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## Examining the relationships between e-WOM, consumer ethnocentrism and brand equity

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## ABSTRACT

Electronic word-of-mouth (e-WOM) plays an important role in influencing Chinese consumers' brand perceptions. While domestic social media managers are keen to understand how to protect their brands, their foreign counterparts are keen to reduce consumer ethnocentrism in order to gain a foothold in the Chinese market. This study uses an online survey to investigate whether positive and negative e-WOM enhance or weaken consumer ethnocentrism and brand equity towards domestic and foreign smart phone brands. Findings suggest that both positive and negative e-WOM influence consumer ethnocentrism and that these effects are contingent upon brand origin. Furthermore, findings show that the effects of positive and negative e-WOM on brand equity are consistent, irrespective of brand origin. Interestingly, consumer ethnocentrism has a positive effect on brand equity for domestic brands, but does not have a negative effect on brand equity for foreign brands. The study further discusses theoretical and practical implications of the findings.

### 1. Introduction

With the rapid development of social media and usage of smart phones, electronic word-of-mouth (e-WOM) is ubiquitous (King, Racherla, & Bush, 2014; Okazaki, 2009; Zhang, Abound Omran, & Cobanoglu, 2017). In contrast to traditional word-of-mouth (WOM), e-WOM allows customers to receive real-time and real-life information from previously unavailable sources. Social media networks allow consumers to easily share and collect brand-related information in a timely and cost-efficient manner, thus speeding up the diffusion of e-WOM (Burnasheva, Suh, & Villalobos-Moron, 2019). Consequently, e-WOM influences consumers' brand related attitude and behavior (Chiu, Wang, Ho, Zhang, & Zhao, 2019; Erkan & Evans, 2016; Martín-Consuegra, Faraoni, Díaz, & Ranfagni, 2018; Okazaki, 2009).

The proliferation of international brands across borders is a key contributor to the global economy. However, the international marketing literature also highlights that consumers often adhere to consumer ethnocentrism (CE). CE has been described as a belief or attitude concerning the appropriateness and morality of purchasing foreign products (He & Wang, 2015; Shimp & Sharma, 1987). Specifically, ethnocentric individuals believe that their own group is the center of their world, and will use their own culture as a comparator while favoring domestic products over foreign imports (Pelet, Massarini, &

Pauluzzo, 2018). Some Chinese firms such as Lenovo, Haier and Huawei try to appeal to Chinese consumers by eliciting their ethnocentric tendencies (He & Wang, 2015) in order to persuade consumers to buy domestic rather than foreign brand alternatives. These appeals are arguably successful. While there are no big differences between Chinese and foreign smart phone brands in terms of technology, price, and design, foreign brands only captured around 20% out of 560 million smart phones sold in China during 2016 (Iimedia Research Group, 2016, 2017). This low market share may partially be the consequence of more successful promotion and advertising practices, government induced local protectionism and superior distribution networks (Gao, Pan, Tse, & Yim, 2006; Gao, 2012). Furthermore, the low market share may also be due to the fact that Chinese consumers display high ethnocentric tendencies when it comes to the purchase of smart phones (Hsu & Nien, 2008).

To date, research on CE has considered a cultural and ethnic identity perspective (El Banna, Papadopoulos, Murphy, Rod, & Rojas-Méndez, 2018; He & Wang, 2015; Sharma, 2015), the role of country-of-origin (Fischer & Zeugner-Roth, 2017; Siamagka & Balabanis, 2015) and an attitudinal and behavioral perspective (Shoham & Gavish, 2016; Watson & Wright, 2000). Interestingly, research offers mixed results in terms of Chinese consumers' ethnocentrism. Some studies show no or low effects (e.g., Parker, Haytko, & Hermans, 2011; Tong & Li, 2013),

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while other studies suggest significant effects (e.g., Hsu & Nien, 2008; Wei, Wright, Wang, & Yu, 2009). Moreover, a recent study by Shan Ding (2017) highlights that situational factors, such as product categories as well as a distinction between larger (e.g., Tier1 cities) and smaller cities, should be considered when studying CE in China as city type may alter the results. Thus, there is a need for further research that offers insights into the role of CE among Chinese consumers. In addition, CE effects in the digital space in China are yet to be explored. Specifically, it remains unknown if e-WOM for domestic and foreign brands is linked to CE and, subsequently, how CE influences Chinese consumers' brand perceptions.

This study investigates the effects of e-WOM for domestic and foreign smart phone brands on CE. Specifically, this study investigates whether positive and negative e-WOM are positively or negatively associated with CE. Moreover, the study tests the effect of positive and negative e-WOM on Chinese consumers' perceived brand equity of domestic and foreign smart phone brands. Brand equity is the value added to a product or service by its associations with a brand name, design, and/or symbol. It is a product-centred concept that enhances the value of a product beyond its functional purpose, and differentiates well-known from lesser-known brands (Keller, 1993; Rust, Lemon, & Zeithaml, 2004). Brand equity is a more comprehensive and potentially enduring concept of brand compared to 'brand attitude' or 'purchase intent', as it entails aspects relating to brand image, brand awareness, attitude toward the brand and associated corporate ethics (Lemon, Rust, & Zeithaml, 2001; Richards & Jones, 2008). Moreover, brand equity is associated with a higher willingness to pay a price premium and brand purchase intent (Netemeyer et al., 2004). Hence, brand equity serves as a valuable indicator of a brands' potential success.

Lastly, this study also investigates the effect of CE on brand equity. In doing so, this study contributes theoretically to the literature on e-WOM by being the first to integrate CE into the e-WOM discourse. Furthermore, from a practical perspective, this study will offer Chinese social media managers valuable insights on (a) how to reinforce the "Great Wall" to protect their brands and (b) (in the case of foreign social media managers) how to break the "Great Wall" to improve consumer perceptions and acceptance of their brands in the Chinese market.

This paper is structured as follows: First, the paper presents a review of key literature followed by the hypotheses; second, the paper discusses the methodology; third, the results of the analysis are presented; fourth, the findings are discussed from a theoretical and managerial perspective; lastly, the limitations and future research directions are presented, leading to the conclusion.

## 2. Literature review and hypotheses development

### 2.1. e-WOM

Word of Mouth (WOM) is a key marketing communication tool that has been studied by both marketing scholars and practitioners (Aoki, Obeng, Borders, & Lester, 2019; Kimmel & Kitchen, 2014). Arndt (1967) described WOM as oral, person-to-person communication between a receiver and communicator whom the receiver perceives as non-commercial with regard to a brand, product or service. Technological developments over the last years have changed the communication environment, leading to the emergence of Electronic Word of Mouth (e-WOM). e-WOM can be defined as all informal communications directed at consumers through internet-based technology, related to the usage or characteristics of particular goods and services, or the sellers of said goods or services (Litvin, Goldsmith, & Pan, 2008). In line with traditional WOM, studies on e-WOM also consider both sender and receiver perspectives (e.g., Bansal & Voyer, 2000; De Angelis, Bonezzi, Peluso, Rucker, & Costabile, 2012; Luo & Zhong, 2015). Moreover, researchers have also differentiated between positive and negative e-WOM in order to gain a more holistic understanding of the consequences of e-WOM on consumer perceptions – which can ultimately

affect a company's performance in the marketplace (e.g., Kim, Naylor, Sivadas, & Sugumaran, 2016; Tang, Zhong, Qin, Liu, & Xiang, 2019; Wakefield & Wakefield, 2018; Zhang et al., 2017). In other words, individuals can provide (or receive) both positive and negative information to (or from) others.

### 2.2. Consumer ethnocentrism

Consumer ethnocentrism originally referred to a person's belief or attitude on the appropriateness and morality of purchasing foreign products (Shimp & Sharma, 1987), where consumers high in ethnocentrism generally prefer domestic over foreign product options and the corresponding brands. Meanwhile, Sharma (2015) offers also a more recent conceptualization of CE. Specifically, Sharma (2015) concludes that CE goes beyond being a personal tendency, and actually represents an attitude towards domestic and foreign products and services. An understanding of consumers' ethnocentric tendencies is useful in predicting their openness towards foreign brands, as well as the emphasis they place on national identity and pride (Sharma, 2015; Thelen & Honeycutt, 2004). Furthermore, the international marketing literature shows that knowledge on consumer ethnocentrism is valuable when making decisions for global positioning and branding strategies (Alden, Kelley, Riefler, Lee, & Soutar, 2013). Researchers suggest that CE can be understood as "patriotic" consumption behavior, as ethnocentrism is linked with patriotic love and sacrifice for one's country (Balabanis, Diamantopoulos, Mueller, & Melewar, 2001). Moreover, CE is also associated with a certain level of insecurity (Neese, Foxx, & Eppler, 2019). Hence, ethnocentric consumers defend their domestic brands because they perceive foreign products as threats to their domestic economy and fellow workers (Siamagka & Balabanis, 2015). Overall, considering the growth of social media usage in international marketplaces and the important role of e-WOM in influencing consumer perceptions, it is vital for marketers to understand the effects of e-WOM on CE. Fig. 1 depicts the links between the key constructs of the model. The section below explains the model and hypotheses in detail.

### 2.3. Positive e-WOM and CE for domestic and foreign brands

Positive e-WOM is expected to influence CE. Companies are keen to elicit positive e-WOM for their brands to attract more reviews and improved brand perceptions, as this would have the potential to positively affect a firm's product sales, revenues and stock prices (Moe & Schweidel, 2011; Trusov, Bucklin, & Pauwels, 2009). Interestingly, positive e-WOM does not just improve the receiver's likelihood to purchase a product, it may also positively enhance the communicators' attitude towards the product and so creating dual positive effects (Kim et al., 2016). Meanwhile, ethnocentric consumers have a positive bias and attachment towards domestic brands as these brands can represent national symbols (Cleveland, Laroche, & Papadopoulos, 2009). Receiving positive e-WOM should further re-enforce their beliefs in domestic brands. In addition, Chu and Kim (2011) show that tie strength (i.e., the bond between members of a network) is positively associated with overall e-WOM behavior. Similarly, in line with social identity theory (Tajfel & Turner, 1979), consumer ethnocentrism is also based on social ties, as ethnocentric individuals seek a sense of belonging to their domestic group (Sharma, 2015). Consequently, as positive e-WOM may serve as a means to enhance social ties it is expected to also be positively associated with CE. Thus:

H1a: Positive e-WOM for domestic brands is positively associated with CE.

In contrast, the relationship between positive e-WOM and CE may differ for foreign brands. The international marketing literature provides evidence that, especially in emerging markets such as China, foreign brands are generally perceived as higher quality and more prestigious than local alternatives (Zhou, Yang, & Hui, 2010). This is due to a generic belief of inferiority of the local versus the foreign

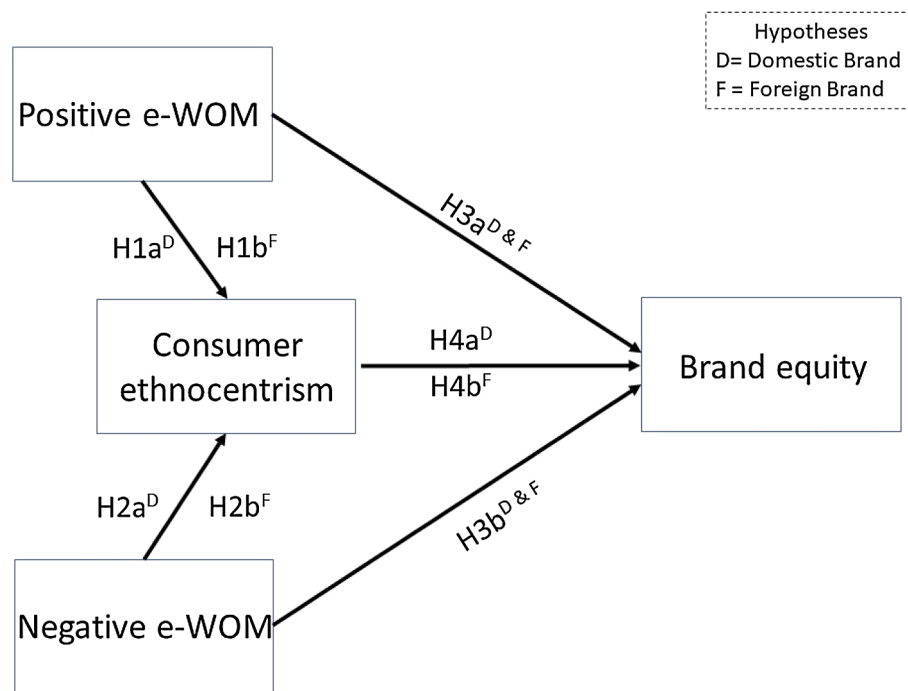


Fig. 1. Research model.

(Balabanis & Diamantopoulos, 2016). In emerging markets such as China, foreign goods are generally perceived higher in symbolic value and thus enable consumers to achieve a higher social status than local goods (Waldmeir & Clover, 2014; Wang & Yang, 2008). Meanwhile, ethnocentric consumers are known to be more prone to reject foreign brands due to national sentiment and perceived economic threats to their domestic economy (Cleveland et al., 2009). However, He and Wang (2015) argue that, even for ethnocentric consumers, there are inconsistencies between their preferences for domestic and foreign brands and actual brand purchases. They suggest that these inconsistencies may be due to external norms and social pressures. E-WOM on social media exemplifies a social activity between multiple actors, and so receiving positive e-WOM of a foreign brand may further enhance the already positive attributes associated with those brands. Therefore, even though the nature of ethnocentric consumers may still have them raise some opposition towards foreign brands, the social benefits entailed in consuming these brands (e.g., brand identity expressiveness; Xie, Batra, & Peng, 2015), which are further accentuated through positive e-WOM, should reduce ethnocentric bias. Therefore:

H1b: Positive e-WOM for foreign brands is negatively associated with CE.

#### 2.4. Negative e-WOM and CE for domestic and foreign brands

Negative e-WOM is expected to weaken CE for domestic brands. Evidence shows that negative e-WOM can be a powerful predictor of a consumers' overall attitude towards products and brands (e.g., Bhandari & Rodgers, 2018; King et al., 2014; Park & Lee, 2009; See-To & Ho, 2014) because negative information is generally more attention-grabbing than positive information (Homer & Yoon, 1992). As a result, companies' reputations and sales may suffer. For instance, Ba and Paul (2002) show that negative reviews reduce consumer trust, while brand trust has been shown to be a key determinant of purchase loyalty, attitudinal loyalty, and purchase intentions (Chaudhuri & Holbrook, 2001; Rose, Merchant, Orth, & Horstmann, 2016). Meanwhile, research asserts that authentic brands often "acquire an aura of authenticity", exemplified by a commitment to tradition which enhances consumer trust (Napoli, Dickinson, Beverland, & Farrelly, 2014). Chinese society

is well known for its appreciation of longstanding traditions and collective values (He & Wang, 2015). Moreover, ethnocentric individuals show strong support for traditions, icons and symbols of their own culture (He & Wang, 2015; Sharma, 2015). Negative e-WOM may invite consumers to question the values associated with the brand (e.g., authenticity), thus losing some of the trust placed in their local brands, which in turn may reduce the consumer's ethnocentric tendencies. Thus:

H2a: Negative e-WOM for domestic brands is negatively associated with CE.

Conversely, if consumers receive negative e-WOM about a foreign brand it should increase CE. An ample body of research on motivated reasoning suggests that people who are motivated to entertain a particular conclusion seek to build a coherent justification for it (e.g., Graça, Calheiros, & Oliveira, 2016; Kunda, 1990). To this end, this study draws on the notion of active stereotyping to justify consumers' ethnocentric response towards foreign products after being exposed to negative e-WOM. Research shows that individuals selectively activate stereotypes in the service of their motivation to support their desired impression of an object such as another person or a particular brand (Sinclair & Kunda, 1999). Recent reports suggest that there are growing concerns in terms of China's rise in nationalism as a threat to foreign brands, leaving a less welcoming market for foreign companies (Forbes, 2016; Reuters, 2017). These developments may be fuelled by Chinese consumers' love and pride for their country and traditions (He & Wang, 2015). De Angelis et al. (2012) argue that negative WOM is the consequence of various motives and needs – commonly identified as negativity bias. Meanwhile, ample evidence suggests that country of origin information has an influence on the stereotypical evaluation of the product (Siamagka & Balabanis, 2015). Negative e-WOM about a foreign brand may serve as a catalyst to further enhance negative stereotypes in a consumer's mind, thus, raising CE. Therefore:

H2b: Negative e-WOM for foreign brands is positively associated with CE.

#### 2.5. e-WOM and brand equity

Brand equity refers to the value inherent in a well-known brand

name. Brand equity as intangible brand assets is associated with brand-name awareness, brand beliefs, brand loyalty, perceived brand quality, and favorable brand symbolisms as well as associations that provide competitive advantage and future earnings (Keller & Lehmann, 2006; Sun, Garrett, & Kim, 2016; Sun, Garrett, Phau, & Zheng, 2018). A few investigations have shown the effect of e-WOM (positive or negative) on brand equity (Aoki et al., 2019). However, prior work has not considered distinctions between domestic and foreign brands. Research shows that WOM can influence various types of brand perceptions, which then positively influence brand equity (Murtiasih, Sucherly, & Siringoringo, 2013). Bambauer-Sachse and Mangold (2011) show that negative e-WOM can dilute brand equity. Positive WOM has been shown to positively influence brand equity, but the relationship between negative WOM and brand equity was not tested (Sun & Ko, 2016). Drawing on the aforementioned research this study hypothesizes the following:

H3a: Positive e-WOM strengthens brand equity for domestic and foreign brands.

H3b: Negative e-WOM weakens brand equity for domestic and foreign brands.

## 2.6. Consumer ethnocentrism and brand equity

Consumer ethnocentrism entails that consumers tend to favor domestic products over foreign products. Ample evidence suggests that preferences for domestic brands are due to consumers' emotional and moral considerations, as well as patriotic and traditional values (Cleveland et al., 2009; He & Wang, 2015; Sharma, 2015; Vida, 2008). In line with social identity theory (Tajfel & Turner, 1979), consumer ethnocentrism provides people with a sense of belonging to a group while also offering them a frame of reference for appropriate or inappropriate purchasing behavior; this goes hand in hand with a consumers' economic motive for in-group bias (Siamagka & Balabanis, 2015). These motives activate the fear that selecting foreign products has a negative impact on the domestic industry, while causing unemployment (Verlegh, 2007). Ethnocentric consumers are inclined to protect their economy by purchasing domestic products and brands (Sharma, 2011). Siamagka and Balabanis (2015) further argue that CE is associated with pro-sociality, as consumers put the country's interests over their self-interest. For the outlined reasons, CE should positively affect brand equity for domestic brands, while having the opposite effect for foreign brands. More formally:

H4a: CE strengthens brand equity for domestic brands.

H4b: CE weakens brand equity for foreign brands.

## 3. Research methods

This study analyzed Android smart phone users in China, which represents a large marketplace for foreign and domestic smart phone brands (Iimedia Research Group, 2016). Android smart phones were chosen to reduce potential consumer biases (e.g. application policies, usage functionalities) arising from different smart phone systems (Chien, Lin, & Yu, 2014), while they also represent almost three quarters of smart phones in China (Iimedia Research Group, 2016). This study used personal interviews ( $n = 32$ ) as means of selecting two brands of smartphones for the main study. The Chinese participants represented both genders (14, 44% female) and varied ages (from 20 to 51). Participants were asked to name two foreign and two domestic brands of Android smart phones. After creating a list of all the brands highlighted by the participants (e.g., foreign brands: Samsung, Nokia, Motorola; domestic brands: Huawei, Lenovo, Vivo), 'frequency of mention' was used to select the most frequently named foreign and domestic brands (Parker, 2009). The two selected brands were Samsung (foreign brand: mentioned by 100% of participants) and Huawei (domestic brand: mentioned by 81% of participants.). These two brands have also been previously identified as well-known brands among

Chinese consumers (He & Wang, 2015). Data for the main study was collected with an online survey in the spring of 2017. This study collected data from 315 participants. Data from 12 participants (3.8%) were excluded from further analysis as they offered incomplete responses on some of the key constructs in the model. The final data set was composed of 302 usable responses. Each participant answered the same questions on all constructs (positive and negative e-WOM, CE and BE) for both the foreign and domestic brands. Question blocks on the foreign and domestic brands were automatically randomised among respondents to avoid potential order-related response biases (Rossi, Wright, & Anderson, 2013).

The questionnaire was based on previously established measures. Specifically, this study used four items each to measure positive and negative e-WOM. These measures were adopted from Goldsmith and Horowitz (2006) and Goyette, Ricard, Bergeron, and Marticotte (2010). Furthermore, to reduce potential biases due to wording issues of positive and negative e-WOM, this study followed the approach of Lee and Youn (2009). Specifically, the questionnaire used the same items to measure positive and negative e-WOM, while changing the words to "positive" and "negative", respectively. CE was captured with five items based on Shimp and Sharma (1987), and four items were used to measure brand equity based on work by Rust et al. (2004). The survey was developed in English and translated into Mandarin using double back-translation procedures by two bilingual translators (Brislin, 1980). Constructs were measured using a 5-point Likert scale (1: strongly disagree, 5: strongly agree). The survey yielded 302 useful samples. Table 1 shows the details of the demographic statistics.

## 4. Data analyses and results

### 4.1. Reliability analyses and CFA

Structural equation modeling (SEM) was used to test both the measurement and structural models. SEM is a second-generation multivariate method used to assess the reliability and validity of the model's measures. Compared to more traditional methods (e.g., regression), second generation multivariate methods (Chin & Newsted, 1999; Fornell, 1987), such as SEM, allow simultaneous analysis of all the variables in the model instead of analyzing them separately and thus reducing the likelihood of measurement error. This study

**Table 1**  
Demographic statistics.

Demographic variables	Category	Number	Proportion
Gender	Male	137	45.36%
	Female	165	54.64%
Age	Over 20	7	2.32%
	21–30	230	76.16%
	31–40	43	14.24%
	41–50	15	4.97%
	Over 51	7	2.32%
Average yearly family income (RMB)	Less than 50000	70	23.18%
	50000–100000	115	38.08%
	100000–150000	62	20.53%
	150000–200000	22	7.28%
	More than 200000	33	10.93%
City size	Large city (Population greater than 10 million)	91	30.13%
	Medium-sized cities (5–10 million population)	89	29.47%
	Small city (Population less than 5 million)	122	40.4%
Educational background	Senior high school and below	12	3.97%
	Junior College	18	5.96%
	Bachelor's Degree	128	42.38%
	Master's Degree	144	47.68%

**Table 2A**  
Summary of CFA, AVE, C.R., Mean, standard deviation, and correlation matrix of the variables (Huawei).

Variables	Items	Factor loading	Cronbach's $\alpha$	AVE	C.R.	M	SD	1	2	3	4
Positive E-WOM	PE 1	0.729	0.806	0.508	0.805	3.55	0.60	0.71			
	PE 2	0.705									
	PE 3	0.748									
	PE 4	0.667									
Negative E-WOM	NE 1	0.684	0.799	0.503	0.801	3.44	0.60	0.479**	0.71		
	NE 2	0.735									
	NE 3	0.765									
	NE 4	0.646									
Consumer Ethnocentrism	CE 1	0.719	0.859	0.553	0.861	2.31	0.77	0.167**	-0.007	0.74	
	CE 2	0.733									
	CE 3	0.765									
	CE 4	0.799									
	CE 5	0.698									
Brand Equity	BE 1	0.560	0.820	0.569	0.838	3.33	0.62	0.357**	0.173**	0.350**	0.75
	BE 2	0.782									
	BE 3	0.842									
	BE 4	0.801									

Note. \*  $p < 0.01$ , \*\*  $p < 0.05$ . Data in bold and Italian shows square root of AVE.

**Table 2B**  
Summary of CFA, AVE, C.R., Mean, standard deviation, and correlation matrix of the variables (Samsung).

Variables	Items	Factor loading	Cronbach's $\alpha$	AVE	C.R.	M	SD	1	2	3	4
Positive E-WOM	PE 1	0.756	0.822	0.548	0.828	3.52	0.61	0.74			
	PE 2	0.827									
	PE 3	0.734									
	PE 4	0.637									
Negative E-WOM	NE 1	0.847	0.904	0.708	0.906	3.15	0.92	0.037	0.84		
	NE 2	0.896									
	NE 3	0.859									
	NE 4	0.757									
Consumer Ethnocentrism	CE 1	0.813	0.921	0.703	0.922	2.32	0.93	-0.305**	0.307**	0.84	
	CE 2	0.824									
	CE 3	0.863									
	CE 4	0.862									
	CE 5	0.828									
Brand Equity	BE 1	0.548	0.800	0.538	0.820	3.06	0.61	0.350**	0.127*	-0.015	0.73
	BE 2	0.755									
	BE 3	0.836									
	BE 4	0.763									

Note. \*  $p < 0.01$ , \*\*  $p < 0.05$ . Data in bold and Italian shows square root of AVE.

investigated the relationships between positive and negative e-WOM, CE and brand equity. Measurement model fit was evaluated by confirmatory factor analysis (CFA) with AMOS, version 21, using various established fit indices. Results of the CFA ( $\chi^2/df = 1.80$ ,  $RMR = 0.036$ ,  $GFI = 0.930$ ,  $NFI = 0.922$ ,  $RFI = 0.906$ ,  $IFI = 0.964$ ,  $TLI = 0.956$ ,  $CFI = 0.963$ ) indicate a good model fit (Hu & Bentler, 1999). As shown in Table 2, the measurement model shows acceptable convergent validity as all constructs demonstrate (a) significant item loadings above 0.55 (most above 0.7), (b) composite reliability (CR) values above 0.80, Cronbach's alpha ( $\alpha$ ) above 0.8, and (c) average variance extracted (AVE) for each construct exceeding 0.50 (Bagozzi & Yi, 1988; Hair, Black, Babin, Anderson, & Tatham, 2006). As shown in Tables 2A and 2B, discriminant validity was established as the square root of the AVE, for each construct is greater than the correlation between constructs (Fornell & Larcker, 1981; Table 2).

#### 4.2. Model and hypotheses testing

Table 3 shows results and fit indices for the structural model, suggesting good fit. The analysis reveals that positive e-WOM for domestic brands is positively associated with CE ( $\beta = 0.317$ ,  $p = .001$ ) and that positive e-WOM for foreign brands is negatively associated with CE ( $\beta = -0.374$ ,  $p = .000$ ), thus supporting H1a and H1b. This finding

suggests that, for domestic brands, positive e-WOM re-enforces consumers CE while for foreign brands positive e-WOM can weaken CE. Findings show that negative e-WOM for domestic brands shows a negative association with CE ( $\beta = -0.213$ ,  $p = .027$ ). Meanwhile, negative e-WOM for foreign brands shows a positive association with CE ( $\beta = 0.343$ ,  $p = .000$ ). Therefore, the results support H2a and H2b. This finding suggests that, for domestic brands, negative e-WOM may weaken CE. In contrast, for foreign brands, negative e-WOM is likely to further enhance CE. As hypothesized, positive e-WOM has a positive influence on brand equity for domestic ( $\beta = 0.387$ ,  $p = .000$ ) and foreign brands ( $\beta = 0.376$ ,  $p = .000$ ) thus, supporting H3a. This finding suggests that the brand equity of both domestic and foreign brands can benefit from positive e-WOM. Against expectation, the findings show that negative e-WOM has no significant negative influence on brand equity for domestic ( $\beta = -0.016$ , n.s.) and foreign brands ( $\beta = 0.115$ , n.s.). Therefore, H3b is not supported. This surprising finding suggests that negative e-WOM may not be detrimental to brand equity of domestic and foreign brands. Potential reasons that may explain this interesting finding are offered in the discussion section. The analysis reveals a significant positive effect of CE on brand equity for domestic brands ( $\beta = 0.306$ ,  $p = .000$ ), thus supporting H4a. This finding suggests that CE is determinant in domestic brands' equity. However, against expectation, the findings do not show a significant negative

**Table 3**  
Results of hypotheses tests.

Hypotheses	Huawei			Samsung		
	St. Estimate	C.R.	P	St. Estimate	C.R.	P
Positive e-WOM → Consumer Ethnocentrism	0.317	3.231	0.001	-0.374	-5.838	0.001
Negative e-WOM → Consumer Ethnocentrism	-0.213	-2.209	0.027	0.343	5.762	0.001
Positive e-WOM → Brand Equity	0.387	3.902	0.001	0.376	4.540	0.001
Consumer Ethnocentrism → Brand Equity	0.306	4.321	0.001	0.086	1.159	0.246
Negative e-WOM → Brand Equity	-0.016	-0.182	0.856	0.115	1.662	0.097

Model Fit Index:  $\chi^2/df = 407.438/226$ , RMR = 0.036, GFI = 0.930, NFI = 0.922, RFI = 0.906, IFI = 0.964, TLI = 0.956, CFI = 0.963

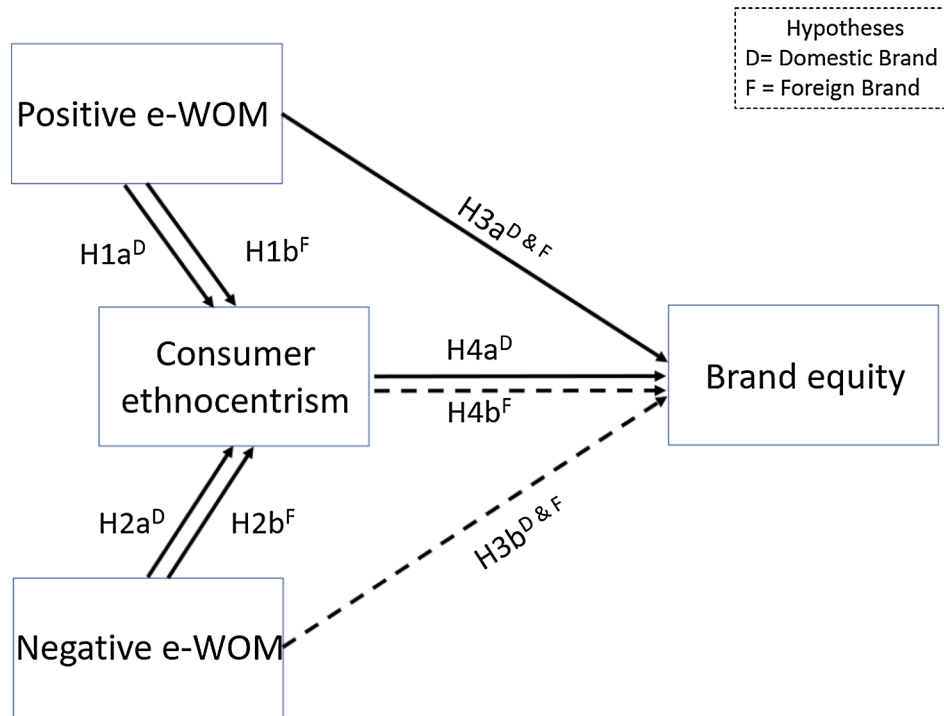


Fig. 2. Results of Research Model. \*The dotted lines represent an insignificant path.

effect of CE on brand equity for foreign brands. ( $\beta = 0.086$ , n.s.). Therefore, H4b is not supported. This again surprising finding indicates that, for foreign brands, their equity may not suffer from higher CE. Table 3 and Fig. 2 show the detail of results of hypotheses test.

This study conducted multi-group analysis to examine parameter estimate differences between domestic and foreign brand groups. Fit was satisfactory (RMR = 0.036, GFI = 0.930, CFI = 0.963, IFI = 0.964) implying that the model fits both groups well (domestic and foreign brands). However, results of the chi-square difference test indicate that only two of the five paths significantly differ across groups. Specifically, there is a significant difference in the relationship between positive e-WOM and CE ( $\Delta\chi^2 = 23.824$ ,  $p = 0.001$ ). This result indicates that the relationship between positive e-WOM of the foreign brand (Samsung) and CE is stronger compared to that of the domestic brand (Huawei). Furthermore, there is a significant difference in the relationship between CE and brand equity ( $\Delta\chi^2 = 11.415$ ,  $p = .001$ ). This result suggests that that the relationship between CE and brand equity of the domestic brand is stronger compared to the foreign brand.

Further to the tested hypotheses, this study conducted a post-hoc mediation analysis using the bootstrap approach in AMOS in order to evaluate if CE mediates the effect of positive and negative e-WOM on brand equity. The mediation test showed that CE only significantly mediates the effect of positive e-WOM on brand equity for the domestic brand ( $p = .005$ , bias-corrected 95% CI: 0.141, 0.670) but not the

foreign brand ( $p = .240$ , bias-corrected 95% CI: -0.097, 0.024). CE did not significantly mediate the effects of negative e-WOM on brand equity for the domestic ( $p = .838$ , bias-corrected 95% CI: -0.205, 0.166) nor the foreign brand ( $p = .280$ , bias-corrected 95% CI: -0.015, 0.052).

## 5. Discussion and future research directions

### 5.1. Discussion

This study is the first that considered the influence of e-WOM on consumer ethnocentrism (CE). Overall, the findings show that both positive and negative e-WOM have an effect on CE and that these effects are contingent upon brand origin (domestic vs. foreign brand). Moreover, this study also investigated the effect of positive and negative e-WOM, as well as CE, on brand equity of domestic and foreign brands. In doing so, this study offers novel empirical results that enhance the knowledge in the current e-WOM and consumer ethnocentrism literature.

First, the findings confirm that positive e-WOM increases CE towards domestic brands while decreasing CE towards foreign brands. This finding provides the first empirical evidence of this effect by linking the concept of e-WOM with CE. The findings accentuate the notion that the positive relationship between e-WOM and CE for domestic brands may be based on the fact that both e-WOM and CE are

grounded on social ties (King et al., 2014; Sharma, 2015). Research shows that tie strength, i.e., the bond between members of a network is positively associated with e-WOM (Chu & Kim, 2011). Meanwhile, ethnocentric consumers seek a sense of belonging to their domestic group (Sharma, 2015). Therefore, positive e-WOM about a domestic brand is likely to serve as a mechanism to improve social ties, which are also important to ethnocentric consumers. The CE literature shows that ethnocentrism consumers tend to have a negative attitude towards foreign brands (Sharma, 2015; Siamagka & Balabanis, 2015). However, the findings of this study offer a new and interesting perspective showing that positive e-WOM concerning foreign brands negatively influences CE. In other words, positive e-WOM leads to a decrease in ethnocentric tendencies towards a foreign brand. This finding supports arguments that, especially in emerging markets such as China, foreign goods are often perceived as higher in symbolic value and therefore enable consumers to achieve a higher social status than through the consumption of local goods (Xie et al., 2015). Consequently, while ethnocentric consumers may still have some negative predispositions towards foreign brands, the potential social benefits obtained from being seen with foreign brands, coupled with positive e-WOM, may reduce their ethnocentric bias.

Second, prior evidence highlights that negative e-WOM negatively influences consumer perceptions of brands (Bhandari & Rodgers, 2018; King et al., 2014; Park & Lee, 2009; See-To & Ho, 2014). The findings of the current study extend prior work by considering the effects of negative e-WOM on consumer ethnocentrism, while also considering domestic and foreign brands. Specifically, the findings show that negative e-WOM weakens CE for domestic brands. Studies show that negative reviews can disrupt consumer trust, which is linked to brand authenticity and exemplified by a commitment to tradition (Ba & Paul, 2002; Napoli et al., 2014). Meanwhile, especially in China, ethnocentric consumers value longstanding traditions and collective values of their own culture (He & Wang, 2015). Consequently, it is arguable that negative e-WOM may invite Chinese consumers to question the values associated with the brand (e.g., authenticity), thus losing some of the trust placed in their domestic brands which in turn may reduce their ethnocentric tendencies. On the other hand, for foreign brands the findings show that negative e-WOM is positively associated with CE. This finding ties in with work on active stereotyping, showing that individuals selectively activate stereotypes to support their desired impression of an object such as another person or a particular brand (Sinclair & Kunda, 1999). Chinese consumers may be motivated to focus on negative stereotypes of foreign brands in order to position the domestic alternative more positively in their mind. Arguably, negative e-WOM about a foreign brand may serve as a means to further drive negative stereotypes, which leads to stronger ethnocentric tendencies.

Third, in line with prior research on WOM (Sun & Ko, 2016), the findings show that positive e-WOM will positively influence brand equity. Notably, the findings of the current study are the first to empirically verify this effect while considering consumer perceptions towards domestic and foreign brands within an important emerging market (i.e., China). In doing so, this study contributes to our understanding of how e-WOM influences brand equity while highlighting that this effect is positive – irrespective of a brand's origin. Interestingly, contrary to expectations, the effect of negative e-WOM on brand equity for domestic and foreign brands was not significant. It was expected that negative e-WOM surrounding domestic and foreign brands would be detrimental to brand equity (Bambauer-Sachse & Mangold, 2011). This surprising finding offers an interesting view, suggesting that brand equity remains unaffected by negative e-WOM for both domestic and foreign brands. A potential explanation for these results may be self-deception, as people seek and engage biased information search and processing to favor welcome over unwelcome information in a manner that reflects their goals or motivations (Von Hippel & Trivers, 2011). Similarly, Chinese consumers may ignore negative e-WOM about the domestic brand to protect its perceived brand equity. Meanwhile, the

negative e-WOM may balance out their potential admiration for foreign brands (Zhou et al., 2010), which leads to a non-significant effect on brand equity for foreign brands.

Fourth, the findings confirmed that CE has a positive effect towards brand equity of domestic brands. These findings tie in with prior research, suggesting that consumers' moral considerations, such as traditional and patriotic values, emotional connections and an in-group bias, lead them to have more positive perceptions of domestic brands (Cleveland et al., 2009; Sharma, 2015; Siamagka & Balabanis, 2015). The current study extends this notion to an e-WOM context in an important emerging market such as China. However, the picture for foreign brands is less clear. Contrary to expectations, CE did not have a significant effect on brand equity. Prior research indicates that ethnocentric consumers are keen to protect their economy by choosing domestic products and brands over foreign alternatives (Sharma, 2011). This tendency should arguably also lead to a negative effect of CE on brand equity of foreign brands. The finding of the current study suggests that the tendency of Chinese consumers to perceive foreign brands as more prestigious and higher quality (Zhou et al., 2010) may negate the expected negative effect of CE on brand equity.

Overall, from a theoretical perspective, this study is the first to bring together the concepts of e-WOM (positive and negative), consumer ethnocentrism and brand equity. In doing so, the study contributes to the evolving knowledge base on e-WOM by integrating an international marketing angle. Specifically, the results refine the understanding of e-WOM effects on brand equity among ethnocentric consumers, while considering important contingencies around domestic and foreign brands.

These contingencies also have important implications for domestic and foreign social media managers who may be interested in capturing consumers in emerging economies, such as China. Chinese consumers' confidence in the quality of Chinese smart phones has increased over the last years (Iimedia Research Group, 2017). Positive e-WOM will further increase their positive perceptions of domestic products. Domestic social media managers can take advantage of the fact that positive e-WOM will further enhance CE, while trying to mitigate negative e-WOM to protect their own products from foreign alternatives. Meanwhile, foreign social media managers interested in capturing Chinese consumers should focus their efforts on stimulating positive e-WOM and reducing negative e-WOM to reduce ethnocentric tendencies towards their products. If pressed for resources, both domestic and foreign social media managers should place their focus on stimulating positive e-WOM rather than mitigating negative e-WOM, as the effect on brand equity seems to be clearer for positive e-WOM. If applicable, communicating their brand's globalization may lead to more positive brand perceptions, especially for products that are not considered as aspirational (Fastoso & González-Jiménez, 2018). Hence, a brand's global associations may potentially also lead to more positive e-WOM.

Meanwhile, domestic as well as foreign brand managers need to manage their brand communication process very carefully. Considering positive and negative Country of Origin (COO) associations will be key in this endeavour, as there is a close link between CE and COO (Fischer & Zeugner-Roth, 2017). These associations will likely influence consumer perceptions that will lead to either positive or negative e-WOM, thus also potentially leading to changes in CE and brand equity. For instance, recent scandals by Dolce and Gabbana in China (Zhang, 2018) offer evidence on the mismanagement of communication campaigns linked to country stereotypes. In the case of Dolce and Gabbana, negative e-WOM diffused swiftly through social media leading to a digital backlash. The negative effect of such scandals may generate a long-lasting negative brand image, which may be difficult to repair.

## 6. Limitations and future research directions

This research is also not without limitations, thus offering interesting avenues for future investigations. First, this study did not account

for the source of either positive or negative e-WOM. Source credibility and ties with the source have been shown to affect consumer evaluations of e-WOM (e.g., King et al., 2014). Therefore, future studies should control for different types of sources, while considering weak versus strong ties between the sender and receiver. Such an approach would allow exploring potential contingencies in the effects tested in the current study. Second, this study uses China as an emerging market context. It would be of interest to test the proposed relationships in other emerging markets such as India. For instance, the Indian market place differs from China in terms of historical factors relating to colonization, social structures and the degree and time of openness of their market towards foreign brands (Pereira, Hsu, & Kundu, 2002). These factors are likely to determine how ethnocentric tendencies may influence consumer perceptions of domestic and foreign brands. Third, the current study considers a sole product category, i.e., smart phones. Future research should also expand their investigations to be within brands in other product categories. In particular, product categories that have a strong domestic representation while being vital to the domestic economy may be of interest. For instance, sport apparel brands like *Li Ning* are making big strides in establishing themselves domestically, while also gaining recognition internationally. Thus, it may be fruitful to investigate the interplay between e-WOM and ethnocentric tendencies towards such brands and their competitors.

Fourth, the fact that this study used two brands also limits the generalizability of the findings. This study used a pre-test to assure that

the selected brands were perceived as foreign vs domestic among Chinese consumers. However, future research could use a wider array of foreign and domestic brands to test the generalizability of the findings. Moreover, future studies could also include measures of perceived brand foreignness (Zhou et al., 2010) and perceived brand localness (Xie et al., 2015) into the research design. This step would offer further control if effects are brand specific, or rather related to their foreign vs domestic characterization.

To conclude, this study investigated the associations between positive and negative e-WOM, CE and brand equity. Evidence suggest that the notion of CE has crossed also into the digital space, and that CE acts as a force in determining consumers' brand equity. This suggests a convergence of the international marketing and digital marketing domains. Researchers should therefore explore CE and social-media-related phenomenon further. Meanwhile, to be successful in today's competitive marketplace, managers of domestic and international brands need be conscious and show awareness on how to manage consumers' CE tendencies.

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### Appendix 1. Potential appendix 1

Variables	Item	References
Positive e-WOM	I seek information about this mobile brand from both the Internet and social media from people who have positive opinions	Goldsmith and Horowitz (2006); Goyette et al. (2010); Lee and Youn (2009)
	I believe the Internet and social media are the easiest ways to get positive information about this mobile brand	
	I believe that others have spoken favorably of this mobile brand to me	
Negative e-WOM	I believe that positive information about this mobile brand is more important to me	Shimp and Sharma (1987)
	I seek information about this mobile brand from both the Internet and social media from people who have negative opinions	
	I believe the Internet and social media are the easiest ways to get negative information about this mobile brand	
Consumer Ethnocentrism	I believe that others have spoken unflatteringly of this mobile brand to me	Rust et al. (2004)
	I believe that negative information about this mobile brand is more important to me	
	Chinese should not buy foreign brands, because this hurts Chinese business and causes unemployment	
	It may cost me in the long-run but I prefer to support domestic brands	
	Foreigners should not be allowed to put their brands in our markets	
Brand Equity	Foreign brands should be taxed heavily to reduce their entry into China	Rust et al. (2004)
	We should buy from foreign countries only those brands that we cannot obtain within our own country	
	I often notice and pay attention to information this mobile brand sends to me	
	This mobile brand is well known as a good corporate citizen	
	This mobile brand is an active sponsor of community events	
	This mobile brand has high ethical standards with respect to its customers and employees	

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