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THE EFFECT OF THE KOREAN WAVE ON CHINESE
CONSUMERS' BRAND PREFERENCES

The purpose of this study is to assess the impact of the Korean Wave – "Hallyu" – on Chinese consumers' brand equity development process. The sample data of 225 Chinese consumers was collected from Chinese tourists in Korea, and a structural equation model with 6 selected determinants was developed to examine the relationship between the Korean wave and consumers' brand equity, including Korean drama (KD), K-pop (KP). Our findings show that both were found to be the major factors for consumer preference with positive impact on brand trust. However, these two constructs of the Korean wave do not appear to influence directly consumer loyalty while brand constructs do. This implies that brand affect and brand trust are the essential prerequisites for consumer loyalty towards a brand. The results shed light on market of Korean cosmetic brands suggesting that branding strategy should be generated through brand trust and brand affect.

Keywords: Korean wave; brand equity; brand affect; brand trust; consumer loyalty; cosmetic brand.
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ВПЛИВ «КОРЕЙСЬКОЇ ХВИЛІ» НА СПОЖИВЧІ
ПЕРЕВАГИ КИТАЙСЬКИХ ПОКУПЦІВ

У статті оцінено вплив «корейської хвилі» (Халлю) на формування вартості бренду у сприйнятті китайських споживачів. Опитано 225 китайських споживачів серед китайських туристів у Південній Кореї. Побудовано модель зі структурними рівняннями з 6 змінними для виявлення взаємозв'язків між феноменами «корейської хвилі» (музика кей-поп та корейська драма) та параметрами бренду. Результати моделювання вказують на те, що обидва прояви «корейської хвилі» мають суттєвий вплив на формування споживчих переваг, особливо позитивним є вплив на довіру до бренду. Однак, ці складові «корейської хвилі» не мають прямого впливу на формування лояльності, а лише через параметри бренду. Це дозволило зробити висновок про те, що емоції до бренду та довіра до нього є передумовами формування лояльності. Розроблено рекомендації щодо перегляду маркетингових стратегій косметологічних брендів з акцентом на стратегіях брендингу.

Ключові слова: «корейська хвиля»; капітал бренду; емоція до бренду; довіра до бренду; споживча лояльність; косметологічний бренд.

Рис. 1. Табл. 3. Літ. 22.

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ВЛИЯНИЕ «КОРЕЙСКОЙ ВОЛНЫ» НА ПОТРЕБИТЕЛЬСКИЕ
ПРЕДПОЧТЕНИЯ КИТАЙСКИХ ПОКУПАТЕЛЕЙ

В статье оценено влияние «корейской волны» (Халлю) на формирование стоимости бренда в восприятии китайских потребителей. Были опрошены 225 китайских потребителей среди китайских туристов в Южной Корее. Построена модель со структурными уравнениями с 6 переменными для выявления взаимосвязей между феноменами «корейской волны» (музыка кей-поп и корейская драма) и параметрами бренда. Результаты моделирования указывают, что оба проявления «корейской волны» имеют значительное влияние на формирование потребительских предпочтений, особенно позитивным является влияние на доверие к бренду. Однако, эти составляющие «корейской волны» не имеют прямого влияния на формирование лояльности, а только через параметры бренда. Это позволило

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сделать вывод, что эмоции к бренду и доверие к бренду являются предпосылками формирования лояльности. Разработаны рекомендации по пересмотру маркетинговых стратегий косметологических брендов с акцентом на стратегиях брендинга.

Ключевые слова: «корейская волна»; капитал бренда; эмоция к бренду; доверие к бренду; потребительская лояльность; косметологический бренд.

Introduction. Hallyu, or the Korean wave, refers to the popularity of Korean popular culture in other Asian countries (Ryoo, 2009). We attempt to use both Korean wave and Hallyu interchangeably throughout this paper. Korean wave was initiated in the early 1990s with the export of Korean TV dramas to China, later spread to other East Asian countries, including Japan, Taiwan, Hong Kong, Vietnam and Thailand (Huat, 2012). Popularity of Korean wave took off to a new level as Korean popular music, K-Pop gains rapid popularity in East Asia (Jang and Paik, 2012), leading to the formation of "shin-hallyu" (new Korean wave) (Jung, 2011; Park, 2011). This second generation of the Korean wave was led by a youth movement, with K-pop idols such as Girl's generation, Big Bang and TVXQ (Jung and Hirata, 2012). Korean wave functions as a medium to connect global consumers with Korean culture and products enhancing positive image of country origin for Korean products. Thus, the Korean wave provides direct benefits to Korean economy by facilitating the export of Korean cultural products, including movies and music, while providing indirect benefits with the enhancement of country image. Korean drama and K-pop are considered to be the critical factors in enhancing the image of Korean products of various cosmetic, food, and fashion brands globally; particularly, among Chinese consumers.

Rising recognition of the Korean wave among Chinese consumers may evoke favorable images for Korean brand products in Chinese consumers' perception, which may result in higher demand for Korean products at Chinese market (Korean Herald, 2013). The impact of the Korean wave also spreads to establishment of trust and affection in Korean brands as Chinese consumers develop affection toward some Korean actors and singers which may increase their affection and trust towards Korean brands, and their purchase intention for Korean products. It is important for Korean brand marketers to evaluate the relationship between the Korean wave and consumption, which may provide guideline on how to leverage the Korean wave in building consumers' brand equity for Korean products. The purpose of this study is to assess the impact of the Korean wave manifested through Korean drama, K-pop, on Chinese consumers' behavioral intention towards Korean brands by emphasizing the role of mediating effect of brand equity development process (i.e., brand trust, brand affect).

Theoretical background and hypothesis development.

1. Effect of Hallyu on brand trust and brand affect. The collapse of Korean economic in 1998 had its impact not only on country image, but also on the products made in Korea. The Korean wave was then initiated by the government with the intention to uplift economic conditions and reposition the image of the country so that Korea could better gain trust of international consumers by strategically aiming at promoting and showcasing creative production related to cultural aspects (Lee et al., 2015). Hallyu appears to have positive effects on international consumer perception of Korea's country image, Korean products and their purchase intentions (Shin,

2004). As the Korean wave expands, the popularity increases domestically and internationally. People across the globe are now more often consuming Korean goods (Samsung smartphone) and adopting its culture (K-pop), widely than ever before. Consequently, various industries of Korea have been able to expand in terms of market size and profitability, and with the Hallyu the success is seen in various other sectors such as food and services, IT, cosmetics and fashion. Particularly, Korean dramas and K-Pop music are considered to be the most representative drivers of Hallyu, and global consumers' preference for Korean brand products may increase as their preference for Hallyu increases. Thus, Hallyu may have emerged as an important cue affecting global consumers' purchase decision-making.

H1: Korea wave via (a) Korean drama and (b) K-pop positively influences the trust in Korean brands.

H2: Korea wave via (a) Korean drama and (b) K-pop positively leads to affection with Korean brands.

2. Effect of brand trust on purchase loyalty and attitudinal loyalty. The effect of brand trust has gained attention in marketing literature as it is a critical factor connecting consumers with brands. Brand loyalty is considered to be related to brand trust when consumers continue to purchase the same brand as they trust its quality, and the value generated. When trust is gained, consumers will continue to believe with high confidence in product and service quality promised by suppliers (Agustin and Singh, 2005). Trust is the source of loyalty for both attitude and purchase. S. Fournier (1998) concluded that purchase loyalty represents consumer willingness to repurchase, while attitudinal loyalty implies the extent of consumer commitment to a particular brand. Brand trust, on the other hand, facilitates exchange between consumers and brand, resulting in brand loyalty (Morgan and Hunt, 1994). Thus, brand trust appears to have important effect on brand loyalty, including both purchase loyalty and attitudinal loyalty.

H3: Brand trust has a positive relationship with (a) purchase loyalty, (b) attitudinal loyalty.

3. Effect of brand affect on purchase loyalty and attitudinal loyalty. G.T. Gundlach et al. (1995) stated that consumers' positive feeling about a particular brand create affection reinforcing consumer purchase decision choice, which in a long term transform into brand loyalty. Consumer brand loyalty strengthens when there is positive emotional environment or affection, and consumer commitment for a brand reflects the extent of positive feelings which consumers have towards a brand. Thus, positive feelings and attitude to a brand may be closely related to brand loyalty, including purchase loyalty and attitudinal loyalty.

H4: Brand affect has a positive relationship with (a) purchase loyalty, (b) attitudinal loyalty.

4. Effect of Hallyu on purchase loyalty and attitudinal loyalty. Number of previous studies focused on understanding the indirect effects from Korean wave on international consumer behavioral intentions. For instance, J.J. Lee (2016) finds that the intention to visit Korea as a tourist destination is often indirectly influenced by mass media; J.H. Bae and J.H. Kim (2008) suggest that purchasing intention regarding Korean brand of international consumers may be positively mediated by the image and the attitude to Korean product. J.Y. Li and Lee J.H. (2014) report that the

Korean wave including TV shows, drama, movies, and music is found to have significantly positive effects on Korean product purchase intentions.

H5: Korea wave via (a) Korean drama and (b) K-pop has a positive effect on purchasing loyalty.

H6: Korea wave via (a) Korean drama and (b) K-pop has a positive effect on attitudinal loyalty.

Research methodology.

1. Measurement. Figure 1 shows the conceptual model of the relationship between the Korean wave and Chinese consumers' brand equity. The model has three dimensions – Korean Wave, Brand Equity & Behavioral Intention. Each dimension has two constructs with 3 to 6 items. Items in the model were chosen based on the previous studies (Table 1).

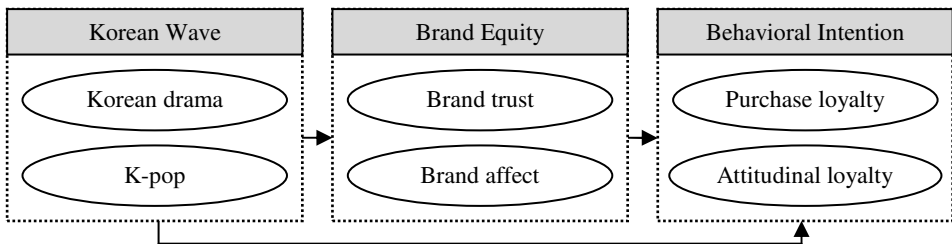


Figure 1. **Conceptual model of the Korean wave on Chinese consumers' brand preference, authors'**

Table 1. **Scales of measurement used**

Data	Scale of measurement
Korea drama	Suh (2003), Lutz (1975), Jin (2010), Jang (2005)
K-pop	Seri (2012), Jin (2010), Jang (2008)
Brand trust	Dony and Cannon (1997), Chaudhuri and Holbrook (2001), Choi (2008), Jun (2004)
Brand affect	Chaudhuri and Holbrook (2001), Keller (2002), Lee (2012a), Lee (2012b)
Purchase loyalty	Chaudhuri and Holbrook (2001), Jin (2007), Engel and Blackwell (1982)
Attitudinal loyalty	Zeithaml (1988), Chaudhuri and Holbrook (2001), Woo (2007)

2. Sample and data collection. This study attempts to evaluate the effects from the Hallyu on Chinese consumers' brand preference for Korean cosmetics brands. Chinese visitors to Korea who are familiar with Hallyu and Korean cosmetic brands are selected as the respondents for our sample. The survey questionnaire was developed originally in Chinese language and distributed to the participants in major districts around Seoul where they frequently visit. The survey consists of 28 items in total measured on the seven-Likert scale, representing 6 proposed constructs. In total, 225 usable sample data was collected. Among the respondents, 74.6% were in their twenties representing the Y generation, and 25.4% were in their thirties and above. The sample comprised of 84% of females, and 16% of males. Additionally, in terms of socioeconomic status, 54.7% were students, 28.4% were working women who tend to be highly interested in esthetics and cosmetics, and 13.3% were housewives.

Analysis and results.

1. Construct reliability and validity. Exploratory factor analysis (EFA) was used to test for factorial validity of the construct, and the items with the factor loading score exhibiting lower than the standard criteria of 0.06 were removed (Hair et al., 2009). 10 items were retained for the first two constructs (Korean drama (KD) and K-pop (KP)); 12 items were retained for the second dimension (brand trust (BT) and brand affect (BA)); 6 items were retained for the third dimension (purchase loyalty (PL) and attitudinal loyalty (AL)) in the proposed model (Figure 1). Cronbach's alpha reliability coefficient estimates show that all 6 constructs in the model had high degree of reliability with the values above 0.9. Convergent validity was assessed with the standardized factor loadings for each item and average variance extracted (AVE) of all the constructs ranged from 0.72 to 0.83, thus exceeding the recommended 0.5 threshold (Table 2).

Table 2. Reliability and validity tests, authors'

Constructs	Indicator	Loading	Cronbach- α	C.R	AVE
Korean drama	KD1	0.93	0.94	0.96	0.81
	KD2	0.92			
	KD3	0.91			
	KD4	0.90			
	KD5	0.82			
K-pop	KP1	0.88	0.92	0.94	0.76
	KP2	0.88			
	KP3	0.92			
	KP4	0.87			
	KP5	0.81			
Brand trust	BT1	0.86	0.95	0.94	0.72
	BT2	0.85			
	BT3	0.81			
	BT4	0.85			
	BT5	0.89			
	BT6	0.85			
Brand affect	BA1	0.90	0.94	0.95	0.77
	BA2	0.90			
	BA3	0.89			
	BA4	0.83			
	BA5	0.85			
	BA6	0.88			
Purchase loyalty	PL1	0.90	0.93	0.93	0.82
	PL2	0.92			
	PL3	0.90			
Attitudinal loyalty	AL1	0.88	0.93	0.93	0.83
	AL2	0.91			
	AL3	0.93			

2. Hypothesis results. Structural equation modeling (SEM) was applied allowing all the proposed hypotheses be examined at once. The goodness-of-fit statistics of the proposed model shows that the model reasonably fit the data collected suggesting an

appropriate research model in this particular study (goodness-of-fit: $\chi^2_{270} = 407.666$, $p < 0.001$; GFI = 0.86; NFI = 0.93; CFI = 0.95; IFI = 0.95; TLI = 0.95; NFI = 0.91; RMSEA = 0.08). Structural results of the hypothesized relationships with standardized path coefficients presented in Table 3 demonstrate that the relationships between Korean wave and brand equity development process were found to be statistically significant. The proposed hypotheses for the effect of KD & KP on BT & BA – H1a, H1b, H2a, H2b were supported with a significant estimate ($\beta = .11$; $\beta = .12$; $\beta = .13$, $p < 0.05$). The proposed hypotheses for the effect of BT & BA on PL & AL were found to be positively significant ($\beta = .37$, $p < 0.05$; $\beta = .69$, $p < 0.001$), ($\beta = .67$, $p < 0.001$, $\beta = .35$, $p < 0.01$), thus supporting H3a, H3b, H4a, and H4b. However, the relationships between Korean wave (KD & KP) and behavioral intentions (PL & AL) were found to be statistically insignificant. Thus, H5a, H5b, H6a, and H6b are not supported.

Table 3. Empirical results for the hypotheses, authors'

Relationship between the constructs	Coefficient	t-value
Hypothesis 1a: Korean drama → brand trust	0.122	2.183*
Hypothesis 1b: Korean drama → brand affect	0.123	2.204*
Hypothesis 2a: K-pop → brand trust	0.125	2.207*
Hypothesis 2b: K-pop → brand affect	0.126	2.229*
Hypothesis 3a: brand trust → purchase loyalty	0.369	2.233*
Hypothesis 3b: brand trust → attitudinal loyalty	0.690	5.105***
Hypothesis 4a: brand affect → purchase loyalty	0.665	3.997***
Hypothesis 4b: brand affect → attitudinal loyalty	0.345	2.615**
Hypothesis 5a: Korean drama → purchase loyalty	0.100	1.355
Hypothesis 5b: Korean drama → attitudinal loyalty	-0.009	-.157
Hypothesis 6a: K-pop → purchase loyalty	0.033	.446
Hypothesis 6b: K-pop → attitudinal loyalty	0.089	.1493

Discussion. This study has examined the importance of the Korean wave in developing Chinese consumers' brand loyalty towards Korean cosmetic brand products by empirically testing the relationship between the Korean wave constructs and the brand equity constructs. The findings of our study reveal that Chinese consumers' favorable perception of the Korean wave (KD & KP) positively affect brand attitude (BT & BA) towards Korean cosmetic brand products, thus contributing to the development of brand loyalty (PL & AL). Thus, the Korean wave is found to be an important antecedent for brand equity development process of Chinese consumers for Korean cosmetic brands. Furthermore, consumer brand trust and brand affect are found to be important constructs affecting consumer purchase and attitudinal loyalty, as it was once proposed by K.L. Keller and D.A. Aaker. In other words, Chinese consumer trust in Korean cosmetic brands leads to repeated purchase, resulting in purchase loyalty.

Conclusion and implications. The brand equity process (i.e., brand trust, brand affect) is considered to be a critical medium for establishing the relationships between Korean wave (as Korean drama, K-pop) and behavioral intentions (as purchase loyalty, attitudinal loyalty). This suggests that Korean brand marketers may need to pay more attention to consumer brand equity process and develop differenti-

ated branding strategies involving the endorsement of Korean wave in promoting cosmetic brands, and some promotional campaigns associated with K-Pop celebrity marketing in order to develop brand trust and brand affection. Lastly, brand trust and brand affection constructs have differential effects on brand loyalty constructs. Brand trust tends to have higher effect on attitudinal loyalty, while brand affect seems to have higher effect on purchase loyalty. Thus, performance and functional aspects of brand need to be emphasized in order to increase purchase intention and brand commitment (seen here as attitudinal loyalty), while emotional aspects of a brand need to be elaborated effectively in order to ensure repurchases (seen here as purchase loyalty).

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