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An Exploratory Study of Customer Perception of International and Domestic Brands in the Context of Service Industry

Abstract:

This study consolidates past research on the factors that influence international and domestic brand perception to construct a framework of nineteen personal drivers and eight marketing factors that drive consumers' preference of international versus domestic brands in the context of service hospitality industry. Our findings from a quantitative study of 150 customers in Far Asia, namely Philippines, reveal that customers' perceptions of international and domestic brands are driven by an integrated set of internal and external drivers that can be clustered into three groups of factors and drivers; *security and image enhancement drivers*, *social acceptance drivers* and *local identity drivers*. Four interviews were conducted with four restaurant owners/managers to contrast their views to those of customers' insights. The findings reveal that the first two groups of factors have positive influence on international brand preference while the third set of factors and drivers has positive effects on domestic brand preference. We discuss these findings and present the study implications on marketing managers. We also offer some recommendations and suggestions for future research.

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An Exploratory Study of Customer Perception of International and Domestic Brands in the Context of Service Industry

Introduction

A review of past literature has revealed that there is a wide number of theories and research studies that identify the different drivers of international and domestic brand preference. However, past literature examined consumers' drivers and their effects on brand preference in isolation of each other which often results in fragmented and overlapping insights. Most of these theories have looked at the drivers from different perspectives. Some theories are utilitarian-based while others are values-based, identity-based and external influence-based.

Aside from the individual and different perspectives used to study brand preference drivers, past studies also use a wide range of contextual factors to explain the varying magnitudes of consumer brand preference. These factors include the economic development of a country, consumer demographics, product category and disposition towards globalization (Dimofte et al., 2008; Özsomer, 2012; Strizhakova et al., 2011). For instance, according to Batra et al. (2000), consumers in emerging countries are more inclined to purchasing international brands because they enhance their social status and give them access to a highly desirable international consumer segment. Domestic brands under low involvement categories like food and beverage, on the other hand, are more preferred than international brands because they are more in line with local tastes and needs (Özsomer, 2012). We developed three research objectives to (a) identify the drivers that influence the general perception of international or domestic brands of Asian customers, (b) identify the marketing factors that influence customers' international or domestic brand preference in the service context, and (c) identify similarities and differences between customers' and practitioners' views on the drivers and factors that influence international or domestic brand preference.

Literature

Globalization has put international brands at the forefront of multinational companies' international business strategies. In the past decades, many companies such as P&G and Unilever have adjusted their strategic plans and pruned their brand portfolios to concentrate on international brands that have stronger growth potential and higher international demand (Schuiling and Kapferer, 2004). Several reasons are offered to justify the move of international companies towards international brands. From the supply side, marketing international brands can yield economies of scale through standardized operations and marketing (Kapferer, 2001) and faster time to market as they do not need to be modified to fit local needs (Neff, 1999). From the demand side, the consistent positioning of international brands creates a stronger global image and brand equity (Kapferer, 1997; Shocker et al. 1994) which result to readymade awareness and demand among consumers.

Brand preference is defined as the extent to which customers favour the attributes of a certain brand over the other brands included in their consideration set (Hellier et al., 2003). It represents consumers' bias (Jalilvand et al., 2015), disposition (Overby and Lee, 2006) and behavioural tendencies (Hellier et al., 2003) towards purchasing a particular brand over another. It is crucial for brands to achieve consumer preference as it does not only motivate brand choice (Aaker, 2011), but it also affects brand loyalty (Rajagopal, 2010) and repeat purchase (Amir and Levav, 2008). In today's highly globalized marketplace, it is very important for companies to understand how consumers make their choice between international and domestic brands and identify the reasons that drive brand preference (Özsomer, 2012).

Debate and frameworks on international vs domestic brand preference drivers

Several studies have tried to identify the different drivers that influence international or domestic brand preference. Some offer a values-based framework (Steenkamp and de Jong, 2010) while some merely focus on identity-based drivers (Strizhakova and Coulter, 2014; Xie et al., 2015), or symbolic or utilitarian-based drivers (Halkias et al., 2016). There are also studies that delve deeply into external drivers to understand what influences consumers to prefer international over domestic brands (Cleveland and Laroche, 2007).

Values-based perspective: Steenkamp and De Jong (2010) proposed a conceptual framework to show how international or domestic brand preferences are influenced by values, which are cognitive beliefs that serve as guiding principles to consumer attitudes and behavior. In this framework, three levels of values were identified: “national-cultural, general and consumer domain-specific values”. For this research, general and consumer domain-specific values are especially relevant because they both reflect individually-held beliefs of consumers. Ten motivationally distinct general values were identified and organized into four high-order domains: “openness to change, self-transcendence, self-enhancement and conservation”. Consumer domain-specific values, on the other hand, include materialism, innovativeness, nostalgia, ethnocentrism and environmentalism. Each group of values in this framework is argued to have different influences on attitudes towards domestic and international brands. Power, universalism, stimulation and materialism, on the other hand, are found to be positive drivers of international brand preference. These findings are supported by past literature which suggests that international brands are preferred because they are powerful symbols of higher status and prestige and therefore enhance self-image (Özsomer, 2012).

Identity-based/symbolic perspective: Another perspective is based on symbolic or identity-expressing capabilities of brands, which according to Guzmán and Paswan (2009) is an important aspect of brands aside from their functional benefits. The theory of consumer-brand identification (Stokburger-Sauer et al., 2012) which is used to explain international or domestic brand preference states that what consumers purchase, own or consume will define who they are or who they want to be (Batra et al., 2012) and associate them to a group to which they want to belong (Zhang and Khare, 2009). For instance, consumers who want to be associated to the international community show higher preference to international brands in social prestige (Strizhakova et al., 2008). Consumers who want to be associated with symbols attached to international brands such as achievement, sophistication and modernity (Özsomer, 2012; Xie et al., 2015) prefer international over domestic brands.

Utilitarian-based perspective: Studies with utilitarian-based perspective say that consumers build preference for international or domestic brands because of their functional benefits. According to the dual-driver theory of consumer choice (Gardner and Levy, 1955), consumers are motivated by both utilitarian and symbolic motives. The symbolic motives were discussed in the previous section while the utilitarian motives focus on the functionality, primarily the quality, of brands. While symbolic attributes provide consumers with internally-generated needs for image improvement, group belongingness and role identification (Park et al., 1996), utilitarian attributes solve an “externally-generated consumption problem” (Chimboza and Muntandwa, 2007). Using a utilitarian-based perspective, international brands are said to be preferred over domestic brands because of higher perceived quality (Halkias et al., 2016; Holt et al., 2004), reduced risk and greater credibility (Winit et al., 2014). Domestic brands, on the other hand, are preferred by some consumers due to the perception that their quality is adapted to specific local tastes and preferences (Xie, et al., 2015).

External influence-based perspective: While most studies on international and domestic brand preference drivers focus on personal values, utilitarian motives and symbolic motives, recent literature has revealed that other social and external elements also have impacts on consumers' attitudes towards brands. Two studies, particularly by Lysonski et al. (2015) and Cleveland and Laroche (2007) have looked into these external drivers which include international mass media, international travels, interactions with people from other countries, exposure to marketing activities of international companies and influence of reference groups. The extent of exposure of consumers to external influences do not only affect their values but also change the way they view things and raise their consciousness about brands, current lifestyles and consumer preferences (Lysonski et al., 2015).

Are international brands preferred over domestic brands?

Considerable amount of past studies have tried to examine whether consumers prefer international or domestic brands using the internal and external drivers as basis for their arguments. Some studies report that consumers have higher preference for international brands because of their perceived brand superiority and stronger equity (Batra et al., 2000; Steenkamp et al., 2003) while others argue that consumers do not have universal, unconditional or intrinsic preference for international brands (Riefler, 2012; De Mooij, 1998; Swaminathan et al., 2007). These conflicting ideas show that consumers' reactions to international or domestic brands is diverse and is more complicated than is commonly expected (Van Ittersum and Wong, 2010). The debates on whether consumers prefer international or domestic brands has led other authors to propose that brand preference and its magnitude depend on many contextual factors including: 1) country's level of economic development (Özsomer, 2012); 2) consumer demographics (Sengupta, 2014); 3) consumers' attitudes towards globalization (Bartsch et al., 2016); and, 4) product category (Özsomer 2012). There is a variety of evidence from previous studies which explain how these contextual factors affect brand preference.

Given the insight that international or domestic brand preference depends on many contextual factors, it is important for companies to look at the intrinsic and extrinsic factors affecting preference for specific product categories (Ismail et al., 2012). Grimm (2005) contends that category-specific attributes have the greatest impact on brand preference regardless of the motivational drivers of consumers. The focus of this research is directed at food and beverage industry. We identified eight marketing-related factors that we believe they affect brand preference for international or domestic restaurant chains: *quality, price, brand name, customer service, ambience, country-of-origin, location and cuisine/s offered.*

Methodology

A group of 202 customers were conveniently selected for this study, while only 150 were included in the final study. Of the 202 selected subjects, six did not qualify while 46 refused to participate. There is almost an equal split of respondents between gender and age groups as shown in appendix. Of the 150 qualified respondents, 47% are 18-35 years old while 53% are 36 years old or above. Males account for 52% of the total sample while females account for 48%. More than half, or 52%, of the total base eat in restaurant chains twice a month while another huge proportion of 43% eat out once a week. Structured questionnaire was used for the quantitative data collection phase. The questionnaire was divided into five parts. The first part asks respondents to rate their level of agreement or disagreement with statements that pertain to international or domestic brand preference drivers. The second part asks respondents to rate their level of familiarity with international or domestic restaurant brands in Metro Manila, Philippines. The third section was designed to measure the level of

preference of respondents for international and domestic restaurant brands. This was followed by the fourth section that asks respondents to rate the level of importance of marketing-related factors influencing brand preference for restaurants. The last section gathered demographics data and purchase behaviour of respondents. In addition to this, four semi-structured interviews were conducted with restaurant managers/owners to supplement the quantitative research with some qualitative views.

Discussion

The findings from the research provide empirical evidence that all of the international brand preference drivers stated in past literature have indeed significant impact on Filipino consumers' preference for international brands. Results, however, suggest that these drivers are multicollinear, which means that they are highly correlated with each other, and no single driver offers a unique effect on international brand preference. Although the drivers cannot be treated separately to explain brand preference, the factor analysis revealed that they can be formed into three distinct groups to offer a significant unique effect on brand preference. The first two groups were found to have positive effects on international brand preference while the third group was found to have positive effects on domestic brand preference. The most salient finding from the factor analysis (see analysis in the Appendices) is that the two groups of drivers with positive effects on international brand preference were composed of a combination of internal and external drivers. This supports the earlier argument of the researcher that brand preference drivers should not be treated in isolation and that brand preference is influenced not just by a single driver but by a combination of values-based, identity-based, utilitarian-based and external influence-based drivers.

The first group of international brand preference drivers, named **security and image enhancement drivers**, includes *perceived higher quality and low risk, social prestige, modernity, materialism* and *international mass media exposure*. This group, when tested using regression analysis, turned out to have the highest significant effect on international brand preference at $\beta=.45$, $t(148)=7.44$, $p=.000$, $R^2=.48$. This finding empirically supports past literature in five ways. First, the combination of the drivers in the *security and image enhancement* group validates the dual-driver theory of consumer choice by Gardner and Levy (1955) which states that consumers' preferences and choices are motivated by both utilitarian and symbolic motives. In this first group of drivers, *perceived higher quality and low risk* addresses the utilitarian needs, or externally-generated consumption problems of consumers (Chimboza and Muntandwa, 2007), while the rest of the drivers fulfil consumers' symbolic motives and internally-generated needs for self-image enhancement (Park et al., 1996). This finding is also consistent with the values-based model of Schwartz (1992), which posits that self-image enhancement, which is one of the four high-order values domains, has a significant influence on international brand preference.

Second, findings support the works of Özsomer (2012), Swoboda et al. (2012) and Dimofte et al. (2010) that show that *perceived higher quality* is the most important driver of international brand preference. Although these findings did not show that this driver can influence international brand preference, the results showed that together with *social prestige, modernity, materialism* and *international mass media exposure*, it can have the most significant effect on international brand preference. Third, according to Holt et al. (2004), Steenkamp et al. (2003), and Batra et al. (2000), the second most influential driver next to *perceived higher quality*, is *social prestige*. Findings of this study showed that *social prestige* and *quality* both belong to the group that has the highest impact on international brand preference.

Fourth, the inclusion of *modernity* and *materialism* also validates previous findings that countries characterized by lower levels of economic development, high income disparities and high status mobility, such as the Philippines, prefer international brands for their strong symbolic and image-enhancing capabilities (Batra et al., 2000; Alden et al., 2006). As international brands are often associated with symbols of success, achievement and affluence, Filipino consumers that are high on *materialism* and want to showcase their improved status and higher purchasing power tend to prefer international brands. This provides empirical support to the findings of Holton (2000) and Lysonski et al. (2015) and the values model of Steenkamp and de Jong (2010). Another important insight that supports the study of Steenkamp et al. (1999) is that consumption of international brands is usually associated with modern consumers who place high importance on new consumption experiences. Considering that the demographic makeup of the Philippines is composed mainly of younger consumers, it is not surprising that this segment would prefer international brands than old domestic brands.

Lastly, the combination of drivers in the first group emphasizes the importance of external influences such as *mass media* in driving more favourable attitudes towards international brands. This is in line with the studies of Cleveland and Laroche (2007) and Lysonski et al. (2015) that assert that the extent of consumers' exposure to external influences, such as mass media, greatly affects their perceptions and consciousness about brands and exposes them to current lifestyles and consumption trends. This is one possible reason why international brands that have relatively bigger advertising budgets generate higher preference from some consumers.

The second group of international brand preference drivers, **social acceptance**, is also composed of both internal and external drivers that have strong associations with reference groups: whether it be admiration for and desire for belongingness to a superior reference group (*desire to emulate a international consumer culture, admiration for economically-developed countries, cosmopolitanism*), to projection of an enhanced self-image to a reference group (*wealth expression, identity expressiveness, trend conformity, social responsibility*) and to being influenced by certain reference groups (*social interactions, susceptibility to normative influence, exposure to international marketing activities*). These drivers, taken collectively, can significantly affect international brand preference at $\beta=.41$, $t(148)=6.85$, $p=.000$, $R^2=.48$ next to *security and image enhancement* drivers.

The combination of drivers in the second group validates previous findings that consumers in emerging countries develop strong aspirations for international brands because they help them identify with the internationalized world and with reference groups that they use as standards of self-appraisal and acceptance (Steenkamp and de Jong, 2010; Guo, 2013; Batra et al., 2000). This finding clearly reflects that the "consumer-brand identification" theory of Stokburger-Sauer et al. (2012) applies to Filipino consumers.

The last group, named **domestic identity**, is composed of domestic brand preference drivers. However, for this group, only *domestic pride* and *domestic consumption orientation* showed significant positive relationships with domestic brand preference. This finding attests that Filipino consumers' preference for domestic brands is driven by the brands' ability to adapt to the local needs and tastes of the market and their ability to inspire a sense of domestic pride. This supports the findings of previous research that consumers prefer domestic brands because they have deeper understanding of domestic market needs and preferences (Xie et al., 2015; Dimofte et al., 2008) and they are associated with symbols of localness, uniqueness

and national identification which lead to closer relationships and pride among domestic consumers (Özsomer, 2012; Steenkamp et al., 2003; Ger, 1999).

On the other hand, *ethnocentrism*, or the belief that purchasing international brands is morally incorrect, unpatriotic and damaging to the local economy (Steenkamp and de Jong, 2010), together with *preservation of culture*, did not prove to be significantly correlated with domestic brand preference. This contradicts the results of a study conducted by Klein et al. (2006) that shows that *ethnocentrism* is a strong driver of domestic brand preference. Balabanis and Diamantopoulos (2011) and Cleveland et al. (2009), however, contend that consumers have different levels of *ethnocentrism*. Consumers with higher levels of *ethnocentrism* show higher preference for domestic brands.

Results of the study show that when it comes to restaurant chains, Filipinos put the most importance on **quality, customer service** and **ambience**. *Price* and *location* are secondary while the least important factors are *brand name, cuisine/s offered* and *country-of-origin*.

Conclusion

The main conclusion drawn from this research is that a single driver cannot influence international or domestic brand preference. Instead, brand preference is influenced by a combination of values, symbolic motives, utilitarian motives and external influencers. These drivers, as presented in this paper, can be grouped into three: *security and image enhancement drivers, social acceptance drivers* and *domestic identity drivers*. The first two groups have positive influence on international brand preference while the last one has positive influence on domestic brand preference. International brand preference is influenced the most by a combination of *security and image enhancement drivers* which include *perceived higher quality and low risk, social prestige, modernity, materialism* and *international mass media exposure*. These drivers, according to past literature, are based on values, symbolic and utilitarian motives, that when combined, result in the strongest effect on international brand preference.

The second group of drivers influencing international brand preference is composed mostly of drivers associated with wanting to make an impression on, following the lifestyles and recommendations of and desiring to be part of a superior reference group. These drivers include *wealth expression, identity expressiveness, trend conformity, social responsibility, desire to emulate a international consumer culture, admiration for economically-developed countries, cosmopolitanism, social interactions, susceptibility to normative influence* and *exposure to international marketing activities*.

The last group of drivers are those that influence domestic brand preference. The study revealed that although *ethnocentrism* is a well-studied driver of domestic brand preference, it does not apply to Filipino consumers. This is the same with *preservation of culture*. Instead, *domestic consumption orientation* or domestic brands' ability to adapt to local needs, and *local pride* are the two drivers influencing consumers' preference towards domestic brands.

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Appendices

		TOP BOX			TOP BOX
		LOCAL BRAND			GLOBAL BRAND
		PREFERRERS			PREFERRERS
1	Ambience	93%	1	Customer service	87%
2	Customer service	86%	2	Location	86%
3	Quality	86%	3	Quality	84%
4	Location	63%	4	Price	81%
5	Price	63%	5	Ambience	76%
6	Brand name	32%	6	Brand name	52%
7	Cuisine/s offered	32%	7	Cuisine/s offered	37%
8	Country-of-origin	21%	8	Country-of-origin	35%

Marketing-related factors for international brand preferrers versus domestic brand preferrers

Rotated Component Matrix ^a				
		Component		
		1	2	3
SOCIAL ACCEPTANCE	Desire to emulate global consumer culture	.905		
	Social interactions	.887		
	Cosmopolitanism	.877		
	Wealth expression	.832		
	Susceptibility to normative influence	.831		
	Admiration for economically-developed countries	.807	.500	
	Identity-expressiveness	.801		
	Exposure to international marketing activities	.787	.517	
	Social responsibility	.781		
	Trend conformity	.779		
	Ethnocentrism	.674		.519
SECURITY AND IMAGE-ENHANCEMENT	Modernity		.820	
	Global mass media exposure		.775	
	Perceived higher quality and low risk		.767	
	Social prestige	.593	.709	
	Materialism	.544	.705	
LOCAL IDENTITY	Local consumption orientation			.916
	Local pride			.881
	Preservation of culture			.678

Extraction Method: Principal Component Analysis; Rotation Method: Varimax with Kaiser Normalization; Rotation converged in 5 iterations.

CORRELATIONS		
N=150		Global Brand Preference
Trend conformity	Pearson Correlation Sig. (2-tailed)	.679** .000
Admiration for economically-developed countries	Pearson Correlation Sig. (2-tailed)	.626** .000
Identity-expressiveness	Pearson Correlation Sig. (2-tailed)	.623** .000
Social responsibility	Pearson Correlation Sig. (2-tailed)	.598** .000
Desire to emulate global consumer culture	Pearson Correlation Sig. (2-tailed)	.575** .000
Materialism	Pearson Correlation Sig. (2-tailed)	.575** .000
Susceptibility to normative influence	Pearson Correlation Sig. (2-tailed)	.572** .000
Wealth expression	Pearson Correlation Sig. (2-tailed)	.562** .000
Exposure to international marketing activities	Pearson Correlation Sig. (2-tailed)	.557** .000
Global mass media exposure	Pearson Correlation Sig. (2-tailed)	.537** .000
Social interactions	Pearson Correlation Sig. (2-tailed)	.516** .000
Cosmopolitanism	Pearson Correlation Sig. (2-tailed)	.505** .000
Social prestige	Pearson Correlation Sig. (2-tailed)	.479** .000
Modernity	Pearson Correlation Sig. (2-tailed)	.476** .000
Perceived higher quality and low risk	Pearson Correlation Sig. (2-tailed)	.369** .000
Local pride	Pearson Correlation Sig. (2-tailed)	-.423** .000
Local consumption orientation	Pearson Correlation Sig. (2-tailed)	-.363** .000
Preservation of culture	Pearson Correlation Sig. (2-tailed)	-.044 .591
Ethnocentrism	Pearson Correlation Sig. (2-tailed)	-.031 .705

** . Correlation is significant at the 0.01 level (2-tailed).

* . Correlation is significant at the 0.05 level (2-tailed).

Regression analysis model

Model Summary ^b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.691 ^a	.477	.467	1.36998	1.684

a. Predictors: (Constant), Social Acceptance, Security and Image Enhancement and Local Identity

b. Dependent Variable: Global brand preference

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	250.273	3	83.424	44.449	.000 ^b
	Residual	274.020	146	1.877		
	Total	524.293	149			

a. Dependent Variable: Global brand preference

b. Predictors: (Constant), Social Acceptance, Security and Image Enhancement and Local Identity

Coefficients ^a								
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	4.107	.112		36.713	.000		
	Social Acceptance	.769	.112	.410	6.855	.000	1.000	1.000
	Security and Image Enhancement	.835	.112	.445	7.443	.000	1.000	1.000
	Local Identity	-.625	.112	-.333	-5.564	.000	1.000	1.000

a. Dependent Variable: Global brand preference