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Exploratory Behavior and Risk Taking

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CULTURE'S INFLUENCE ON CONSUMERS: EXPLORATORY BEHAVIOR AND RISK
TAKING

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CULTURE'S INFLUENCE ON CONSUMERS: EXPLORATORY BEHAVIOR AND RISK TAKING

Abstract

This theoretical paper addresses the influence of culture on risk taking and exploratory behavior. The cultural dimensions of long-term orientation, power distance, uncertainty avoidance, collectivism, and masculinity (Hofstede, 1984, 2001) are hypothesized to influence risk-taking behavior in general, and, through it, exploratory consumption behavior, risk taking, and risk attitudes and perception towards specific products. We also propose an empirical study to test the emergent model.

Keywords: Culture; Risk taking; Exploratory Behavior

Introduction

The social sciences (e.g., anthropology, sociology, and psychology) have long acknowledged the influence of culture on human behavior. Similarly, marketing scholars have also started studying the impact of culture on consumption. The standardization versus customization debate has dominated international marketing research over the last 40 years. The argument that consumers are converging (Levitt, 1983) gathered support among theorists (Ohmae, 1989; Yip, 1989). The extent to which consumers differ cross-culturally has recently become a popular theoretical research topic (Clark, 1990; Costa and Bamossy, 1995; Douglas and Craig, 1997; McCracken, 1986; McCort and Malhotra, 1993; Manrai and Manrai, 1996; Parker and Tavassoli, 2000; Steenkamp, 2001; Wills, Samli, and Jacobs, 1991). In parallel, numerous cross-cultural empirical studies have been reported (Alden, Hoyer, and Lee, 1993; Dawar and Parker, 1994; Lee and Green, 1990; Steenkamp, ter Hofstede, and Wedel, 1999).

Culture can be incorporated into international research using different perspectives, two of which appear to have dominated the literature. First, replications in different nations assume that consumer behavior theories/models can be tested for universality cross-culturally. Such studies enrich theories/models by assessing their boundary conditions in diverse environments. Yet, such inductive replications are not a systematic approach to the study of culture because they are context-specific. An alternative deductive perspective consists of identifying culture-dependent consumer behaviors first. These include general culture-dependent behaviors of interest to marketers, influencing multiple stages of consumer decision-making, in a wide variety of situations for many products. We follow a deductive approach and assess the general impact of culture on risk-taking and exploratory behavior.

Exploratory Behavior, Risk-Taking, and Culture

Bauer (1960, p. 389) proposed that consumer behavior could be viewed as “an instance of risk taking” since “many of the phenomena with which we habitually deal have a

strong bearing on the problem of risk taking:...brand loyalty; added value of advertising, personal influence, group influence, and impulse buying". Thus, the concept of risk has been widely studied in marketing (Cunningham, 1967; Dowling, 1986; Hoover, Green, and Saegert, 1978; Gemunden, 1985; Mitchell, 1992; Stone and Gronhaug, 1993; Verhage, Yavas, and Green, 1990). The relevance of culture for studies of risk-taking and exploratory behavior is warranted by the fact that culture frameworks identified risk a distinguishing facet of cultures. Hofstede (1980) and Steenkamp (2001) included Uncertainty Avoidance in their cultural frameworks and Clark (1990) proposed people's relation to risk as a characterizing consumer dimension in his framework for the assessment of national character.

The related concept of exploratory behavior has been conceptualized with seven dimensions: repetitive behavior proneness; innovativeness; risk-taking; exploration through shopping; interpersonal communication; brand switching; and information seeking (Raju 1980). While problems inherent in Hofstede's classification (2001) have been noted (Baumgartner and Steenkamp, 1996; Joachimsthaler and Lastovicka, 1984), it provides a comprehensive conceptualization of exploratory behavior. Studying risk-taking *and* exploratory behavior provides a dual-perspective examination of risk. Most studies have viewed risk as negative and have assessed perceived risk of buying specific products/services and handling of such risk in terms of risk-reducing strategies. The focus has been on whether and how much consumers perceive risk in buying or consuming decisions and how they dealt with risk using risk relievers. Notably, by definition, risk presupposes negative *or* positive unexpected consequences. The latter accounts for consumers' acceptance of and seeking for risk, uncertainty, and variety in their decisions. The concept of exploratory behavior includes both perspectives of risk-taking behavior: avoidance and search of risk.

Exploratory behavior is related to Optimum Stimulation Level (OSL; Joachimsthaler and Lastovicka, 1984; Steenkamp and Baumgartner, 1992). OSL originated in psychology

and refers to individuals' preferred level of environmental stimulation (i.e., novelty, ambiguity, and complexity). Individuals could be motivated by a need to increase *or* decrease their environment's stimulation level (Raju, 1980). Culture should influence exploratory and risk-taking behavior directly *and* through OSL. Specifically, cultural dimensions should affect consumers' OSL, risk-taking, exploratory behavior, and risk attitudes.

Hofstede (1980; 2001) presents differences between opposite poles of his five cultural dimensions, which should result in different attitudes in terms of risk-taking, exploratory behavior, and perceived risk. Our discussion is based on Hofstede (1984, 1991, 2001), Hofstede and Bond (1984), and Rose, Kahle, and Shoham's discussion of cultural dimensions and personal values (2000).

Uncertainty Avoidance. Hofstede (1991, p. 113) defined uncertainty avoidance as "the extent to which the members of a culture feel threatened by uncertain or unknown situations." Compared to high uncertainty avoidance cultures, low uncertainty avoidance cultures are characterized by "more risk-taking" (Hofstede, 1984, p. 132); "openness to change and innovations"; and "willingness to take unknown risks" (Hofstede, 2001, pp. 160-1); "what is different, is curious" attitude (Hofstede, 1991, p. 125); and "preference for tasks with uncertain outcomes and calculated risks" (Hofstede, 2001, p. 169). Brand loyalty (closely related to the repetitive behavior proneness and brand switching dimensions of exploratory behavior [Raju, 1980]) should be higher in uncertainty avoiding cultures (Milner, Fodness and Speece, 1993). Empirically, uncertainty avoidance, a dimension of exploratory behavior, affects innovativeness negatively (Lynn and Gelb, 1996; Steenkamp, ter Hofstede and Wedel, 1999, Yaveroglu and Donthu, 2002). On the other hand, high uncertainty avoidance should be associated with risk aversion (Nakata and Sivakumar, 1996). Higher perceived risk was experienced by consumers of services from high uncertainty avoidance cultures (Mitchell and Vassos, 1997; Birgelen et. al., 2002).

Thus it is expected that uncertainty avoidance will be negatively related to OSL and to exploratory behavior. It should be related positively with perceived risk.

Individualism/Collectivism. In individualistic societies, “the ties between individuals are loose” (Hofstede, 1991, p. 51), and people “prefer to act as individuals rather than as members of a group” (Steenkamp, ter Hofstede, and Wedel, 1999, p. 59). Thus, in individualistic societies, “individualism is an important personality characteristic” and there is less conformity (Hofstede, 2001, p. 236). Autonomy, variety, and individual initiatives are encouraged compared to collectivist societies, in which “individual initiative is socially frowned upon” (Hofstede, 1984, p. 166; Rose, 1997; Schwartz, 1992; Triandis, 1989).

In terms of consumer behavior, individualism increases customer loyalty in collectivistic cultures and enhances sales of pleasure products/services in individualistic societies (Milner, Fodness, and Speece, 1993). Similarly, high individualism suggests “a bias toward the pursuit of novelty, variety, and pleasure” (Kale, 1994, p. 44). Moreover, individualistic affects innovativeness positively (Betsy and Gelb, 1996; Birgelen et. al., 2002; Steenkamp, ter Hofstede, and Wedel, 1999; Yaveroglu and Donthu, 2002).

In sum, collectivism should be negatively related to OSL and to exploratory behavior. It should be related positively to perceived risk.

Masculinity/Femininity. Masculine and feminine cultures emphasize assertiveness and nurturance, respectively. Masculine countries present a “belief in individual decisions” (Hofstede, 2001, p. 298) and encourage competitiveness, advancement, and challenges. Masculinity affects innovativeness positively (Steenkamp, ter Hofstede, and Wedel, 1999) whereas consumers’ loyalty, related to Raju’s exploratory behavior (1980), is stronger in feminine cultures (Crotts and Erdman, 2000).

Consequently, femininity is expected to be negatively related to OSL and to exploratory behavior. It should impact perceived risk positively.

Power Distance. Power distance is defined as “the extent to which the less powerful members of institutions and organizations within a country expect and accept that power is distributed unequally” (Hofstede, 1991, p. 28). Large power distance societies emphasize equality and conformity in lieu of independence and freedom (Hofstede, 1984; 2001). They show “greater reliance on centralization and formalization of authority and greater tolerance for the lack of autonomy” (Yaveroglu and Donthu, 2002, p. 55). The coefficient of innovation was found to be negatively related to power distance (Yaveroglu and Donthu, 2002).

Such arguments and findings lead to an expected negative relationship between power distance and OSL and exploratory behavior. They suggest a positive relationship between power distance and perceived risk

Long-Term Orientation. Long-term orientation “stands for the fostering of virtues oriented towards future rewards, in particular perseverance and thrift” (Hofstede, 2001, p. 359). This dimension was a late addition to Hofstede’s initial four, uncovered by Bond and colleagues (1987). It was interpreted as representing a range of Confucian-like values and termed Confucian dynamism. Hofstede (1991) later proposed the long- versus short-term designation as more adequate for this dimension.

In long-term orientation cultures, frugality and perseverance are preferred virtues and deferred gratification of needs is accepted and encouraged. Long term oriented societies “look into the future, and they are risk averse” (Yaveroglu and Donthu, 2002, p. 57).

Applied to our context, long-term orientation of a country should lead to lower OSL and exploratory behavior. It should increase risk perceptions.

Summary of the five dimensions. Figure 1 and Table 1 highlight the relationships between cultural dimensions, risk-taking, exploratory behavior, and risk perceptions. The nomological model of risk-taking and exploratory behavior follows Raju’s conceptualization (1980). Formally, in line with the above review, the following hypotheses are proposed:

H1: Cultural values will be related with OSL, such that:

- H1.1: Long-term orientation will be negatively related to OSL.
- H1.2: Power distance will be negatively related to OSL.
- H1.3: Uncertainty avoidance will be negatively related to OSL.
- H1.4: Collectivism will be negatively related to OSL.
- H1.5: Masculinity will be positively related to OSL.

H2: Cultural values will be related with exploratory behavior and risk-taking, such that:

- H2.1: Long-term orientation will be negatively related to exploratory behavior.
- H2.2: Power distance will be negatively related to exploratory behavior.
- H2.4: Uncertainty avoidance will be negatively related to exploratory behavior.
- H2.5: Collectivism will be negatively related to exploratory behavior.
- H2.5: Masculinity will be positively related to exploratory behavior.

H3: Cultural values will be related with perceived risk levels, such that:

- H3.1: Long-term orientation will be positively related to perceived risk.
- H3.2: Power distance will be positively related perceived risk.
- H3.4: Uncertainty avoidance will be positively related to perceived risk.
- H3.5: Collectivism will be positively related to perceived risk.
- H3.5: Masculinity will be negatively related to perceived risk.

[Insert Figure 1 and Table 1 about Here]

Our review also suggests that OSL, risk-taking, and exploratory behavior are related. Thus:

H4: Consumers displaying higher levels of OSL will display higher levels of exploratory behavior and risk-taking.

H5: Consumers with higher risk-taking and exploratory behavior will display lower levels of perceived risk towards specific products.

Proposed Empirical Study

Sampling for cross-cultural studies is a difficult task. The first complicating factor is the selection of cultures. The second problem is one of sampling within those cultures. Our selection process follows Malhotra et al. (1996, p. 25), according to whom “the selection of cultures to be included should be based on the theoretical or applied objectives of the study”. Consequently, we searched for cultures maximally different on the five cultural dimensions.

Accordingly, Portugal and the UK were selected. Table 2 contrasts the positions of the two countries in terms of scores and rank on the five dimensions. We acknowledge the limitation of equating culture and country, given the limitations of political boundaries to

capture the complexity of the concept of culture (Sheth and Seth, 1977). Yet, nationality is often used as a proxy for culture (Clark 1990) and we will follow this approach as well.

[Insert Table 2 about Here]

The second concern is the choice of sampling within the chosen countries. Given the importance of segmentation in marketing studies, it seems more appropriate to match samples on relevant segmentation criteria than to have samples representative of the overall population (Dawar and Parker, 1994). The importance of samples' equivalence in terms of socio-economic characteristics has also been acknowledged (Zuckerman, 1994; Malhotra et al, 1996). Therefore, we believe that using samples of students is a good solution, provided that the product context used is applicable to such samples. Using such samples allows for the necessary control of all variables other than culture.

A questionnaire was developed and applied in Portugal and in the UK. Risk-taking, exploratory behavior, optimum stimulation level, and perceived risk were measured using multi-item scales from previous studies. These scales have been used before and their reliability and validity has been established. Purchasing of student-relevant laptops and cars were selected to test our model. We shall present initial findings from this study at the conference.

Conclusion

Risk-taking constitutes an important dimension of consumer behavior that can add to our understanding of consumer behavior in a broad range of products and situations. Studying the influence of culture on risk should provide an insightful contribution to international marketing and cross-cultural consumer behavior.

Figure 1
A Conceptual Framework of Cultural Dimensions, OSL, Risk-Taking, Exploratory Behavior,
and Risk Attitudes

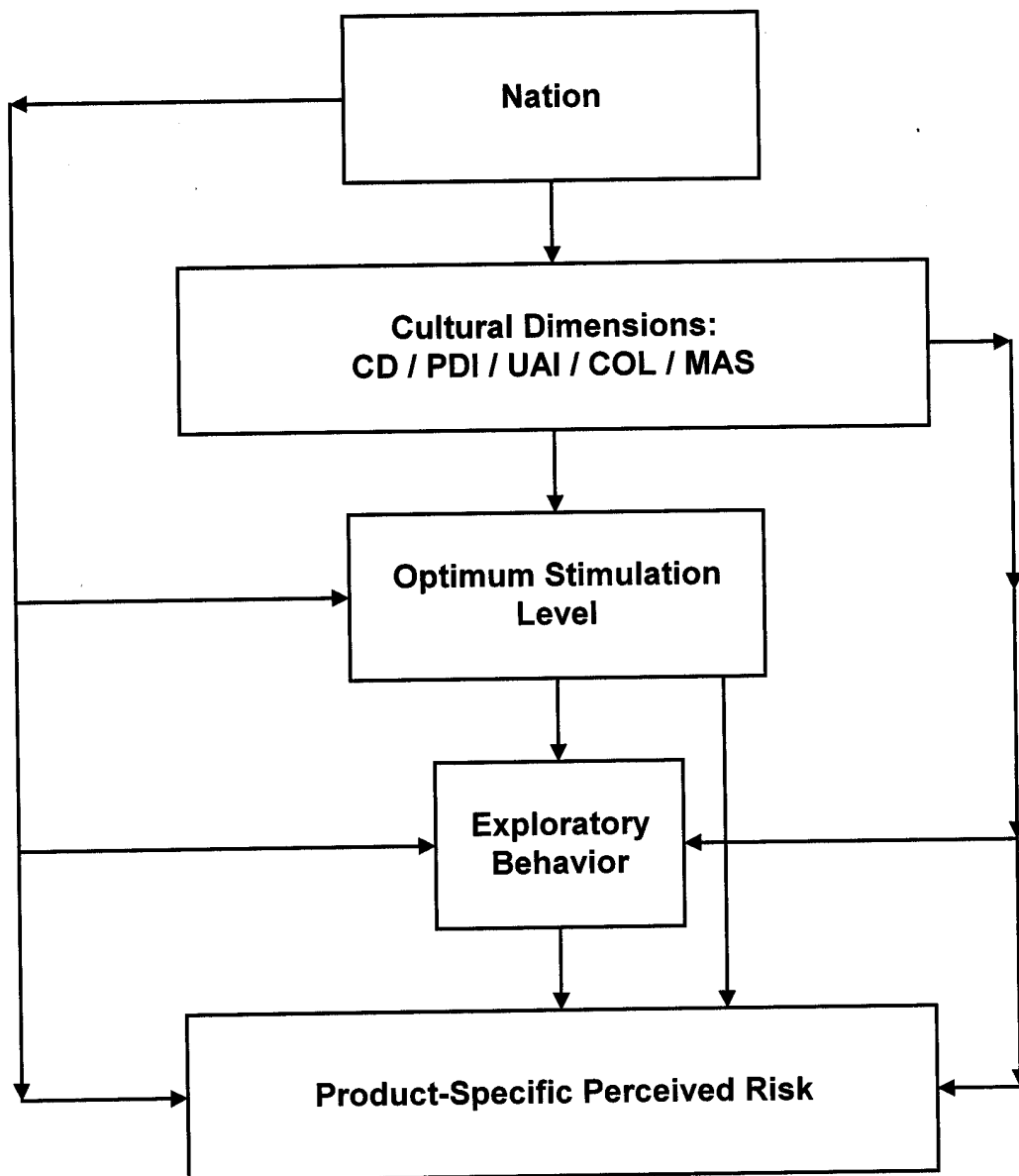


Table 1
Hypothesized relations between Uncertainty Avoidance and risk-taking and exploratory behavior dimensions

Risk-taking and Exploratory Behavior Dimension	OSL	Long-Term Orientation	Power Distance	Uncertainty Avoidance	Individualism	Masculinity
Repetitive behavior proneness	-	+	+	+	-	-
Innovativeness	+	-	-	-	+	+
Risk-taking	+	-	-	-	+	+
Exploration through shopping	+	-	-	-	+	+
Interpersonal communication	-	+	+	+	-	-
Brand switching	+	-	-	-	+	+
Information seeking	-	+	+	+	-	-

Table 2

Comparison of Portugal and the UK: Cultural Dimensions Scores/Ranks (Hofstede 2001)

Country	Uncertainty Avoidance Score (Rank)*	Power Distance Score (Rank)*	Masculinity Score (Rank)*	Individualism Score (Rank)*	Long-Term Orientation Score (Rank)**
Portugal	104 (2)	63 (24/25)	31 (45)	27 (33/35)	65 (6) ***
UK	35 (47/48)	35 (42/44)	66 (9/10)	89 (3)	25 (18)

* based on a total of 50 countries and 3 regions

** based on 23 countries

*** Values for Brazil

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