaries still survived after entered the host countries 5 years, and we took the value 1 if the FDI survived until the end of the 5 years, and 0 otherwise.

Independent variables

Economic distance. We used the data from MOFTEC to measure the economic distance between host countries and China. According to the measurements adopted by prior studies (citations), we employed five indexes to depict the economic distance between China and the host countries, including overall cost (including the costs of labor force, water, energy, logistics, materials and land), availability of required raw materials, technological advancement, well-developed infrastructures, and the potential growth of markets (growing demand in both markets). According to prior studies (e.g., Buckley et al., 2007; Galan et al., 2007), all the above five indicators were essential determinants of the distribution of Chinese outward FDIs. In the data source provided by MOFTEC, except overall cost (range from 0 to 9, the situation of China was coded as 4), all other four items were coded by MOFTEC experts from 1 to 7 (with the situation of China as frame of reference and coded as 4).

Cultural distance. In their article on national culture and choice of entry modes, Kogut and Singh (1988) estimated national cultural distance as a composite index based on the deviation from each of Hofstede's (1980) national culture scales: Power distance, uncertainty avoidance, masculinity/femininity, and individualism. Following this approach, we measure national cultural distance between the countries of origin of the acquiring and target firms following Hofstede's (1980) four cultural dimensions. We employ the national culture scores established by Hofstede (1980) because they are consistent with my empirical approach to measure national cultural distance. Data were likewise obtained from the database of MOFTEC, all raw scores were ranged from 1 to 5.

Entry mode. As far as indicated by former IB studies, when decide to outspread into a foreign market in the form of FDIs, a MNE has to choose between establishing a new venture from scratch, either independently or cooperate with local partners (creating a greenfield investment) and acquiring at least part of the equity of an existing local company (making an acquisition). Based on the data from MOFTEC, we coded two dummy variables to measure entry modes: acquisition, coded 1 if the cross-border investment acquired at least part of equity from existing local firms (cross-border acquisition or joint venture) and 0 otherwise; and greenfield investment, evaluated as 1 if the cross-border investment created a new venture from scratch (either in the form of wholly-owned subsidiaries or in the form of international joint venture) and 0 if it is not.

Control variables

Ownership. As noted by former studies, in the transition economy of China, state-owned enterprises (SOEs) founded by the government or its agencies connaturally have great legitimacy and government protection, therefore, they usually enjoy relatively high benefits from government in their operation (Li and Zhang, 2007; Xin and Pearce, 1996). By contraries, without these natural advantages, non-state-owned firms are always in a relatively weak position in their operation (Nee, 1992). Considering the essential role government plays in the determination of FDI survival, it is rational to estimate that with stronger supports from government, FDIs made by state-owned MNEs could get higher viability in host countries. Based on official records of MOFTEC, I set up a dummy variable to measure the ownership of the parent company (coded 1 if the MNE is state-owned one and 0 otherwise).

The Year of FDI. This study had one dummy variable representing whether (0) the FDI was initiated in a year before the end of the year 2001, when China joined WTO, or (1) after the beginning of the year 2002. We also controlled the age of the firm.

RESULTS

Table 1 presents the descriptive statistics and the correlation coefficient matrix for all the variables used in our study. About the correlation coefficient matrix, all the independent variables coefficient value is below the 0.30, which means multi-collinearity is not a problem. Among the 489 FDI cases, around 30% of the foreign subsidiaries failed after five years, either forced to withdraw from the host countries or acquired by other firms. About the establishment modes, approximately 2/3 of the 489 cases are through acquisitions, while the rest 1/3 with greenfield investment modes.

TABLE 1
DESCRIPTIVE STATISTICS AND CORRELATION MATRIX

Variables	Mean	S.D.	1	2	3	4	5	6	7	8
1 Econ_dis	-1.97e-08	.9999999	1							
2 Cul_dis	1.41e-09	.9999999	-0.27	2						
3 Survival_5	.7648262	.4245417	0.24	-0.17	1					
4 Acquisition	.7096115	.4544065	0.00	0.02	-0.20	1				
5 Greenfield	.2903885	.4544065	-0.00	-0.02	0.20	-1.00	1			
6 Ownership	.7443763	.4366579	0.06	0.14	0.38	-0.05	0.05	1		
7 Age	4.830266	1.752581	0.37	-0.13	0.14	0.02	-0.02	0.07	1	
8 Year of FDI	.4989775	.500511	-0.26	0.09	-0.13	-0.01	0.01	-0.09	-0.09	1

Table 2 shows the results of testing our Hypotheses 1-5, the multivariate statistical analysis among entry mode, economic distance, cultural distance, and the FDI survival. Our estimating procedure started with Model 1, where we included the acquisition mode and all control variables. Model 1 shows that

acquisition entry mode has a negative and significant coefficient, which supports the Hypothesis 1A, namely higher likelihood of failing of the Chinese foreign subsidiaries established by acquisitions. Model 2 test our Hypothesis 1B linked to the greenfield investment entry mode, showing that greenfield mode has a positive and significant relationship with the survival of foreign subsidiaries, supporting the Hypothesis 1B. In model 3, we include the economic distance, cultural distance, and the control variables, where the results support the Hypothesis 2 and Hypothesis 4, namely there is a significantly positive relationship between economic distance and the survival of foreign subsidiaries of Chinese firms, and a significantly negatively relationship between cultural distance and the survival of foreign subsidiaries. In Model 4 and 5, we added the hypothesized interaction terms. Hypothesis 3a and 3b predict a positive interaction effect between economic distance and the survival of foreign subsidiaries, namely the higher economic distance significantly weakened the negative relationship between acquisition and FDI performance, and strengthened the positive relationship between greenfield and FDI performance. In Model 6 and 7, we entered the hypothesized interaction term of cultural distance, testing the interaction effect between cultural distance and the survival of foreign subsidiaries. The results found that the higher cultural distance weakened the significantly positive relationship between greenfield investment mode and the FDI performance, while strengthened the negative relationship between acquisition mode and the FDI performance.

TABLE 2
DETERMINANTS OF SURVIVAL OF FOREIGN SUBSIDIARIES: LOGIT TEST

Variables	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7
Ownership	1.86***	1.86***	2.11***	1.90***	1.84***	2.18***	2.23***
Age	0.21***	0.21***	0.40	0.14*	0.18**	0.18**	0.16**
Year of FDI	-0.54**	-0.54**	-0.21	-0.31	-0.55*	-0.42*	-0.42*
Constant	0.29	0.29	-0.18	0.49	-0.88	0.25	-1.09
Acquisition	-	-	-	-1.29***	-	-	-
	1.38***	-	-	-	-	1.40***	-
Greenfield	-	1.38***	-	-	2.02***	-	1.52***
Econ_dis	-	-	0.46***	-	-	-	-
Cul_dis	-	-	-0.48***	-	-	-	-
Acquisition by Econ	-	-	-	0.45***	-	-	-
Greenfield by Econ	-	-	-	-	1.31***	-	-
Acquisition by Cul	-	-	-	-	-	-	-
	-	-	-	-	-	0.53***	-
Greenfield by Cul	-	-	-	-	-	-	-
	-	-	-	-	-	-	0.62***
Chi 2	100.03	100.03	109.40	108.59	111.49	114.96	123.08
Log likelihood	-216.71	-216.71	-212.03	-212.43	-210.98	-	-205.18
Pseudo R2	0.19	0.19	0.20	0.20	0.21	0.209245	0.23
Number of obs	489	489	489	489	489	0.22	489
	-	-	-	-	-	489	-

Notes: ***p<0.001; ** p<0.01; *p<0.05

CONCLUSION AND DISCUSSION

The related research about the FDI survival has always been the main focus of the managers and researchers. This paper sought to bring in and integrate the internationalization process theory and the liabilities of foreignness perspective to explore the relationship between the entry mode choice and the

FDI performance, facing the reality that 90% current researches within this area are based on resource-based view, transaction cost theory, institution-based view, and the Dunning framework (Brouthers and Hennart, 2007). Further, we applied the contingency effect of the location factors, including the economic distance and cultural distance on the relationship between the entry mode and the FDI performance to analyze the specific situation of the choice of entry modes.

Based on the Chinese firms' outward foreign direct investment- the largest emerging markets data, our results show that, overall, acquisition have a significantly negative impact on the survival of foreign subsidiaries, while greenfield investment mode has a significantly positive impact on the survival of foreign subsidiaries. At the same time, we found that in the host countries with larger economic distance, subsidiaries have better survival chances if foreign parents choose the greenfield investment entry mode. Cultural distance has a negative impact on subsidiary survival, but the effect is weaker if foreign parent choose the greenfield investment entry mode.

Our findings represent an important contribution to the entry mode choice literature as they significantly enrich the explanation of performance of Chinese firms' different entry modes within different host countries. More specifically, we uncover the following three implications for the firms' FDI strategies.

(1) Entry mode choice. When Chinese firms establish their foreign subsidiaries, the possibility of FDI survival would be higher through the greenfield investments. From the Chinese firms' investment practice situation, there is significant negative effect on the FDI performance if the foreign subsidiaries established by acquisitions. Overall, Chinese firms lack relative internationalization experience compared with the incumbent multinationals from developed countries, since most firms are still in the beginning stage of internationalization. As a result, on one hand, it is always difficult for firms to evaluate and know the target firms' true value, which would easily generate the higher trading premium. On the other, firms still would face challenges to transfer the organizational and managerial routines to the host countries, and integrate effectively the target firms' resources after the acquisition deal.

(2) Location Choice. Since the location-specific factors have significant impacts on the FDI performance, it would be important for firms to make the location decision while investing abroad. Our research found that national cultural dissimilarities between home and host country negatively influence the survival of the foreign subsidiaries, and the host countries with higher economic distance compared with home countries favor the subsidiaries' survival. So firms need to study and analyze the economic and cultural distance between the home and host countries, then make the location strategy choice. Like figure 2 shows, quadrant B stands for the most risky kind of host country location, namely the high cultural distance and the low economic distance. Within the similar economic host countries, firms always find difficult to obtain the strategic assets, and may easily to incur the resistance and fighting back from the local firms and other stakeholders because of no complementary growth space for the similar new comers. Besides, the subsidiaries located in host country B still need to face more uncertainty from the high cultural distance, which would generate more liabilities of foreignness and extra costs to overcome these challenges. Quadrant D is the most suitable location choice for firms' survival, namely the low cultural distance and the high economic distance. One situation for Chinese firms is in the more developed countries with lower cultural distance, where they can gain strategic assets and learn; the other situation is in the less developing counties with similar cultural, where they can fully exploit their own advantages without much challenges.

(3) Although the extra costs of doing business in culturally distant countries could be high, there are strategies to mitigate such costs and the liabilities of foreignness, from which entry mode choice would be one of the most effective approaches. Based on this research results, there is the significantly negative relationship between the cultural distance and the FDI performance, but choosing greenfield investment mode to establish the foreign subsidiaries could alleviate the liabilities of foreignness to some extent to improve the survival chance. Otherwise, subsidiaries established by acquisitions would face more challenges in host countries with higher cultural distance, including the more difficulties to know and evaluate the target firms ex ante, and more difficulties to integrate and blending in the local environment.

FIGURE 2
FDI ENTRY STRATEGIES

Economic Distance	High	A Hard to find strategic assets	B The most risky location
	Low	D The most suitable location	C Facing much uncertainty
		Low	High

Cultural Distance

Our study suffers from some limitations, which need to be noted. First, our data set encompasses a unique set of MNCs from China, so our results are not readily generalizable to the entire population of MNCs. Chinese firms have well-acknowledged unique characteristics, like the social networking, state-owned features, and so on, which may raise the question of the generalizability of our findings, even standing for the emerging markets. Though one of the contributions of this study is testing the theories developed from the western countries whether suitable for the emerging countries, future studies still need to explore the generalizability of these findings using foreign investments by firms from other emerging countries.

Second, this study only covers one time point, instead of using a longitudinal approach. Unfortunately, we are constrained by our main source of data from the Ministry of Commerce, China, which we cannot access to the data file every year. With the information about the FDI more readily available, future studies could expand the research design and study these processes in a longitudinal fashion. The dynamic process of internationalization is very important, since with the internationalization experience accumulating, firms would deal with the challenges abroad better. Besides, the ‘distances’ between the home and host countries also could change with the globalization.

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Study on the Improvement of New Pension System for Rural Residents in China

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In China, farmers are a huge vulnerable group. The development of rural public service is slower than in urban area, especially on elderly care. To provide social protection for farmers and guarantee their quality of life can reduce poverty, improve old-age security in rural and urban area integrated. New pension system for rural residents was established in 2009. This research attempts to provide a reference for policy makers in China. A four-round Delphi Technique was designed to answer what are the areas for improvement that can be proposed for New Pension System for Rural Residents in China and how are the areas of improvement ranked.

INTRODUCTION

China has a population of 1.3 billion, of which, around 66% are rural residents (China Statistical Yearbook, 2010). Elderly care of rural residents is a heavy burden for Chinese government. In China, elderly care, including economy support and service support, can be divided into informal system, such as family support elderly care and self-support elderly care, and formal system, such as endowment insurance, welfare and social assistance (Huang and He, 1998). The history of China social security shows that the elderly care system is transforming continuously from informal to formal. However, the development of formal elderly care system in rural area is slower than in urban area. Commonly, in rural area, family-supported elderly care (traditional mode) is the most effective mode. Because there is a reciprocal relationship between the family members, they will help and support each other. But the dual processes of rapid industrialization and urbanization may have a detrimental effect on the ability of the family to offer support to the more vulnerable members. The older people in the rural areas left behind by the migration of the young to urban areas in search of employment are most at risk (Cheng, 2006). The traditional elderly care mode, which is based on family support, cannot handle the social risks; thus a more effective and adequate elderly care system is needed, that is the reason why the gradual transformation from the informal mode to the formal mode.

China is now in the process of completing this transformation. As families get smaller, the group of rural residents breaks up; land resource gets scarce, the surplus value of agriculture becomes limited; aging in rural area grows faster than in urban area. All of these issues lead to the inadequacy of family support and the inability of the traditionally informal elderly care system to meet rural residents' need

(Wang, 2006). As such, the academia and the Chinese government both realized that it's very important and necessary to set up a formal elderly care system.

For a long time, the main focus of Chinese social security reform is urban area. In the planned economy system, China took "low wages, high welfare" policy to develop heavy industry (Lin, 1999). In 1951, China issued Labor Insurance Regulation, in which the workers of state-owned enterprise and collective-owned enterprise business were covered, and the items include disability, death, disease, elderly, childbirth and support for relatives (Labor Insurance Regulation, 1951). Because of the labor insurance and land reform, China was approved by workers and farmers (Gao, 2006). After the economic reform was issued, social insurance system included elderly care, medical care and unemployment was reformed from 1985 in urban areas. Social assistance system, which based on basic living standard security system, was set up as well. Owing to the limit of financial and material resources, self-support and family support elderly care were the main parts of rural elderly care system, five guarantees family system and cooperative medical care system did not make the investment yield well. This situation lasted 25 years after the economic reform started. In the 21st century, as the leading role, the government changed the programs of rural social security. In 2003, new type rural cooperative medical care system was set up; 2007, rural basic living standard security system was set up; but there is still no social old-age security system. Thirty years had passed since the economic reform commenced, the huge variations of Chinese entire society have changed the old circumstance and supply condition of rural social old-age security system, and rural residents' appeal for an elderly system have become stronger as well.

THE DELPHI TECHNIQUE

The Delphi Technique is a structured communication technique, originally developed as a systematic, interactive forecasting method which relies on a panel of experts (Linstone and Turoff, 1975). From the 1970s, the Delphi technique began to be used in public policy-making, which caused some methodological innovations.

The need to examine several types of items leads to introducing different evaluation scales which are not used in the standard Delphi. These often include desirability, feasibility and probability, which the analysts can use to outline different scenarios: the desired scenario, the potential scenario and the expected scenario;

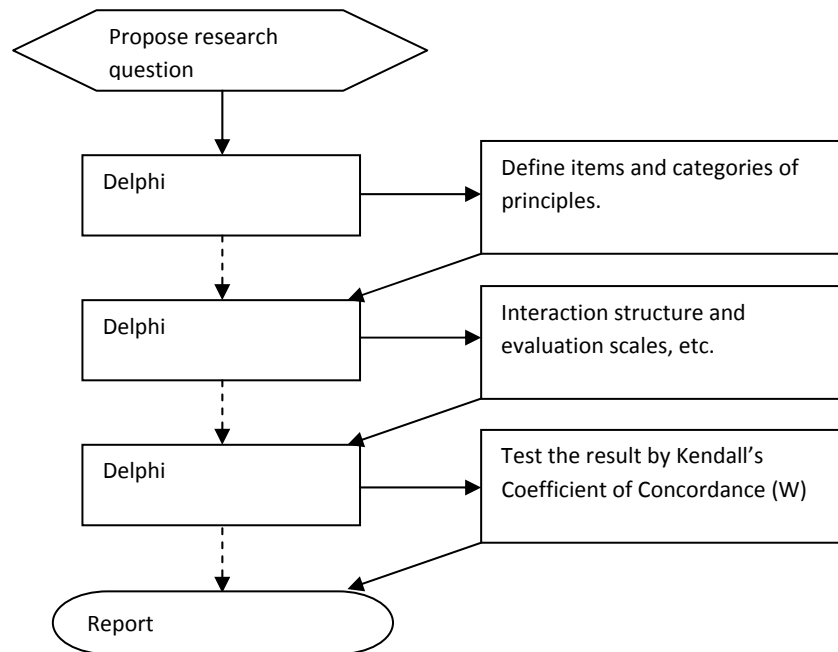
The complexity of the issues posed in public policy-making leads to give more importance to the arguments supporting the evaluations of the panelists; so these are often invited to list arguments for and against each option item, and sometimes they are given the possibility to suggest new items to be submitted to the panel;

For the same reason, the scaling methods, which are used to measure panel evaluations, often include more sophisticated approaches such as multi-dimensional scaling.

The Instrument of Delphi Method

The experts answer questionnaires in two or more rounds. After each round, a facilitator provides an anonymous summary of the experts' forecasts from the previous round as well as the reasons they provided for their judgments. Thus, experts are encouraged to revise their earlier answers in light of the replies of other members of their panel. It is believed that during this process the range of the answers will decrease and the group will converge towards the "correct" answer. Finally, the process is stopped after a pre-defined stop criterion and the mean or median scores of the final rounds determine the results (Rowe and Wright, 1999). The flow of Delphi technique is presented as Fig.1.

**FIGURE 1
THE INSTRUMENT OF DELPHI TECHNIQUE**



Kendall's Coefficient of Concordance (W)

When the third round of Delphi technique is complete, the Kendall's W will be computed for the scored ranking to measure the level of consensus among the experts for the factors proposed with respect to both rounds.

Kendall's W is a measure of the agreement between several judges who have rank ordered a set of entities (Field, 2005). If the test statistic W is 1, then all the survey respondents have been unanimous, and each respondent has assigned the same order to the list of concerns. If W is 0, then there is no overall trend of agreement among the respondents, and their responses may be regarded as essentially random. Intermediate values of W indicate a greater or lesser degree of unanimity among the various responses.

EXPERT OPINION COLLECTION AND ANALYSIS

A four-round Delphi Technique were designed to answer what are the areas for improvement that can be proposed for New Pension System for Rural Residents in China and how are the areas of improvement ranked.

There are 18 experts who are identified through their experiences and fields of interest participated in the first round survey. The experts are comprised with academicians and officers of social security authorities. The list of experts who participated in the expert opinion assessment (EOA) is shown in Table 1. In the panel of experts, 11 are academicians in universities and most of them have teaching or researching experience of social security; and 7 officers from Human Resource and Social Security Bureau of different provinces, they know well of current social security policies and existing problems.

TABLE 1
EXPERTS LIST OF EOA

Code name	Working Experience	Organization	Position
A	8	Hebei University	Lecturer
B	14	Renmin University	Professor
C	13	Human Resource and Social Security Bureau of Tianjin	Officer
D	6	Human Resource and Social Security Bureau of Hebei	Officer
E	6	Peking University	Lecturer
F	8	Hebei University of Science and Technology	Lecturer
G	9	Shanghai University of Finance and Economics	Associate Professor
H	10	Human Resource and Social Security Bureau of Shanxi	Officer
I	15	Human Resource and Social Security Bureau of Qinghai	Deputy Director
J	7	Shanghai University of Finance and Economics	Lecturer
K	14	Hebei University	Professor
L	9	Nankai University	Associate Professor
M	5	Harbin Institute of Technology	Lecturer
N	20	Human Resource and Social Security Bureau of Henan	Director
O	16	Xiamen University	Professor
P	15	Human Resource and Social Security Bureau of Shandong	Deputy Director
Q	9	Human Resource and Social Security Bureau of Beijing	Officer
R	17	Hebei University of Science and Technology	Professor

In the first round of the EOA, 15 experts participated in the survey and provided 21 responses. The 21 responses were synthesized and categorized into 6 factors (including the contents of New Pension System for Rural Residents, financing ability and level, fund operation, management mechanism, incentive mechanism and macro management system). They are collected as the areas for the improvement of New Pension System for Rural Residents in China, refer to Table 2.

Due to the multiplicity of rounds conducted, the EOA instrument was considered to be valid as the experts were continuously provided with the outcomes of the previous rounds. Some experts requested that the findings of the whole study be shared, a request which was fulfilled upon completion of this study.

TABLE 2
CONSOLIDATION OF ROUND 1 EOA FINDINGS

Code	Areas for improvement	Items
1	The contents of New Pension System for Rural Residents (4 items)	Continuity of New Pension System for Rural Residents. Rationally adjust the years of contribution. Rationally adjust the amount of contribution. Rationally adjust the level of benefit.
2	Financing ability and level (4 items)	Improve the income level and paying ability of individuals. Expand the methods of collective subsidy. Encourage social donation. Enhance the financial support of the governments.
3	Fund operation (2 items)	Maintenance and appreciation of values of the fund. Improve the supervision system of the fund.
4	Management mechanism (3 items)	Establish and improve a managing team with professional knowledge. Decline managing cost. Using information management system.
5	Incentive mechanism (4 items)	Encourage participates select higher contribution level. Strength the incentive functions of personal accounts. Conduct propaganda among the masses. Dynamically adjust government subsidy.
6	Macro management system (4 items)	Coordinate the social security system between rural and urban areas. Make balanced urban and rural development policies. Speed up the establishment of relevant regulations and laws. Rationally divide the subsidy between central government and local government.

There are 12 experts responded to the survey both in round 2 and round 3. Kendall's coefficient of concordance was used to measure the level of consensus among the experts for their ranking of the factors proposed in round 1. For the second round of the EOA, the Kendall's coefficients of concordance is 0.128, and p-value is 0.53 (refer to Table 3). It means that in the second round the experts are not quite agree with each other, and the findings are deemed to be insignificant because of the p-value is more than 0.05. Thus, it is necessary to conduct the third round of expert opinion assessment. For the third round of EOA, with reference to Table 5, the Kendall's Coefficients of Concordance and p-value for scored ranking is 0.480 and 0.000 respectively which implies that the study is statistically significant and the ranking of the 12 experts are consistent.

Therefore, based on the mean ranking of the areas that need to be improved for New Pension System for Rural Residents, the order is: The contents of New Pension System for Rural Residents, Fund Operation, Financing ability and level, Macro management system, Management mechanism, and Incentive mechanism. This finding implies that the experts view that the contents of New Pension System for Rural Residents is the most urgent aspect that needs improvement, while the incentive mechanism is the least urgent aspect.

**TABLE 3
RESULTS OF ROUND 2 EOA**

Code	Areas for improvement	A	B	C	E	F	G	H	I	J	K	M	R	Mean	Group rank
1	The contents of New Pension System for Rural Residents	1	2	4	2	1	5	1	5	4	1	1	1	2.33	1
2	Financing ability and level	5	1	1	4	2	6	5	4	6	3	2	2	3.42	3
3	Fund operation	4	3	2	5	3	1	3	2	1	4	3	3	2.83	2
4	Management mechanism	3	5	6	3	5	2	4	6	3	5	4	5	4.25	5
5	Incentive mechanism	2	6	5	6	4	4	2	1	5	6	5	6	4.33	6
6	Macro management system	6	4	3	1	6	3	6	3	2	2	6	4	3.83	4
Round 2: Kendall's $w = 0.128$, p value = 0.530															

**TABLE 4
RESULTS OF ROUND 3 EOA**

Code	Areas for improvement	A	B	C	E	F	G	H	I	J	K	M	R	Mean	Group rank
1	The contents of New Pension System for Rural Residents	1	1	3	1	1	5	1	5	4	1	1	1	2.08	1
2	Financing ability and level	5	2	2	3	3	6	2	4	6	3	2	2	3.33	3
3	Fund operation	4	3	1	2	2	1	3	2	1	4	3	3	2.42	2
4	Management mechanism	3	5	5	5	5	2	4	6	3	5	4	5	4.33	5
5	Incentive mechanism	2	6	6	6	4	3	6	1	5	6	5	6	4.75	6
6	Macro management system	6	4	4	4	6	4	5	3	2	2	6	4	4.08	4
Round 3: Kendall's $w = 0.326$, p value = 0.002															

**TABLE 5
RESULTS OF ROUND 4 EOA**

Code	Areas for improvement	A	B	C	E	F	G	H	I	J	K	M	R	Mean	Group rank
1	The contents of New Pension System for Rural Residents	1	1	2	1	1	5	1	4	3	1	1	1	1.83	1
2	Financing ability and level	5	2	3	3	3	6	3	3	5	3	3	2	3.42	3
3	Fund operation	4	3	1	2	2	1	2	1	1	4	2	3	2.17	2
4	Management mechanism	2	5	5	5	5	2	5	6	4	5	4	5	4.42	5
5	Incentive mechanism	3	6	6	6	5	3	6	2	6	6	6	6	5.08	6
6	Macro management system	6	4	4	4	4	4	4	5	2	2	5	4	4	4
Round 3: Kendall's $w = 0.480$, p value = 0.000															

CONCLUSION AND SUGGESTIONS

Contents of New Pension System for Rural Residents are the major issues stressed by the respondents in deal with the improvement of New Pension System for Rural Residents. About 45% of the items expressed by the interviewees were about the adjustment of the contents of New Pension System for Rural Residents, and it was almost the first factor came into the interviewees' minds. Most of the interviewees suggested that the benefit need to adjust to a higher level.

From the respective of urgent, complete rural old-age social security system and increase the level of benefits of the pension should be the first concern of the government.

The family members of the senior citizens (who are over 60 years old) should participate in the scheme voluntarily, rather than compulsively. On one hand, the elderly can be protected, on the other hand, the young generation can take time to get to know New Pension System for Rural Residents and accept it slowly.

Financing ability and level is the foundation of rural old-age social security system. 60% of the interviewees have mentioned financing problem when talking about the improvement of rural old-age social security system. They have proposed several way of improve the financing abilities and levels.

There are special fund for supporting agriculture development and helping the poverty in our country, we should also establish a special sponsor fund for rural social pension insurance. Encouraging domestic and foreign enterprises, township enterprises, the urban citizens with high level of income and other individuals donate money to pension insurance fund of some poor regions. It will promote the development of rural social pension insurance.

There are four kinds of expenditure of financial support for agriculture development, namely expenditure on supporting farming, expenditure on rural fundamental establishment, expenditure on rural technology development, and on rural subsidies. With the economic development, it is necessary to provide subsidies for rural social pension insurance.

Fund operation includes two important aspects, namely maintenance and appreciation of values of the fund and supervision system of the fund. And for current situation, the interviewees suggest putting more concern on the maintenance and appreciation of the values of the fund.

Maintenance and appreciation of the values of the fund is a vital aspect for realizing the healthy and sustainable development of rural old-age social security system.

To improve earning rate, the most important approach is to apply market-driven operation. Only if the capital freely invests in financial assets, can we obtain the average earning rate of society.

The improvement of management mechanism includes establish and improve a managing team with professional knowledge, decline managing cost and using information management system.

Allow farmers to exchange land for social security. In the process of the development of agriculture, farming and farmers has a decreasing trend. It has generated a huge threat for the farmers who take land and farming as the way of living. In order to address these specific issues, the system of trading land for social insurance should be established.

Incentive mechanism is the approach of encourage rural residents take part in the rural old-age social security system. It includes encouraging participates select higher contribution level; strengthen the incentive function of personal accounts; conduct propaganda among the masses; and dynamically adjust government subsidy.

The migration of rural residents should be fully considered in the design process of New Pension System for Rural Residents. A dynamic personal account of New Pension System for Rural Residents will insure that rural residents can keep their account, pay contribution and get benefit wherever he is. At the same time, speed up national social insurance information network construction, and provide technical support for inter-provincial account transfer of New Pension System for Rural Residents and other social security systems.

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