2007 AMA Educators’ Proceedings

Enhancing Knowledge Development in Marketing

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Preface and Acknowledgments

We are pleased to welcome you to the 2007 AMA Summer Marketing Educators’ Conference! We have a very exciting program around the theme “Technology, Marketing, Consumers, and Society,” designed to encourage thinking, research, and managerial insights into the effects of technology on business, consumers, and society. In addition to the usual sessions on cutting-edge research, two Mplanet sessions (one on ethics), and three preconference programs, this year’s conference features five sessions under the new Career and Professional Development Track that address how to deal with the diverse demands of an academic career.

Organizing a conference with 80 sessions, featuring participants from all over the world, is a challenging task, and many people assisted with this process. We thank the people who submitted papers and who developed special sessions. This year, we received a record number of competitive paper submissions. We also acknowledge the hundreds of individuals who reviewed the papers and helped shape the program. In addition, the presenters, discussants, and session chairs involved in the competitive and special sessions were essential to the conference’s smooth execution. The SIGs assumed an active role in developing sessions. Finally, we recognize the efforts of Jack Nevin and his “Blue Ribbon Panel” from the University of Wisconsin, which selected the Best Paper Awards for the conference.

Anyone who has worked closely with an AMA Educators’ Conference knows that the behind-the-scenes efforts of the track chairs make a conference successful. The track chairs did a wonderful job encouraging submissions, coordinating the review process, and developing the sessions. We thank them for their tireless efforts. By track, these people are as follows:

- **Career and Professional Development**
  - Greg Gundlach, University of North Florida
  - Sandy Jap, Emory University
- **Global and Cross-Cultural Marketing**
  - Gary Bamossy, Georgetown University
  - Xin Zhao, University of Hawaii
- **Sales and Sales Management**
  - Artur Baldauf, University of Bern
  - Gary Hunter, Florida International University
- **Public Policy and Ethical Issues**
  - Jay Handelman, Queen’s University
  - Jim Burroughs, University of Virginia
  - Nancy Wong, Georgia Institute of Technology
- **Services Marketing**
  - Yany Gregoire, Washington State University, Pullman
  - David Sprott, Washington State University, Pullman
- **Marketing Communications and Branding**
  - Christine Page, Skidmore College
  - Maria Cronley, Miami University
- **Marketing Strategy**
  - Alan Malter, University of Chicago at Illinois
  - Jelena Spanjol, University of Chicago at Illinois
- **New Product Development**
  - Mark Houston, Texas Christian University
  - Michael Barone, University of Louisville
- **Retailing and Pricing**
  - Gary Geissler, University of Arkansas, Little Rock
- **Marketing Education and Teaching Innovation**
  - Stephen Kim, Iowa State University
  - David Gilliland, Colorado State University
- **Channels of Distribution**
  - James Simpson, University of Alabama, Huntsville
  - Brent Wren, University of Alabama, Huntsville
- **E-Commerce and Technology**
  - Lan Nguyen Chaplin, University of Illinois at Urbana-Champaign
  - Sonia Monga, University of Texas at San Antonio

We sincerely thank Bill Cron, the AMA Academic Council president, for asking us to chair the conference and for his encouragement and support. We also acknowledge the previous conference chairs, Dhruv Grewal, Michael Levy, and R. Krishnan, for their help and insights. The AMA staff also deserves special recognition: Clara Nelson, Chris Leporini, Lynn Brown, Francesca V. Cooley, and Pat Goodrich. We were honored to serve as cochairs for the conference and coeditors of the proceedings. We hope that you enjoy the conference and the proceedings, and we would welcome your feedback.

Jakki Mohr  
University of Montana

Robert J. Fisher  
University of Alberta
Best Papers by Track

Overall Winner
Best Paper in Conference
“The Broad Embrace of Luxury: Luxury Brand Positioning and Brand Extension Evaluations”
Henrik Hagtvedt, University of Georgia
Vanessa M. Patrick, University of Georgia

Marketing Strategy
Sangphet Hanvanich, HW International Funds
K. Sivakumar, Lehigh University
Subroto Roy, University of New Haven

New Product Development, Product Management, and Entrepreneurship
Nikolaus Franke, Vienna University of Economics and Business Administration
Christoph J. Steger, Vienna University of Economics and Business Administration

Marketing Research
“Omitted Latent Biasing Factors: Analytical Foundations”
Gary K. Hunter, Florida International University

Interorganizational Issues
“Thin Slice Judgment and Relationship Marketing: An Anchoring and Updating Perspective”
Vijaykumar Krishnan, University of Cincinnati
Robert W. Palmatier, University of Cincinnati

E-Business and Technology
“Fix It or Leave It: Customers’ Expectation, Intention, and Reactions in Technology-Based Self-Service Failure and Recovery”
Zhen Zhu, Babson College
Cheryl Nakata, University of Illinois at Chicago
K. Sivakumar, Lehigh University
Dhruv Grewal, Babson College

Services Marketing
“Examining the Roles of Customer-Staff Proximity in Service Recovery Evaluations: Emotion Coping and Expectations/Perceptions Moderating”
Kimmy Wa Chan, University of Hong Kong
Chi Kin (Bennett) Yim, University of Hong Kong
David K. Tse, University of Hong Kong

Consumer Behavior
“The Broad Embrace of Luxury: Luxury Brand Positioning and Brand Extension Evaluations”
Henrik Hagtvedt, University of Georgia
Vanessa M. Patrick, University of Georgia

Marketing Communications and Branding
“Gender and New Brand Name Response”
Richard R. Klink, Loyola College

Sales and Sales Management
“The Sociocognitive Determinants of Account Manager Performance”
Gabriel R. Gonzalez, Arizona State University
Dimitri Kapelianis, Emory University
Beth A. Walker, Arizona State University
Michael D. Hutt, Arizona State University

Retailing and Pricing
“The Impact of Physical Distance on Price Discount Perceptions”
Keith S. Coulter, Clark University
Patricia Norberg, Quinnipiac University

Public Policy and Ethical Issues
“Can Brands Do Harm? Antecedents to and Consequences of Adolescents’ Perceived Brand Stress”
Hans H. Bauer, University of Mannheim
Nicola E. Stokburger-Sauer, University of Mannheim
Carmen-Maria Albrecht, University of Mannheim

Marketing Education and Teaching Innovation
“Curriculum Innovation: Toward Real-World-Based Learning”
Richard H. Kolbe, Kent State University
Annie Peng Cui, Kent State University
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THE INTENTIONS OF CHINESE STUDENTS CONCERNING ENROLLMENT IN AN OFFSHORE EDUCATION PROGRAM IN P.R. CHINA

Jianyao Li, University of Western Australia, Australia  
Dick Mizerski, University of Western Australia, Australia  
Fang Liu, University of Western Australia, Australia

SUMMARY

Offshore programs have become increasingly popular in countries that are experiencing rapid economic growth and rising demand for higher education. There is no doubt that China is one of the largest markets for offshore programs. However, the offshore program market in China has become increasingly competitive. Currently, institutions from the USA, the U.K., and Australia, to name just a few, are offering offshore programs ranging from the professional diploma level to higher degrees such as MA, MBA, and Ph.D. Understanding how students select an offshore program is important for competing and surviving in the marketplace.

This study examines Chinese students’ enrollment intentions toward offshore programs from Australia, the U.K. and the USA by adopting Ajzen’s Theory of Planned Behavior (TPB). TPB has been widely adopted as one of the most powerful tools to test consumers’ behavioral intention. TPB uses three variables to predict behavior intention and they are: attitude toward behavioral intention (AtB), subject norm (SN), and perceived behavior control (PBC). AtB refers to the positive or negative feelings an individual has toward a particular behavior. SN refers to the social pressure an individual has on whether to complete behavior or not. Finally, PBC refers to the perceived ease or difficulty of performing the behavior. This study hypothesizes that AtB, SN, and PBC all have a positive relationship with a potential Chinese student’s enrollment intention toward an offshore program. It also hypothesizes that country plays a moderating role in this TPB model.

This study used a questionnaire survey and adopted a sample of 633 students in China, who were at the level of senior high year three (equivalent to year 12). Among the 633 students, 211 were exposed to an Australian offshore program, 228 were exposed to a U.K. offshore program, and 194 were exposed to a U.S. offshore program. Data analysis started with grouping data into different countries. Confirmative factor analysis was conducted for each group after data had been carefully screened and cleaned. All outliers were identified. An identical model was achieved after confirmative factor analysis.

A multi-group SEM analysis was conducted to test the overall model fit. All ‘goodness of fit’ tests indicated that the model fit the multisampling data. The reliability tests also showed that all constructs (i.e., AtB, SN, PBC, and intention) were highly reliable. A chi-square difference test was also conducted to investigate the equivalence of the discriminatory validity between the model in which the correlations among constructs were freely estimated and the other model in which the correlations among the constructs were pre-determined. The chi-square difference indicated that the two models were not statistically different.

The path coefficients were consistent with all our expectations. Results showed that irrespective of country, AtB, SN, and PBC all had a positive relationship with intention toward enrolling in an offshore program. A further investigation on the three countries found that country had a moderating effect on the relationship between the three predictive variables and enrollment intention. A series of ANOVA tests also found that SN, PBC, and intention were significantly different among the three countries.

It has always been questioned whether a theory (such as TPB) that was conceptualized in the western context (the US context, more specifically) could be applied to other contexts such as the Asian context. Supported by empirical results, this study found that TPB was successfully applied in China to predict potential students’ enrollment intention toward an offshore program. This study had a couple of limitations. One of the limitations was that it did not take China’s regional disparity into account. Future research should include more cities in China to investigate the regional differences. Moreover, the effects of country-of-origin could be explored further. Country-of-origin has been developed into different concepts such as general country image and specific country image (e.g., product-country image) and it remains an interesting pursuit to examine how different country images could influence the three components of TPB as well as the enrolment intention. The current study only looked into the first stage of a potential student’s decision making process (programs based on country) and future study could further explore the decision process, for example, providing students with more information such as the cost of an offshore program. References available upon request.
MAKING MORE FOREIGN OR DOMESTIC FRIENDS: THE SALES IMPACT OF A FIRM’S ALLIANCE PORTFOLIO CULTURAL DIVERSITY AND COUNTRY EXPERIENCE

Ning Li, George Mason University, Fairfax

SUMMARY

Research Hypotheses

This study focuses on studying the impact of the cultural diversity of a firm’s alliance portfolio on firm performance. This portfolio perspective becomes more important as firms increasingly add cross-cultural partners to their alliance portfolios. I hypothesize that the relationship between the cultural diversity of a firm’s alliance portfolio and this firm’s performance is inverse-U shaped. Thus, increases in the cultural diversity of a firm’s alliance portfolio initially generate a net benefit to the firm with diminishing and eventually negative returns at higher levels (Hypothesis 1). In addition to alliance portfolio cultural diversity, a firm’s experience with diverse countries gained through managing international alliances also needs to be considered. I hypothesize that a firm performs better if it has more country experience through managing alliances in more diverse countries (Hypothesis 2). Furthermore, I expect that the positive performance impact of a firm’s alliance portfolio cultural diversity is stronger if this firm has more country experience (Hypothesis 3). Finally, I posit that the performance impact of the cultural diversity of a firm’s alliance portfolio does not decrease over time (Hypothesis 4).

Data and Methods

The principal source of the alliance data is the Security Data Corporation (SDC) strategic alliance database. The firm sales data come from the Compustat data base. This sample covers 2,995 focal firms which formed 8,719 alliances in 48 industries and 146 countries between 1992 and 2004 inclusive. Annual sales are used to measure the focal firm performance.

The Cultural Diversity of a firm’s alliance portfolio is the sum of the cultural distances within all the cross-cultural strategic alliances (CSAs) the firm formed in a year. The Kogut and Singh (1988) index is used to measure cultural distance in a CSA. Culture in this research is measured by both the Hofstede (1980) culture dimensions and those recently developed by House et al. (2004). A firm’s Country Experience is measured by the number of all the previous different countries the firm entered through managing international alliances also needs to be considered. I hypothesize that a firm performs better if it has more country experience through managing alliances in more diverse countries (Hypothesis 2). Furthermore, I expect that the positive performance impact of a firm’s alliance portfolio cultural diversity is stronger if this firm has more country experience (Hypothesis 3). Finally, I posit that the performance impact of the cultural diversity of a firm’s alliance portfolio does not decrease over time (Hypothesis 4).

Results and Discussion

Empirical results of this study support Hypothesis 1, 2, and 3. Interesting, results based on culture measures developed by House et al. (2004) indicate that culture’s impact is stable over time while results based on Hofstede’s (1980) culture dimensions indicate diminishing culture impact. Thus, Hypothesis 4 is partially supported. Given the dearth of prior research on cross-cultural alliance portfolio management, the findings of this study advance our understanding of managing alliance portfolios involving CSAs. Based on the widespread knowledge that cultural distance has a negative impact on alliance performance, managers may not want to add cross-cultural partners to their alliance portfolio. The results of this study point to a different approach and suggest that although cultural distances have negative impact on individual alliances, overall, allying with a diverse range of cross-cultural partners brings benefits to the focal firm. Besides, this study finds that as firms accumulate their experience with different countries, their performance will be improved. This study addresses
the “illusion of linearity” in the literature of cultural distance and finds significant effects of the quadratic term of alliance portfolio cultural diversity and the interaction between the alliance portfolio cultural diversity and the country experience of a firm. It seems it is important to investigate not only whether a firm’s alliance portfolio cultural diversity is a positive or negative influence on firm performance, but also when cultural diversity is a positive or negative influence. References available upon request.

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THE PHENOMENON OF SACHET MARKETING: LESSONS TO BE LEARNED FROM THE PHILIPPINES

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Joseph A. Sy-Changco, University of Macau, Macao

ABSTRACT

Sachet marketing, or the effort to increase market penetration for one’s product by making it available in smaller, more affordable packs, is usually thought of as a tool for penetrating the market at the bottom of the economic pyramid. But is the existence of a large economic underclass the only prerequisite for the successful use of sachet marketing? This paper studies the pervasive and highly successful use of sachet marketing in the Philippines and traces the economic and socio-cultural factors that might have made this market more susceptible than most to this marketing practice. The authors draw the following insights that can guide other organizations looking to employ this same strategy in other markets: critical factors for the successful implementation of a sachet marketing strategy include not just the prevalence of poverty, but the existence of a retail distribution network that can be conveniently accessed by this market, exposure to Western media and the existence of a strong consumer orientation, and finally the availability of technology that can bring down the cost of sachet sizing.

INTRODUCTION

Much has already been written about the business potential of serving even the poorest economic segments of society, because their sheer size creates a huge market potential that is still relatively untapped. C.K. Prahalad (2004) has written about different companies all over the world that have successfully and profitably served this market. Sachet marketing, or the practice of serving up products and services in small, affordable portions and sizes, is widely used in trying to tap this lower-end market, nowhere more successfully than in the Philippines, India, and Indonesia. Seven out of every ten Filipino smokers buy their cigarettes by the stick, rather than by the pack (Javier 2006), and as much as 68 percent of Procter and Gamble’s shampoo business in the Philippines is generated by sachet sales (Ong 2006). The importance of single serve shampoo sachets is even more pronounced in India, where they make up more than 95 percent of industry sales in units, if only 60 percent of sales value (Hammond and Prahalad 2004). Clearly, the sachet has become an important device for reaching the untapped market of the economic underclass. But is the prevalence of poverty the main requisite for successful sachet marketing? These three countries are certainly poor, but there are many other countries that are much poorer, even just within the Asian region (see Table 1).

If poverty were the main reason for the success of sachet marketing, it should have seen much more widespread popularity in countries much poorer than these three: Pakistan or Vietnam, for example.

If the existence of a large economic underclass is not the sole driver of sachet sales, then what factors contribute to the success of sachet marketing as a tool for intensifying sales and market share? What factors make a market more or less susceptible to the practice of “buying less more often?”

This paper seeks to provide some answers to these questions by taking a closer look at the sachet marketing phenomenon in the Philippines. It will provide both a historical perspective and a contemporary snapshot of sachet marketing in the country, and identify where it can some of the lessons and generalizable principles that can be drawn from the Philippine experience.

SURVEY OF LITERATURE

While very little empirical research has been accomplished in the specific area of sachet marketing, we can draw insights from work already done in the field of packaging. Wansink’s study on the effect of package size on consumption (1996) concludes that consumption tends to increase when product issuance is in larger sizes, largely to their awareness that unit cost is lower when the product is purchased in larger packages. Thus, the more relevant relationship is really between cost and consumption, rather than simply package size and consumption. This echoes the findings of the much earlier study by Granger and Billson (1972), which found that consumer migration to larger sizes was greatly accelerated when the lower per-unit cost was clearly indicated. As packaging innovations make product sachets more economical not just in total cost but in per-unit cost as well, all consumers, not just those at the bottom of the economic pyramid, should migrate to sachet sizes.

Rundh (2005) enumerates the different functions of packaging, and discusses how packaging can in fact be used strategically as a source of competitive advantage. Four of the ten functions that he cites are directly served through sachet sizing: (1) to provide consumer conve-
TABLE 1
Gross National Income (GNI) Per Capita, Selected Countries

<table>
<thead>
<tr>
<th>COUNTRY NAME</th>
<th>2004</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>GNI</td>
<td>RANK</td>
</tr>
<tr>
<td>Japan</td>
<td>37,180</td>
<td>7</td>
</tr>
<tr>
<td>China</td>
<td>1,290</td>
<td>105</td>
</tr>
<tr>
<td>Philippines</td>
<td>1,170</td>
<td>110</td>
</tr>
<tr>
<td>Indonesia</td>
<td>1,140</td>
<td>111</td>
</tr>
<tr>
<td>India</td>
<td>620</td>
<td>129</td>
</tr>
<tr>
<td>Pakistan</td>
<td>600</td>
<td>130</td>
</tr>
<tr>
<td>Vietnam</td>
<td>550</td>
<td>135</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>440</td>
<td>140</td>
</tr>
<tr>
<td>Lao PDR</td>
<td>390</td>
<td>144</td>
</tr>
<tr>
<td>Cambodia</td>
<td>320</td>
<td>153</td>
</tr>
</tbody>
</table>

From World Bank Development Indicators 2005.

nience, (2) to contain prices, (3) to promote hygiene and safety, and (4) to be the source of innovation. Garber’s earlier study (1995) already points out the important role that packaging plays in product choice. More recent studies have specifically looked at the question of product size as a strategic tool (Jardine 2006; Lee 2006), and downsizing as a competitive response to supersizing (Dickenson 2005; Packaging Digest 2006; Rigby 2006).

Creusen and Schoormans’ study (2004) points out the role that product appearance, and thus perception, plays on consumer choice, and highlights the importance of considering the affective, and not just the rational aspects of consumer behavior.

Much of the literature on sachet marketing has been anecdotal rather than empirical, and typically discusses sachet marketing as a way for branded products to penetrate the market at the bottom of the pyramid, or BOP (Prahalad 2004). Mahajan and Banga (2006) present their strategies for selling to the poor, and identify many of the strategies that define sachet marketing: filling the just-in-time pantry, allowing smaller payments, combining products to conserve space, streamlining offerings to make them more affordable. They discuss how economies of volume, rather than economies of scale, are more important in sachet marketing, using population density and the geographic concentration of BOP markets to demonstrate how the resulting distribution efficiencies provide economies of volume, if not economies of scale.

THEORETICAL FRAMEWORK

Although sachet marketing has been presented in the literature primarily as a means for reaching the economic underclass and converting them from non-branded to branded product users (Prahalad 2004; Mahajan and Banga 2006), there is really no reason to limit the potential of sachet marketing too such. Drawing from earlier studies that rational consumers were drawn to larger sizes because of the lower per unit costs that they enjoy therefrom (Wansink 1996), it should seem clear that if packaging innovations and distribution efficiencies can bring down the cost of sachet sizing such that per unit costs can now be lower than regular or super sizes, then consumers at all (not just the lowest) economic levels can be drawn to use sachets and increase both market share and total consumption of the product: well-off consumers would purchase sachet sizes because of the lower per-unit cost, and could even increase total consumption level because it is now more affordable than before. Poorer consumers will patronize a branded sachet item because they can now afford the product, benefitting from two different senses of economy: lower total cash outlay required for purchase, and lower per-unit cost.

The two main sources of economy for sachet marketing are typically technological innovations in packaging design (Ramirez 2006) and distribution efficiency (Santos 2006).
Earlier studies have shown that affective factors, as well as packaging utility, play important roles in consumer choice. Economics plays an important but not exclusive role in determining market potential. We must look at socio-cultural factors and the role that they play in the success of sachet marketing. The theory on normative political ideology (Crockett and Wallendorf 2004) may help to explain why even the poorest economic segments of society desire to use branded products which have heretofore been beyond their reach.

Sachet marketing is not just for the BOP market, and the existence of an economic underclass is not the only prerequisite for the successful deployment of this strategy. Conversely, economic factors are not the only determinant of success for sachet marketing. The different factors that could be in play in the successful use of sachet marketing are presented in the diagram below.

SACHET MARKETING DEFINED

The term “sachet marketing” draws its name from the single-use shampoo sachets which are sold for a few cents each in underdeveloped or developing countries. “Sachet marketing” is the process of redesigning, packaging, and selling a product or service in a smaller form, made available at a more affordable price. It does not just focus on the physical product, but on the entire marketing system: from pricing and packaging to delivery, distribution, and usage occasion.

Although product sachets were originally created by manufacturers as a tool for encouraging product trial, today they are used for far more than just product sampling, often times serving as the main modality for product sales, especially for customers at the bottom of the economic pyramid. Sachet marketing is the practice of “thinking small, but in large volumes” (Trendwatchers 2004), as manufacturers and service providers discover that a generous profit can be made from the sheer overall volume of sales generated by selling smaller amounts to a large number of customers.

The term “sachet” is used here in both its literal and figurative sense, referring to smaller issuance sizes of both physical products (e.g., a 12-ml single-use sachet of shampoo versus a 200-ml bottle of the same product), as well as intangible products or services (e.g., 10 minutes’ worth of cellular phone talk time versus 60 minutes’ worth of talk time).

Two senses of “affordability” apply to sachet marketing. Affordability in terms of cost per unit of issue (e.g., a sachet of shampoo would cost less than a bottle of shampoo, regardless of the effective cost per milliliter), and cost per unit of measure (e.g., cost per ml of shampoo in sachet form versus cost per ml of shampoo in a bottle).

MISCONCEPTIONS ABOUT SACHET MARKETING

The two most common misconceptions about customers at the bottom of the economic pyramid are: (1) that they are not concerned about quality, and (2) that no money can be made from selling anything to them.

One should not assume that poor customers do not desire quality products, or that because they are poor they are too concerned with fulfilling basic needs to “waste” money on nonessential goods. In fact, the poor often do buy “luxury” items. In the Mumbai shantytown of Dharavi, 85 percent of households own a television set, 75 percent own a pressure cooker and a mixer, 56 percent own a gas stove, and 21 percent have telephones. Consumers at the bottom of the pyramid are just as brand-conscious as anyone else and just as interested in value (Wood 2006).
They want to possess the aspirational products that they hear or read about in the media.

Another misconception is that the poor have no purchasing power, and therefore do not represent an attractive market. In reality, consumers at the bottom of the pyramid pay much higher prices for most things than middle-class consumers do. Urban slum dwellers in India pay between 4 and 100 times as much for drinking water as middle- and upper-income families. Food also costs 20 percent to 30 percent more in the poorest communities, because they often have to purchase in smaller quantities and cannot enjoy the benefits of bulk purchase (Hammond and Prahalad 2002). Large companies with economies of scale and efficient supply chains can make significant inroads into this market by offering higher quality goods at lower prices, while still maintaining attractive margins. It is cost-efficient to market and deliver products to the poor, because they tend to live in urban areas with high population densities.

The most important misconceptions about sachet marketing are that: (1) items sold by the sachet cost more than items sold in regular packs, and (2) only customers with cash flow limitations would consider buying sachet items because of the poor value that they provide.

While some companies still find themselves unable to cost-effectively sell their products in sachet form, improvements in packaging technology, (in terms of both process and material), and greater efficiencies in product distribution have made it possible for many companies to bring down packaging costs to the point that sachets now often cost less per unit than larger issuance sizes. Many manufacturers now find it cheaper to pack their coffee, shampoo, or liquid soap in a strip of single-use sachets than in a plastic or glass bottle, and their selling prices are reflective of this change in their cost structures. P&G Philippines sells its shampoo at the equivalent of .72 U.S. cents per ml in sachet format, and .77 U.S. cents per ml in regular bottles.

Customers on both ends of the economic spectrum now purchase products in sachet sizes, with sachet market shares for some products rising to as high as 90 percent of total sales.

**THE ORIGINS OF SACHET MARKETING IN THE PHILIPPINES**

The Neighborhood Corner Store

The history of sachet marketing in the Philippines starts with the history of the *sari-sari* store, or neighborhood corner store, with its average total floor area of approximately nine square meters. The *sari-sari* store, literally “the variety store,” originated from the period of Spanish colonial rule. To reach a broader market, retailers set up little corner stores that sold a variety of products. They bought in bulk and repackaged the products, selling them in smaller quantities to consumers who were not able to buy large quantities with their lower income (Corpuz 1997).

Today, the *sari-sari* continues to be the single most important retail distribution outlet in the country, with a total of 509,345 stores as of 2003, making up 89.9 percent of all retail outlets in the Philippines (De Veyra 2006; Capistrano 2005). Literally every street corner in the Philippines has a *sari-sari* store, oftentimes two or three of them side by side. Ninety-three percent of them are located inside residential areas, putting them at an advantage versus the other retail store types, because they are closer to the consumers.

Because there is a *sari-sari* store to run to anytime, they run out of an item, many Filipino households do not feel the need to stock up on commonly used items. Many writers have described these *sari-sari* stores as “extended pantries” for Filipino homemakers. Shoppers visit *sari-sari* stores an average of 22 times a month, versus wet markets which they visit an average of 14 times a month, grocery stores 5 times a month, and supermarkets 4 times a month (De Veyra 2004).

Today, the most valuable piece of retail real estate in the Philippines is the storefront of the *sari-sari* store (Javier 2006), where products are hung (usually in sachet form), in easy view of every customer who walks up to the store.

**Precursors of the Sachet: The Tingi Market**

Long before multinational and large local companies began producing product sachets, there was an active *tingi*, or piecemeal, market in the Philippines. *Sari-sari* stores would buy household items such as sugar, vinegar, shampoo, cooking oil, even cigarettes and candies in bulk, and sell them to their customers piecemeal: by the stick, by the piece, by the tablespoon or cup (Chen 1997; Villasanta 2004).

In the 1960s, street vendors joined the game, selling cigarettes by the stick and hard candy by the piece. These street vendors, called “takatak” boys for the sound that their wooden carrier boxes make, are the single most important distribution channel for premium and mid-priced cigarettes.

In the late 1970s, Dr. Eduardo Roberto conducted a market research study into the purchasing behavior of Filipinos. His study revealed several insights: (1) Al-
though the poor aspired to use shampoo, they were instead using soap because they could not afford to buy shampoo, which was then available only in 60 ml bottles. (2) Those who did use shampoo bought their shampoo at the corner store by the spoonful, taking it home in a small plastic bag, and then transferring it into a plastic shampoo bottle that they had typically picked up from the garbage. (3) Sometimes, they would dilute the shampoo with water, claiming that the shampoo was so strong that it needed to be diluted. Actually they just wanted to show off to their neighbors that they could afford shampoo, and had plenty of it in the bottle.

Drawing on these insights, a shampoo manufacturer decided to try selling their shampoo in packets similar to the small plastic bags that the market was already using. Thus began their successful foray into shampoo sachet marketing (Roberto 2006).

Other manufacturers of a broad range of consumer items soon followed suit. Initial concerns that the increased packaging and handling costs would drive the margins too low to be profitable were soon overcome by the expectation that the volume involved would more than make up for the reduced margins. An added incentive for manufacturers to manufacture the sachet packets themselves was the ability to ensure better product integrity: when the *sari-sari* store vendors informally repackaged their products into sachet sizes, product quality and sanitation were being seriously compromised.

**THE PHENOMENON OF SACHET MARKETING IN THE PHILIPPINES**

Manufacturers of fast-moving consumer goods, especially personal care products, were the first to methodically tap the sachet market, and their sachet packets have been available in the Philippines for over 20 years. Other industries have been slower to pick up on this trend, but in the last four years, many have aggressively followed suit. The sachet marketing phenomenon has swept into such diverse industries as telecommunications, fast food, canned goods, paper, motels, and even banking and microfinance, with dramatic results.

Although begun as an informal device for selling to the poor, the sachet’s real success story begins when big manufacturing companies decided to tap into this market directly, instead of just leaving it to small retailers to improvise. Their desire to strategically use sachet marketing to increase market penetration called for a more deliberate effort to study the questions of packaging and distribution, two of its most critical success factors.

Nearly 90 percent of Filipinos now buy products and avail of services in sachets and mini-sizes (Olarte and Chua 2005). With the smaller packs as the main driver of sales, many industries are experiencing increases in total sales and consumption, even in difficult economic times.

**Some Interesting Case Studies**

(1) P&G’s shampoo and dishwashing liquid sales in the Philippines demonstrate the importance of the sachet market for their overall business. Notable in the data is not just the overwhelming share of sachet sales, but the fact that their selling prices per milliliter are lower for their sachets than for their bottles. These lower prices were made possible by improvements in packaging technology that allowed them to inexpensively pack their product in durable aluminum foil or metallized PET (polyethylene terephthalate) sachets, called laminates.

(2) In telecommunications, the Philippine Long Distance Telephone Company’s (PLDT) Smart wireless service has expanded the mobile phone market tremendously through its highly successful and (at the time) groundbreaking effort to offer wireless “talk time” in sachet sizes. Smart designed its business model specifically for the poor by concentrating on the pre-paid, rather than the post-paid business. One of the biggest problems they faced was that the pre-paid “subscriber identity module” or SIM card that carried the phone credit could only be produced with a minimum denomination of 300

**TABLE 2**

<table>
<thead>
<tr>
<th>Shampoo and Dishwashing Liquid Sales, P&amp;G Philippines</th>
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</thead>
<tbody>
<tr>
<td><strong>Shampoo (2006)</strong></td>
</tr>
<tr>
<td><strong>P&amp;G Philippines</strong></td>
</tr>
<tr>
<td>Market Share, by volume</td>
</tr>
<tr>
<td>Market Share, by value</td>
</tr>
<tr>
<td>Price/ml (in USD)</td>
</tr>
<tr>
<td>Price Index, Sachet/Bottle</td>
</tr>
</tbody>
</table>
pesos. Any less, and the cost of manufacturing the SIM card and distributing it made the card unprofitable. However, 300 pesos was a lot of money to many of its low-end customers.

To overcome this problem, Smart engineers developed a way of “re-loading” a pre-paid card “over the air.” It became possible for users to buy phone credit, or “load,” as it is known locally, in denominations as low as two pesos (US$0.04) because Smart had eliminated the fixed cost represented by the SIM card.

Smart Telecom had 8.6 million subscribers in 2002. Thanks to their over-the-air distribution system and sachet strategy for selling talk time, this figure had grown to 20.4 million by the end of 2005, for an average annual growth rate of 33 percent.

(3) The fast food industry has also jumped onto the sachet bandwagon. Chowking is the largest Oriental fast food chain in the country, and the second largest fast food chain overall. In 2003, when it felt that price increases had rendered their products unaffordable to many, it launched “snack” sized variants of many of its products. The performance of its signature product line, noodle soup, shows the importance of sachet marketing to the company: by December 2003, snack sized bowls of noodle soup commanded a 66.27 percent share of total system-wide noodle sales in pesos, outselling regular-sized portions by a ratio of 2:1 (Ajero 2006).

A randomly selected store outlet revealed the following store sales contribution of their snack sized items (see Table 3).

Most other Philippine fastfood chains have had a similar experience with their own forays into sachet sizing.

(4) Stick sales have always been a significant portion of total cigarette sales in the country, especially for premium brands. However, cigarette manufacturers focused primarily on pack sales to major retailers, letting the informal sector take over from there. Philip Morris Philippines put together an organized program to encourage stick sales through takatak boys and sari-sari stores in 2005, standardizing selling prices, providing them with collateral materials, and creating a sales incentive scheme for a distribution channel that had long been ignored as part of the gray market. The resulting sales growth catapulted them to the number one position in the Philippine cigarette industry against erstwhile leader Fortune Tobacco (Javier 2006).

(5) Motels and travel lodges in the Philippines are not primarily places for travelers or transients to spend the night during a trip. The single most significant driver of sales for this industry is illicit sex. Thus, most motels offer a “short-time” rate that buys the client a three-hour use of the room for less than a third of the cost of an overnight stay. This short-time rate makes room use much more affordable for their clients, who usually find three hours adequate for their purpose. This sachet-sizing of room use is beneficial to the consumer, but is advantageous for motel management as well: the industry enjoys an average turnover rate of six times per room per day. This practice allows motel owners to enjoy much higher occupancy rates and much higher rental yields per room per day.

(6) Kimberly Clark Philippines (KCPI) is interesting because of its lack of success in using sachet sizes for its premium paper products. Brand awareness is high for its disposable diapers and feminine napkins, and both product and brand are aspirational for the lower classes, but market penetration has been quite low. Although the product is available in singles packs, their contribution to total sales remains quite low compared to other product categories (see Table 4).

KCPI has been unable to bring down the selling price of their singles, which are sold at a price premium versus

<table>
<thead>
<tr>
<th>TABLE 3</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Selected Sales Figures, Chow King Marikina Branch</strong></td>
</tr>
<tr>
<td><strong>Snack-Size Share of Sales, By Volume</strong></td>
</tr>
<tr>
<td>Noodle Soups</td>
</tr>
<tr>
<td>Rice Toppings</td>
</tr>
<tr>
<td>Congee</td>
</tr>
<tr>
<td>Noodles</td>
</tr>
<tr>
<td>Siopao</td>
</tr>
<tr>
<td>Total Snack Sizes</td>
</tr>
</tbody>
</table>

*American Marketing Association / Summer 2007*
larger package sizes. Poor industry sales growth and low market share for their singles underscores the important role that technology plays in sachet marketing: without any technological innovations that can help bring down the costs of their sachet-sized packages, they cannot profitably use sachet marketing to increase market penetration (Santos 2006). KCPI’s lack of success with sachet marketing contrasts well with the success of Colgate, whose breakthrough in designing a toothpaste sachet with a built-in funnel led to a reduction in unit costs versus selling in mini-tubes, and significant sales growth for the brand (Ramirez 2006).

Selling to the Upper Class

Sachets are not targeted exclusively at the economic underclass in the Philippines. Part of the success of sachet marketing has been due to its ability to penetrate the upper class as well. Although the upper class market still tends to buy their requirements in bulk, they oftentimes will make these bulk purchases in sachet form: thus, instead of buying a 100-gram bottle of instant coffee, they will buy an entire box of fifty 2-gram sachets of instant coffee.

Why would the upper-class that can afford to buy in bulk still be interested in purchasing items in sachet form? In many cases, sachets provide better economic value than regular sizes: for instance, fifty 2-gram sachets of instant coffee will cost less than a 100-gram bottle. (The same is true for shampoo, powdered milk, some brands of toothpaste, and many other products.)

In other cases, it is the improved portability and/or dosage control that is attractive to the upper class (Dinakar 2005). Napkins in travel packs fit into their pants pocket or purse, single-use shampoo sachets or soap bars are easy to bring to the gym or on overnight trips. People who are trying to kick their smoking habit want to purchase their cigarettes by the stick, because having a pack of cigarettes handy causes them to smoke much more than they want to. Instant coffee in a sachet lets you know exactly how much coffee you’re putting into your cup, and exactly how strong your coffee is going to be. Automated teller machines allow us to withdraw cash from the bank more often, but in smaller amounts. Many people believe that having less money in their wallet will encourage them to spend less.

Packaging innovations such as flip-top caps and snap-and-squeeze packs have also been important in reinforcing the convenience proposition of sachet products, making them even more attractive when compared against their full-sized equivalents.

While the poor make up 87 percent of the population in Asia, they make up only 46 percent of the region’s household income. For companies that are reluctant to go after the low-end market because they feel that there is still plenty of opportunity to grow their existing business in the wealthy segments of society, sachet marketing is still an interesting strategy to pursue because if their sachets provide the consumer with more benefits than simple affordability, they can also be effectively used to tap the higher-end market.

Looking Forward

Sachet marketing is credited for saving many manufacturers, retailers, and even entire product categories in the Philippines. It was the main driver of growth for many industries in the early 2000s, stimulating growth in total consumption even in difficult economic times. Deodorant sticks, for instance, were experiencing annual decreases in sales volume until the mini-stick was introduced. This down-sizing saved the category, and brought it up to positive growth rates in 2003 (De Veyra 2004).

Despite the already dominant share of sachet sales relative to sales of regular-sized packages, the balance of sales in the Philippines will continue to tilt even more sharply in favor of the sachet size. In 2004, AC Nielsen

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TABLE 4
Selected Sales Figures, Kimberly-Clark Philippines, Inc.

<table>
<thead>
<tr>
<th>Kimberly-Clark Philippines, Inc.</th>
<th>Diapers</th>
<th>Feminine Napkins</th>
</tr>
</thead>
<tbody>
<tr>
<td>Singles Market Share</td>
<td>Value Share</td>
<td>Value Share</td>
</tr>
<tr>
<td>Volume Share</td>
<td>Value Share</td>
<td>Value Share</td>
</tr>
<tr>
<td>2003</td>
<td>12%</td>
<td>15%</td>
</tr>
<tr>
<td>2004</td>
<td>14%</td>
<td>16%</td>
</tr>
<tr>
<td>2005</td>
<td>16%</td>
<td>18%</td>
</tr>
</tbody>
</table>
conducted a study of the Philippine retailing market, and arrived at figures that further highlight not just the dramatic performance of the sachet to date, but the tremendous potential it holds for the future, as more and more customers shift to sachet sizes, and more and more products find ways of serving up their products in physical, as well as virtual single-serve packs.

**DRIVERS OF SACHET SALES IN THE PHILIPPINES**

The Philippines is one of only three significant sachet markets for P&G in Asia. Sachet sales in the Philippines hold only the second highest market share by volume in the table above, but make up the highest market share by value. Filipinos, it seems, have a much higher propensity to purchase sachets than any of the five other countries listed above, preferring sachets 2:1 over bottles, even with a less than 7 percent saving on the sachet (price index of .9351). In India, on the other hand, a whopping 45 percent saving on sachet purchases (price index of .5556) resulted in only a slightly higher market share by volume of 70 percent. Although India’s sheer size makes it the bigger market, the Philippines’ higher propensity for sachet purchase makes it an interesting case study. What could account for its higher inclination toward the sachet?

**Cultural Factors**

There are many socio-cultural factors that could make Filipinos more susceptible to sachet marketing. (1) Western Orientation. The products that are available in sachet format tend to be western brands, or locally produced but western-style goods characteristic of a consumerist society. For the lower income brackets to become sachet users, they must perceive these western-style goods as being of better quality than the indigenous, traditional alternatives they are presently using (e.g., disposable diapers over cloth diapers, instant coffee over their local brews, shampoo over traditional plant roots), and thus part of their aspirational product set. The Philippines’ colonial past and exposure to western-style media has made Filipinos very westernized and very

---

**TABLE 5**

Sales Volume Growth 2003 versus 2002, Selected Products

<table>
<thead>
<tr>
<th>Growth in Sales Volume, 2003 vs. 2002</th>
<th>Total Category</th>
<th>In Sachet Format</th>
<th>In Regular Size</th>
</tr>
</thead>
<tbody>
<tr>
<td>Spaghetti Sauce</td>
<td>4.4%</td>
<td>42.0%</td>
<td>-29.7%</td>
</tr>
<tr>
<td>Liquid Shampoo</td>
<td>9.8%</td>
<td>14.9%</td>
<td>-1.5%</td>
</tr>
<tr>
<td>Hair Conditioner</td>
<td>7.1%</td>
<td>14.0%</td>
<td>-14.2%</td>
</tr>
<tr>
<td>Toothpaste</td>
<td>19.0%</td>
<td>36.5%</td>
<td>13.5%</td>
</tr>
<tr>
<td>Corned Meat</td>
<td>15.0%</td>
<td>57.0%</td>
<td></td>
</tr>
<tr>
<td>Luncheon Meat</td>
<td>12.0%</td>
<td>286.0%</td>
<td></td>
</tr>
</tbody>
</table>

**TABLE 6**

Selected Shampoo Sales Figures, Procter & Gamble

<table>
<thead>
<tr>
<th>P&amp;G Shampoo</th>
<th>Philippines</th>
<th>Indonesia</th>
<th>India</th>
<th>Thailand</th>
<th>Vietnam</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales, (FY 2005-06),</td>
<td>Sachets</td>
<td>Bottles</td>
<td>Sachets</td>
<td>Bottles</td>
<td>Sachets</td>
</tr>
<tr>
<td>Market Share, by volume</td>
<td>66</td>
<td>33</td>
<td>57</td>
<td>43</td>
<td>70</td>
</tr>
<tr>
<td>Market Share, by value</td>
<td>68</td>
<td>32</td>
<td>63</td>
<td>37</td>
<td>56</td>
</tr>
<tr>
<td>Price/ml (in USD)</td>
<td>0.00720</td>
<td>.00770</td>
<td>.01240</td>
<td>.00940</td>
<td>.00720</td>
</tr>
<tr>
<td>Price Index, Sachet/Bottle</td>
<td>.93511</td>
<td>.31910</td>
<td>.55561</td>
<td>.10610</td>
<td>.9298</td>
</tr>
</tbody>
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brand conscious. The economically underprivileged want to buy the western branded products, even if they have to do so in smaller quantities, because the possession and use of these brands confers status upon them. Countries like Vietnam, Laos, and Cambodia are much less consumption-oriented. Their economic underclasses are less exposed to western style media and advertising, and would not see western-style products as aspirational products. Although just as poor as the Philippines, they would be much less susceptible to sachet marketing (Zialcita 2006). (2) Low Propensity to Save. Filipinos have a relatively low propensity to save, and tend to prefer immediate gratification. This is manifest even in little things, such as their preference for “instant prize” promotions rather than loyalty programs which might require them to accumulate points toward a larger prize (De Veyra 2004). Spending more to purchase sachets today instead of saving up to buy in bulk would be consistent with this tendency. (3) “Tingi” Mentality. Philippine cultural anthropologist Dr. Fernando Zialcita describes Filipinos as having a “tingi” or “piece-meal” mentality, which influences much of what they do. This mentality manifests itself even in simple, everyday activities, such as the way they eat. The average Filipino, rich or poor, will take five meals a day (breakfast, morning snack, lunch, afternoon snack, then dinner), although he will eat smaller amounts at each meal. The practice of sachet purchasing would fit in very well with this mentality (Zialcita 2006).

The Structure of our Retail Sector

Distribution is one of the key success factors for any sachet strategy. In order for the market to consider buying less more often, they should be able to do so with a minimum of effort. The existence in the Philippines of a broad network of sari-sari stores is tailor made for a sachet strategy. The most successful sachet products in the country have all utilized this network to reach their market.

Again, Smart Telecom makes an interesting case study. A critical success factor in Smart’s retail strategy was the technological breakthrough that allowed it to sell talk time, or “load,” wirelessly. With a special “retail SIM” that is compatible with any regular mobile phone, a person could sell electronic load to anyone by “passing-on” part of his load. This e-loading service allowed Smart to sell talk time in much smaller denominations, and broadened their distribution capability tremendously. Almost anyone could become a retailer for Smart. From 50,000 outlets at the end of 2003, the Smart network grew to 700,000 outlets by the end of 2005. Sari-sari stores accounted for 88 percent of sales of e-load and autoload talk time credits in 2004, and 69 percent of total prepaid credits (De Veyra 2006).

LESSONS TO BE LEARNED FROM THE PHILIPPINE EXPERIENCE

Several lessons can immediately be gleaned from the Philippine experience: (1) While the presence of a large economic underclass is a necessary requirement for the success of a sachet marketing strategy, it is not, by itself, sufficient to ensure such success. Many countries poorer than the Philippines have not proven to be significant sachet markets. (2) Exposure to Western media and the presence of a western-style consumer orientation are important factors in determining a market’s level of preparedness for sachet marketing. Countries that are much less consumption-oriented; where the masses are less exposed to western style media and advertising; would not see western-style products as aspirational products, and would therefore not desire to buy them. (3) The full potential of sachet marketing cannot be realized for as long as unit costs for the sachet continue to be higher than unit costs for the full-sized pack. Improvements in packaging technology and distribution efficiencies are the main drivers of cost reduction for sachet products. The most successful sachet items provide real savings in per-unit costs. (4) The most effective sachets provide benefits other than just affordability, and are thus attractive to the entire economic spectrum. Among these benefits are better portability, controlled dosage, and sustained product quality. (5) A critical success factor for any sachet strategy is the presence of a distribution network that reaches into every corner of every neighborhood, making it convenient for residents to purchase products only as needed and only in the quantities needed.

CONCLUDING REMARKS

Sachet marketing has successfully been applied to almost every product and service category in the Philippines. It is easy to conclude that this success can be readily replicated in any other country with a large economic underclass. A closer look reveals that many different factors, historical, cultural, and not just economic, have contributed to the success of sachet marketing in the Philippines. The success of sachet marketing is due to its enthusiastic adoption by Filipinos from all economic brackets, and not just the lowest ones. Anyone who wishes to use this same strategy in other markets would be wise to look for those that share similarities with the Philippines.

An interesting next area for exploration would be to take a closer look at similarities and differences between the sachet marketing experiences of India, Indonesia and the Philippines, to see what factors other than the presence of a large economic underclass have resulted in their being the three most important sachet markets in Asia.
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THE IMPACT OF IMPROVISATION TRAINING ON SERVICE EMPLOYEES: A CASE STUDY

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SUMMARY

Theater has been recognized for some time as a means of comprehending and designing service delivery (e.g., Grove and Fisk 1983, 1989; Grove, Fisk, and Bitner 1992; John 1996; Lovelock 1994; Tax and Stuart 2001). The metaphor of service as theater has been examined in terms of its implications for understanding customers (Grove, Fisk, and Dorsch 2004), segmenting the market (Grove, Fisk, and Dorsch 1998), managing customer compatibility (Baron, Harris, and Harris 2001), and using improvisation techniques to adapt service scripts (Daly 2003; Daly et al. 2004). The research that we will present examines the impact of theatrical improvisation training on employees' and customers' service experience.

While stage actors commonly follow a well-rehearsed and tightly scripted protocol that seldom changes from one performance to the next (Wilson 2001), they are trained to improvise and use that training during rehearsals until a flow for the performance is established (Barton 1983). Service personnel, however, may need to improvise regularly in the enactment of service delivery to effectively navigate the many “moments of truth” (Carlzon 1987) that they encounter. The role of improvisation for business has been noted by several observers as a means to generate desirable outcomes such as spontaneity (Keefe 2003) and creativity (Bergen, Cox, and Detmer 2002; Kao 1996). It is our contention that lessons learned from theatrical improvisation may be quite valuable to front-line service staff in assisting them in delivering branded customer service.

To examine the efficacy of applying improvisational theatrical training to services, a modified case study was conducted with a European service organization – a small regional airline. This type of service can be classified as a “people processing” service (Lovelock 1994) that relies on face-to-face interaction between customers and frontstage personnel. The case study method is becoming more prevalent in management research (Gummesson 1991) due largely to its ability to uncover behavioral dynamics in a single setting (Huberman and Miles 2002). Our effort essentially reflected a pre-experimental design consisting of a one group pre-test post-test structure (Stanley and Campbell 1966). Following their standard training, a new set of cabin personnel hires for the airline (two men and five women) were exposed to a three-hour introduction to service as theater (Grove and Fisk 1983; Grove, Fisk, and Bitner 1992); three months later the new hires were exposed to nine hours of highly interactive improvisation training with a focus on creative response. The sessions were taught by those skilled in teaching improvisation from a school of drama and acting and moderated by a services marketing specialist.

Data for our case study were collected at four times over a five-month period to assess the usefulness of conceiving service as theater, perceptions of the standard training and perceptions of the improvisation training immediately following and several weeks after its enactment. Feedback was gathered via a research instrument comprised of survey items and open-ended questions that tapped self-assessments of service preparedness and performance to determine the impact of the various training components. Results indicated that both (standard and improvisation) training programs were useful, relevant and helpful – both immediately following and some weeks later – and strongly supported the incorporation of improvisational training into the airlines standard training program. Further, the new hires found the depiction of service as theater to be a meaningful means of capturing their service activities. Compared to the standard training, the improvisational training was perceived to have helped the new hires more in terms of their spontaneity in handling unique situations, confidence level, and adaptability.

In addition, customers (i.e., passengers and hotel guests) matched to the two experimental groups for each service were surveyed regarding their service experiences to gauge the effect of improvisational training on customer satisfaction. The results of the study will be discussed, along with implications and suggestions for further inquiry.
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COMMUNICATION STYLE AND SERVICE EMPLOYEE-CUSTOMER (DIS)SIMILARITY: THE IMPACT ON TRUST AND CUSTOMER SATISFACTION

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SUMMARY

Prior studies have shown that consumers rely on service providers’ characteristics to form an assessment of service quality. Specifically, service employee characteristics such as friendliness and service personalization, communicative competence, dress, and even demographics, have emerged as salient cues in shaping customers’ evaluations of service quality. Building on these findings, this study examines the impact of service providers’ communication style and service employee-customer dis(similarity) with regard to ethnicity, and age on perceptions of trust and customer satisfaction.

Following Sheth’s (1976) classification of communication styles, our study examines how task-oriented communication style (in which the service provider is highly goal-oriented and is concerned with the efficiency and effectiveness of the transaction at hand), interaction-oriented style (where the provider is more social, friendly, and personal), and self-oriented style (provider is preoccupied with his or her own welfare and shows relatively little empathy to customer) relate to trust and satisfaction. We apply the Co-orientation model, developed from Newcomb’s A-B-X paradigm, to examine the nature of relationship between service provider’s communication style and the ensuing customer evaluations. It is expected that the task oriented communication through its focus on completing the service transaction efficiently and expeditiously is likely to create co-orientation between the customer and the provider. This style is likely to reduce not only consumers’ sense of anxiety and uncertainty in a service exchange but to bring about also greater concurrency by closing the “gap” between provider and consumer perceptions of the desired service, thus leading to positive client and provider outcomes such as trust and satisfaction. Interaction-oriented providers are expected to generate a moderate level of satisfaction toward them and their firms. As friendly, interaction-oriented providers are likely to be perceived as relatively unconcerned about the task (service process) and as putting forth minimal effort to alleviate consumers’ feelings of uncertainty during a service transaction. Finally, self-oriented personnel are expected to arouse the lowest level of satisfaction and trust.

Further, we employ uncertainty reduction theory to examine the impact of provider-customer (dis)similarity with regard to race and age on customer evaluations. The uncertainty reduction theory holds that perceived similarity between two unknown persons reduces uncertainty in an initial interaction, while perceived dissimilarity is associated with greater degree of uncertainty. Additionally, supported by the findings that an apparent similarity or lack of such similarity between the two unknown participants may set the tone for the nature and specifics of the interaction, the hypothesis that provider-customer racial/age similarity will result in higher customer trust perceptions than provider-customer racial/age dissimilarity. Finally, this study also examines how three service-related extraneous factors – service criticality (low versus high), service nature (experience/credence) and service encounter outcomes (successful versus failure outcomes) – moderate the impact of a provider’s communication style and provider-customer racial/age dissimilarity on trust and satisfaction.

This study employed an experimental design, using video taped service scenarios in real service locations (i.e., dentist office, dry cleaning, auto-repair, and hotel). Twenty-four video segments were made to achieve manipulation of provider communication styles and provider-customer dissimilarity. The provider-customer (dis)similarity was achieved through the manipulation of provider and subject race (Anglo and African-American) and age (25–34 and over 55). The experimental design also manipulated the criticality of service consumption situation (low and high) and service outcomes (success/failure) for credence (dental and auto repair) and experience (dry cleaning and lodging) services. A total of 205 participants viewed six video segments each, resulting in 1230 responses. Repeated measure ANOVAs were utilized to test the effects of communication style, provider-customer (dis)similarity, and other moderating variables on the dependent measures of trust and customer satisfaction.

The results revealed that a task-oriented style, as opposed to either an interaction- or a self-oriented style, generated significantly higher levels of customer trust and satisfaction. Further, racial (dis)similarity was found
to have a significant effect on service customers’ trust perceptions. Of particular note, however, this effect exists only for Anglo customers – racial similarity leads to significantly higher levels of trust for Anglo customers, but whether the service provider is of the same or different race makes no significant difference with respect to trust for the African-American customers. However, unlike race, age (dis)similarity does not impact customers’ trust perceptions of the service provider. Interestingly, our results showed that customer trust perceptions are higher for racially similar than for dissimilar providers in high-critical conditions. This suggests that when consumers consider service purchases to be highly important, they rely on tangible cues (e.g., physical attributes of the provider) as a means of reducing uncertainty. Finally, our results showed presence of significant interaction effects of both communication style and provider-customer racial (dis)similarity with encounter outcomes. The findings present several managerial suggestions. However, the results should be interpreted in the context of the following limitations. This study has modeled customer encounter evaluations as a function of providers’ communication style. Given that the communication is interactive, the communication style of both providers and customers should be examined jointly to determine which style combination results in the most effective outcomes. This study included only Anglo- and African-American subjects. To draw more generalization of the findings, further research is needed including Hispanic and Asian-American participants. References available upon request.

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SUMMARY

Work standardization, which implies the division of labor into simple routine tasks and limiting discretion of the personnel by imposing formal rules on how tasks should be performed, is a long established concept in management. Organizations employ this approach to increase efficiency, ensure consistent quality, and reduce labor costs since routine tasks are easy to control and require less specialized personnel. Although several service companies have adopted the standardization approach with regard to their frontline employees’ behavior and appearance, apart from Levitt (1972) hardly any academic research has addressed work standardization for services. Particularly, the effects that standardization has on customers are largely unclear. To narrow this gap, we test whether three formal rules for frontline employee behavior and appearance, namely emotional, aesthetic, and verbal rules, affect two key drivers of service success – the customers’ perception of service quality and their trust in the service firm.

We introduce emotional, aesthetic, and verbal service rules as control mechanisms to standardize the human component of service delivery, that is, frontline employee behavior and appearance. We define service rules as formal instructions given to frontline employees that refer to routine elements of employees’ performance when dealing with customers. Our three service rules are grounded in extant research and exploratory interviews with frontline employees and managers of service companies. We define emotional rules as those rules which require frontline employees to display certain emotions which are considered as effective by the organization. Aesthetic rules are those rules which require frontline employees to have a certain appearance. Finally, verbal rules are rules which require frontline employees to use certain vocabulary or phrases.

We argue that the employee’s identification with the service organization determines how rules are put into action by the employee and, subsequently, the customer’s reaction to such rules (Ashforth and Mael 1989). We hypothesize that in a low organizational identification context emotional rules increase service quality but lower trust with the latter effect being a result of the employee’s emotional display not being authentically felt (Hochschild 1983). Without aesthetic rules, employees with low identification might choose a dress inconsistent with the service, therefore, decreasing service quality and trust. Verbal rules ensure that employees use a polite text when interacting with customers even when identification is low and, thus, increase service quality and trust. In a high organizational identification context, employees display authentic positive emotions to customers even when no rules exist (Hochschild 1983). In this situation, emotional rules will not be visible for customers and have no effect on service quality and trust. As employees with high identification look consistent with the service, the positive impact of aesthetic rules on service quality and trust is smaller for high than for low identification. As employees with strong identification communicate in a friendly and motivated manner with customers, verbal rules might cause these employees to engage in “mindless behavior” and, consequently, reduce service quality (Humphrey and Ashforth 1994). Otherwise, verbal rules increase trust since they allow customers to anticipate what will happen on their next visits.

A 2*2*2 experimental design was used to test our hypotheses. For each of the two identification contexts, eight filmed role-playing stimuli were created, with the stimuli showing a waitress welcoming a guest in a full-service restaurant. Each stimulus consisted of a sequence of four encounters which simulated a customer’s repeat visits. Two hundred eighty-one students participated in the experiment. With emotional rules and high identification, the waitress smiled authentic but not for low identification. Without emotional rules and high identification, the waitress showed authentic smiles, while she showed no smiles for low identification. While aesthetic rules prescribed a uniform, without aesthetic rules the waitress wore different private clothes in each encounter. For high identification the private clothes were consistent with the service but not for low identification. Without emotional rules and high identification, the waitress showed authentic smiles, while she showed no smiles for low identification. While aesthetic rules prescribed a uniform, without aesthetic rules the waitress wore different private clothes in each encounter. For high identification the private clothes were consistent with the service but not for low identification. With verbal rules the waitress used the same welcome phrase across encounters, while without verbal rules, her welcome phrases differed. For high identification phrases were longer and signaled a stronger motivation than for low identification. Data was analyzed with PLS. In addition to paths from service rules to service quality and trust, respectively, we included three interaction terms (emotional/
verbal, emotional/aesthetic, and verbal/aesthetic) and linked them with service quality and trust. The model also contained paths from service quality and trust to loyalty intentions and from service quality to trust.

Results show that in the high organizational identification context, service quality is affected by the interaction of verbal and aesthetic rules, but not by any of the service rules independently. With regard to trust, verbal rules, aesthetic rules, and the interaction of verbal and aesthetic rules exert negative effects. In the low organizational identification context, aesthetic rules, emotional rules, and the interaction of emotional and verbal rules all have strong positive effects on service quality, while the interaction of verbal and aesthetic rules has a negative effect. Regarding trust, we find negative effects of emotional and aesthetic rules. Service quality is found to positively influence both trust and loyalty intentions, and trust has a positive effect on loyalty intentions.

Service companies can learn several lessons from our study. First, our findings show that service rules can be used to retain existing customers as customers’ repeat purchase from a service firm is strongly affected by service quality and trust. Second, the decision for or against service rules should be made on the level of individual rules, since the effects rules have on customers differ in strength and even in direction between the rules. Finally, our findings point toward the conditions under which service rules have an impact on customers, since rules seem to be more effective when employee’s organizational identification is low. Low organizational identification might be the result of a cost-reduction strategy which usually includes low payments for employees. It seems that service rules can at least partially compensate for the lack of employee motivation and skills which are usually associated with such a strategy. References are available upon request.

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CONSUMER ETHICS RESEARCH: ARE WE USING THE RIGHT MEASURES?

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SUMMARY

Much time has been devoted to the study of ethics in business (Fukukawa 2003). Scandals such as the much-publicized Enron and WorldCom scandals, the issue of sustainable development, and moral issues such as child labor seems to justify research in business ethics. One area that has seen a particular effort in both empirical and conceptual work is marketing. While much of the early work has focused primarily on the seller side of the buyer/seller dyad (Vitell and Muncy 1992), the last fifteen years have seen an increase in research focusing on the buyer side, specifically the end-consumer (Erffmeyer et al. 1999; Muncy and Vitell 1992; Rallapalli et al. 1994; Rawwas and Singhapakdi 1998; Strutton et al. 1994; Thong and Yap 1998; Van Kenhove et al. 2001; Vitell et al. 1991). This increase in research is important because it is not just the seller that behaves unethically in the marketplace. Shoplifting, as any retailer would testify, is just one example of unethical behavior on the buyer’s side. It costs U.S. retailers several billion dollars per year.

Most of the consumer ethics studies have one thing in common: conducting surveys is the primary method of collecting data. The administered surveys usually consist of three instruments, namely the Consumer Ethics Scale (Muncy and Vitell 1992), the Ethics Position Questionnaire (Forsyth 1980), and the MACH IV (Christie and Geis 1970). The three instruments seem to be generally accepted tools to measure the level of unethical behavior, Machiavellianism, and idealism. However, no study has examined whether these measures are valid and reliable. The purpose of this study is threefold. First, this study aims to analyze whether the three instruments, as well as a materialism scale, are reliable. Second, this study examines whether the instruments are valid for consumer ethics research. Third, this study aims to identify which questions are truly important for consumer ethics research so that future studies can use a shortened questionnaire. A student sample from a U.S. university is used to test the hypotheses.

Structural Equation Modeling suggests that the instruments commonly used in consumer ethics research are not always reliable and hence are not necessarily valid research instruments. However, two limitations of this study need to be considered before any finite conclusions regarding the validity of any of the constructs can be reached. First, the sample contained only 234 respondents. The second limitation concerns the sample itself. In order to keep internal validity high, as is called for when testing theoretical relationships, a fairly homogeneous group was sampled. While homogeneity increases internal validity, it decreases external validity. Scores obtained for any of the instruments cannot possibly be extrapolated to the general U.S. population.

Future research needs to examine the measurement instruments carefully. Only valid and reliable constructs help advancing the field. Further, the relationships between the constructs need to be examined. Before conducting any further field studies we must make sure that we measure constructs that help explain consumer unethical behavior. Including questions that do not contribute to our understanding of consumer unethical behavior unnecessarily lengthens the questionnaire, possibly causing surveyor’s fatigue and deterring individuals from participating in the survey. Given the plentitude of cross-cultural research in consumer ethics it is also imperative that all constructs are tested before using them in an international context.

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A MEASURE OF CONSUMER EXTRA-ROLE BEHAVIOR: SCALE DEVELOPMENT AND VALIDATION

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SUMMARY

This paper develops and validates a scale to measure customer extra-role behaviors, discretionary behaviors in which customers engage to help an organization. Previous research has considered specific helping behaviors independently of each other, but the results of this research suggest that these behaviors are theoretically connected and should be studied together. This scale will enable researchers to study multiple customer extra-role behaviors in the same study to better understand customer behaviors above and beyond purchasing behavior.

Research in customer behavior has begun to look beyond the traditional focus on purchase behavior to behaviors in which customers engage that are intended to help an organization. However, the majority of this research focuses on only one specific customer helping behavior at a time rather than considering all such behaviors simultaneously. Studies have found that the same antecedents often underlie the multiple forms of helping behavior, implying that the behaviors themselves may be interconnected and the same customer may engage in multiple helping behaviors toward the same company. This suggests that it would be beneficial for researchers to have a way to simultaneously examine multiple customer helping behaviors.

Organizational behavior literature has examined multiple employee behaviors toward their employer organization, resulting in a multidimensional scale measuring organizational citizenship behaviors (OCBs). This suggests a set of customer behaviors comparable to OCBs, and there have been two limited previous attempts to adapt the OCB scale into a measure of customer citizenship behavior. This paper seeks to develop a more comprehensive measure based on the consumer behavior literature that captures the breadth of customer extra-role behaviors, while including the three distinguishing features of OCBs: (1) they are extra-role behaviors, behaviors that are outside of the customer’s role in the company, (2) they are discretionary behaviors, customers must engage in these behaviors voluntarily, and (3) they are intended to benefit the company.

Initially, a list of items capturing the breadth of customer extra-role behaviors in previous literature was generated and examined by experts in the field. The result was 66 items, each phrased as a behavior that a customer does or does not engage in toward a particular organization. Based on the relevant literature, we identified five dimensions of customer extra-role behavior that encompassed these 66 items: expanding behaviors, supporting behaviors, improving behaviors, preserving behaviors, and deepening behaviors.

Three studies were conducted to test the customer citizenship scale. The first study sought to develop the initial structure of the scale. In this first study we administered the initial 66-item scale to 135 undergraduate students at a Midwestern university. Participants were asked to think of a specific organization with which they had a strong customer rather than an employee relationship. This organization was then used to answer all of the questions in the survey. Participants responded on a 7-point Likert scale with endpoints strongly agree/strongly disagree as to whether they engaged in this behavior for the organization that they selected (ex. “I recommend this organization to my peers”). All 66 items were factor analyzed using a principal components analysis with a varimax rotation and several items with very high cross loadings were removed from each of the dimensions. Our final list consisted of 39 items loading on four factors, retaining all of the theorized factors except deepening behaviors.

The second study’s purpose was to test nomological validity. In the second study we administered the refined 39-item Customer Extra-Role Behavior Scale along with measures of several antecedents from the literature to 367 students at a different Midwestern university. Items with high double loadings (> 0.40) were again removed and the remaining 29 items show an acceptable Cronbach’s alpha of 0.90. Four antecedents revealed significant positive correlations: company-customer relationship strength \( r = 0.51, p < .01 \), organizational identification \( r = 0.55, p < .01 \), affective commitment toward the organization \( r = 0.56, p < .01 \), and communal orientation \( r = 0.29, p < .01 \), confirming the nomological validity of the scale.

A third study was conducted using a representative sample of real customers of a single performing arts center. Participants were surveyed about their extra-role
behaviors toward the performing arts center. The results are pending.

This paper sought to develop a valid comprehensive measure of customer extra-role behaviors encompassing the numerous helping behaviors that customers have been shown to engage in toward organizations. Three validation studies using different samples revealed that the scale has strong validity, reliability, and consistency across different organizations. In addition, the different dimensions of the scale, while orthogonal to each other, do “hang together” with a high reliability and a consistent structure. The antecedents that have been shown to predict multiple extra-role behaviors in the literature were also related to the Customer Extra-Role Behavior Scale as theoretically predicted, suggesting that the diverse customer extra-role behaviors that have been studied in the literature do have a relationship with each other, and that customers do tend to engage in multiple forms of extra-role behavior toward the same organization. This scale can thus enable researchers and organizations to examine multiple extra-role behaviors simultaneously, allowing for greater insight into customer behavior beyond purchases. References available upon request.

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EXPERTISE, SELF-EFFICACY, AND COPRODUCTION

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SUMMARY

Individuals increasingly participate in the design and production of the products they consume. Surprisingly, little research examines the psychological mechanisms responsible for forming perceptions of co-produced products. Bendapudi and Leone (2003) observe that providing a “choice” of whether or not to co-produce can reduce dissatisfaction with worse than expected outcomes. This paper evaluates perceptions of self-efficacy as a potential mechanism behind these findings. Results from experiments demonstrate a significant main effect of choosing to co-produce on participants’ perceptions of self-efficacy regarding the co-production task. Additionally, this “task self-efficacy” (TSE) appears to mediate the effect of choice on self-serving bias.

Theoretical Framework

Co-production has been defined as an interaction of supplier and customer for the purpose of attaining added value (Tseng and Piller 2003). The prevalence of these types of interactions is on the rise. In one example, BMW claims that 80 percent of cars purchased in Europe and up to 30 percent in the U.S. are now built to order (Mazur 2003).

Self-efficacy is described by Bandura (1997) as concerning perceived capability, or people’s beliefs in their ability to successfully execute behaviors required to produce certain outcomes. Related to the construct of self-efficacy, though distinct from it (and often confused with it), is the construct of locus of control. Locus of control concerns an individual’s beliefs that their actions will actually result in some outcome (Ajzen 2002).

Attribution theory is concerned with how people arrive at causal inferences and has been used to understand consumer satisfaction judgments in a variety of scenarios (for a review see Tsiros, Mittal, and Ross 2004). When the search for causality references a co-produced outcome, SSB refers to a person’s tendency to claim more responsibility than a partner for success and less responsibility for failure (Wolosin, Sherman, and Till 1973). This reluctance to accept responsibility for a bad result poses a significant threat for firms offering co-production opportunities. Additionally, when observing the actions of others, individuals display a strong tendency to attribute those actions to the internal characteristics of the actor rather than situations variables (Jones 1990). This tendency is so pervasive that it has been coined the “fundamental attribution error” (Ross 1977).

Method

As mentioned above, a primary objective of this study is to evaluate the role of perceived self-efficacy in generating the results observed by Bendapudi and Leone (2003). The method used in this study reflects that goal and represents an attempt to replicate a subset of their experiments with the inclusion of additional measures.

The initial experiment utilized a 1 (co-production optional) x 2 (co-production chosen) x 3 (outcome quality) design. Participants read a scenario in which a character (Pat) is presented as having a choice of whether or not to engage in co-production of a bookshelf. For the “co-production chosen” manipulation, Pat either chooses to assemble the bookshelf at home or to have the bookshelf assembled by the store where it was purchased. Outcome quality is presented as better than expected, worse than expected, or as expected. In response to reviewer comments, a follow up experiment was conducted utilizing a 1 (co-production mandatory) x 1 (co-production chosen) x 3 (outcome valence design). This second experiment was identical to the first other than that the scenario indicated Pat had no choice but to assemble the bookshelf (i.e., the store did not offer assembly services). Items from Hartline and Ferrell’s (1996) employee self-efficacy scale and Sujan, Weitz, and Kumar’s (1994) salesperson self-efficacy scale are adapted to create our proposed non-domain-specific measure of Task Self-Efficacy. Additionally, a domain-specific measure of self-efficacy is developed following Bandura’s (2006) guidelines and included in the study.

A confirmatory factor analysis, utilizing the approach described by Fornell and Larker (1981), was conducted to evaluate the construct validity of the proposed task self-efficacy measure. The resulting model achieved a satisfactory fit with a SRMR of .036, and CFI of .987 (Bentler and Cho 1987). Discriminant validity was supported in all cases except between the TSE and domain-specific measure. The lack of discriminant validity in this case is the desired result as it supports the substitutability of the TSE scale for context-specific measures.

Results and Analysis

Consistent with prior research on self-serving bias, when co-production was mandatory, participants assigned significantly (.00) more responsibility to their co-production partner following a worse than expected
outcome. However, consistent with a replication of Bendapudi and Leone (2003), this effect became non-significant (.77) when co-production was presented as being optional. Additional ANOVA was conducted to examine the mean differences in participants evaluations of the scenario character’s TSE and domain-specific self-efficacy scores across the “co-production chosen” conditions. In both experiments, a positive main effect of co-production on TSE and domain-specific self-efficacy was significant at the .001 level. To test the relative abilities of choice and TSE to explain variations in SSB, mediation testing was conducted with structural equation models following the procedure outlined in Baron and Kenny (1986). The four criteria required for mediation were met. First, when considered independently of the dependant variable, the path between “co-production mandatory/optional” (independent variable) and TSE (mediator) was significant at the .00 level. Similarly, the path between TSE and partner responsibility (dependant variable) was also significant at .00. Additionally, independent of TSE, the path between “co-production mandatory/optional” and partner responsibility was significant at .01. Mediation was supported when, as all three variables were evaluated jointly, the path between “co-production mandatory/optional” and partner responsibility became insignificant at .10.

In summary, in addition to replicating previous work on self-serving bias and co-production, results from two experiments suggest that choosing to co-produce leads to increased attributions of self-efficacy regarding the co-production task. Additionally, findings indicate a mediating role for this attribution in determining judgments of partner responsibility. References available upon request.

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OMITTED LATENT BIASING FACTORS: ANALYTICAL FOUNDATIONS

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SUMMARY

This research introduces the concept of omitted latent biasing factors, defined as unobserved, unmeasured, and empirically unknown source(s) of influence based on the omission of a unidimensional latent construct across measured items and/or endogenous constructs in a hypothesized model. While the extant literature on common method bias centers on potential latent biasing effects on individual measurement items (and has primarily been limited to specification tests for same source biasing effects in survey research), this research proposes broadening the potential applications of omitted latent measurement biasing tests to other design concerns (see Campbell and Stanley 1959). Most importantly, this research lays the analytical foundations and proposes the need for specification tests for the potential presence of unidimensional latent biasing factors across endogenous constructs in simultaneous equation systems. Building on ecometric and structural equation modeling foundations, the research proposes and conceptualizes the biasing effects that omitted latent biasing factors can have on both measurement and structural parameter estimates.

Omitted latent biasing factors (OLBF) are defined as unobserved, unmeasured, and empirically unknown source(s) of influence based on omitted latent biasing variance across measured items and/or endogenous constructs in a hypothesized model. The OLBF specification testing approach developed in this research establishes the conceptual and analytical underpinning for a structural equation modeling (SEM) technique that simultaneously detects, controls for, and supplements an understanding of both omitted latent biasing measurement factors (e.g., same source or other measurement model effects such as cohort effects) and omitted latent biasing structural factors (e.g., omitted substantive variables in the structural specification). Latent measurement and structural factors have implications that extend across a variety of simultaneous equation model specifications – which include, in the case of omitted latent biasing structural factors, specifications which either implicitly or explicitly assume perfect measurement (e.g., classical systems of simultaneous equations). Thus, the implications apply to research settings that involve estimating simultaneous equation systems in which all relevant measurement and substantive variables cannot be comprehensively identified, enumerated, and/or measured, and the need for unbiased parameter estimates is paramount.

In statistical analysis, bias refers to a specific property of an estimate obtained from modeling a data generation (e.g., game theoretic) or sampling process (e.g., experimental, quasi-experimental, and survey designs). Unbiased, consistent, and efficient properties establish the foundation for valid parameter estimates. Bias is the deviation of the expected value of an estimate from the true population value. As a result, bias plays a critical role in interpreting both the direction and magnitude of parameter estimates, and therefore identifying and controlling bias is essential to developing, testing, and advancing marketing science.

While bias is of concern to virtually all statistical models, the interest here focuses primarily upon two paradigms of model specification that are widely used in marketing: structural equation models and classical systems of simultaneous equations. There is a rich tradition of structural equation modeling (SEM) in the marketing literature (cf., Baumgartner and Homburg 1996) and it is well suited for estimating a simultaneous system of equations (Steenkamp and Baumgartner 2000). SEM constitutes a growing literature across a wide range of disciplines, including marketing science (cf., Jedidi et al. 1997; Ansari et al. 2000; Hutchinson et al. 2000). In addition to their widespread use of SEM, marketing scientists continue to employ traditional systems of simultaneous equations in the marketing science literature (cf., Lam et al. 2001). SEM specifications integrate simultaneous equation modeling foundations (cf., Judge et al. 1985, pp. 563–653) with psychometric theory to provide a means for explicitly modeling the effects of measurement error. Thus, classical systems of simultaneous equations differ from mediated SEM structural model specifications primarily in the former’s assumption of perfect construct measurement (Bollen 1989).

Consequently, while this research advocates an SEM approach for detecting, estimating, and controlling for biases that can result from the exclusion of relevant variables in model specification, since many of the statistical techniques employed by marketing researchers today are special cases of structural equation modeling (Jöreskog 1973; Wiley 1973; Bollen 1989), it not only has implications for primary research (e.g., survey research, experimental and quasi-experimental), but also for model specifications which employ secondary data analyses.

While most of the concern in marketing research has centered on same source bias in survey research (cf., Mackenzie et al. 1993; Netemeyer et al. 1997; MacKenzie
et al. 1999; Menon et al. 1999; MacKenzie et al. 2001; Wang and Netemeyer 2002; Hunter and Perreault 2007), the existence of both structural and measurement omitted variables too often remains unacknowledged in marketing and other research in the social sciences. Essentially, social scientists and other applied researchers need a better understanding of unwanted sources of variance in data sets that effect parameter estimation.

The purpose of this research is to propose a new, comprehensive method for addressing the issue of omitted variables simultaneously in the measurement and structural components of a model. To provide a conceptualization that encompasses both substantive and methodological omitted variables, this research introduces the term “omitted latent biasing factor” to refer to unknown common sources of variance. While the conceptualization, terminology, and approach proposed here represent new contributions to the marketing literature, this research builds on concepts and principles from psychometrics, econometrics, and structural equation modeling.

This research contributes to the marketing and social sciences literature in several ways. It introduces the concept of omitted latent biasing factors. By doing so, the aim is to raise consciousness regarding the broad potential for omitted latent biasing factor effects in both primary and secondary research. The research also establishes a methodological foundation for a comprehensive new approach for explicitly modeling omitted latent biasing factors using SEM techniques, one that allows the simultaneous detection, and control while supplementing a researcher’s understanding of factors that might cause an OLBF effect within their empirical model specifications. References available upon request.

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A STUDY OF SUPPLY CHAIN ORIENTATION AND BALANCED SCORECARD PERFORMANCE

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SUMMARY

Understanding how and why characteristics of firms' supply chains differentiate strong and weak performing organizations is a topic of growing interest. Supply chains are linkages of actors that collectively convert raw inputs into completed products. Some of these links span firm boundaries, while others are housed inside a single firm. Firms such as Dell, Toyota, and Wal-Mart are thought to have created significant advantages over their rivals in part based on developing superior supply chains. On the other hand, poor supply chain management often has serious negative consequences. For example, by some accounts, the emergence of major supply chain problems typically reduces a firm's shareholder value by over 10 percent.

As such, we study the concept of supply chain orientation and operationalize its dimensions in an effort to shed additional light on why some firms outperform others. A supply chain orientation is defined as a focus on identifying the needs of each functional area within the chain and then satisfying the needs in a way that creates superior value for customers. This predisposition can arise when firm members develop shared values and beliefs centered on the importance of the overall supply chain, not just on their specific functional area. Drawing on the resource-based view (RBV) of the firm, we posit that supply chain orientation is an intangible strategic resource that influences important outcomes.

Our paper is intended to offer two main contributions to the literature. The first is introducing and developing the concept of supply chain orientation. The second contribution is offering initial empirical insight into how supply chains can enhance balanced scorecard outcomes. We rely on the resource-based view (RBV) of the firm, we posit that supply chain orientation is an intangible strategic resource that influences important outcomes.

The Study

Examination of the literature on supply chains led us to identify six potential first-order indicators of supply chain orientation, founded in four scholarly areas of inquiry (i.e., marketing, supply management, logistics, and operations management). The six potential first-order indicators of supply chain orientation, are customer orientation, competitor orientation, value-chain coordination, supplier orientation, logistics orientation, and operations orientation (Boyer, Frolich, and Hult 2004).

We used a sample drawn from Dun and Bradstreet Information Services (D&B). The focus of the analysis was the strategic business unit. We did not look at corporations as a whole because they each have supply chains that are widely varied. Senior corporate executives were targeted as key informants in assessing the six dimensions of a supply chain orientation, the four Balanced Scorecard outcomes, and a set of demographics. Of the 1,000 executives targeted, 129 responded reflecting an effective response rate of 15.5 percent (166 surveys were non-deliverable). These individuals represented companies that, on average, had existed for 35 years, employed 3,261 people, and operated in more than 28 countries.

Testing of the relationships was accomplished through a higher-order structural equation analysis via the use of LISREL 8.80. This analysis resulted in a good fit to the data ($\chi^2 = 3,986.48$, df = 979, DELTA2 = .91, RNI = .91, CFI = .91). Customer orientation (loading = .86, t-value = 10.74, R$^2 = .74$), competitor orientation (loading = .66, t-value = 7.05, R$^2 = .44$), supplier orientation (loading = .81, t-value = 8.79, R$^2 = .65$), logistics orientation (loading = .93, t-value = 11.90, R$^2 = .87$), operations orientation (loading = .81, t-value = 9.50, R$^2 = .66$), and value-chain coordination (loading = .92, t-value = 11.33, R$^2 = .85$) function as first-order indicators of the higher-order latent variable of supply chain orientation (p < .01). This strategic supply chain resource, in turn, has a direct positive effect on each of the four Balanced Scorecard outcomes, including customer performance (loading = .44, t-value = 4.44, R$^2 = .19$),
financial performance (loading = .24, t-value = 2.59, \( R^2 = .06 \)), internal process performance (loading = .58, t-value = 6.02, \( R^2 = .34 \)), and innovation and learning performance (loading = .83, t-value = 9.14, \( R^2 = .69 \)).

**Conclusion**

Our results suggest that a supply chain orientation, which stresses integration of functions instead of a focus on silos (i.e., logistics managers solely focusing on the function of logistics management), should become a priority within supply chain operations. If so, traditional views that hold that logistics managers should be trained mainly in logistics practices should be abandoned. Instead, effective managers will those trained in a variety of functions. More importantly, mechanisms for integration across functions need to be at the center of supply chain management practices. Indeed, if, as Handfield and Nichols (2002) and Ketchen and Giunipero (2004) argue, future competition will be increasingly “chain vs. chain” rather than “firm vs. firm,” then the importance of a supply chain orientation will grow over time.

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DEVELOPING JOINT ACTION WITH AUTO-MANUFACTURERS AND THE MODERATING EFFECT OF NETWORKS

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ABSTRACT

This paper aims to discuss the impact of relational behavior and the transaction specific investments on collaborative joint actions between suppliers and auto-manufacturers, and to assess the moderating effect of the business networks. Our results show the importance of relational behavior in coordinating joint actions and a significant moderating effect of the network on the relation between relational behavior and joint action.

INTRODUCTION

Research has emphasized the importance of joint action for relationship management. Previous study in channel relationships has emphasized the importance of relational behavior in fostering collaboration (Anderson and Narus 1990; Kim 1999) and the joint action response to safeguard and better integrate the transaction specific investments (Heide and John 1990). In addition, more and more firms are called to consciously use their network to support the business done in a relationship (Omta, Trienekens, and Beers 2001). In spite of previous studies, evidence remains uncovered on the moderating impact of networks on the relationship management. Departing from the previous studies, we intend to discuss in this paper the value of relational behavior and the effects of the specific investments for the relative degree of collaborative joint action, and additionally we intend to assess the moderating effect of the network in the context of such a collaborative buyer-supplier relationship. We draw on the transaction cost economics, relational exchange and network perspectives to develop the hypotheses of our conceptual framework.

Empirical evidence is collected with auto-part suppliers of the Brazilian automobile industry. This industry has a history of joint action between suppliers and automobile manufacturers (Addis 1999). A survey was conducted and yielded 186 usable questionnaires about the relationship a supplier maintains with the most important manufacturer. By identifying drivers of collaborative joint actions, we can understand how companies manage their business relationships and network.

COLLABORATIVE JOINT ACTIONS

The customer side of many firms is dominated by few companies that purchase a representative share of a supplier’s product lines. There are also customers that purchase items that are critical to the success of the supplier’s business. Failure in even one of these relationships with customers can be critical to a firm’s operation. Without collaborative joint action, the relationship undertakes an adversarial tone which leads to a destructive path. Collaboration refers to situations in which parties in a business relationship work together to achieve mutual goals (Anderson and Narus 1990; Morgan and Hunt 1994) and each party’s organizational boundaries become penetrated by the integration of activities as the supplier becomes involved in activities that traditionally are considered the buyer’s responsibility and vice-versa (Yilmaz and Hunt 2001). The joint action is a departure from the anchor point of discreteness that underlies spot market transactions to a relational, bilateral exchange as the roles of supplier and buyer are no longer narrowly defined in terms of the simple transfer of ownership of products. Since duties and performance are relatively complex and occur over an extended time period, the parties may direct much effort toward carefully planning in defining and measuring the outcomes of the exchange, and also find solutions that satisfy both partners. In this respect, the joint actions can be composed of a mixture of joint planning and joint problem solving.

We take the perspective of the supplier making the joint action decision. Following relational exchange theory and transaction cost economics, we selected relational behavior and transaction specific investments as antecedents of the joint action. Relational behavior comprises of trust and social norms, which binds parties and has an important future orientation (Ganesan 1994). Transaction specific investments are rather customized and idiosyncratic assets, which can bring benefits and threats to the focal relationship (Heide and John 1990). From the outset, we considered research that stresses the need to examine characteristics outside the bounds of the relationship. The network offers us the possibility to verify whether suppliers are responsive to the interaction with other companies. Using this foundation, we developed a conceptual framework, displayed in Figure 1, through the elaboration of four hypotheses.

THE ANTECEDENTS OF JOINT ACTIONS

In business literature, relational behavior is considered an essential element of business relationships (Dyer and Singh 1998). Relational behavior accounts for trust
and commitment. Trust and commitment occur because an emotional bond is created between people, enabling them to move beyond rational prediction to take a leap of faith that trust will be honored (Wicks, Berman, and Jones 1999). Parties of a trusting relationship collectively have adequate knowledge, experience and creativity to identify and solve problems as well as to set up effective planning. Additionally, relational behavior may account for social norms of flexibility, benevolence, and harmonization of conflict (Macneil 1981). Once a relational behavior is established, firms learn that coordinated, joint action will lead to outcomes that exceed what the firm would achieve if it acted solely in its own best interest (Anderson and Narus 1990). By studying relationships, Moorman, Zaltman, and Deshpande (1992) supported the hypothesis that buyers that trust the counterpart is likely to be engaged in collaborative joint actions. This suggests that the buyer that trusts its supplier will exchange relevant, comprehensive, accurate, and timely information, and thereby contribute to joint problem-solving and planning effort (Zand 1972). Thus, the trust will form the relational basis for the development and maintenance of joint actions. We hypothesize that:

H1: The more relational behavior the more joint actions in a relationship.

The network in our study addresses the impact of the specific interactions a supplier has with other firms (i.e., other suppliers, other manufacturers, and input suppliers). The interactions may occur in different ways. Suppliers may engage in R&D activities with other members of the network. Suppliers may also interact with others in a network setting to manage quality or to negotiate with policy makers. A supplier’s network comprises of consciously planned and designed sets of connected relationships (Ford et al. 2003). The intensity of interaction with other companies refers to the impact of the network for the supplier’s business.

Suppliers who maintain intense interaction with other companies are likely to be embedded in an appropriate environment to engage in joint action because of their relational behavior. Because of high intensity of interaction, members of a network tend to develop shared beliefs that can correspond with those of the supplier. Moreover, the transaction with firms of known reputation and capabilities imply that social bonds guard against trouble (Thorelli 1986). We do not argue that members of a supplier’s network will revolt against a buyer with bad reputation. Rather, our point is that suppliers will take possible network effects into account when shaping their relationship with a partner. Accordingly, firms in a network may share critical information about future negotiation of partners. These partners’ negotiations may be viewed as unfair, and the network may take a combined response against the partner. In these instances, the impact of relational behavior on joint action may be positive, but will certainly be tempered by the interaction with other firms. Following our rationale, we hypothesize that:

H2: The greater the interaction with other firms of a network, the stronger the positive relationship between relational behavior and joint action.

Transaction specific investments (TSI) pose a contractual hazard for any supplier. The buyer’s counterpart can exploit or appropriate such assets because they are non-redeployable or at least have a reduced value in an alternative exchange relationship (Williamson 1985). For instance, a supplier may have invested in a machinery to mold a car’s part to a specific manufacturer. In effect, the manufacturer is expropriating the value of the investment made by the supplier in developing the machinery. Even if outright termination does not occur, the manufacturer can opportunistically expropriate some fraction of these quasi-rents (Hobbs 1996; Dyer and Singh 1998) through the use of house accounts, reduction in commissions and other actions. TSI may increase the degree of joint action in two ways. First, as there is a potential opportunistic behavior created by high levels of TSI, joint action may be a safeguard response to the relationship. This is a response to TSI that protects a firm by some form of control within the joint actions. Moreover, joint
action response creates enough ground for bilateral governance in the relationship, which helps to reduce opportunistic tendencies that might erode the value of specific assets (Heide 1994). As Heide and John (1990) describe it, firms that make investments in a relationship with a counterpart will get involved in activities that traditionally are considered the other party’s exclusive domain in order to minimize the risks involved. In this way, the risk of tool obsolescence due to unilateral development changes is lowered. Second, the effects of TSI on joint action are not only to safeguard against opportunistic behavior, but also of effectively coordinating activities and resources in a relationship. The possibility of buyer’s and supplier’s exchange experience with each other can be fruitful. The supplier could have cultivated useful working interactions, learned important insider information, become knowledgeable about the firm’s products and applications to buyer’s needs. Considering relatively high degrees of TSI, suppliers engage in joint action that not only safeguards but also coordinates activities and resources in a business relationship. Thus, we formulate the following hypothesis:

H3: The more transaction specific investments the more joint actions in a business relationship.

The network is expected to moderate the effect of the supplier’s TSI on joint action. Members of the supplier’s network will not support a certain manufacturer’s destructive actions blindly, especially when the manufacturer’s actions may compromise the economic investments or outcomes of everyone in the network. Moreover, even in cases that there is general agreement within the network about the criticality of such a destructive action, the supplier is likely to be cautious about how its response will be perceived among members of a close-knit group (Granovetter 1985). Without the network, suppliers can hardly bring up to date the integrity of the buyer’s actions and performance (Antia and Frazier 2001). Since suppliers embedded in a network can reduce the risks of information asymmetry, the potential benefits – of the interaction with other companies – to the collaborative joint actions in response to the high degrees of TSI are likely to overcome the supplier’s concern about problematic buyers. Thus, we hypothesize that:

H4: The greater the interaction with other companies in a network, the stronger the positive relationship between transaction specific investments and joint action.

Previous research suggested that effects within a business relationship might vary by the firm size, relationship length, and capital structure. Regarding firm size, it is reasonable to suppose that larger firms have become so by virtue of achievement, which suggests that a generalized intention to replace spot market exchanges by relationships based on collaboration. The gains with coordination and the possibility to plan in advance with a specific supplier confer enough reasons to achieve performance. The length of a relationship might positively influence the firm’s behavior toward collaboration. In other words, older relationship is more familiar and comfortable, and joint actions might have successfully been experienced (Anderson and Weitz 1989). Multinational. Suppliers can be foreign-controlled or owned by national capital. One might suggest that foreign-owned companies are more likely to collaborate with a manufacturer, given their global influence and reach. Accordingly, we included three control variables in order to evaluate the variability of our estimated model. Although we do not develop specific hypotheses to the control variables, it is expected that relationship length, firm size and multinational capital may positively influence joint actions.

**METHODOLOGY**

We tested our hypotheses by surveying auto-part suppliers in Brazil. The auto industry in Brazil is an appropriate empirical setting for our study. This industry has a history of joint actions between suppliers and automobile manufacturers (Addis 1999). We focused our survey instrument on suppliers who are members of business association called Sindipeças (National Association of Auto-part Suppliers). These suppliers contribute with over 90 percent of revenues of the parts sector in Brazil. Sindipeças granted us access to its directory of members and helped us in the procedures to conduct the survey.

We developed a questionnaire by identifying construct items used in previous studies as suggested by Dillman’s (2000) procedures. A panel of academics and managers both related to the sector was developed to refine wording, and to check the overall validity of questions vis-à-vis the industry environment. A self-administered questionnaire was mailed to informants that were identified beforehand. In answering the questions, the informant was asked to focus on the most knowledgeable manufacturer. We asked respondents about the prior three years of their firm’s activities to avoid biased responses due to specific aberrant experiences. To facilitate responses, our questionnaire focused on a particular product that represented most of the firm’s revenues.

We mailed about 450 questionnaires from July 2004 to March 2005. In June, we contacted some companies to fill out missing values. Our response rate was just above 40 percent (186 responses). We assessed non-responder bias by comparing early with late respondents through a t-test (see, e.g., Armstrong and Overton 1977). The assumption is that companies who respond less readily are more likely to be non-respondents. In this regard,
mean comparisons of early respondents versus late respondents yielded no significant differences. Therefore, non-response bias does not appear to be a serious problem in our study.

Measurement Instrument

**Collaborative joint action** was assessed by seven items (Cronbach’s alpha of .70) including 5-point Likert scale. The items were based on previous studies (Heide and Minner 1992; Lusch and Brown 1996). This construct attempts to measure the extent to which the respondent has engaged in any form of coordinated action with its selected customer (manufacturer). Items included actions such as: marketing and exports related activities; new product and process development; sharing of equipment and other resources; and joint representation at governmental agencies. We then created the variables Joint Action as the unweighted average of the items.

**Relational behavior** measures the extent of trust and social norms associated with the relationship (Anderson and Narus 1990). We attempt to measure respondents’ perception of whether negotiations are fair and the resulting commitments are sustained, as well as whether there are norms of benevolence, mutual, and conflict resolution. As widely discussed in the literature, relational norms support the emergence and stability of inter-organizational relationships because they allow parties to economize on the costs of contracting and mutually adapt to changing circumstances (Dwyer, Schurr, and Oh 1987; Dyer 1996). Since those relational norms are likely developed through repeated interaction in past transactions (Gulati, Nohria, and Zaheer 2000; Poppo 1995), they are commonly considered as determinants of inter-organizational collaborations. The score of the perceptions about relational behavior was measured by four items of 5-point Likert scale and computed as the unweighted average of the measurement items (Cronbach alpha = 0.80).

**Transaction specific investments** (TSI) are defined as the one party’s perception of the extent to which an investment was made specifically for the transaction with another company (Heide and John 1992). The investments could be in terms of production processes, sales, procurement or logistics, research and development, and physical assets (e.g., hardware and industrial facilities). Past specific investments of that sort can influence the emergence and stability of alliances because they signal commitment to the exchange (Anderson and Weitz 1989) and support joint action (Dyer 1996). TSI was measured by five items (Cronbach’s alpha of .87) and computed as the unweighted average of the measurement items.

The measurement instrument of a network was developed on the basis of previous research using the name generator (Burt 1984). The network construct refers to the impact of the interactions a supplier have with other firms (e.g., other suppliers, other manufacturers, and second-tier suppliers). We asked respondents to name up to nine important companies with which a close relationship is maintained. From the nine companies, three have to be second-tier suppliers, three peers (other first-tier suppliers), and three manufacturers. These nine companies compose the network of our respondent. There was a list of six different activities – R&D, Development of management and production processes, Quality management, Marketing and sales, Negotiation with others, and Joint purchases. Respondents were invited to choose among these activities the ones developed with each of the named companies. The construct was computed as the summed activities (i.e., where each activity developed with a specific company counted for a value equal to 1) of all named companies of the network.

We included three control variables. **Firm size.** Larger firms may possess a superior pool of resources and scale necessary to invest in cooperative efforts with other a manufacturer. Thus, we asked respondents to indicate the current total number of employees in their company as a measure of supplier size. The **length of business interaction** was measured by an open-ended question as to the number of years that the respondent had done business with the selected manufacturer. **Multinational.** This dummy variable is coded one if the supplier is foreign-controlled, and zero otherwise.

In order to test the unidimensionality of our measures, an examination of the results of the exploratory factor analysis were used to purify the scales. Each item referring to the same construct loaded into different factors, which suggests that the items reflect the construct in hand. Means, standard deviations, and correlation matrix for all the measures are reported in Table 1. The association of the variables of the model can be seen in the highlighted correlation coefficients. Although several correlations are significantly positive, all of them are below .80. Researchers have commonly used a cut-off of .80 for correlations among independent variables for dismissing serious multicollinearity problems (Hair et al. 1998).

To test for discriminant validity of the constructs, we conducted with Lisrel 8.50 (Jöreskog and Sörbom 1996) a confirmatory factor analysis model with pairs of constructs where one had its factor correlation fixed to unity (Steenkamp and Trijp 1991). The unconstrained models provided a significantly superior fit, suggesting adequate discriminant validity between the pair of constructs. The composite reliability of the scales exceeds the recommended value of .70, which reflects the good quality of the measurement instruments.
Model Specification. We estimated an Ordinary Least Square Regression to test the hypotheses. Regression analysis is popular among researchers because it allows for an evaluation of the degree (i.e., coefficient size), nature (i.e., coefficient sign) and optimization (i.e., coefficient of determination, $R^2$) of association between variables (Hair et al. 1998). By computing the unweighted average of the items reflecting each construct, we regressed the collaborative joint actions on relational behavior and TSI, including the moderators and control variables. We standardized the variables to reduce multicollinearity between the multiplicative terms (moderator variables) and their constituent variables. Tests for multicollinearity showed no problem. The highest values of VIF and Condition index were 1.14 and 13.99, respectively. The indices lie below the threshold values of 10 for the VIF test and 30 for the Condition index (Hair et al. 1998). An incremental F-test was used to compare the full model with a main effects-only model (Aiken and West 1991). Inclusion of the moderator effects increased the variance explained by almost 5 percent compared with the base model, which indicated that the inclusion of the interactions is warranted ($F = 10.97, p < .001$). When a significant moderator effect is found, Aiken and West (1991) recommend assessing the high and low effects of the moderator effect on the relation between the independent variable and the dependent variable by computing the standardized coefficient of the moderator variable.

RESULTS

Table 2 summarizes the results of ordinary least square regression analysis. This Table presents the standardized coefficients of the estimated regression model. The standardized coefficient allows comparison of “coefficient size” because all measures are in the same metric, namely, standardized normal deviates. The equation was statistically significant below the .01 level in the F-test. The adjusted $R^2$ for the significant equation is .401, which indicates that the results of the estimated model present a robust explanatory power. The explanatory power of the equation supports the examination of individual coefficients testing the effects of each individual variable.

We find significant support for H1 ($\beta = .55, p < .01$). Suppliers are likely to engage in joint action when relational behavior is perceived to be present in the relationship with the selected manufacturer. This suggests that this behavior allows suppliers to have adequate knowledge, experience, and creativity to identify and solve problems as well as to set up effective positive social norms. The network significantly moderates the relation between relational behavior and joint action ($\beta = .17, p < .05$), therefore H2 is supported. Analyzing the impact of relational behavior on joint action, we find $\beta_{\text{under low interaction network}} = .38, p < .01$, whereas $\beta_{\text{under high interaction network}} = .62, p < .01$.
In interacting with other companies from the network, suppliers may temper their collaborative joint action to some degree because the network can provide an appropriate atmosphere to check the adequacy of the manufacturer. The social bonds of the network strengthen the positive behavior toward the relationship with the manufacturer.

We do not find support for H3, which involves the impact of TSI on joint action (\( \beta = .07, p = .35 \)). Although not significant, the coefficient was positive in accordance with our hypothesized sign. Hypothesis 4 could not be supported either. The moderating impact of the interaction network on the relation between TSI and joint action was not significant (\( \beta = -.02, p = .77 \)). We expected that suppliers would engage in joint actions as a response to high degrees of investments. Joint actions could safeguard suppliers against buyer’s opportunistic behavior, and also effectively support the coordination of activities and resources in the relationship with manufacturers. We speculate that suppliers in the automobile sector tend to concentrate efforts on the soft side of the relationship, relational behavior. As previous research pointed out, relationships involve a great degree of bilateral and relationism approach to coordinate joint actions (Dyer and Ouchi 1993; Addis 1999).

The supplier size significantly influences the degree of joint actions, in line with the idea that large buyers have the ability to invest and take risks (\( \beta = .22, p < .01 \)). Surprisingly, the length of the relationship is negative related to the degree of joint action (\( \beta = -.17, p < .05 \)), as opposed to a common sense about the evolution of relationships and that companies become more familiar over time (Ganesan 1994). There is a particularity of the sector in terms of the length of the relationship. Auto-manufacturers look for suppliers to engage in new car projects that ends in a certain period of time. One might suppose that multi-firm groups and exchanges of technology are stimulated to develop a new project and to launch it. As time goes on, joint action appears to be not as critical as it was at the initial phases. We then speculate that in this particular setting relationships erode over time rather than develop, as hypothesized. The control variable for the multinational capital structure of the supplier was not significantly related to joint action (\( \beta = .11, p = .16 \)).

In a post hoc analysis, we checked whether the collaborative joint action with manufacturers could increase supplier’s performance. Although there are several previous researches that showed the operational and financial benefits of joint actions (e.g., Mohr and

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<td>Relational Behavior</td>
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<td>Network x Relational Behavior</td>
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<tr>
<td>Transaction Specific Investments</td>
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<td>Network x Transaction Specific Investments</td>
</tr>
<tr>
<td>Firm Size</td>
</tr>
<tr>
<td>Relationship Length</td>
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<tr>
<td>Multinational.</td>
</tr>
<tr>
<td>Joint Action</td>
</tr>
<tr>
<td>Adjusted R²</td>
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</table>

***p < 0.01, **p < 0.05, *p < 0.10 Regression coefficients are standardized coefficients (\( \beta \)) and |t-test| within parentheses.
quality, frequency of delivery, and delivery on time (Speckman 1994; Kim 1999), we evaluated the variation of the supplier’s operational performance and gross margin, both over the past three years. In the questionnaire, we included a question about their own manufacturing time, quality, frequency of delivery, and delivery on time ($\alpha = .72$). The results of the regression models of joint action and performance are shown in Table 2.

By evaluating the results displayed in Table 2, we find significant effects of joint action on our financial and operational measures of performance in the estimated equations. The joint action influences operational performance ($\beta = .14, p < .10$) and gross margin ($\beta = .18, p < .10$). As suggested in previous research, our study also emphasizes the advantages of joint action to the firm’s performance (Mohr and Speckman 1994). All control variables were not significantly related to the performance measures.

**DISCUSSION AND CONCLUSION**

The need for research about relationship to expand beyond its traditional focus on the dyadic relationship has been recognized for quite some time (see Anderson, Hakansson, and Johansson 1994). The results of our study underscore the importance of such broadening. Our study is an effort to integrate three theoretical perspectives – transaction cost economics (TCE), relational exchange and network perspective – in an attempt to build a sound conceptual foundation for the research hypotheses. Specifically, we complement TCE emphasis on transaction specific investments with relational-based arguments. In a similar manner, we complemented these two perspectives with the interaction-based analysis of network perspective. We show that the collaborative joint action is influenced significantly by relational behavior and the effect of such behavior is moderated by the network. Ignoring any of these constructs and the moderating effect of the network would lead to an incomplete and poorly analysis of business relationships.

In relationships with manufacturers, the auto part supplier appears concerned about the relational behavior through its accounts of trust and social norms. The supplier’s joint action response appears to be shaped by the calculative-, affective-, and believe-based behavior. When relational behavior is high, relationships tend to be more collaborative in nature as previous research showed (Heide and John 1992). On the other hand, auto-part suppliers appear to do not engage in joint actions to protect the specific assets and also to integrate further the resources and activities. In spite of previous research on the American insurance, transportation, and electronic sectors that found joint action as a response to specific investments (Heide and John 1990), our results show no significant effect. Even though suppliers need to make investments to deal with the manufacturer – as can be seen by the average of the variable (3.27), we speculate that the Brazilian auto-part suppliers rely heavily on relational behavior to foster joint action in a dyadic and network context.

Our study provides empirical evidence that the network characteristics matter in business relationships. The supplier’s evaluation of how other firms in the network will react to a relational behavior and how these reactions will affect the relationship as a whole appears to influence the nature of the joint action. The auto-part supplier interacts with second-tier suppliers, other suppliers (i.e., peers) and other manufacturers. The interactions may increase the degree of the relation between relational behavior and joint action. In providing evidence of differential moderator effects on joint actions across a network, this study aids the understanding of the subtleties of network effects in business relationships. Network characteristics are likely to influence coordination process and deserve heightened attention in further research.

Although our results appear to be useful for managers involved in the purchasing activities, some limitations must be considered. Our database is focused on a single industry and a single country, therefore lacking heterogeneity in terms of technology and institutional features. Also, our cross-sectional design limits the ability to rule out alternative causal inferences, even though the model yielded results that are consistent with our hypotheses. It is also conceivable that the causality of some hypothesized relations is (also) reverse to that what we suggested. The proof of the causality of the relations requires a longitudinal research design and further research along this line is therefore encouraged. Second, generalization of our results must be carefully considered. The sample of Brazilian auto-part suppliers may limit the variation of some of the dimensions and may reflect market particularities of this industry. It remains to be seen whether this finding is robust across different relationship contexts. Thus, further research is encouraged to replicate the present study in other research settings.

**MANAGERIAL IMPLICATIONS**

Coordinating collaborative joint action with suppliers is more than just buying well. Suppliers can do much more than delivering reasonably priced items on request. The business relationships represent some of the most important assets of a company and should be considered and treated with a similar logic to other types of investments. Exploiting some of manufacturers’ potential re-
quires that the operations of the two firms become more closely integrated in the various facets of the relationship. This certainly involves extensive and intensive relational behavior and interactions with other companies within a network setting. Our study shows the importance of relational behavior in fostering collaborative joint actions. Managers interested in developing collaboration should be engaged in relational-enhancing activities. Doney, Cannon, and Mullen (1998) suggested five processes to develop and maintain relational behavior. First, managers have to be able to calculate the costs and rewards of another party cheating or cooperating in a relationship. Second, a manager should be able to forecast another party’s behavior. Third, trust is also influenced by the intentions of the other party (Deutsch 1969). Trust can also be built on the basis of an assessment of the buyer’s ability to meet his or her obligations as well as the buyer’s expectations. Finally, trust can be transferred from a trusted proof source to another individual or group with which the buyer has little or no direct experience.

It is important for managers to have accurate perceptions of their network. Without this any evaluation of the costs and benefits of alternative coordinate response based on the information obtained from the network can be misguided. More specifically, if managers either under or over estimate the potential negative actions by suppliers, their collaborative joint action response can be not properly set up. Firms can foster manager’s initiatives toward relationships with other agents that may form his own network which allows them to access valuable information that support the relationships with suppliers. The results of our study suggest that a buyer’s network can increase the relation between transaction specific investment and joint action response. The mere process of gathering information from known sources and developing new sources of information may substantially enhance the buyer’s chances of success.

The implications of our study are viewed best within the context of practice oriented approach about the trends toward close buyer-supplier relationship. Almost without exception, such approach tends to view close relationship as a universally desirable idea. We advise managers to contrast this approach with our model. Noteworthy, the basic postulate in our work is that a firm may coordinate relationship with suppliers by means of collaborative joint actions, which however is not universally desirable. In the settings we tested our model for joint actions, buyers have looked for channels to reduce the price and volume unpredictability and moreover to reduce the bottlenecks of deliveries. In this particular situation, there are enough advantages for buyers to organize themselves – even making specific investments as our research showed – and set up close relationships with certain selected suppliers. In the absence of competitive advantages, joint actions do not have beneficial effects and, given the costs associated with shifts away from the spot market exchanges, it is likely to be detrimental to performance. At the very least, our study should serve as a cautionary tale about the conditions that evoke the need to craft collaborative joint actions with suppliers.

REFERENCES


INTERORGANIZATIONAL RFID ADOPTION WITHIN DISTRIBUTION CHANNELS: A RESOURCE-BASED VIEW OF ADOPTION

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SUMMARY

Adoption of Radio Frequency Identification (RFID) continues to grow at a significant pace. It has been over three years since Wal-Mart mandated its top 100 suppliers to adopt RFID technology and almost two years since the system went live. By January 2007 it is expected that 600 suppliers will have adopted the technology, sending RFID tagged merchandise to over 1,000 Wal-Mart facilities via five distribution centers (Songini 2006). Interestingly, the majority of the suppliers are implementing the technology at the minimum levels required to meet the Wal-Mart mandate. The “slap-and-ship” approach utilizes only the most basic aspect of the technology, the RFID tags applied manually to either the case or pallet just prior to leaving the warehouse. Suppliers are hesitant to invest in the additional RFID networking components, such as hardware (i.e., RFID readers), collaborative networking and other software necessary to collect and analyze data generated from the technology (Briody 2006; Fish and Forrest 2006; Songini 2006; Wailgum 2006). Regardless of the extent to which Wal-Mart implements the technology within its organization, the low levels of supplier adoption are having negative effects on the retailer’s ability to fully utilize the technology.

The collaborative nature of these systems necessitates that both parties adopt the technology, which requires substantial investments in technology and changes in distribution and other channel activities, before either party can achieve any significant benefits. In order for the technology to work at its optimal level, retailers and suppliers need to invest not only in the intraorganizational technology necessary to run the network, such as readers, tags and internal data mining software, but also in interorganizational technology, such as information exchange software and services, that is necessary for the exchange of pertinent data across channel partners. Additionally, changes in channel processes and procedures within each firm will be necessary to implement the technology. Internally, organizations will need to develop strategies for developing internal infrastructures and performance metrics, additionally they will need to identify opportunities that the technology will yield (Fish and Forrest 2006). Externally, organizations will need to develop strategies for developing the interorganizational exchange infrastructure. For both parties, the investments in the RFID network components, processes, and procedures are necessary in order to achieve the optimal benefits of the technology.

The extant research surrounding technology adoption suggests some rationales for the adoption behaviors of RFID systems. Drawing on the innovation adoption theory, O’Callaghan, Kaufmann, and Konsyski (1992) found in their study of EDI adoption, that perceived relative efficiency and customer service advantages as well as the perceived compatibility of the EDI system with legacy systems increase the adoption of the technology. Other research finds that firm’s characteristics, specifically the top management emphasis, the organizational learning ability and customer orientation, influenced the intensity of adoption (Premkumar and Roberts 1999; Wu, Mahajan, and Balasubramanian 2003). Studies utilizing the technology acceptance model (TAM) find that the rate of technology adoption is influenced by the perceived usefulness and ease-of-use (Grandon and Pearson 2004). Additional research finds that both external (e.g., industry pressure, competitive pressures, incentives) and technological (e.g., perceived benefits, complexity, and compatibility of technology) factors influence an organization’s decision to adopt (Cooper and Zmud 1990; Igbaria et al. 1998; Premkumar and Roberts 1999).

While these studies play an important role in understanding the adoption behavior of the firm, they do not adequately explain the RFID phenomena at hand. Several limitations lie within the current streams of adoption research. First, almost all of the past studies examine adoption from the perspective of the individual adopting firm. Although this provides important insight into the adoption process, it does not consider the collaborative nature and dynamics of a channel as an interorganizational system. The benefits of adopting interorganizational technology are highly dependent on the adoption rates of all parties involved in the exchange relationship. Hence, if one party fully implements an RFID network and the trading partner does not implement to the same degree, the benefits of the system will not be optimized. Second, many studies consider external factors that influence an organization’s adoption decisions, but few consider the influence of processes associated with the exchange relationship. Exchange relationships are governed by institutional arrangements, such as contracting, ownership, and social norm arrangements that influence the
behaviors of the trading partners. Additionally, governance problems, such as safeguarding, adaptation, and measurement ambiguity can also influence the decision by its partner to adopt. Finally, the majority of studies consider adoption as a dichotomous variable, a firm either adopts or does not adopt. With RFID networks, as with many other technologies, adoption of the technology is a matter of degree and varies from firm to firm. With RFID, some firms have adopted the middleware and enterprise software applications, whereas other firms have only utilized the basic components of the technology, such as the RFID tags, with little or no investment in the readers, middleware, and enterprise solutions (Briody 2006; Songini 2006; Wailgum 2006). From the perspective of an exchange relationship, the variance of adoption between trading partners reduces the effectiveness of the RFID technology and the performance potential of channel systems as a whole. Clearly, understanding why there is variation in the adoption levels of RFID technology across firms is critical to managers who rely on the collaborative efforts of their trading partners.

The goal of this research is to develop a framework for understanding the development, implementation, and resulting outcomes associated with the adoption of RFID networks. Utilizing the resource-based view of the firm (Barney 1991), institutional arrangements (Carson et al. 1999), and Ring and Van de Ven’s (1994) development process for interorganizational relationships, we present several propositions that explain that the benefits surrounding technology adoption occurs as the consequence of cycles of negotiation, commitment, and execution between two organizations considering a collaborative adoption of technology. References available upon request.
ATTITUDE, COMPREHENSION, AND THINKING AS A BASIS FOR MARKET SEGMENTATION IN SOCIAL MARKETING

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ABSTRACT

In 2005, the European Union launched a three-year antismoking television advertising campaign across its 25 Member States. The present study is concerned with evaluating the first year of the campaign using telephone interviews with 25,000 consumers (smokers, non-smokers, and ex-smokers) in 25 countries. Our study focuses on smokers and examines the potential for using segmentation and targeting in this type of campaign. Confirmatory factor analysis revealed three important factors: comprehension of and attitudes towards the campaign, and inclination to think more responsibly about one’s own behavior. Subsequent cluster analyses identified three significant and distinct target groups who responded differentially to the advertising and who differed in their intention to quit smoking. The implications of these results are discussed.

INTRODUCTION

Social marketers try to solve social problems by changing long held, deep-seated beliefs and associated behaviors that have a detrimental effect on consumer well-being (Kotler and Andreasen 1996). In the European Union, smoking is the largest single cause of preventable death and hence represents a major social and health issue (ASPECT 2004). In response, the European Union (EU) has instituted a number of tobacco control directives and has launched a large-scale antismoking advertising campaign “HELP – for a life without tobacco” across the 25 EU Member States (2005 Memo 05/68). HELP aims to highlight the harmful effects of both active and passive smoking, encourage smokers to think more responsibly about their habit (e.g., the harm it can do to non-smokers) and consider quitting. Its main component is a series of television advertisements utilizing identical visual content with equivalent voiceover messages in the native language for each Member State.

Although the campaign targets both smokers and non-smokers, the focus on smoking behavior makes smokers its primary audience. Indeed, 100 million of the EU’s population of 450 million are smokers. However, as Pollay (2000) points out, a social marketing campaign, or indeed any marketing communication effort, is likely to fail if the advertiser mistakenly assumes a homogenous target population. Specifically it can lead to message confusion and missed opportunity to engage and convert the audience. Perhaps surprisingly then, social marketers often view their target audience (e.g., the obese, heavy drinkers) as a homogeneous group, and the concept of market segmentation is scarcely discussed in the literature (Jones et al. 2005; Raval and Subramanian 2004).

It is likely that segmentation and targeting can provide a way of managing the task of encouraging smokers to engage in smoking-related thinking and corrective behavior. It can further help the advertiser to allocate their resources more effectively and communicate with greater resonance. Recent work has indeed reported a differential response to social-marketing campaigns from different groups (e.g., Hassan et al. 2007; Albrecht and Bryant 1996). Furthermore, the tobacco industry clearly sees heterogeneity in the tobacco market, and has taken great pains to segment accordingly (Hastings and MacFadyen 2000), cultivating groups such as low-income and young smokers. Finally, by employing market segmentation, undesirable side effects of social marketing campaigns can be avoided. For example, Pechmann et al. (2003) found that exposure to antismoking messages resulted in an increased intention to smoke among young adults who currently do not smoke.

It seems likely then that different segments exist among recipients of antismoking messages, and these will vary in terms of their message comprehension and elaboration, as well as their overall response to a particular campaign. Accordingly, social marketers who successfully identify distinct target groups can benefit by producing customized and ultimately more effective communication strategies.

This study aims to make several contributions to the literature. First, we measure consumer reactions to social messages and counter-advertising, which remains an under-researched topic (e.g., Szykman, Bloom, and Blazinger 2004; Agostinelli and Grube 2002). More specifically, we focus on consumers’ attitude toward the advertisement, conscious processing and understanding of the message, and thinking responsibly about their smoking behavior. The second objective of this study is to inves-
tigate the usefulness of these three factors to identify distinct target group segments. To that end, we seek to better understand consumer reactions to social-marketing advertising across different segments of the overall target group. With the rise of social-marketing advertising over the last decade there has been a continuous research interest in the effects of such advertising (e.g., Andrews et al. 2004). However, there is a dearth of knowledge concerning advertising-related consumer behavior, particularly as it relates to smoking cessation (e.g., Betsy and Pickett 1983). Third, based on the review of the literature and the examined advertising-related variables two key hypotheses are formulated. The empirical study and hypotheses are discussed with reference to the theoretical and social-marketing implications.

THE LITERATURE AND RESEARCH HYPOTHESES

Consumer Reactions to Social Advertising

Although anticonsumption movements promote various goals, one important goal that is related to consumer well-being, is antismoking. Antismoking advertising has been shown to improve knowledge, attitudes, and behavior (e.g., Siegel and Biener 2000). However, previous research has scarcely addressed a critical change agent: the nature and extent of the cognitive engagement of the consumer with the advertising message (Hassan et al. 2007). It can be posited that for any advertising campaign to have an impact, it must first engage the audience. Determination of the level of initial engagement can be undertaken via an assessment of awareness and comprehension of the message portrayed, as well as audience attitude toward the campaign.

Comprehension is well accepted in the literature as an essential first step in the persuasion process (Romaniuk et al. 2004; Jaffe, Berger, and Jamieson 1992; Jacoby and Hoyer 1989; Wells 1964); without it a major opportunity to influence the consumer is lost. Similarly, several studies have highlighted the importance of message comprehension in terms of advertising effectiveness. For example, Jaffe et al. (1992, p. 51) argue that comprehension has a “real and measurable impact on advertising effectiveness.” Attitude toward advertisements and promotional campaigns has also been established to be an important factor in creating and influencing persuasion effects (Haley and Baldinger 1991).

Furthermore, the intractability of the behaviors typically involved in social marketing means that a high level of elaboration – or continued engagement with persuasive and credible messages addressing the underlying beliefs – is also important. In the case of tobacco, many smokers have a desire to quit but fail to either stop or to maintain smoking cessation for long (e.g., Ho 1998; Lamkin, Davis, and Kamen 1998). It is also recognized that many smokers have entrenched views and attitudes that are highly resistant to the persuasions of social pressures as well as media campaigns (e.g., Peckman et al. 2003). Petty and Cacioppo’s (1986) model characterizes elaboration as thinking about the message and its meanings, as well as assessing the merits of the information and arguments presented. According to this model, a high level of elaboration is likely to result in changes in consumer beliefs about the behavior’s attributes and benefits, and in our case, an inclination to think more responsibly about their smoking. In the marketing literature responsible behavior is primarily discussed in relation to organizations and in the context of ethical behavior (e.g., Lichtenstein, Drumwright, and Braig 2004; Sen and Bhattacharya 2001). Hassan et al. (2007) shift the focus from firms to consumers and argue that consumers who are highly involved with the message are more likely to engage in responsible thinking. According to Schlenker et al. (1994), responsibility makes people accountable for their actions – either to themselves or to an audience. In their view, it depends on three conditions: someone has social or personal standards which have clear implications for a particular action, he or she identifies with these standards (identity relevance) and has control over the action. The HELP campaign addresses these same issues and aims to make clear the consequences of tobacco use for both smokers and non-smoking, and the actions that should be taken to mitigate these effects.

As consumers differ in their degree of comprehension of the antismoking message, this is likely to have a differential effect on their smoking-related attitudes and inclination to quit smoking. It can be suggested, therefore, that differing comprehension levels will also be reflected in different target-audience clusters. Martin and Kamins (2006), for example, draw on Terror Management Theory to explain the effectiveness of antismoking campaigns. Terror Management Theory suggests that defenses against existential anxiety should progressively increase as the inevitability of senescence, and hence death, becomes increasingly evident (e.g., Greenberg, Pyszczynski, and Solomon 1995). Martin and Kamins’ (2006) research shows that advertising messages that emphasize mortality risks are less effective than those that pin point social ones, especially among young adults. It is conceivable that social risks are perceived as more “realistic” and tangible by some smokers and therefore prompt greater engagement. HELP focuses on social rather than health risks, suggesting, according to Martin and Kamins (2006), that it might be more effective with the young.

Research Hypotheses

Given these observations, it would follow that meaningful segmentation for HELP should yield clusters re-
reflecting different levels of engagement. Furthermore, we would expect those who have a strong desire to quit, to be more aware and receptive of antismoking advertisements, to have a more positive attitude toward such campaigns and to elaborate more on the antismoking messages transmitted. As a result, we posit that segmentation based on three key factors, namely, comprehension of and attitude towards the campaign, along with inclination to think responsibility about your own smoking, will yield opposing clusters: smokers who have a strong desire to quit and those who have little or no desire to do so. This discussion leads to our two hypotheses:

$H_1$: Segmentation based on clustering variables attitude, comprehension, and responsible thinking will yield at least two clusters, of which one cluster will contain smokers who are highly engaged with the advertising campaign and message, in terms of attitude, comprehension, and responsible thinking, and that these smokers also have a strong intention to quit smoking.

$H_2$: A different cluster will contain smokers who are distant or not engaged in the advertising campaign and message, in terms of attitude, comprehension, and responsible thinking, and that these smokers have little to no intention to quit smoking.

**METHODOLOGY**

The HELP Antismoking Media Campaign

The HELP campaign builds on previous EU media campaigns, but is the first to be targeted across all 25 Member States. Targeting a combined population of over 450 million with a €72 million (over $87m) campaign budget makes it one of the biggest ever social advertising campaigns. It was launched in March 2005 and aimed to (1) encourage a tobacco-free lifestyle, (2) help existing smokers to stop smoking, and (3) reduce passive smoking. The principle component of the campaign is television advertising and three commercials were aired in two waves during June and September 2005 on multiple national television channels and three pan-European providers (MTV, Eurosport, and Euronews). Support activities included, public relations activity, a website (www.help-eu.com), links to existing quitlines and a road show which visited each of the 25 capitals prior to the first wave of advertising.

The advertisements were broadly targeted to reinforce the idea that tobacco is everybody’s problem, not just that of certain sections of society. Three advertisements were produced to address the three themes, but with a unifying slogan: “For a life without tobacco.” Again the intention was to get across the idea of breadth and that tobacco is a problem that takes many forms: the dangers of people starting (typically the young), the difficulty but importance of existing smokers stopping (typically adults) and the damaging effects of environmental tobacco smoke (affecting non-smokers). The decision was also taken to adopt a persuasive rather than fear arousal campaign; the metaphor or ironical device of a party-whistle was used as a substitute for cigarettes in all three advertisements. This also reinforced the creative link between the advertisements.

The advertisements were extensively pre-tested across the EU by IPSOS, a marketing research agency. Thirty-eight focus groups each comprising around ten people were conducted with smokers and non-smokers in 20 of the EU countries. Feedback from the pre-tests aided the refinement of the final advertisements and helped to ensure relevance of the communication strategy across all languages within the 25 EU nations. Each advertisement ended with a reference to the HELP campaign website (www.help-eu.com) and national quitline number.

**Data Collection and Sample**

To test the hypotheses and identify and profile the target audience of a social-marketing campaign, we re-analyzed data surveyed for the EU where interviews were conducted with over 25,000 consumers in the 25 Member States of the EU. Telephone interviews, each taking under ten minutes, were conducted in 23 of the Member States while in Lithuania and Portugal personal interviews were undertaken. The target was 1,000 respondents per country. The total sample size gained was 25,113. The survey was developed by IPSOS (France) and the survey instrument was sent to IPSOS’ partners in each EU nation for translation. This translation was then checked by the European Network on Smoking Prevention in each country. Checking was undertaken to ensure the relevancy and consistency of the meanings of the phrases contained within the questionnaire across the EU national languages. All data was collected in October 2005 after both campaign waves had been televised across all 25 EU nations.

**Measures**

The items within each scale used for this study were adapted from previous studies conducted by the IPSOS research agency and were also pre-tested through the 38 focus groups undertaken. A small pilot of the survey was then undertaken by IPSOS in France. Respondents were screened to ensure that they were aware of at least one of the three televised advertisements. A brief description of each advertisement was read out to each respondent and in response they indicated if they had or had not seen the advert. If the respondent remembered at least one advertisement, they completed the remaining survey ques-
tions. Measures of gender, age, and some smoking-related questions were also included in the questionnaire.

Consumer attitude toward the campaign was measured via six items based on a 4-point “yes, definitely” to “no, not at all” response scale. Message comprehension was conceptualized as a unidimensional construct and assessed using six items anchored on a 4-point scale: “strongly agree,” “agree somewhat,” “disagree somewhat,” and “strongly disagree.” In line with published research (e.g., Jacoby and Hoyer 1987; Thorson and Snyder 1984), we assessed comprehension through post-exposure interviews where respondents are questioned on their identification of the intended meanings. The variable capturing the extent to which the campaign has led to consumers thinking responsibly about smoking was measured with four items on a 4-point “yes, definitely” to “no not at all” response scale. Items in the study are given in the Appendix.

ANALYSIS AND RESULTS

Descriptive Statistics

Of the 25,113 respondents sampled within the 25 EU nations, 6,139 (24%) indicated that they were current smokers, 14,400 (57%) were non-smokers, and 4,538 (18%) former smokers. Of the 6,139 smokers, 2,010 (33%) remembered having seen at least one of the three antismoking advertisements, with 1,058 (17%) reporting having seen one, 653 (11%) seen two, and 299 (5%) seen all three. Table 1 provides a description of the sample characteristics.

Analyses of relationships between degree of awareness of the advertisements and demographic variables were conducted based on chi-square test or ANOVA. Results show that smokers are more aware of the advertisements than either non-smokers or former smokers. No significant relationship emerged between gender and awareness of the advertisements. Significant age differences are found across the number of advertisements respondents recall seeing, with younger respondents stating that they have seen more of the advertisements. This relationship also holds amongst the 6,139 smokers. However, amongst these smokers, no significant relationship is observed between the number of cigarettes the respondent smokes and the number of advertisements they recall seeing. In terms of social class, amongst all the 25,113 respondents, higher social class respondents (i.e., comprising professional, managerial, and clerical occupations) are significantly different in terms of being aware of the advertisements compared with those from lower social class groups (i.e., manual skilled and semi skilled workers, unemployed, and retired). However, the difference though statistically significant is only slight with 72.3 percent higher social class respondents not recalling having seen any advertisement against 70.6 percent for the lower social class respondents.

Analysis

In order to assess the reliability and validity of the constructs (attitude, comprehension, and responsible thinking), a measurement model was assessed through confirmatory factor analysis (CFA) based on the sample variance-covariance matrix for the 2,010 smokers and

<table>
<thead>
<tr>
<th>TABLE 1</th>
<th>Sample Characteristics</th>
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<tr>
<td><strong>Sample Size (n)</strong></td>
<td>Gender (%)</td>
</tr>
<tr>
<td></td>
<td>Male</td>
</tr>
<tr>
<td>Smokers</td>
<td>2,010</td>
</tr>
<tr>
<td></td>
<td>(4,129)</td>
</tr>
<tr>
<td>Former smokers</td>
<td>1,163</td>
</tr>
<tr>
<td></td>
<td>(3,375)</td>
</tr>
<tr>
<td>Nonsmokers</td>
<td>4,026</td>
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<td></td>
<td>(10,374)</td>
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NOTE: Figures in parentheses show the sample size and percentages of respondents who were NOT aware of any of the HELP advertisements.
maximum likelihood estimation procedure. This measurement model revealed an adequate fit ($\chi^2(101) = 554.55, p < .01$, GFI = .94, AGFI = .92, CFI = .92, TLI = .91, IFI = .92, RMSEA = .060, and AIC = 624.55) according to the usual conventions (Hair et al. 1998; Hu and Bentler 1999). All regression paths are significant at $p < .01$. Assessments of internal reliability via Cronbach’s alpha yielded alpha values of .79, .72, and .74 for the three factors attitude, comprehension, and responsible thinking. Given these results, the items within each scale were averaged to form composites for further analyses. At this stage, list-wise deletion of cases was undertaken to remove all respondents for whom one or more missing values are present in any of the six attitude items, the six comprehension items or the four thinking items. This resulted in a final sample size of 1,349.

Cluster Analysis

To segment the smokers according to their attitude toward the campaign, overall level of message comprehension, and their level of responsible thinking (i.e., elaboration) resulting from the advertisements, a hierarchical cluster analysis followed by a k-means analysis was performed. Respondents’ relative standing on each of the three factors was estimated by the composite variables of the three factors, which were then used as input variables for clustering. Distances between the clusters were calculated with the Euclidean distance measure, and aggregation of clusters was performed with Ward’s procedure. To reflect the true structure of the data set, the agglomeration schedule was examined and the elbow criterion used to decide on the number of clusters, which resulted in choosing a three-cluster solution as the most appropriate representation of the data. The cluster centroids are presented in Table 2.

As demographic profiling alone offers limited insight for targeting, other smoking and campaign related questions were included. For example, intention to initiate behavioral change is a central aim of any social marketing campaign. In order to detect differences in motivation scores across the different variables between the different clusters, chi-square tests, and ANOVA followed by a Scheffé test were performed.

Cluster 1 contains 493 (36.5%) respondents and represents smokers for whom the factors Attitude, Comprehension, and Responsible Thinking are of average relevance compared to the other two clusters. Smokers in this group tend to be younger than those in the other two groups and have seen more of the advertisements than those in the third cluster. Compared with those in the third cluster, these respondents smoke significantly less. These Message-Indifferent smokers comprehend, but do not think responsibly about the antismoking message, indicating that they may not care about smoking-related consequences.

For the 642 (47.6%) Message-Involved smokers in Cluster 2, compared with the other two groups, all three clustering variables have significantly above average relevance. Smokers in this largest cluster have the highest intention to quit smoking. Compared with the third cluster they have greater awareness of the antismoking advertisements.

The third cluster with 214 (15.9%) respondents represents Message-Distanced smokers for whom the three factors have below average relevance. Smokers in this cluster are the least inclined to think about the message and have the lowest intention to quit with the overwhelming majority (84.1%) stating “No, not at all.” Compared with the other two clusters, they are least aware of the antismoking advertisements, and they smoke more.

In contrasting the clusters beyond the three factors of comprehension, attitude, and responsible thinking, it is interesting to note that these three distinct clusters do not differ in terms of gender or social class. More importantly, Clusters 2 and 3 represent the opposite spectrum of the target audience for the campaign, however, the data suggests that they are similar ($p > .05$) in terms of demographic factors, age, gender, and social class. What differentiates the Message Involved (Cluster 2) from the Message Distanced (Cluster 3) are the level of awareness of the campaign ($p < .01$), the clustering variables of attitude toward the campaign ($p < .01$), message comprehension ($p < .01$), and degree of responsible thinking ($p < .01$), with likely consequential effect on large difference ($p < .01$) in intention to quit smoking. Further pair-wise contrasts across the three clusters yield significant ($p < .01$) differences between Clusters 1 and 2 in terms of age, intention to quit, but not in terms of smoking intensity, the number of advertisements seen, gender or social status. Significant ($p < .01$) differences between Clusters 1 and 3 are found in respect of smoking intensity, intention to quit, and the number of advertisements seen, but not in respect of age, gender, and social status.

Furthermore, the results show that the three clusters are not evenly distributed across the 25 Member States (see Figure 1). Specifically, the Netherlands, Austria, Estonia, Latvia, and possibly Greece and Italy too, have greater proportion of Message Distanced and fewer Message Involved smokers and are thus very different from the U.K., Slovenia, Slovakia, Portugal, Poland, Malta, Ireland, Germany, France, Cyprus, and Belgium. It does not appear that any of the three clusters is more likely to be found in wealthier or less prosperous countries. To explore the relationship between a country’s smoking
prevalence and GDP per capita, we calculated correlations between the two variables using the data reported at the bottom of Figure 1. The correlation was non-significant ($r = .03$).

Next, we explored the relationship between a country’s smoking prevalence and the extent of tobacco control in force. The average smoking-prevalence score in the EU is 29.4, with Sweden having the lowest overall score (18) and Greece the highest (45). The average tobacco-control score in the EU is 46.7, with Ireland having the highest overall score (74) and Luxembourg the lowest (26) (Joossens and Raw 2006). Sweden has an above-average (60) and Greece a below-average (38) tobacco-control score. To explore the relationship between a country’s tobacco control score (Joossens and

### TABLE 2
Cluster Centroids of Culture Variables for the Three Factors

<table>
<thead>
<tr>
<th>Cluster Analysis Results</th>
<th>Cluster 1: Message Indifferents (n = 493)</th>
<th>Cluster 2: Message Involved (n = 642)</th>
<th>Cluster 3: Message Distanced (n = 214)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Attitude</td>
<td>0.87* (.61)</td>
<td>1.50 (.50)</td>
<td>-0.60 (.70)</td>
</tr>
<tr>
<td>Comprehension</td>
<td>1.06 (.74)</td>
<td>1.52 (.53)</td>
<td>0.06 (.99)</td>
</tr>
<tr>
<td>Thinking</td>
<td>-0.26 (.71)</td>
<td>1.36 (.50)</td>
<td>-1.16 (.77)</td>
</tr>
</tbody>
</table>

### Profiling Clusters

| Age (years)             | 35.87 (13.86)                           | 38.08 (14.83)                       | 38.71 (13.86)                        |
| Smoking Intensity (cigarettes per day) | 14.62 (11.17) | 15.44 (11.83) | 17.23 (12.49) |

<table>
<thead>
<tr>
<th>Intention to stop smoking (p &lt; .01)</th>
<th>Cluster 1</th>
<th>Cluster 2</th>
<th>Cluster 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes definitely</td>
<td>34 (6.9)</td>
<td>227 (35.4)</td>
<td>2 (0.9)</td>
</tr>
<tr>
<td>Yes quite a lot</td>
<td>79 (16.0)</td>
<td>169 (26.3)</td>
<td>6 (2.8)</td>
</tr>
<tr>
<td>No not really</td>
<td>158 (32.0)</td>
<td>144 (22.4)</td>
<td>26 (12.1)</td>
</tr>
<tr>
<td>No not at all</td>
<td>219 (44.4)</td>
<td>98 (15.3)</td>
<td>180 (84.1)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Awareness (p &lt; 0.01)</th>
<th>Cluster 1</th>
<th>Cluster 2</th>
<th>Cluster 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 ad</td>
<td>232 (47.1)</td>
<td>324 (50.5)</td>
<td>135 (63.1)</td>
</tr>
<tr>
<td>2 ad</td>
<td>177 (35.9)</td>
<td>214 (33.3)</td>
<td>59 (27.6)</td>
</tr>
<tr>
<td>3 ad</td>
<td>84 (17.0)</td>
<td>104 (16.2)</td>
<td>20 (9.3)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Gender (p &gt; 0.05)</th>
<th>Cluster 1</th>
<th>Cluster 2</th>
<th>Cluster 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>266 (54.0)</td>
<td>346 (53.9)</td>
<td>120 (56.1)</td>
</tr>
<tr>
<td>Female</td>
<td>227 (46.0)</td>
<td>296 (46.1)</td>
<td>94 (43.9)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Social Status (p &gt; 0.05)</th>
<th>Cluster 1</th>
<th>Cluster 2</th>
<th>Cluster 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Higher</td>
<td>210 (42.6)</td>
<td>255 (39.7)</td>
<td>106 (49.5)</td>
</tr>
<tr>
<td>Lower</td>
<td>283 (57.4)</td>
<td>382 (59.5)</td>
<td>108 (50.5)</td>
</tr>
</tbody>
</table>

Note: *Data was recoded to yield negative (no or disagree) and positive values (yes or agree) with zero representing a neutral position. For the variables attitude, comprehension, responsible thinking, age and smoking intensity; mean values with the same superscript are not significantly (p < .05) different from each other (based on ANOVA and a Scheffé test). (SD values are given in brackets); Chi-square tests were applied to the variables intention, awareness, gender, and social status (for these four variables, percentages within clusters are given in brackets).
Raw 2006) and smoking prevalence, we also calculated correlations between the two variables. The correlation was significant \((r = -0.43; p < 0.05)\), suggesting that tobacco control measures pay off in terms of lower smoking rates. Correlations between smoking prevalence and GDP per capita as well as between GDP per capita and level of tobacco control are not significant \((p > 0.05)\).

**DISCUSSION**

Our study focuses on consumers’ attitude toward and their comprehension of the advertisement, and their proneness to think about the message. Moreover, we demonstrate that these three variables can be used to identify distinct target segments. We believe this is an important step forward in providing the field of social marketing and communication with a tool that explicitly considers smokers, the main target group of antismoking campaigns, and acknowledges that customized messages may be necessary to reach different groups of smokers. Also, we explored two research hypotheses which were supported by our results. This study demonstrates that social marketing campaigns, at least in the field of smoking, could benefit from segmentation and targeting. This has both managerial and theoretical implications.

**Managerial Implications**

Our findings suggest that customized messages based on audience needs are desirable and will produce more effective results. The three clusters that have emerged are also revealing. Existence of message indifferent and message distanced clusters suggests that clarity and popularity of message are both important. This reinforces one of the basic tenets of communication and advertising theory: that audiences have to be an active participant in the communication process and messages cannot be imposed against their will (Fill 2006). In addition, the need to generate engagement suggests that advertising themes and content should be chosen for their capacity to create favorable attitudes, and raises doubts about the efficacy of hard hitting and fear inducing approaches often used in antismoking campaigns (Hastings, Stead, and Webb 2004). Both points also underline the value of pre-testing.

The message involved cluster, with a greater inclination to think responsibly about the consequences of their actions, is potentially of particular interest for social marketing, which is continually dealing in social and health repercussions. This would be a key group to
identify in society. Not only will they be more susceptible to messages on their own behalf, but there is at least the potential that they could take on the role of opinion leaders and influence other groups. The potential is there, for instance to utilize our involved cluster as ambassadors to help propagate and re-enforce the antismoking message among the indifferent and even the distanced clusters. Given that our findings show no demographic differences between the three clusters regarding gender and social class, nor between the message involved and message distanced regarding age, this may enable anti-smoking messages to be filtered through to marginalized and disadvantaged groups who have long presented a great challenge for social marketing (e.g., MacAskill et al. 2002). In particular it is increasingly clear that “parachuting in” solutions from external authorities has, at best, limited success. Furthermore, as this success is typically lower in poor communities the net effect of such generalized efforts is often to inadvertently increase inequalities. These apparently altruistic appeals (e.g., Sundaram, Mitra, and Webster 1998) would also likely bring additional benefits to the involved smokers. There is anecdotal evidence from Weight Watchers that helping others to adjust their behavior is a good way to reinforce one’s own lifestyle changes.

There are no clear demographic distinctions between the three clusters, but Figure 1 does suggest that the majority of EU Member States (Belgium, Cyprus, Czech Republic, Denmark, Finland, France, Germany, Ireland, Lithuania, Luxembourg, Malta, Poland, Portugal, Slovakia, Slovenia, Spain, and the U.K.) would be particularly receptive to this type of approach.

When further considering each country’s smoking prevalence (Joossens and Raw 2006), it appears that three country groups emerge. Group 1 comprises countries with a high percentage of Cluster 2 smokers (message involved) and a lower/very low percentage of Cluster 1 (message indifference) and Cluster 3 (message distanced) smokers. This group comprises the majority of the 25 countries and represent success for the campaign. These countries are: Finland, Portugal, Cyprus, Slovenia, the U.K., Malta, Denmark, Ireland, Belgium, Lithuania, Czech Republic, France, Poland, Spain, Germany, Luxembourg, and Slovakia.

Group 2 comprises countries with a high percentage of Cluster 1 smokers and a lower/very low percentage of Cluster 2 and Cluster 3 smokers. This group represents less success for the campaign and comprises Sweden, Italy, Hungary, and Greece.

Group 3 comprises countries with a high percentage of Cluster 3 smokers relative to the other clusters. Hence, this group represents a major challenge for the campaign and would require additional examination before the same campaign is “rolled out” again in these countries. These countries are: Austria, the Netherlands, Latvia, and Estonia.

Research Implications

This is a first attempt to apply segmentation procedures to antismoking advertising and it inevitably leaves gaps. Three seem to us to be particularly important to fill. First, we concentrated only on one anticonsumption context, namely antismoking. Future research should investigate if our clusters exist in other anticonsumption and socially responsible behavioral contexts, such as excessive drinking, healthy eating, and irresponsible Internet use. Second, in this study, we examined smokers’ perception of antismoking advertisements. Given the normative power of reference groups and word-of-mouth influence, it would be useful to investigate the perceptions of non-smokers and the existence of non-smokers segments. Third, smokers in our sample were not asked about their preferred cigarette brand. Brand choice might influence smoker involvement with the brand and smoking-related advertisements in general. The evaluation of the three factors might differ for consumers who smoke traditional national brands compared to those who smoke foreign brands.

It has been suggested that in Eastern Europe western cigarettes are an affordable (and easily accessible) way of consuming the west, which is reinforced by the existence of a successful brand of cigarettes actually called “West.” The individual-centered, often hedonistic nature of advertisements made them incompatible with the values of socialist or communist societies where more collectivist values were promoted. Whereas state sponsored social messages are often perceived as propaganda and hence not taken as credible or relevant. With the move toward a market-based economy, consumers from post-communist central, and eastern European countries have been exposed to and begun to embrace western consumption values and choice (e.g., West and Paliwoda 1996).

CONCLUSION

This research has demonstrated three things. First, that segmentation can indeed be a useful tool in social marketing. Second, that messages need to be designed in partnership with target audiences, not imposed upon them. Third, that the capacity to think responsibly about the repercussions of one’s actions, for both oneself and others, may be a particularly valuable segmentation variable. It is hope that this study will prompt further research in this area.
REFERENCES


Pechmann, Cornelia, Guangzhi Zhao, Marvin Goldberg,


### APPENDIX

#### Items Included in Index

<table>
<thead>
<tr>
<th>Attitude</th>
</tr>
</thead>
<tbody>
<tr>
<td>The campaign delivers a worthwhile message.</td>
</tr>
<tr>
<td>The campaign is interesting.</td>
</tr>
<tr>
<td>The campaign is an incentive to look for information and/or help.</td>
</tr>
<tr>
<td>The campaign is meant for people like you.</td>
</tr>
<tr>
<td>The campaign is easy to understand.</td>
</tr>
<tr>
<td>The campaign is in people’s best interest.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Comprehension</th>
</tr>
</thead>
<tbody>
<tr>
<td>It is hard to stop smoking.</td>
</tr>
<tr>
<td>There is help available to stop smoking.</td>
</tr>
<tr>
<td>There is a telephone number and/or a website that one may contact about smoking.</td>
</tr>
<tr>
<td>Smokers and non-smokers need to respect each other.</td>
</tr>
<tr>
<td>Smoking harms the health of others around you.</td>
</tr>
<tr>
<td>You should not start smoking.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Thinking</th>
</tr>
</thead>
<tbody>
<tr>
<td>The advert/Advertisements made you think about your smoking.</td>
</tr>
<tr>
<td>The advert/Advertisements made you think that smoking is absurd.</td>
</tr>
<tr>
<td>The advert/Advertisements made you think about the behavior of smokers in the presence of non-smokers.</td>
</tr>
<tr>
<td>The advert/Advertisements made you think about the value of help in quitting smoking.</td>
</tr>
</tbody>
</table>
NONPROFIT SPONSORED PRINT ADVERTISING AND THE EFFECT OF DIFFERING MESSAGE FORMATS

Kevin J. Shanahan, The University of Texas at Tyler, Tyler
Christopher D. Hopkins, Clemson University, Clemson
Les Carlson, Clemson University, Clemson University

SUMMARY

In addition to supporting the suffering public, nonprofits such as the American Cancer Society (ACS) also promote pro-social activities such as cessation of smoking and to affect change in society for the betterment of the public (Flay and Cook 1981; Straubhaar and LaRose 2002). Cognizant that donors offer time, money or services with little economic expectation – a condition known as generalized reciprocity – nonprofits are held to a rigid standard of truthfulness and are expected to act in a socially responsible manner; acting with veracity, as integrity plays a central role when prospective donors evaluate nonprofits as a potential recipient (Staples 2004; Venable et al. 2005).

Given the presumed mission of many nonprofits organizations, the purpose of our study is to assess the influence of varying types of print ads for anti-smoking public service announcements and their associated disclosure content – including deception – can have on attitude toward the ad, perceived social responsibility of the sponsor, and intention to donate to the nonprofit. A key assumption in this study is that nonprofits want to create an effective ad while maximizing intent to donate. The differences in overall attitude toward the ad, perceived social responsibility of the sponsor, and intent to donate are tested across four types of public service announcement print advertisements sponsored by a nonprofit (the American Cancer Society).

The four treatments for anti-smoking advertisements include: employing truth in advertising, implicature, actor portrayal disclosure, and deceptive (withholding information) advertising. We find that the use of real victims, whether using implicature or not, in print ad public service announcements garners the most positive attitude toward the advertisement, strongest perceived social responsibility, and highest proclivity to donate to the nonprofit. Conversely, the use of deceptive advertising significantly harms overall attitude, perceived social responsibility, and intent to donate. The use of an actor portrayal label, while also deemed to be socially responsible, significantly reduces the effectiveness of the ad and intent to donate when compared to using a real victim. Our findings suggest the use of real victims in public service announcements by nonprofits is the optimal approach.

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DIFFERENT CORPORATE ASSOCIATIONS ON CONSUMER
RESPONSES IN CAUSE-RELATED MARKETING

Rong Chen, Tsinghua University, China
Li Ma, Invest Australia, China
Ping Zhao, Tsinghua University, China

SUMMARY

A great amount of empirical studies have demonstrated that cause-related marketing (CRM) could result in higher consumer recognition, and thus brings various benefits to the company engaged. However, some skepticism also arises from consumers’ distrust and cynicism toward the CRM appeal. How consumers actually perceive the company engaged is of course a crucial determinant for the successful execution of a CRM strategy. Previous researches have suggested a link between consumers’ product judgments and corporate associations, i.e., consumers’ beliefs, moods, and emotions, evaluations, etc. that are mentally associated with the organization. Some empirical studies have shown that consumers’ different types of associations with a company have different influences on their product evaluation. In specific, the researches indicate that corporate ability (CA) association has a stronger effect than corporate social responsibility (CSR) association in consumers’ product evaluation. The paper aims to investigate their respective influence in a CRM campaign. In addition to product evaluation, it also aims to examine their respective influence on corporate evaluation and CRM program (CRMP) evaluation for a better understanding sustainable reputation and long-term profitability. Furthermore, the paper sets to examine whether a company should select a congruent cause with its product based on its CA or CSR strength, revealed from the fact that the cause adopted in CRM is of social responsibility nature.

Research Design, Methods, and Conclusions

Fictitious companies and products were used to test the conceptual model. We conducted four pretests to ensure the appropriateness of the manipulations for the main study. The first pretest was performed to identify five important causes. In the second pretest, dry battery was first selected as the focal product by a focus group discussion. Then, based on its respective congruence rating with the five causes, environmental protection and program for poor children’s education was chosen to be used in the main study as the congruent cause and incongruent cause for dry battery correspondingly. We performed the third pretest to identify the specific CA and CSR associations. Scenario descriptions of corporate associations based on these items were drafted for clarity and reality checks in the last pretest.

In the main study, three types of corporate associations were selected and assigned to three anonymous companies respectively, i.e., (1) CA_{high} and CSR_{high}, (2) CA_{high} and CSR_{low}, (3) CA_{low} and CSR_{high}. Each company contributed to congruent cause or incongruent cause, therefore, totally six versions of the questionnaire were created. Six hundred and sixty subjects were exposed to one of the six conditions and completed this study.

We tested the proposed model by structural equation modeling. The results show that both CA association and CSR association have significant and equal impact on company evaluation, however, their direct impacts on product evaluation are not evident in this study. CA association has stronger impact on CRMP evaluation than CSR association does. CRMP evaluation is less influential on product evaluation than on purchase intention. Conversely, company evaluation is more influential on product evaluation than on purchase intention. Furthermore, company evaluation has less influence on purchase intention than CRMP evaluation and product evaluation do.

To further investigate the interaction between corporate associations and cause congruence in CRM, we also compared the condition of high CA association with that of high CSR association. Results show that when CA association is high, the influence of CA association on both company evaluation and product evaluation is much lower in a cause congruence group than in an incongruence group. Only the impact of CA association on CRMP evaluation in a cause congruence group is slightly higher than in the incongruence group. In opposition, the influence of CSR association on both company evaluation and product evaluation is higher in a cause congruence group than in an incongruence group. When CSR association is high, the influence of CSR association on both company evaluation and CRMP evaluation is higher in a cause congruence group than in an incongruence group. Concerning the impact of CA association, it can lead to positive effect on both company evaluation and CRMP evaluation in a cause congruence group. However, it can bring disastrous outcomes on product evaluation in incongruence groups.
This study identifies the mechanism through which corporate associations can lead to favorable consumer responses in CRM, and it offers important implications for managers to choose a specific communication emphasis in CRM. To illustrate, since CA association is very influential to both company evaluation and CRMP evaluation, it suggests that implementing a CRM program might be more effective for a company with high CA association in consumers’ minds. For such a company, whether a congruent cause should be chosen may not be so important. Nevertheless, for a company with low CA association, social responsibility should be addressed in CRM communication and it is better to select a congruent cause. References available upon request. This work is supported by the National Natural Science Foundation of China (Grant No. 70502003 and 70632003).

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PREDICTING FLOW IN ONLINE SHOPPING: A COMPARISON OF THREE THEORIES OF EMOTIONS

Songpol Kulviwat, Hofstra University, Hempstead
Yong Zhang, Hofstra University, Hempstead
Jinyan Fan, Hofstra University, Hempstead

SUMMARY

The importance of understanding human emotion and its impact on people’s behavior has been widely acknowledged in various fields of study. In particular, marketing scholars have been studying affect and emotion for several decades in order to shed light on a variety of consumer behaviors. Among such efforts, three most popular theories of emotion have been applied to marketing-related contexts, namely Mehrabian and Russell’s PAD (pleasure, arousal, and dominance) Theory (1974) developed in environmental psychology, the Differential Emotions Theory by Izard (1977), and the Psychoevolutionary Theory of Emotion by Plutchik (1980).

Despite the fact that several previous studies have examined the three theories of emotion in various contexts, empirical evidence is still inconclusive in pinpointing the exact nature and advantage of each theory in explaining particular marketing phenomena. Furthermore, no study has empirically applied the three theories to investigating consumer online shopping behavior, which is increasingly important for marketers given the rise of Internet as a marketing tool and environment. Past research suggests that the consumer psychological state (known as flow) during online navigation contributes to the success of online businesses (Smith and Sivakumar 2004). Hence, a clear understanding of flow and the factors contributing to flow is critical to the development of effective e-tailing strategies for online marketers. The purpose of this study is to examine flow and to identify the antecedents of flow. Specifically, this study empirically compares the three theories of emotion that predict flow in the online shopping context.

Using the regression analyses, we empirically compare the three emotional theories. The results show that Plutchik and the Izard had more predictive power of flow than the PAD theory. However, the relative superiority between the Plutchik theory and the Izard theory has been less pronounced. Positive affect (particularly pleasure, joy, arousal, interest, and excitement) rather than negative affect play important roles in predicting flow in online shopping experiences. The implications and future research are discussed.

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MYSIMON SEZ: REDUCING INACTION INERTIA VIA ONLINE SHOPPING AGENTS

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SUMMARY

Inaction inertia occurs when people pass on a good opportunity when they have missed a more attractive one. Research suggests inaction inertia may be due to subjective devaluation of the currently-available offer given the reference value of the “missed” superior offer (Arkes et al. 2002; Zeelenberg et al. 2006). Moreover, robust research findings indicate that people who miss an opportunity to purchase products at a discount indicate lower intention to purchase when the discount is lessened or removed (Tykocinski 1995). Such behavior can have deleterious effects on the welfare of consumers and commercial entities alike.

The published research on inaction inertia primarily focuses on identifying mental processes and contextual factors that lead to inaction inertia; however none explicitly explore the possibility of paths to mitigate or reverse this potentially problematic behavior. The current research focuses on the “offer devaluation” explanation supported by Arkes et al. (2002) and Zeelenberg et al. (2006) as a potential path to lessen the likelihood of inaction inertia. Propositions are developed regarding three routes via which the use of online shopping agents may lessen inaction inertia.

Paths of Influence

Change in Influence of Contrasts: Rajendran and Tellis (1994) provide evidence of the existence of temporal and contextual components of reference price in which the temporal component refers to the previous prices of the focal product and the contextual component refers to the comparison of the price of the focal alternative to those of the other alternatives.

Inaction inertia is brought about because of an unfavorable temporal comparison. Reducing consumer focus on the unfavorable temporal contrast and strengthening the influence of a more favorable comparison may lessen the likelihood of offer devaluation. While use of an online shopping agent may not eliminate an unfavorable temporal contrast, it does create a favorable contextual contrast, the strength of which may overwhelm the motivation dampening effects of the past loss.

Reduction of Perceived Risk: Tykocinski et al. (1995) find that consumers naturally loss-code the difference in perceived value between the foregone and the current offer. This suggests that consumers may view accepting a devalued offer as acceptance of a loss. Employment of an online shopping agent may reduce perceived risk in two important ways. First, comparison data may serve to lower perceptions of financial risk by providing comparison data regarding the price range for many acceptable products. Second, research has shown that online shopping agents are often viewed as social actors capable of integrity and benevolence (Wang and Benbasat 2005). Thus, when the shopping agent is seen as a benevolent social actor, acceptance of its recommended actions may be viewed as socially acceptable.

Reduction in Cognitive Effort: Several researchers have found that employment of a shopping or recommendation agent reduces consumer prepurchase effort (Diehl et al. 2003; Haubl and Trifts 2000). When this reduction of effort takes the form of less thought about a purchase decision, it may translate into less effort spent making contrasts between the superior and inferior alternatives.

Preliminary Findings

Preliminary findings from the first study revealed that the use of online shopping agents can lessen the likelihood of inaction inertia. However, the influence depends on the choice pattern engaged by the consumer. Two hundred fifty-four people participated in the study. Approximately 50 percent were undergraduate students who received partial course credit for their participation. The remainder was solicited via email communications from the general population. Participants accessed the study online from their own computers. Upon signing into the study, participants were randomly assigned to one of eight conditions which varied on the attractiveness of the missed opportunity (following the basic design of inaction inertia studies) as well as the order of the decision-maker influence (see Figure 1).

This design resulted in a 2 (price difference: high vs. low) x 8 (decision order: self-self, self-SA, SA-self, SA-SA), where “self” refers to the participant and “SA” refers to the online shopping agent. The “high difference” condition featured an initial discount on a laptop backpack of 55 percent. The “low difference” included an initial discount of only 35 percent. The “self” choice condition indicated that the participant was both responsible for missing the first (and superior) offer and
for solely deciding whether to accept the inferior offer at a later time. The self-SA condition was largely the same as the self-self condition except that the shopper employs an online recommendation agent after missing the superior offer.

Preliminary findings indicate significant differences in the likelihood of rejection in between several conditions. A test of difference in proportions of the “rejecting” sample populations (using the binomial distribution) provided evidence of instantiation of inaction inertia given the typical decision pattern wherein the consumer makes the choice at both time periods. There was a significant difference between the proportion of participants rejecting in the self-self-high-difference condition and those in the self-self-low-difference condition (p < .007). Fifty-one percent rejected the offer at T2 in the high difference condition as compared to only 32 percent rejecting in the low difference condition.

Further analysis revealed significantly lower reject rates in the SA-self (21%), and the SA-SA (33%) conditions (patterns C and D, respectively), but not in pattern B, the self-SA condition (50%). Although the influence of the SA in choice patterns C and D were not originally hypothesized, it proves to be, perhaps, more interesting than that of pattern B. Analysis is ongoing regarding the mechanisms by which the shopping agent influences the reject ratios in patterns C and D. References are available upon request.

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DO CONSUMER’S INFORMATION PROCESSING STRATEGIES FOR WORD-OF-MOUTH DIFFER ACROSS ONLINE CONTEXTS? COMPARING ATtribution THEORY and MERE-ACCESSIBILITY

Donald C. Barnes, Mississippi State University, Starkville

SUMMARY

Discovering the underlying forces and mechanisms of human information processing has been studied across many fields (i.e., sociology, psychology, business, etc.). Yet, still more research is needed. For example, do consumers information processing strategies remain the same in different contexts. A related question centers on the effects of technology, such as the internet on the consumer’s processing ability. To help clarify possible relationships that exist, this research will assess negative electronic word-of-mouth (negative eWOM) between consumers using the internet as a context. The main research question will be to discover to what extent information processing strategies used with the online environment are similar/dissimilar to the processes utilized for traditional word-of-mouth (WOM).

WOM and the Internet

It is believed by many academics and practitioners that the influence of WOM extends to the internet (Pitt, Berthon, Watson, and Zinkhan 2002). However, there seem to be major differences between traditional WOM, and this new form of eWOM. For example, the user may not have the ability to form the fundamental attributions necessary to evaluate source similarity, source expertise, or source credibility (Chatterjee 2001). Since these key evaluative bases are not available, a question arises as to how consumers evaluate the validity, and hence appropriateness of negative eWOM. Further, in the customer-to-customer setting, it is unlikely the purchasing customer will be able to dismiss negative eWOM because of cognitive processes that already exist (i.e., strong feelings toward the retailer) (Laczniak, DeCarlo, and Motley 1996). These differences are significant, as researchers have already shown that the cognitive processes utilized to store and evaluate WOM influence the impact of the information (Tybout, Calder, and Sternthal 1981).

The Negativity Effect

Also relevant to any research on WOM, is a concept referred to as the negativity effect, which occurs when negative WOM has a stronger effect than equally positive WOM on consumer cognitive weighting (Mizerski 1982). Driven by an accuracy motivation, consumers find it easier to evaluate negative information (in comparison with positive or equal), in order to categorize choices (Mizerski 1982). As the negative information is more distinctive, it is viewed as more diagnostic (Weinberger, Allen, and Dillon 1981).

Recently, the strength of the negativity effect has been questioned (Ahluwalia 2002). For example, the negativity effect is absent when the negative information is not perceived as diagnostic, or in cases where the negative information is not preference consistent (Ahluwalia 2002). Much of the protest in academic literature over the negativity effect centers on research that has shown the effect to be missing. The main gist of this contradictory research is that major differences exist between the experimental environment where the negativity effect has been identified, and the marketplace (Ahluwalia 2002). For example, in traditional marketing environments where consumers may have previous relationships with a brand whereby negative information is discounted and weighed less heavily. However, it remains to be seen if moderating variables (such as relationship duration or previous knowledge) will be experienced in a customer-to-customer setting.

Attribution Theory vs. MERE-ACCESSIBILITY

A possible explanation of how consumers process eWOM in the consumer-to-consumer environment is through the use of simpler proxies. If this is true, and different processes are being utilized, they must be identified by researchers. Practitioners will also benefit from a greater understanding of negative eWOM, considering the huge increase of purchasing that takes place in the virtual world. To evaluate possible proxies that consumers use in negative eWOM, the authors will compare two different processing frameworks. The first framework is attribution theory (Heider 1958), which has been the dominant framework in evaluating traditional WOM. In basic terms, attribution theory examines how individuals perceive a situation, examine it for key elements of information, and subsequently makes an inference about a stimulus object (Kelley 1973). There are three main components of attribution theory: “(1) consensus information – degree to which others are likely to agree with the views of a communicator; (2) distinctiveness information – the extent to which the information can be
associated with a particular external causal entity, but not with other external causal entities; and (3) consistency information – the degree to which the information is repeatedly associated with a communicator across time and situations” (Laczniak et al. 1996, p. 40).

The second framework that will be evaluated is the mere-accessibility framework as proposed by Menon and Raghubir (2003). This is a variant of the accessibility-diagnosticity framework (Feldman and Lynch 1988), which has already been applied to evaluate traditional negative WOM (Herr, Kardes, and Kim 1991). Mere accessibility extends the accessibility-diagnosticity framework by stating under conditions of low processing motivation, experienced ease-of-retrieval of positive information (for our future study, we will be using negative information) often confers an impression that the positive information itself is relevant. When that information enters early in the process, it will be incorporated unless there is some cue that causes consumers to actively discount it (Menon and Raghubir 2003). In other words, the use of accessibility as a source of information is contingent on the diagnosticity of alternate inputs, but only partially contingent on the perceived diagnosticity of the accessibility itself.

Implications

With the growing trend of business transactions completed on internet, it is essential for practitioners and academics to understand the types of information processing that consumer’s employ. In the traditional business environment, attribution theory has provided a sound explanation for consumer behavior. However, in the new virtual world, the ability to form attributions is limited. If the propositions put forth in this research are accurate, it is possible that mere-accessibility framework will provide a better elucidation of consumer behavior.

REFERENCES


“ARE YOU A MOBILE SHOPPER?” CONSUMER UBIIIQUITY: A MULTIDIMENSIONAL PREDICTOR OF ANYWHERE, ANYTIME CONSUMPTION

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SUMMARY

With large scale diffusion of communication technologies, the marketplace has become seamlessly connected between buyers and sellers. Consumers are shopping at retail stores, electronically from desktops, and also from mobile phones while on the move (Ishii 2004). With high levels of penetration in over 30 countries around the world (Wallace 2006), the mobile phone has become a vehicle for not only voice communication and text messaging, but also downloading ring tones and games, purchasing tickets, paying bills, and increasingly for a variety of shopping activities. Though wireless technologies have freed the consumer to engage in anytime anywhere consumption, it remains to be seen to what degree consumers are willing to exercise this freedom. The question arises because even when consumers have complete internet connectivity through their mobile devices, they may still prefer to shop at specific times and specific places. These have implications for companies who are interested in understanding mobile shopping trends and their implications for sales, customer reach, strategic distribution, and inventory management.

Past researchers (Iimi 2005; Lee and Lee 2006; Botelho and Pinto 2004) have explored diffusion of mobile phones across Japan, Korea, etc. but the focus has been adoption-based rather than usage-based diffusion. A usage-based research effort provides additional insights (Shih and Venkatesh 2004). Sometimes, usage in many situations or surroundings can be controversial; for instance, using the mobile phone while driving (Science Daily 2002). When we extend the investigation of mobile devices beyond the original/primary purposes of voice/text communication, particularly for shopping related activities, usage rather than adoption of the mobile phone is a more relevant distinction. Shoppers are known to be influenced by their immediate surroundings, (Belk 1975; Baker, Parasuraman, Grewal, and Voss 2002), and research on self-monitoring has shown that some individuals are more strongly influenced by their surroundings than others (Aaker 1999). Therefore, mobile phone usage is likely to be influenced by characteristics of their immediate surroundings, some considering its public use more or less uncomfortable, or more or less socially intrusive (Love and Perry 2004). So given this wireless environment, consumers are likely to vary between the two extremes of traditional “situational” shopping and on-the-go “anytime anywhere” shopping.

Based on a review of the literature, we propose “consumer ubiquity” as a multi-dimensional construct comprised of four dimensions – place, time, social surroundings, and primary control of the immediate physical environment. Individual perceptions of these characteristics of the immediate physical environment lead to a consumer being more or less of an ubiquitous consumer. Consumers who score on the low end of the spectrum are likely to be more sensitive to these characteristics, and limit their consumption to specific places and specific times. The more ubiquitous consumers, on the other hand, are less likely to be constrained by these environmental characteristics and engage in shopping activities anywhere, anytime. A logical extension of technological and marketplace ubiquity, consumer ubiquity construct aims to describe individual differences in anywhere anytime behavior with an emphasis on mobile internet usage beyond adoption.

The framework developed in this paper discusses consumption activities in terms of information search, evaluation of alternatives, actual purchase and payment, as well as consumption. These activities can be initiated by a proactive consumer; they can also be reactions to location-based marketing activities such as mobile advertisements and promotions. The consumer ubiquity construct is advanced to explain both proactive and reactive consumer behaviors.

From a conceptual point of view, the consumer ubiquity construct will help us understand how consumers manage their co-presence in multiple interactive environments. From a managerial point of view, the
empirical evidence on consumer ubiquity will help in efforts to segment the mobile market and related decisions. In this paper we focus on the conceptual frame-

work and establish the need for empirical validation of the construct.

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LANGUAGE EFFECTS ON SPOKESPERSON’S CREDIBILITY AMONG BILINGUAL CONSUMERS

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SUMMARY

The purpose of this study is to examine the effects of language on spokesperson’s credibility and the subsequent effects on persuasion, considering in particular the Hispanic bilingual population segment. Unlike previous studies, where the focus was directed to Hispanic consumers’ strength of identification with their culture of origin as an important moderating variable (e.g., Deshpande, Hoyer, and Donthu 1986; Dimofte, Forehand, and Deshpande 2003), this study examines consumers’ strength of identification with the American culture.

Language Effects on Spokesperson’s Credibility

Previous research among bilinguals suggests that judgments made about speakers are affected by the language they speak; language is used to identify the speakers as members of an ethnic group, eliciting stereotyped attitudes (Lambert and Lambert 1973). Additionally, attitudes of members of the minority group are affected by their social, political, and cultural status; the stereotype that they hold about the majority group is more favorable than their own stereotype (Grosjean 1982). In particular, research on Hispanics suggests that among bilingual Hispanics language “purity” or “correctness” is highly valued (Montes-Alcala 2000; Peñalosa 1980; Ramirez 1992). Hence, the alternating use of English and Spanish within a discourse or code-switching is socially stigmatized.

Consequently, it is proposed that bilingual consumers confronted with advertising in English, Spanish, and code-switching will judge the spokesperson’s trustworthiness and expertise according to the cultural stereotype associated with each language. Hence, it is hypothesized that spokesperson’s trustworthiness and expertise is lower when the spokesperson portrayed in an advertisement employed code-switching compared to advertisements in which the spokesperson employed a single language. It is expected that judgments on the spokesperson’s attractiveness will not be affected by the stereotype associated with each language since it is associated with physical characteristics rather than competence or dependability. It is well established in the literature that a spokesperson’s trustworthiness and expertise affect persuasion (e.g., Hovland and Weiss 1951; Johnson, Toc ricia, and Poprick 1968; Kelman and Hovland 1953). Hence, it is expected that bilingual consumer’s judgments of a spokesperson’s trust and expertise would affect their brand evaluations according to the cultural stereotype associated with each language.

The study’s results suggest that language choice in printed advertising affects spokesperson’s credibility and ultimately consumers’ attitudes towards the brand. Spokespersons that communicate with code-switching were perceived to have lower expertise compared to spokespersons that employed English or Spanish. In turn, lower expertise was related to lower brand attitudes. The spokesperson that used English was perceived to have higher trustworthiness compared to the spokesperson using code-switching; however, no significant differences were found between the ads portraying a spokesperson using Spanish and code-switching. These results could be attributed to a “language-related inferiority complex” (Luna and Peracchio 2005a, 44, 2005b). As predicted, spokesperson’s attractiveness was not affected by the language used.

American Identification and Persuasion

Research on acculturation proposes that Hispanic consumers’ adaptation process is bicultural. From this perspective, adaptation to the host culture is not related to the loss of one’s culture of origin (Berry 1980; Mendoza 1989; Padilla 1994). This study shifted the attention from Hispanic identification to American identification and examined the effects that it has on Hispanic consumers’ persuasion.

Among Hispanic consumers that strongly identify with the American culture, perceptions of stigmatization by the majority culture are minimal. Hence, the stereotypes of individuals that speak English or Spanish were expected to be equal, resulting in similar attitudes towards both languages. On the other hand, bilingual Hispanic consumers that have low identification with the American culture do not perceive themselves as members of the American culture; consequently, they are more likely to feel stigmatized. As a result, the stereotype that they hold about the majority group is likely to be more favorable than the stereotype they have of their own group. Hence, low American identifiers are expected to hold more favorable attitudes towards English compared to Spanish. Given that code-switching is considered a stigma among bilingual Hispanics, and language correct-
ness is highly valued, it would be expected that both
groups would equally react negatively toward an adver-
tisement that uses code-switching.

The study’s results revealed that low American-
identifiers showed more positive attitudes toward brands
advertised in English compared to brand advertised in
Spanish. High American-identifiers’ attitudes toward the
brand did not vary as a result of the language used in the
printed advertisement. Last, no brand attitude differences
were found between American identification groups,
when the advertisements used code-switching. Hence,
Hispanic bilinguals’ responses to language choice in
marketing communication varied according to the strength
of their identification with the American culture.

In closing, the present study contributes to our un-
derstanding of spokesperson’s credibility, the impact of
code-switching in advertising, and the moderating ef-
fects of ethnic identification. The implications of this
study are not only theoretical, but also managerial. Ad-
vertisers should be careful when using code-switching as
a communication tool in printed advertising; among
bilingual Hispanics the effectiveness of this strategy is
lower than the conventional use of English or Spanish.
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EXPLORING THE MODERATION AND MEDIATION PROCESSES OF CONSUMER RESPONSE TO VISUAL METAPHOR ADVERTISING

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SUMMARY

It is well acknowledged that marketers often use images in advertisements to persuade consumers in developing positive attitudes and enhancing purchase intentions. As the competition for consumers’ attention becomes more and more fierce in an increasingly cluttered advertising environment, the reliance on pictorial elements in advertisement has become more prevalent. This trend reflects the maturation and sophistication of advertising execution techniques, as well as the persuasion strategies used to accommodate skeptical consumers who have been bombarded by strategic communication messages. As part of this, visual metaphor has emerged to be one of the most popular techniques in the advertising industry over the years. This paper attempts to advance our understanding of the persuasion effects of visual metaphors by exploring the moderation and mediation processes of consumers’ response to visual metaphor ads.

Advertising rhetoric usually takes the form of an expression that systematically deviates from expectation through a departure from convention. In McQuarrie and Mick’s (1996) conceptual framework, a metaphor is characterized as a substantial artful deviation from consumers’ expectations based on irregularity of its figurative mode, and it capitalizes on such irregularity as well as the complexity of the meanings it conveys to consumers. In more concrete terms, a metaphor asserts a similarity between two terms that one does not expect to be associated, thus creating new implications (McQuarrie and Mick 1996; Phillips 1997). And it has been shown that visual metaphors can achieve similar persuasion effects as verbal metaphors (Scott 1994).

Over the past two decades, a growing stream of scholarship has contributed new insights on rhetorical figures such as rhyme, antithesis, pun, metaphor, and rhetorical questions in advertising. Findings have generally shown that rhetorical figures can enhance ad recall and produce more positive attitudes by enhancing attention and elaboration (Deighton 1985; Dingena 1994; Durand 1987; Forceville 1994; Howard 1990). McQuarrie and Mick (1999) argue that rhetorical figures can be generally expected to have two primary effects on consumer responses. The first is increased elaboration, and the second is a greater degree of pleasure.

Given that consumers as individuals differ in their ability, preference, and style of processing advertising messages (Bettman and Kakkar 1977; Capon and Burke 1980), exploring individual’s orientations on preferred messages content and preferred information processing styles can provide further insights into the persuasion process of visual metaphor advertisements. Therefore, we propose to test the potential moderation effects of two individual difference measures – Need for Cognition (Cacioppo et al. 1984) and Style of Processing (Childers et al. 1985) on the persuasion process of visual metaphor ads.

In addition, thought confidence has been recently conceptualized as one source of meta-cognitive information that could help determine consumer attitudes (Brinol, Petty, and Tormala 2004). It is argued that thought confidence, unlike the common dimensions of thoughts, i.e., amount and direction of thoughts in consumer cognitive responses, contributes to a better understanding of consumer persuasion. Visual metaphors essentially require consumers to engage in elaborative, abstract thinking to generate inferences about the intended meaning of the pictorial figures in the advertisement. Thus, thought confidence should play a role in the process as consumers make meta-cognitive judgment of their self-generated inferences about the intended meanings of the advertisement. We hypothesize consumers’ confidence on their own interpretations of the intended meaning of visual metaphor ads will mediate the persuasion effects.

Six real advertisements with visual metaphors were selected in this study. In order to enhance the prominence of visual metaphor, and create differences in “difficulty of comprehension” in these ads, we removed the headlines that explicitly or implicitly help consumers in interpreting the intended meanings. The resulting six stimulus ads were predominantly visual, highlighting the images that convey visual metaphors. Forty-five undergraduate students at a large Midwestern university were recruited to participate in this study. The study was conducted in a research lab on campus. A repeated measure design was used to test the hypotheses. All participants were asked to view all six ads, and provide feedback to each ad on a questionnaire included in a folder with the stimulus ads.
In the moderation tests, results partially support the moderation role of Need for Cognition on the persuasion effects of visual metaphor ads. However, no moderation effects of Style of Processing were found in this study. Given that this study was done in a forced exposure mode, participants’ individual preference in a naturalistic environment may not make any difference in the highly controlled laboratory environment. Future study needs to explore the opportunity to test visual metaphor ads in a more naturalistic environment to avoid artificiality and demand characteristic. Following Baron and Kinney (1986)’s suggestions, mediation tests largely support the hypothesis on the mediation role of the metacognitive judgment variable “thought confidence” on “liking of the advertisement.” Findings suggest that participants’ confidence in their own interpretations of the intended meanings of the visual metaphor ads mediates the process of how they respond to the advertisements, particularly on their liking of the advertisement.

Overall, this study provides an interesting attempt to further explain the persuasion processes of visual metaphor ads through closer examinations of two potential moderators – Need for Cognition and Style of processing, and one potential mediator – “thought confidence.” The findings provide contribution to a more in-depth theoretical account of the underlying mechanisms of how consumers respond to visual metaphor ads. In a practical sense, this study may reveal important insights for advertising management about how visual metaphor ads work to enhance consumers’ liking of advertisements in an increasingly cluttered marketing communication environment.2

ENDNOTES

1 The author sincerely thanks Barbara Phillips for providing test stimuli in this study.
2 References are available on request.

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UNDERSTANDING THE BEHAVIORAL ASPECT OF INTERNET USERS TO CUSTOMIZE INTERNET BANNER AD

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SUMMARY

This study investigates the importance of customizing banner ads to entice higher users’ interactivity and sequentially builds positive attitude towards the brand. This paper proposes that customization of a banner ad depends on the segmenting the consumers by profiling their individual differences in terms of their need for cognition, goal-directed motives, and their preferred information processing strategies (known as behavioral variables) with the purpose of tailoring the advertising content message that embrace their preference for informative and/or entertainment Internet ads.

Antecedents: Need for Cognition – Goal-Directed Motives. Lee et al. (2002) propose that an Internet ad with content that can satisfy a consumer’s goal-directed motive will be relatively easy to process; therefore, elaboration of the message may be enhanced. Besides the type of Internet ad that a consumer will be attracted to, an individual’s reaction to an ad (e.g., ad/brand attitude) is also a function of his/her motivation. Rodgers and Sheldon (2000) suggest that individuals who are driven to use the Internet for a particular reason such as searching or browsing are more likely to express favorable attitudes toward banner ads that correspond with that motive.

Antecedents: Goal-Directed Motives – Information Processing Strategies. Using the modified Elaboration Likelihood Model (ELM) (Petty and Cacioppo 1986) for Internet users for processing of Internet advertising, under the central route processing strategy the users are expected to have high need for cognition. These individuals are expected to possess information motive and consequently they are likely to engage actively in processing the content of the advertising message if it is of a highly personal relevance. Under the peripheral route information processing strategy, users seeking entertainment are guided by impulse and curiosity, therefore, they perform the activity for its own sake rather than as a means to a specific end (Hoffman and Novak 1995).

Antecedents: Product Involvement. According to the ELM, involvement was conceptualized as “motivation” and “ability” to process advertising messages. The effect of advertising maximizes when the contents of the advertising vehicle are relevant to the product category of the advertisements placed on the vehicle. The effects of the banner ads may be minimal particularly when the product categories of banner ads are irrelevant to the contents of the Web site where the banner ads are placed. Hence, a banner ad with higher relevance between its product category and the contents of the site where the banner ad is placed will generate more clicking of the banner.

Customized Banner Ad Design. Roehm and Haugtvedt (1999) confirm that matching the tone and content of the message to some aspect of a consumer; product evaluations and attitudes would be enhanced and more positive. This study considers the users’ need for cognition, the type of goal-directed motives and the type of strategy used when designing the content and form aspects of Internet banner ads. Positive attitude-brand-behavioral outcomes are dependent on the structural elements of the ad design (the extent of interactive capability of the ad design), which in turn, processes the ad message.

Outcomes: Ad-Brand Attitude Relationship. It has been suggested that any given attitude may be stronger when it is changed or formed through processes requiring extensive issue-relevant elaboration (via central route processing) rather than cue-based persuasion (via peripheral route processing). In the context of banner advertising, the outcomes of attitude-behavior relationship are expected to link to cognitive processing of message yielding positive attitude and higher predictive power for future purchase than low-elaboration processing.

The Covariance Structural Modeling results support the proposition of “customizing” banner ad creative contents in terms of verbal versus visual presentation and information-rational versus entertainment-emotional appeals, in conformity with the users’ individual differences in their need for cognition, goal-directed motives, and preferred information processing strategies produce positive attitudes toward the ad and brand.

Conclusions and Implications

This paper suggests employing ELM as a practical design variable for content and design customization. It
is more sensible to identify potential target audience using a combination of macro (demographic variables) and micro (personal characteristics) segmentation. The two constructs of ELM, personal relevance and need for cognition, moderate and predict whether an individual will rely on the central (verbal) or peripheral (visual) cues when presented with a persuasive communication. Need for cognition determines whether the individuals are motivated to process cognitively issue-relevant message whereas personal relevance determines whether the individuals perceive the product to be instrumental in realizing goals and fulfilling needs. This can be referred as goal-directed motives.

The findings do not fully support the claim of the results that Internet users are more likely to click on a banner ad to request more information than those in low situations. However, the result does indicate strong relationships between involvement and ad design and between involvement and brand attitude. It is reasonable to conclude that profound relationship among involvement, ad design (banner and corporate website) and brand attitude indirectly imitate higher interactivity resulting in a strong ad-attitude relationship.

An important aspect of the research model is the ad design. The banner ad design and content differs in terms of either purely verbal or visual representations or combination of both, in conformity with the Internet users’ need for cognition, goal-directed motives, and their preferred information processing strategy (rational-information appeal versus emotional-entertainment appeal) to boost elaboration, persuasion, and effect attitudinal/behavioral changes. Once these constructs of the ELM are operationalized, the design and content of banner ad and corporate website are then matched with type of product category (low, medium, and high involvement products) to create advertising content that engages the audience’s interest and make the ad memorable.

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EXAMINING THE ROLES OF CUSTOMER-STAFF PROXIMITY IN SERVICE RECOVERY EVALUATIONS: EMOTION COPING AND EXPECTATIONS/PERCEPTIONS MODERATING

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SUMMARY

Previous studies have suggested that building a close customer-staff proximity (CSP) could help enhance customer satisfaction, particularly during service failures. A review of the literature suggests that CSP has not yet been examined in sufficient depth and conflicting results are often found. For example, Berry (1995) suggests that customers may exhibit greater tolerance for failure when service personalization and customization lead to social relationships developed with the service provider. Similarly, Hess, Ganesan, and Klein (2003) find that customers with higher expectations of relationship continuity have lower service recovery expectations after a service failure. However, other studies show that having strong customer-staff relationships may not necessarily be beneficial to a firm. Bendapudi and Leone (2001) and Palmatier, Scheer, and Steenkamp (2007) argue that when customer loyalty to the firm is based in elements inextricably bound with the specific staff, that “loyalty” would evaporate should the staff leave. Also, Kelley and Davis (1994) report that customers who are more committed to a health club also possess higher recovery expectations than less committed customers following a service failure.

To get a better understanding of the underlying mechanism of how CSP operates in customers’ service evaluations, we build on social exchange theory and the interpersonal relationships literature in guiding our predictions. This paper investigates how CSP influences customers’ postrecovery satisfaction by helping them to cope with their negative emotion (emotion coping) and moderating their responses to recovery expectations and perceptions (expectations/perceptions moderating). In particular, we propose that customers with a close CSP will emphasize more on their distributive needs, but less on their procedure needs in forming their postrecovery satisfaction judgment. We employed the time perspec-tive (backward-looking vs. forward-looking) reasoning that adopted by customers to explain these contrasting predictions.

We test our model with data from 885 respondents collected in a mixed-design experiment with restaurant as the context. The experiment involved a 2 x 2 x 2 between-subject design, in which type of failure, magnitude of failure and importance of the purchase were manipulated. Similarly, the recovery response also involved a 2 x 2 x 2 between-subject design, but with the service recovery attributes (compensation, response speed, and apology) were manipulated. All manipulation checks and construct reliability and validity are successfully assessed. Regression analysis is performed for the hypotheses testings.

Our results suggest that CSP helps buffer the impact of negative emotion on postrecovery satisfaction. That is, customers with a close CSP would show higher levels of tolerance and forgiveness toward the service failure and recovery when forming their postrecovery satisfaction judgments. However, despite a merit of CSP in dampening the effect of negative emotion, our findings reveal a potential “dark side” of CSP. CSP is found to strengthen the effects of customers’ distributive needs, but weaken the effects of their procedural needs on postrecovery satisfaction. This result may suggest that firms can no longer rely only on providing low-cost relational benefits such as politeness and sincere apology in their recovery efforts to regain the satisfaction from those customers that they have retained through building a close customer-staff relationship. Rather, they may have to increase their costs in providing some tangible rewards like cash coupons to fulfill the distributive needs of those dissatisfied, but close-CSP customers. Managerial implications and limitations for future research are discussed. References available upon request.
A JUSTICE INTERPRETATION OF SERVICE DECISION MAKING

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SUMMARY

Since its inception, the service literature has focused on investigating the effects of service quality and satisfaction. However, while the basic understanding of consumer decision making has graduated beyond early models of disconfirmation (Oliver 1980) and service quality (Parasuraman, Zeithaml, and Berry 1988), contemporary models of the service experience still do not adequately predict key customer outcomes. These unresolved issues in the literature have resulted in a basic conundrum that is facing managers and service designers: what types of service can we provide to ensure that we develop sustained relationships with our most profitable consumers?

In order to provide insight into this question, revised models of the service decision making process are needed that consider both additional constructs that influence social exchange and the nonlinear effects of these variables on customer satisfaction and trust.

One emerging trend in both academic research and managerial practice that attempts to close this gap is a focus on the concepts of fairness and trust in service relationships. Managers throughout the service industry have highlighted the need to develop trusting relationships through fair service interactions (Covert 2003; Riley 2003) based on preliminary results in the service literature that discuss the impact of fairness on customer satisfaction. Specifically, it is suggested that fair (just) or super-normal actions create high levels of customer satisfaction (Oliver 1999; Seider and Berry 1998; Severt 2002).

Extending these models, it has been suggested that service providers should attempt to foster more than simple repeat purchase intentions and to encourage consumers to pay price premiums for its services (Zeithaml, Berry, and Parasuraman 1996). Willingness to pay a price premium for a relatively undifferentiated item is an indication of willingness to give up some or all of a consumer surplus, which can be regarded as a superior-preference for that item. Most would consider this behavior as a very strong indicator of demand. To stimulate such a demand, this study posits that managers must instill feelings of justice, satisfaction, and trust in their consumers.

Despite this shift in managerial thinking away from a strict focus on quality and satisfaction and calls to develop research on improving consumers’ willingness to pay price premiums, few studies have examined the impact of justice as an antecedent of customer satisfaction and trust on the path to increased spending. Moreover, research on the proactive effects of justice outside of a recovery setting is equally sparse. This study extends service knowledge by developing and testing hypotheses for the dynamics of the relationship between perceived justice, trust, satisfaction, and willingness to pay price premium.

In an effort to improve models of service decision making by addressing the current gaps in the literature, the contributions of this study are three-fold. First, we seek to find the impact of justice, or fairness, in building the customer satisfaction, trust, and ultimately willingness to pay price premiums. These effects are important because fairness of the processes can be manipulated by the company in order to earn customer’s trust. Second, this study focuses on the nonlinear relationships, as well as the interactions, between trust, satisfaction, and willingness to pay price premium. A customer’s willingness to pay price premium is an important construct in the sense that it is one of the most immediate outcomes of customer’s appreciation of the service or the product, whereas other constructs like loyalty and word-of-mouth intentions represent lower levels of commitment to the firm that may not provide immediate dividends to the service provider. Moreover, we also contribute to the extant literature by providing empirical insights into nonlinear dynamics. In modeling the nonlinear relationships, this model formulates hypothesized linear and quadratic relationships between certain constructs.

The results of our analyses demonstrate that perceived justice indirectly affects consumers’ willingness to pay price premiums through satisfaction and trust. Moreover, the current research considers the nonlinear effects of satisfaction and trust and suggests that while customer satisfaction may have diminishing returns on willingness to pay premiums, trust offers monotonically increasing returns on this outcome. These findings highlight the importance for managers to develop trust building strategies and for researchers to consider nonlinear effects in future models of service decision making. References available upon request.
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A THEORETICAL MODEL OF CUSTOMERS’ JUSTICE PERCEPTIONS IN SERVICE RECOVERY

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SUMMARY

Customers’ justice concerns are acknowledged by existing literature as essential for understanding how firms’ service recovery performances are evaluated after service failures (e.g., Goodwin and Ross 1992; Homburg and Fürst 2005). In evaluating service recovery performance, customers are not only concerned about the fairness of the firm’s decision making outcome (i.e., distributive justice), but also about the fairness of the firm’s decision making process (i.e., procedural justice) by means of which the decision outcome is achieved (Conlon and Murray 1996). However, to date, there are few studies that attempt to identify the antecedents which determine customers’ distributive and procedural justice perceptions of service recovery encounters from a theoretical perspective. By integrating equity, control, and group-value theories from the legal literature, this research will attempt to fill the gap and develop a theory-driven model for antecedents of customers’ justice perceptions of service recovery.

When service failure occurs, the distribution equity of the exchange relationship between consumers and firms is broken. Thus, during service recovery, firms must either enhance consumers’ rewards or reduce their costs in order to restore the balance of the distributive equity. Based on equity theory proposed by Adams (1965), when given compensation (e.g., a refund, discount, or free upgrade) during service recovery, consumers may actually engage in a social comparison process in order to evaluate the outcome fairness. Therefore, in contrast to most studies which focus on compensation versus no compensation in the investigation of antecedents of customers’ perceived distributive fairness, this paper proposed that it is to what extent customers evaluate compensation for service failures as relatively favorable to that of referent others (i.e., interpersonal comparison) or one’s own prior experience (i.e., intrapersonal comparison) that directly predicts customers’ justice perceptions. Thus, perceived outcome favorability in service recovery, defined as the customers’ favorable ratio of outcome to input relative to that of referent others or that of one’s prior experience (Adams 1965), is proposed to be positively related to perceived distributive justice.

In addition to its relevance to the legal setting, control theory is also appropriate for explaining the consumer’s justice evaluation in service recovery. Two types of control are distinguished by Thibaut and Walker (1978) in a legal dispute resolution context: process and decision control. In the service recovery context, consumers’ process control can be defined as consumers’ subjective perceptions of an organization’s support, prior to the final decision, in facilitating consumers’ participation in the dispute resolution process (Thibaut and Walker 1978; Averill 1973). Decision control is defined as consumers’ subjective perceptions of an organization’s support in facilitating their impact or choice on decision outcomes to be received (Averill 1973; Chang 2006). When encountering a service failure, consumers may be more likely to feel deprived of control. This makes them feel a greater need to regain control (Langer 1983). As a result, if the firm’s complaint handling procedure or process facilitates consumers’ restoration of control, the balance of psychological resources between customers and firms is redeemed and their fairness perceptions of the service recovery process may become more positive. Therefore, it is proposed that both perceived process control and decision control over the service recovery will be positively related to perceived procedural justice.

According to the group-value model, beyond the immediate conflict resolution, people are concerned about “the social bonds that exist between people and groups, group institutions, and group authorities” (Tyler 1994). Three relational judgments are identified in predicting procedural justice in a legal dispute resolution: neutrality of the decision-making procedure, benevolent trust of relevant parties, and evidence about good interpersonal treatment (Lind and Tyler 1988). When seeking redress after a service failure, customers may not only be concerned about financial compensation, but also be concerned about their identity and status in this social exchange with the company. This is because fair decision making and treatment may communicate to customers that their rights are recognized and transactions are valued by the company. Conversely, unfair treatment indicates marginality and disrespect. Therefore, the three relational judgments from the group-value model may appropriately reflect how customers may evaluate a company’s redistribution of psychological and social resources beyond economic resources in the service recovery exchange (Smith, Bolton, and Wagner 1998). As a result, in contrast to studies which only consider service recovery encounters as an exchange of economic resources, this paper proposes that consumers’ percep-
tions of neutral actions of service recovery procedures, the firm’s benevolence trust evidenced in service recovery, and the interpersonal treatment enacted by service employees, all of which indicate socioemotional outcomes, will have a positive relationship with procedural justice.

In the paper, both distributive and procedural justice are concerned with transaction-specific service recovery efforts, whereas overall satisfaction with the organization is cumulative in nature. Therefore, customers’ satisfaction with service encounters or organizations is proposed to be positively influenced by their perceptions of distributive and procedural justice. In addition, considering the social exchange nature of procedural justice, a direct positive relationship between procedural justice and repurchase intention is predicted. Finally, theoretical and managerial implications are also provided in the paper. References are available upon request.

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SUMMARY

Many suppliers are in need to differentiate themselves from their competitors beyond product, service, and price—especially because these three items are under permanent pressure to become commodities. In this discussion, the value concept has gained significant attention in business marketing (Anderson, Jain, and Chintagunta 1992; Parasurama 1997; Ulaga and Eggert 2006; Wilson and Jantrania 1994). Anderson and Narus (2004) see the understanding and creation of customer value “as the cornerstone of business market management because of the predominant role that functionality or performance plays in business markets.” Thus, the value creation of relationships need to be understood in order to use them as the bases for differentiation. Functions of supplier relationships are defined as areas of supplier’s contribution to customer perceived relationship value. In other words, relationship functions are potential drivers of relationship value, they are the different reasons why a customer may be interested in exchange with a supplier.

Several models and theories on value creation in business relationships have been developed over the past two decades (Anderson, Håkansson, and Johanson 1994; Cunningham and Homse 1986; Håkansson and Johanson 1993; Walter, Ritter, and Gemünden 2001; Ulaga and Eggert 2006). In this paper, we build on the resource-based view (Barney 1991) and the value-based differentiation model by Ulaga and Eggert (2006). The existing approach is extended by considering a volume function (e.g., purchasing large quantities or a range of products from a supplier) and an access function (e.g., using the supplier to open for new business contact) as additional differentiation dimensions. The volume function creates value by offering a platform for quantity rebates, by allowing customers to influence the suppliers more, by gaining consistency within the supply (no variations between suppliers), and by reducing communication costs. The access function creates value by reducing establishing costs and time of new relationships and by the potential value creation of these new relationships.

Employing regression analyses, the results of an empirical study of more than 300 relationships show that six relationship functions exist. Our analysis shows that the relationship functions and customer trust explain a considerable amount of the customer perceived relationship value. In particular, we obtained the following results: Payment, quality, safeguard, and volume functions, also referred to as direct functions have a much stronger impact on perceived value than innovation, access, social, and scout functions (indirect functions). As such, it is more important for a supplier to highlight its direct value contributions in order to gain key supplier status. Such benefits may be related to volume, i.e., the supplier’s ability to fulfill large shares and large varieties of a customer’s demand. Indirect functions do also have a significant impact on relationship value and thus offer differentiation potential. In particular, the access function has differentiation potential.

In addition, customer trust has a major impact on relationship value. This highlights the importance of good working relationships between suppliers and customers. To some extent, this result highlights the notion that not only rational arguments (i.e., functions) but also social arguments (i.e., trust) drive relationship value. Therewith, the study contributes to existing relationship value models by including the two relationship functions “volume” and “access.”

Furthermore, availability of alternatives was identified as a moderating variable. When alternatives exist, perceived customer value is negatively impacted. The interaction effect, however, signals increased importance of relationship functions in cases where alternative suppliers are readily available to the customer.

Given the results, managers have a wide pool of value-creating functions at hand in order to differentiate themselves from their competitors. An active involvement and communication of access and volume functions is a viable step to improve business results.

The present study not only provides answers to important questions concerning value creation through relationships, and it also raises questions for further research. Research on the preconditions and antecedents for the fulfillment of different functions is missing. Is there a relation between the development stage of a relationship and value creation? In addition, there is the important question of value sharing (Anderson 1995; Wilson 1995). When value is created in a relationship, both partners would like to benefit from this situation.
Are there typical combinations and constellations of relationship functions in a relationship?

Different relationship functions also suggest the use of different reward systems for boundary spanners. Short-term oriented reward systems may work for direct functions because results can be seen in a short period of time. Nevertheless, a short term orientation fails in motivating personnel to exploit indirect functions of relationships because of the time gap between input and outcome. New reward systems need to be developed and implemented in order to foster indirect functions of relationships which are vital for the future survival of the company. References available upon request.

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VALUE OF OUTSOURCING SALES AND MARKETING FUNCTIONS

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SUMMARY

Over the past few years, there has been an explosion of interest in outsourcing across disciplines in both research and practitioner community. A recent Forrester research survey of B2B marketing executives found that 53 percent aimed to outsource more than half their marketing activities in 2004. Transaction cost economics (TCE) has been widely used to explain the efficiency arguments. On the other hand, resource-based view (RBV) theory of a firm has been used for the core competency and competitive advantage arguments. While efficiency and effectiveness motivations may initiate the outsourcing decisions; it is the derived value (both perceived and quantifiable) in outsourcing that will drive the continuation of the outsourcing relationship. Based on the expectancy valence theory, it can be argued that unless the outsourcee sees value he/she is not likely to continue outsourcing. While the existing research has addressed the motivations of outsourcing in detail, still there is not a single study that explicitly focuses on measuring the value of outsourcing. This research is a step in that direction. Given that value of outsourcing perceptions is likely to be a function of the context and industry, we focus on the fast moving consumer package goods (CPG) industry and study the value of outsourcing sales and marketing functions by CPG manufacturers.

As we focus on the “value” aspect of outsourcing, the research question of this paper is “how can the CPG firm see value in outsourcing sales and marketing functions or tasks to its outsourcing partner?” Based on the resource-based view and the expectancy valence theory we expect to see that firms that perceive higher value in outsourcing will outsource more than firms that perceive lower value in outsourcing.

Using the expectancy valence theory value is inferred and quantified based on how (1) CPG firm’s evaluation of the importance and performance of the sales and marketing agency in achieving various objectives, and (2) CPG firm’s rating the criticality and relative capability of the sales and marketing agency in performing various tasks. We first conducted qualitative interviews to understand the various sales and marketing tasks that are outsourced and the various objectives that CPG manufacturers hope to achieve by outsourcing. Overall, we adopted a multi-phase, multi-method approach in our study.

To estimate the value of outsourcing sales and marketing functions and to see if it was correlated with levels and extent of outsourcing, a survey with senior CPG executives was taken in phase 3 of the study. Respondents for the survey included 53 senior CPG executives (a 35% response rate). The participating companies had a diverse range of size and revenues adding to the reliability and generalizability of results.

The respondents provided information on (1) the importance of various objectives of the firm and rated the performance of the existing outsourcing partner is helping them achieve those objectives. And (2) the criticality of various functions that are being outsourced and then rated the relative capability of the outsourcing partner in performing those functions relative to their own in-house teams. Other questions that were included in the questionnaire are not relevant to the research question of this paper. This paper only reports part of the results of a much larger study that is in progress.
Results show the relationship between perceived value of outsourcing and the level of outsourcing. Clearly, companies that see a lot of value in outsourcing also outsource more than companies that see less value in outsourcing. One of the strengths of the paper is that it used a multi sample multi method approach. It used a combination of qualitative interviews and quantitative surveys.

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CUSTOMER SHARE MARKETING FROM THE CUSTOMER’S PERSPECTIVE

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SUMMARY

There is a growing recognition among managers and researchers of the importance of customer share marketing. To date, however, the consequences of customer share marketing are not well understood from the customer’s point of view. Based on an empirical study among purchasing managers, this article explores the link between customer share and the perceived attractiveness of the sourcing relationship. Our empirical analysis suggests that customer share has a positive, yet non-linear effect on sourcing attractiveness. Against the background of this finding, we provide managerial implications and suggest directions for further research.

Empirical Study

We conducted a nation-wide mail survey among U.S. purchasing managers in cooperation with the Institute for Supply Management (ISM). One thousand nine-hundred fifty managers were randomly selected from ISM’s database. A total of 421 (21.6%) questionnaires were returned. Customer share was operationalized as the ratio between the purchase volumes allocated to the main and the second supplier. We relied on existing scales to measure relationship value and dependence in our study. We used Data Envelopment Analysis (Charnes, Cooper, and Rhodes 1978) to integrate relationship value and dependence into an overall benchmark of sourcing attractiveness. We included satisfaction, trust, and commitment as control variables.

Results

In a first step, we investigated sourcing attractiveness perceived by purchasing managers. Sourcing attractiveness scores displayed high levels of variation ranging from 21.43 percent to 100 percent. Interestingly, only thirty-eight key-supplier relationships in our study, i.e., less than 10 percent in our sample, were evaluated as fully efficient (100%).

In a second step, we explored the link between sourcing attractiveness and customer share. To this end, we analyzed competing regression models that included customer share as linear, quadratic, and cubic terms, respectively, while controlling for satisfaction, trust, and commitment.

All three models are highly significant (p < 0.000). However, the cubic model allows for the best representation of our empirical data. In the cubic model, the parameter estimate for the linear term is positive. In turn, the quadratic term shows a negative sign. Finally, the cubic term has a small yet significantly positive parameter estimate.

Discussion

First, by adopting the customer’s perspective and by drawing on resource-dependence theory, we introduced the concept of “sourcing attractiveness” as a combination of two key dimensions when evaluating a supplier relationship, that is, relationship value and dependence. In our study, we demonstrated how sourcing attractiveness may not only be conceptually described, but also empirically measured. To this end, we introduced Data Envelopment Analysis (DEA) as an appropriate methodology to operationalize the construct (Charnes, Cooper, and Rhodes 1978).

Second, our study revealed that sourcing attractiveness provides an interesting metric for assisting managers in their decision-making. Indeed, instead of comparing supplier relationships across the board, our approach allowed us to compare single relationships against their best-in-class benchmark. The findings from our study suggest that many supplier relationships display a potential for increasing efficiency.

Third, our research provides interesting insights into the relationship between sourcing attractiveness and relative customer share, that is, the ratio between purchasing volumes allocated to the main versus the second supplier. Overall, our study’s results suggest a positive relationship between both constructs. More precisely, among different approaches to modeling this relationship, our findings support the cubic model. References available upon request.
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THE ROLE OF EMOTIONS IN CONSUMERS’ RESPONSE TO NEW PRODUCTS

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ABSTRACT

We present a theoretical framework for investigating consumers’ responses to radical innovations. Based on the work of Mandler (1982) on different types of value, we propose two independent pathways to consumers’ willingness to pay for an innovation.

INTRODUCTION

Diffusion theory (Rogers 2003) does not generally recommend low compatibility of an innovation with the idea it replaces. On the other hand, compatibility of an innovation with values, needs, and present technology of the product or idea is considered to lead to successful diffusion. This paper suggests that, on initial exposure, low compatibility of an innovation with the idea it replaces may lead to favorable outcomes for the innovation, if the lack of compatibility can evoke strong and positive emotional responses from consumers. In fact, this may lead to a willingness to pay a higher price for the innovation and a lowering of the perceived risk associated with the innovation. However, at the same time, negative emotional responses can lead to an increase in the perception of perceived risk of the innovation. For model specification purposes, we control for “rational” processes (perceived value) leading to adoption as well in this paper. Thus, we present a comprehensive model of both rational and positive and negative emotional processes that lead to willingness to spend time (learning about the innovation), willingness to pay a higher price (for the innovation over the present idea) and perceived risk of the innovation. We further control for prior knowledge/expertise of the existing idea, perceived visibility of the new idea, and familiarity with the new idea in constructing our model.

The role of emotion has been widely accepted in consumer information processing of persuasive messages such as advertising. However, consumers’ emotional processing of innovations has not been widely examined in the diffusion of innovations literature as a cause of successful diffusion (for some exceptions see Chandy et al. 2001; Wood and Moreau 2006). For instance, Rogers’ (2003) classic text on the diffusion of innovations does not directly suggest that emotions or affective responses are evoked in the formulation of consumer perceptions of the characteristics of innovations. Rogers does, however, point out that innovations that are strikingly different from the ideas they attempt to replace may be successful in the case of artworks and other aesthetic products (p. 245). Such aesthetic products also fulfill hedonic consumer desires and evoke emotional and affective responses (Holbrook and Hirschman 1982).

In this paper we consider, first, whether perceptions of the congruence of the innovation with consumer needs is related to rational comprehension of the perceived value of the innovation; second, whether perceptions of the incongruence of the innovation with the preceding technology is related to positive (hope, delight, etc.) and negative (worry, irritation, etc.) affective outcomes. Finally, we consider the effect of these relationships on the endogenous variables of perceived innovation risk, willingness to pay a higher price, and willingness to spend time with the innovation. Thus, we develop a cross-sectional model of consumer responses on initial exposure to an innovation. We use consumers’ willingness to pay (in time and a higher monetary price) and not actual adoption as the purely endogenous variables in the model since it represents a willingness to participate in an exchange of value from the consumer’s side that is more appropriate on initial exposure to an innovation.

The model in this paper for initial exposure to an innovation augments that of Wood and Moreau (2006). For instance, Wood and Moreau found that negative feelings did not affect pretrial positive evaluations while both negative and positive feelings influenced positive evaluations after trial. In contrast, we suggest that negative affects, such as anxiety, may also influence negative evaluations, such as perceived risk, under pretrial conditions. Our model suggests, therefore, that it is critical to measure both positive and negative evaluations to understand the nature of the emotional effects of innovations at various stages of the adoption process. Wood and Moreau also focused more on the post trial stage while we look at initial responses to an innovation when consumers read about the innovation rather than when the innovation is actually demonstrated to them. This is an important contribution since the product demonstration application used by Wood and Moreau to develop their theoretical framework was an experiential application that may have favored emotional reactions over cognitive evaluation. We also augment Wood and Moreau’s (2006) E3 (expec-
tations → emotions → evaluation) model by introducing arousal as an intervening mechanism between incongruity and positive and negative affects. This is an important contribution in terms of managerial significance. If arousal is generated by incongruity and, in turn, creates emotions, then managers can use greater arousal producing elements (visual elements in press reports, etc.) when exposing consumers to an innovation and creating successful communications.

Our fundamental tenet in this paper is that emotional and rational responses lead to different outcomes and, thus, they must both be considered in new product development. We contend that understanding emotional responses (arousal, affects) is critical to the success of radical innovations since such innovations are by their very nature extremely incongruous with existing products. Extreme incongruity has been proposed as a determinant of strong positive and negative affect (Mandler 1982) as well as positive and negative evaluation of phenomena. Thus, it is incumbent upon innovation researchers to continue to improve on their understanding of the emotional effects of extremely new, radically different products. The alternative is to ignore that consumers’ discovery of imaginative products is inevitably fraught with feelings of anxiety, hope, desire, and fear.

MODEL AND PROPOSITIONS

Perceived Innovation Congruity with Needs

Figure 1 shows the postulated model. Perceived congruity of the innovation refers to consumers’ judgment of the compatibility of the innovation with consumers’ needs. Consumers’ needs refer to the “felt deprivations” (Kotler and Armstrong 1994, p. 6) inherent in the human situation. Consumers have felt deprivations or problems that may have solutions offered by various products such as pharmaceuticals, household products, health, and beauty aids, etc.

As an example, a person with a steadily receding hairline may have a need or problem that is not currently being fully addressed by existing brands of hair-restorers. Initial exposure to a “new” brand of hair-restorer prompts an assessment of the compatibility of the new brand with the person’s existing needs. This, by itself, does not lead to affect or a willingness to pay a higher price for the new brand because there is no indication that the “new” brand will really be different from existing brands.

It is only when a new brand announces a new technology (say a hair restorer in the form of a pill) that promises a different solution and thereby produces arousal and positive affect (hope, delight, etc.) that willingness to pay a higher price may accrue. At the same time, this new technology may be associated with negative feelings that cause greater perceptions of risk and promote a willingness to spend time with the innovation to know it better and thereby reduce uncertainty. Note that this last (emotional) process has its own “value” and is capable of being independent of the “rational” value process described below. Thus, the “incongruous” innovation does not also have to be congruous with consumers’ needs in order for emotional value to accrue. A new technology that is sufficiently different and provocative will engender arousal and affect. Incongruity may, by itself, be evocative of affect (Meyers-Levy and Tybout 1989). There is also evidence that moderate levels of discrepancy may be most effective in these cases (Meyers-Levy and Tybout 1989; Ozanne, Brucks, and Grewal 1992).

Perceived Value

Perceived value of the innovation is defined as a positive evaluation (for reasons explained later in Mandler’s theory of value) of the expected utility of the innovation in terms of its benefits (economic profitability, social prestige, etc., Rogers 2003) minus its costs (price, etc.) (Moreau, Lehmann, and Markman 2001; Ziethaml 1988). We predict that if the innovation meets the needs of consumers then it will be perceived to have some degree of rational value. Rogers (2003) defines rationality as “the most effective means to reach a given goal” (p. 232). Hence, perceived congruity between the consumer’s needs/goals and the utility of the innovation in achieving such needs/goals is a rational process. This is subjective rationality as perceived by consumers and not the objective rationality that can be obtained from experts (Rogers 2003).

According to Min, Kulwani, and Robinson (2006), really new products (where the level of perceived incongruity with the present idea is high) have some disadvantages leading from their high levels of market and technological uncertainty. For instance, these products may require complementary products that are not always readily available to consumers early in the product life cycle. Thus, such products may not create consumer perceptions of value based on costs and benefits. Hence, we do not predict a path from incongruity of the innovation to perceived value in our model. At the same time, we acknowledge that there may some consumers with a strong need for uniqueness for whom there may be a positive association between incongruity and perceived value. These consumers, sometimes called innovators (Assael 2004; Rogers 2003), may value something simply because it is new and innovative. This is a different kind of value from the notion of perceived value in our model, which we have defined as a rational type of value based on an assessment of costs and benefits associated with an innovation.
Perceived Innovation Congruity and Perceived Value

Our understanding of the effects of perceived congruity on perceived value and of perceived incongruity on arousal and subsequent affect is predicated on the ideas of Mandler (1975, 1982) on the structure of value. According to Mandler, evaluations are formed by individuals on the basis of interactions between external events and their existing schemas. A schema is a cognitive structure or abstract representation of reality which individuals use to guide thought and behavior and it functions to provide an understanding of the environment. It is developed through repeated encounters with the environment. The level of congruity between external evidence and our existing schema determines value. Thus, value is a function of schema congruity or schema incongruity with an encountered stimulus. When a stimulus involves an existing schema and is in congruity with the activated schema, the result is a basic positive evaluation (perceived value in our model). Such value occurs when there is "... a reasonable fit between evidence and schema ..." (Mandler 1982, p. 20). Note that such value is always positive whereas other types of value (discussed below) can be either positive or negative.

P1: The level of perceived congruity of the innovation with consumer needs will be positively related to the level of perceived value of the innovation.

Perceived Innovation Incongruity with Present Idea

Schema incongruity may combine with physiological arousal to create the subjective experience of affects such as anger, joy, and other qualitative affects. Such arousal (and consequent affect) occurs only when a stimulus is incongruous with existing schema. When stimuli are congruous with schema, there is an absence of arousal and, thus, no subsequent affect and the result is simply a basic liking and acceptability of the stimulus (perceived value in our model) as opposed to the affective intensity associated with qualitatively different affects such as joy, anger, etc. Schema incongruity can lead to either a positive or negative evaluation depending on the extent of the incongruity of a stimulus with the schemas residing in the individual and the ability of the individual to assimilate or accommodate the stimulus into existing or new schemas.

Thus, in our model, we define perceived incongruity of the innovation with the present idea as a judgment of an innovation based on the level of uniqueness or differentiation between the innovation and the idea it replaces. Such perceived incongruity results in at least some level of arousal based on the level of differentiation. Arousal, in turn, motivates the individual to understand the reason for the arousal by either assimilating or accommodating the differentiation into the existing schema. When the
differentiation is slight, a process of assimilation results in a positive evaluation and a low level of positive affect (“Oh, that’s just another type of dog”). When the differentiation is high, a process of successful accommodation may lead to a positive evaluation and higher levels of positive affect (“That’s a very different type of dog”). On the other hand, when such accommodation is unsuccessful, it leads to a negative evaluation and high levels of negative affect (“No way. That’s not a dog”). With reference to our model, this means that when the innovation cannot be successfully accommodated into existing notions of the present idea/technology, this will cause negative affect toward the innovation.

**Emotional Responses (Arousal, Affects)**

We do not directly model the processes of assimilation and accommodation in this paper since Mandler clearly states that these processes are largely not conscious (see also the other references cited by Mandler 1982 in this connection) whereas judgments of value are conscious and lasting. Accordingly, we model only the self-reported arousal and the level of affective intensity (positive and negative affect in our model) recalled by consumers from their immediate exposure to the innovation. We define arousal as an alteration in physiological responses that serves to adapt the body to changes in the environment (Buck 1988). We define positive and negative affect as consumers’ self reported evaluation of the intensity of the subjective experience of positive or negative feelings. Positive and negative feelings refer to valenced (e.g., happy, sad, etc.) emotional states that are reactions to situations in the environment (Richins 1997). Positive affective states anticipate rewards from the environment (hope, joy) while negative affective states seek to avert losses (worry, irritation) that may accrue from the environment.

Note that we consider positive and negative affects to be evaluations that are very different from the evaluation that constitutes perceived value in our model. One is knowledge by description (can be described) while the other is knowledge by acquaintance (cannot be described and must be known by direct acquaintance) (Buck 1988). They are both forms of knowledge and information about the environment. Perceived value is a rational evaluation or knowledge by description that is capable of being described by some form of symbolic communication (such as language) that is socially shared. Positive and negative feelings constitute emotional evaluations or knowledge by acquaintance that can be known only by direct acquaintance with the feeling and that is capable of being communicated through spontaneous, universal, non-verbal expression (facial expressions, etc.) (Buck 1984; Russell 1912; Tucker 1981).

**Perceived Incongruity and Emotional Responses**

We have seen that Mandler asserts that events or objects that are in congruity with existing schema create evaluations involving positive liking which are not accompanied by arousal and, thus, are not evocative of affect. In discussing such simple judgments of value that involve basic acceptability of an object, Mandler (1982) states:

The kind of value that I have discussed is devoid of passion or fire. . . . Heat becomes an effective component of values once we move beyond mere schematic congruity (p. 21).

Hence, we postulate that perceived congruity will not be related to arousal. For the same reason (a lack of arousal), we also do not expect a relationship between perceived congruity and positive or negative affect which require arousal according to Mandler. Other classic sources (Schacter and Singer 1962) have also indicated that both cognition and arousal are needed for an affective response to be evoked. Thus, we anticipate that perceived congruity without arousal will not create affective responses.

In contrast, Mandler associates occasions of schema incongruity (perceived incongruity of an innovation, according to our model) with rising levels of affective intensity, depending on the extent of incongruity and the ability of the individual to assimilate or accommodate such differentiation. Individuals develop schemas about products and services based on interactions with these existing products and services and use these schemas to evaluate new products and services in terms of their fit. Affective reactions are the result of the difference, slight or severe, between an innovation and the individual’s schema, that has been assimilated into existing schema (if slight) or accommodated successfully or unsuccessfully (if severe) into an alternate or new schematic representation.

Overall, schema incongruity poses an “interruption” which temporarily or permanently blocks an individual’s tendencies (Mandler 1982, p. 14). Such an interruption, even slight, is sufficient to cause autonomic nervous system activity and results in arousal. The extent of arousal will depend on the extent of disruption or interruption.

P2: *The level of incongruity of the innovation with the product it replaces will be positively related to the level of arousal that is experienced by respondents on trying the innovation.*
The extent of affect, in turn, will depend on the extent of arousal. If the incongruity is slight and there is a low level of arousal, there will be a low level of affect since the incongruity will be easily assimilated into the individual’s existing schema without any changes in the structure of the existing schema. If the incongruity is severe (as is likely in the case of radical innovations) and there is a high level of arousal, it will lead to successful accommodation of the incongruity into the individual’s existing schema provided the individual can restructure the existing schema to accommodate the incongruity. When this is not possible, i.e., when no accommodation can be made in the existing schema to resolve the incongruity, there will be negative affect. Thus, arousal, due to incongruity, will cause the individual to resolve the incongruity by either accommodating or not accommodating the incongruity, leading to either positive or negative affect.2

Since individuals can feel positive and negative affects simultaneously and with reference to a single object, we predict that arousal will be positively related to both positive and negative types of affects. To the extent that individuals will be able to accommodate the incongruity resulting from a description of a radical innovation, they will feel arousal and consequent positive affect (say, optimism) about the innovation. To the extent that they cannot accommodate the incongruity resulting from the innovation, they will feel arousal and consequent negative affect (say, anxiety) about the innovation. A radical innovation, on initial exposure, is inherently ambiguous in terms of its performance. Hence, we predict that arousal that is produced from the perceived incongruity of the innovation will be related to emotional ambivalence in individuals such that both positive (optimism for example) and negative (anxiety for example) emotions are likely to be evoked.

P3: The level of arousal generated by the innovation will be (a) positively related to the level of positive affect that is experienced (b) positively related to the level of negative affect that is experienced.

Perceived Risk

Perceived risk refers to the consumer’s perceptions of the potential for loss due to usage of the innovation. It is well established that information of a positive nature can reduce uncertainty and risk (Berlyne 1960; Bettman 1979). Thus, it is expected that the rational, economic information about the innovation conveyed by the perceived value construct will lower the perceived risk of the innovation. Similarly, when perceived value is, low perceived risk will be high. In this regard, Erdem and Swait (1998) have found a negative relationship between expected utility and perceived risk. Note that we do not predict a direct relationship between perceived value and willingness to pay a higher price in our model. This is because perceived value is conceived to be a function of the costs and benefits of the innovation and price is an aspect of such costs. Hence, since price is an aspect of both constructs, perceived value and willingness to pay a higher price cannot be modeled as being directly related to each other. However, we predict an indirect relationship between these constructs that is mediated through perceived risk for reasons explained above. As perceived value increases, perceived risk decreases and, hence, willingness to pay a higher price may increase (see P7a).3

P4: Perceived value will be negatively related to perceived risk.

Affective responses are also a form of information and knowledge (Pham et al. 2001). Affective responses constitute knowledge about the hedonic or other emotional values of a product or service, just as information about a product’s benefits and costs is knowledge about the functional, utilitarian or rational values of the product or service. Such knowledge may serve to reduce the potential for loss (or perceived risk) in a product or service if the consumption experience generates positive feelings (e.g., hope, MacInnis and de Mello 2005). However, if negative feelings occur, then the perception of risk and potential loss will increase. Thus, it may be expected that innovations with which consumers report high levels of negative feelings during trial will also be associated with high levels of perceived risk. Similarly, innovations with which consumers report low levels of negative feelings will be associated with low levels of perceived risk. Thus:

P5: Positive affect will be negatively related to perceived risk.

P6: Negative affect will be positively related to perceived risk.

Willingness to Pay a Higher Price and Willingness to Spend Time

Okada and Hoch (2004) established two aspects of willingness to pay – by spending time and by spending money. We include these as the two purely endogenous constructs in our model. Consumers who find perceived value in an innovation will not want to pay a higher price for the innovation since this would effectively bring down the extent of the expected utility that they would otherwise enjoy. Hence, we do not expect a relationship between perceived value and willingness to pay a higher price. Accordingly, we expect that the relationship of perceived value to willingness to pay a higher price will be indirect and mediated by perceived risk.
Okada (2005) suggests that people prefer to pay in time in high-risk situations and to pay in monetary terms in low-risk situations. This may be because a loss in time may be more easily justified than a loss in terms of money. In terms of our model, this means that perceived risk would increase the willingness to spend time with the innovation to understand it better. On the other hand, perceived risk will decrease the willingness to pay a higher price for the innovation.

P7: Perceived risk of the innovation will be (a) negatively related to willingness to pay a higher price (b) positively related to willingness to spend time.

We have suggested that an innovation with unique qualities will be incongruent with existing schemas based on other ideas and will result in some level of arousal and affect. We further predict that positive affect will both directly and indirectly foster a willingness to pay a higher price for the innovation over the present idea.

According to Morse (2006), the human brain has separate systems for loss aversion (negative affects in the amygdala), reward (positive affects in the striatum) and deliberation (rational evaluations in the pre-frontal cortex) which have evolved over centuries (see also Buck 1999; Chaudhuri and Buck 1995; MacLean 1990) and these ancient systems still predominate in consumer decision making. Specifically, the “emotional brain” is the center for quick rewards and gratification and it can cloud judgment, – “the brain’s desire for rewards is a principal source of bad judgment . . .” (Morse 2006, p. 46). In line with this, we suggest that positive affect will reduce risk in the innovation and increase the notion of “reward” in the innovation, both indirectly (through perceived risk) and directly, leading to a willingness to pay a higher price.

However, as we have suggested earlier, negative affect (a loss aversion mechanism in the amygdala according to Morse) will heighten the perception of risk and indirectly reduce the willingness to pay a higher price but increase the willingness to spend time. Only positive affect, being a reward mechanism, will directly promote willingness to pay a higher price. This reward mechanism for quick gratification also dulls the rational aspect of information processing which would otherwise lead the consumer to withhold paying more for an innovation without further consideration of relative benefits and costs.

P8: Positive affect will be positively related to willingness to pay a higher price.

Since people are likely to spend time collecting information for products in which they perceive positive value, we also predict a positive relationship between perceived value and willingness to spend time with the innovation. Consumers who perceive rational value on initial exposure to an innovation should want to search for more information about the innovation. This may be true in spite of the costs associated with information search (Assael 2004).

P9: Perceived value will be positively related to willingness to spend time.

Controls

Our model also includes three control variables that have been seen in previous research to be important determinants of some of the theoretical variables of interest in the model. First, we include prior knowledge (expertise) with the present idea as a control since it has been seen to be related to rational processing of thoughts about an innovation (Moreau, Lehmann, and Markman 2001). Accordingly, in our model, we control for the effect of prior knowledge of the present idea (which the innovation replaces) on the construct of perceived value. Second, we include perceived visibility of the innovation also as a control on perceived value since social factors have been seen to affect individuals’ beliefs about innovations (Fisher and Price 1992; Rogers 2003). Third, we include familiarity with the innovation as a control on positive affect since more exposure to an object has been seen to cause liking of the object (Zajonc 1968, 1980).

DISCUSSION

Limitations and Future Research

We have presented a theoretical model of emotional and rational responses when consumers first encounter a radical innovation. Obviously, the model needs to be empirically verified. Structural equation modeling with survey data can be used to test the model in its entirety or parts of the model could be validated separately. For instance, it would be a useful contribution to test only the emotional pathway from perceived incongruity to perceived risk. Is the relationship of perceived incongruity and negative and positive affect really mediated by arousal or is the relationship direct as suggested by the E3 model (Wood and Moreau 2006)?

We have not presented conditions under which some of the paths in our model may be enhanced or inhibited. Moderators of the process could be tested using either experimental or survey methods or both (quasi-experimental study). Such a survey design would entail a field questionnaire after consumers had been exposed to actual ads or newspaper reports on new products, while experimental studies would use stimuli that were specifically created to control for third variables. Moderators such as type of product, nature of innovation (continu-
ous/discontinuous), level of expertise, nature of the message, and its match with a target segment’s needs could be considered. It is generally accepted that discontinuous innovations are more risky than continuous innovations (Hoeffler 2003), but is it possible that certain types of continuous innovations under certain conditions could create more perceived risk than discontinuous innovations? Mandler’s theory would suggest that it would be easier to find alternate schemas for discontinuous innovations than to be able to accommodate new ideas into existing schemas in the case of continuous innovations.

Finally, we suggest using specific affects instead of the overall affective constructs (positive, negative, and we have used in our model for general purposes. Hope and anxiety, for instance, are affects that are evoked in response to changes in an environment. Emotions like hope are outcomes that occur in an uncertain environment that is potentially rewarding (MacInnis and DeMello 2005). Radical innovations present such an environment of risk. Anxiety is a negative emotion also evoked in response to changes in the environment. In this case, the environment is not uncertain; it is understood to be fraught with risk and the consequences in the future are expected to be punitive in nature. We suggest this negative emotion because it is the counterpoint to hope in that it arises out of a lack of hope or hopelessness (Mandler 1982). Both of these emotions are different from arousal, which is a non-valenced physiological state and not a mental state.

Managerial Implications

The importance of understanding mediating influences cannot be overstated for practical purposes of managerial success. Evidence of a mediator in any relationship could be very helpful in potential cost effectiveness. For example, if managers know that arousal mediates the effect of incongruity on emotion, risk, and willingness to pay then they can take steps to find more cost effective means of producing willingness to pay via arousal instead of perceived value.

Managers could experiment with other sources of arousal and positive affect such as better service, advertising, etc. and consider the effect of these alternatives to perceived value. For instance, if it is true that positive affect leads to willingness to pay a higher price both directly and indirectly, then it will be advisable to increase the factors in the initial exposure experience that may lead to stronger positive affects. For instance, advertising claims can accentuate the emotional values (in addition to rational perceived value) that may emanate from the use of the innovation.

ENDNOTES

1 The terms emotion and affect are not interchangeable. Affect refers to a subjective and qualitatively different type of feeling such as hope, fear, etc. Emotion includes other aspects such as physiological sensations, facial expressions, etc. See Buck (1988) for a review of various forms of emotions.

2 There is a third scenario of “delayed congruity” (Mandler 1982, p. 23), somewhere between assimilation and accommodation that is also feasible in the case of severe incongruity. If the individual can bring to bear alternate schemas to resolve the incongruity, this can also lead to positive evaluation and moderately positive affective intensity (“Oh, that’s a robotic dog”). Sony’s now discontinued AIBO (Artificial Intelligence Robot) was a smash among “techies” who were able to reconcile the incongruous pet as a robotic dog. The mainstream dog lover was never able to either find alternate schemas for the AIBO or to accommodate it into their notions of a typical dog.

3 In general, any relationship between the purely endogenous and purely exogenous constructs in our model is not direct but linked through the intervening constructs in the model. For example, perceived value is modeled as a mediator of the relationship of perceived incongruity and willingness to spend time with the innovation. This is because consideration of the costs and benefits (perceived value) of a new product will usually be made in the context of other competing products already in the market. Thus, perceived incongruity will lead to willingness to spend time only when such a consideration is favorable.

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DOES CONSUMER INNOVATIVENESS ACCELERATE REPLACEMENT PURCHASES OF DURABLE GOODS?

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SUMMARY

Introduction

Companies need to continually introduce new products to successfully face global competition, rapidly changing customer needs, accelerating pace of technological change, and increasing pressure for shortened life cycles (Brown/Eisenhardt 1995). The diffusion of innovations (Rogers 2003) represents a very fertile area of research with more than 5,000 articles published since the seminal paper by Frank Bass in 1969.

The vast majority of these articles focus on the modeling, explanation or forecasting of first purchases (adoption) of an innovation. Less than one percent of this important research stream deals with the phenomenon of repurchases. Repeat purchases, however, represent a very crucial economic factor. Consumer electronics industrial experts estimate repeat purchases to account for more than 60 percent of total product lifetime sales.

Most studies investigating durable replacements focus on modeling and forecasting of aggregate sales patterns (e.g., Bayus, Hong, and Labe 1989; Kamakura and Balasubramanian 1987). However, understanding the timing of a household’s repeat purchases and their drivers are particularly important for durable goods marketers. Companies can substantially increase sales by influencing customers to replace earlier or purchasing more units of the product (Bayus 1988). Only a handful of studies examine the drivers of an individual household’s replacement behavior (e.g., Bayus 1991; Grewal et al. 2004).

Consumer innovativeness plays a dominant role for understanding the adoption timing of first purchases. We hypothesize that innovativeness may have a similar importance in driving consumers to replace products earlier. We conducted a large scale study of household purchases for six electronic products to extend current research in two important ways. First, we test whether consumer innovativeness influences replacement purchase timing. Second, we examine the generalizability of earlier findings.

Hypotheses

We extend the same logic of consumer innovativeness as it applied to first purchases to replacements of consumer durables. We know that discretionary replacements (replacements not forced by product failure) are, in part, driven by new features, styling, and technology (Bayus 1991). This same consumer “desire to seek out new and different” should also apply to novel characteristics associated with discretionary replacements. This leads to the following hypothesis:

Hypothesis 1: More innovative households will replace units at a younger product age.

Numerous studies, replicated across various product categories, have shown that heavy users within a product category or those with significant experience in similar product categories are more likely to innovate and adopt related new products (Dickerson and Gentry 1983; Robertson 1971; Taylor 1977). We would expect that households which are highly familiar with the usage of the product categories analyzed in our study will be more likely to replace a product within the product categories. We thus propose:

Hypothesis 2: Households with higher product usage will replace units at a younger product age.

Regarding replacements both Bayus (1991) and Grewal et al. (2004) find that unforced replacements tend to be made earlier than forced replacements due to product failure. Our third hypothesis is a retest of these earlier studies within the context of our study:

Hypothesis 3: Unforced replacements will be made at a younger product age than forced replacements.

Sample and Method

The hypotheses were tested based on a survey measuring the purchase history for six electronic products: TV, VCR, DVD player, digital camera, laptop, and desktop PC, together with demographic variables, product-related usage behavior and consumer innovativeness of
8,077 households of Germany. For our measures of consumer innovativeness we adapted existing scales for domain-specific innovativeness using established procedures (e.g., Churchill 1979). Our operationalization of product usage was similarly adapted from previous scales. The measure for unforced replacements was based on Bayus (1988). The scale refinement involved a series of four pre-tests involving 522 households in total.

Our hypotheses are tested using parametric hazard analyses for the replacement age of each household’s purchases. The analyses control for the number of products in use in the household and various demographic characteristics. We are currently conducting further analyses using finite mixture models in an attempt to identify different consumer segments.

Results and Implications

We demonstrate that consumer innovativeness, the most prominent driver of adoption, also influences replacement purchase timing. Households with high product usage tend to make earlier purchases for replacements. The effect size varied substantially between product categories. The influence of domain-specific innovativeness is highest for VCRs, followed by DVD players. Product usage was strongest for Notebooks, PCs, and DVD players.

We show that consumer innovativeness can be used by durable goods marketers to help identify early replacers of their products. This is important for two reasons. First, early replacers contribute to repeat sales at an initial stage of the diffusion of a product. Second, these early replacers may also provide information to potential replacers and encourage them to replace, generating positive word-of-mouth in an analogous way to the diffusion of innovations. Taken together with earlier research that demonstrates innovative consumers tend to have distinctly different product preferences, our results become particularly insightful for product positioning and portfolio management over the product life cycle. In particular, products need to be positioned to appeal to the innovative consumer throughout the product life cycle.

In addition, our study investigates whether findings of earlier research can be generalized to apply to consumer electronics products. For example, like Bayus (1991) and Grewal et al. (2004) we find that unforced replacements were made earlier than forced replacements. Previous studies report mixed findings in terms of the impact of income. We identify higher income households replace earlier. Our current work with finite mixture models will help us better understand the most important drivers of household replacement purchases for different consumer segments.

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DOES TIME ORIENTATION INFLUENCE CONSUMER INNOVATIVENESS?: GOING BEYOND NOSTALGIA

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SUMMARY

Consumer Innovativeness has been a topic of study for many decades (Hirschman 1980; Gatignon and Robertson 1991; Steenkamp et al. 1999). Understanding consumer innovativeness is important as it drives innovative behavior (Hirschman 1980) and is related to the diffusion of innovations (Gatignon and Robertson 1991). Past research has shown that it is influenced by several factors including demographics like education, income, social class (Hirschman 1980), and consumer personality attributes like need for stimulation (Valette-Florence and Roehrich 1993) confidence, desire for novelty (Venkatraman and Price 1990), self esteem (Oliver and Bearden 1985), openness to new experiences (Eysenck 1991) and need for uniqueness (Burns and Kramf 1991).

In a recent study, Steenkamp et al. (1999) added an important determinant, past orientation or nostalgia that a consumer feels. They showed that a consumer’s perspective of the past has a significant impact on consumer innovativeness. This was an important step, as others have also found that time orientation influences consumer behavior and is likely to impact consumer innovativeness (Bergadaa 1990; Cotte et al. 2004). In a qualitative study, Bergadaa (1990) found that time orientation influences consumer behavior. She found that past, present, and future time oriented people had different purchase patterns when it came to planning holidays, reading books, and housing preferences. When given a set of options present oriented individuals tended to make more relaxing and hedonistic choices whereas future oriented individuals chose options that enriched their future and helped in professional development. In a qualitative study, Cotte et al. (2004) developed metaphors of timestyle such as time as a pressure cooker, time as a mirror, and time as a map, and found that time perspective influences how products and services are consumed.

Our study extends the work done by Bergadaa (1990), Steenkamp et al. (1999), and Cotte et al. (2004). We argue that in addition to past positive time orientation, other types of time orientation also influence consumer innovativeness. Zimbardo and Boyd (1999) identified five types of time orientations, past positive, past negative, present hedonistic, present fatalistic, and future. While this conceptualization is new to marketing, it has been widely used in psychology to explain the impact of time orientation on achievement orientation and goal-directed behavior, gambling behavior, occupations selected, risky driving behavior, and many other psychological constructs. Our study investigates the influence of these time orientations on consumer innovativeness. Consistent with the Steenkamp et al. (1999) model, we also incorporate personal values and ethnocentrism as control variables. The proposed model and the hypothesis are tested with data obtained from 254 students at a large American university. The results indicate that in addition to past positive orientation the other time orientations of present hedonistic, present fatalistic, and future also impact consumer innovativeness. Our study has both theoretical and managerial implications. The extant literature had not examined the impact of the different types of time orientations (past, present, and future) on consumer innovativeness. Thus, our study extends the academic literature by filling this gap. The findings of our study can potentially help managers to improve the adoption of new products as well as build loyalty of existing products, based upon the time orientation of their target markets.

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CUSTOMER SATISFACTION WITH THE PERFORMANCE OF MULTIVENDOR, AFTER-SALES SERVICE ALLIANCES

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SUMMARY

To compete in the increasingly complex worlds of services consumption and customer after-sales contact with resellers and manufacturers, marketers must adapt to new market conditions. In an economy where services are becoming increasingly dominant (Vargo and Lusch 2004), the primary units of exchange are competencies and knowledge, rather than physical goods. Such goods become the embodiment of these competencies, knowledge, and consequent service. Thus, service becomes a fundamental medium of exchange. Furthermore, the level of service quality experienced by the customer naturally influences the levels of satisfaction and future purchase intention (Cronin, Brady, and Hult 2000; Liljander and Strandvik 1995).

In this study we focus on customers’ service experiences after the sale of a product, particularly where different components of the product are sold by different companies and it may or may not be clear to the customer who is at fault when a problem arises. Thus, the service experience is coordinated by two firms who have the option of forming an after-sales service alliance to handle repair problems and other issues. The context used in this study is that of a high technology electronics system. This context is particularly applicable for two reasons. First, the high-tech market has witnessed a proliferation of business-to-business “open system” solutions that include computer software and hardware, and information and telecommunication systems developed by multiple vendors. Providing “multivendor support” for these systems has become critical to the continued growth of the high-technology sector (Kaplan 1991, Business Wire 2003). Multivendor services are often provided in a so-called “back-end” service alliance. Second, the retail consumer electronics industry is also becoming increasingly competitive with higher levels of product sophistication. Consequently, customer problems, complaints, and issues often require the attention and involvement of multiple manufacturers or retailers. Examples of this context include cable/satellite home entertainment systems and GPS navigation systems in automobiles, where the manufacturers of separate components in the system are not necessarily the same firm. These manufacturers must work together in some sort of alliance to resolve customer problems (Barabba et al. 2002).

Based on the above conceptual and substantive examples, as well as calls for more research into the how services shape the new marketing landscape (Edvardsson, Gustafsson, and Roos 2005), we develop and test hypotheses related to customer satisfaction with after-sales service alliances. The customer complaint and service recovery literatures (for summaries, see Maxham and Netemeyer 2003; Johnson 2002) are also germane to our hypotheses, which relate to perceived levels of customer satisfaction performed. Moreover, our objective is to test hypotheses regarding the unfolding of a relationship between the customer and members of a service alliance through several time periods.

In the study’s methods, subjects experienced a service encounter through an internet-based experiment. Differences emerge in levels of customer satisfaction with the service provider’s performance based on varied conditions such as time to problem resolution, the degree to which the provider is perceived to be the source of the problem, and whether the problem is resolved. Furthermore, when the problem is not resolved by the first vendor, we examine how the involvement of a second service provider affects the customer’s ultimate satisfaction level. That is, we investigate whether the actions of a second responder moderates the relationships between actions of the first responder and customer perceptions of that responder’s performance in an after-sales service encounter. Collected by means of an internet-based service experience simulation over a series of time periods, the data are uniquely longitudinal in nature, measuring customer satisfaction at several points in the experiment as new service conditions are introduced and experienced. The data allow us to calculate the customer satisfaction gains garnered from a formal, coordinated “behind-the-scenes” service alliance.

The study is a holistic approach to the relationship between business to business (B2B) and business to consumer (B2C) marketing. Academics as well as practitioners are paying attention to this relationship. The emergence of collaborative systems products has been facilitated by improvements in information technology and the formation of back-end business relationships, including consortiums, horizontal supply-chain arrangements, and marketing/technology alliances. These relationships are often studied within their respective con-
text. However, like all marketing functions, the success of B2B exchange is ultimately manifested through customer satisfaction and loyalty. B2B activities help reduce price, increase product functionality, improve service, and enhance brand value. To measure its true effect, B2B exchange must ultimately be linked to B2C exchange and the consumer.

Results of our study show that customer attitudes toward the initial service provider are affected by the performance and involvement of the second provider, even when the initial service provider is no longer actively involved in the service exchange. We also find that the initial provider can avoid substantial damage to customer satisfaction by establishing, a priori, a formal partnership with the second service provider. Implications for marketing managers and researchers are discussed. References available upon request.
EMOTIONAL RESPONSES TO CRITICAL INCIDENTS: ANGER AND HELPLESSNESS IN TECHNOLOGY-BASED SERVICE ENCOUNTERS

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SUMMARY

Conceptual Foundations

Negative critical incidents in service encounters trigger emotional responses. Such emotional responses influence overall customer satisfaction, because the satisfaction judgment has been found to be a combination of affective and cognitive processing. Overall satisfaction, in turn, influences customer post-purchase reactions (e.g., repurchase).

Studies on emotional responses to service failure focus on traditional services that imply direct interactions between a customer and an employee. Over the last decades, new types of services have emerged which can be provided without direct attendance or assistance of service personnel. They are called self-service technologies (SSTs) or technology-based services. For SST usage, two emotions have been repeatedly reported to occur, namely anger and helplessness. Both are typical for human – technology interactions, because there is no service person at hand to whom one could vent one's anger or ask for help when service fails.

This study addresses the effects of anger and helplessness in SST usage on overall customer satisfaction and on important post-purchase customer reactions, namely repurchase intention, negative word-of-mouth (WOM) intention, and frequency of use intention. Since both emotions are phenomenologically distinct, it is argued and empirically tested whether they have idiosyncratic effects on post-purchase reactions over and above overall satisfaction.

According to cognitive appraisal theories, emotions are mental states of readiness caused by the evaluation and interpretation of an event. Anger and helplessness are of the same negative valence, because they are aroused by a goal-incongruent situation. Anger occurs if someone makes an external source responsible for a negative situation. Helplessness occurs if someone perceives to have no control over a threat. Both emotions go along with specific coping responses. Anger leads to avoidance and unfavorable communication. Switching one’s provider is the best strategy to avoid the source of anger (problem-focused coping). Helplessness leads to desperation and lethargy. This inactivity implies the omission of an activity one would have undertaken otherwise, such as increasing business with a provider (problem-focused coping). Hence, it was hypothesized that anger decreases repurchase intention and increases negative WOM intention, and that helplessness is negatively related to frequency of use intention. These relations were expected to appear beyond the indirect effects of the two emotions on the three customers’ reactions, that is via overall customer satisfaction.

Method and Procedure

Eight hundred thirteen customers of a mobile phone operator were asked in an online survey to report on a negative critical incident. Three hundred seventy-five of them memorized such an experience and could therefore be asked to indicate how angry and helpless they felt. Further questions referred to overall satisfaction and post-purchase reactions. Confirmatory factor analysis was used to ensure the psychometric properties of all measures. Using structural equation modeling with the maximum likelihood method, both emotions were then linked to overall satisfaction and other customer outcomes. Nested model comparison and chi-square difference test were deployed to test whether the direct effects of anger and helplessness on customer outcomes occurred over and above the indirect effects via satisfaction. In addition to hypothesis testing, we used content analysis and ANOVA to examine which types of incidents trigger anger and helplessness.

Findings

All measures demonstrated adequate convergent and discriminant validity. The conceptual model had a satisfactory fit to the data. Overall, the findings support the assumptions drawn from satisfaction research and from the appraisal theories of emotion. The two emotions had a direct effect on customer outcomes, over and above the predictive power of overall satisfaction. More specifically, anger had a negative influence on satisfaction which in turn was positively related to repurchase intention and negatively related to negative WOM intention. In addition, anger had direct effects on these two customers’ outcomes. Helplessness had a direct, negative effect on frequency of use intention. Contrary to expectations,
However, the relationships between helplessness and satisfaction and frequency of use intention were not significant. Hence, helplessness only had a direct effect on the respective customer outcome, while the effect of anger was both direct and indirect. Obviously, helplessness does not affect the relationship quality expressed in the satisfaction judgment, because a helpless person may not necessarily blame the provider (but technology) for service failure. The missing link between overall satisfaction and frequency of use intention may be due to customer needs which are supposed to be the superior determinant of usage frequency.

Using content analysis, all critical incidents were organized into six categories, namely, not getting started, phoning problems, poor value-added services, poor customer processing, poor network coverage, and miscellaneous failures. An ANOVA revealed that “phoning problems” and “poor customer processing” led to significantly higher anger scores than other incidents. “Not getting started” and “phoning problems” led to the highest helplessness scores.

Managerial Implications

Since both emotions are phenomenologically different triggering idiosyncratic customer reactions, they require different actions of marketing practitioners. Anger was most likely triggered by “phoning problems” and “poor customer processing.” Phoning is a mobile phone operator’s core service and the customers’ main purpose of using their devices. Thus, technology failure is rather severe and should be avoided. However, phoning problems seldom occurred. Moreover, the incidents in this category were rather diffuse (e.g., phoning did not work) making it impossible to detect the source of service failure. Poor customer processing occurred more often. It refers to technology-based customer care processes. Most users in this category felt angry when the service hotline was busy and/or when they had to navigate through a long-winded telephone menu before being connected to a service operator. Expanding hotline capacities will avoid such incidents. Moreover, it is advisable to use telephone menu navigation carefully.

Service failure leading to helplessness is difficult to detect. Since this emotion does not affect overall satisfaction, it is not reflected in customer satisfaction studies making marketing practitioners think that things are going well. Providers should therefore seek to avoid critical incidents that trigger helplessness, that is “phoning problems” and “not getting started.” Since “phoning problems” seldom occur, providers should focus on “not getting started.” This type of incident was mainly due to a long and complicated initial connection process or counter-intuitive menus. To shorten initial connection, providers should check this process for reasons causing delay. Improved user guides and a service hotline that is always reachable will help customers who cannot get started due to counter-intuitive menus. References available upon request.

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E-SERVICE QUALITY IN THE CONTEXT OF SERVICE SITES: DEVELOPMENT OF A FORMATIVE SCALE

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SUMMARY

To deliver superior service quality, managers of companies with Web presence must first understand how consumers perceive and evaluate online customer service. During the last decade several multidimensional scales have been developed for measuring Web site service quality. However, they present several limitations. For instance, some of them suffer from being developed with the primary purpose of generating information for Web site designers, rather than to measure service quality as experienced by customers. Other scales have used students samples that do not capture all aspects of the purchasing process, as they are not required to have purchased anything. Additionally, most of them are focused on Web sites that offer tangible products; ignoring the differential characteristics of services. In summary, although previous researches in several areas have developed a basic knowledge about e-service quality, research about customer’s e-service evaluations needs further attention (Long and McMellon 2004; Parasuraman 2005). Thus, in this study, our main focus is to develop and validate an instrument to measure e-service quality in the context of service sites (e.g., insurance, retail banking, travel).

The concept of e-service quality is framed in the means-end-chain approach. We define e-service quality in the context of service sites as “the extent to which a Web site facilitates to the consumer the buying process, the payment, service delivery, and post-services in a competent, secure, and effective manner.” Contrary to most of the previous service quality studies, formative instead of reflective indicators are used to measure e-service quality.

Two separate data sets were collected in order to develop and validate the scale. Early data collection was conducted by an e-mail survey. One thousand three-hundred twelve personalized e-mails were sent to staff from a Spanish university. E-service quality was measured with 43 items, 7 of which could only be answered by those people who had contacted the Web site (through email or by phone). After the elimination of missing data, 193 observations remained in our database (60.4% males); 43 percent of them contacted the e-retailer (these are termed non-routine encounters). In this sample, multicollinearity among the indicators was not a problem. The maximum variance inflation factor (VIF) (3.6) came far below the common cut-off threshold of 10. Both the measurement model and the structural model were estimated by means of partial least squares (PLS). Eleven of the 43 items were eliminated. The results provide support to conceptualize e-service quality (1) with formative instead of reflective indicators, and (2) as a third-order construct.

A second study was carried out in order to further assess the factor structure and reliability of the refined scale as well as to establish nomological validity. We hired a marketing research firm to assist with the data collection. One hundred ninety-nine completed questionnaires were obtained (45% males); 44.7 percent of them contacted the e-retailer. The hypothesized model had a good fit to the data. A bootstrapping method was used to ascertain the stability and significance of the parameter estimates. Finally, we estimated a MIMIC model by means of PLS for nomological validation. Additionally, we analyzed the second scale which is salient only to customers who had non-routine encounters with the sites and contains 7 items in two dimensions: responsiveness and compensation. That is, we analyzed data from 83 and 89 respondents of the first and second study respectively. The analyses (measurement model, structural model, and MIMIC model) yielded a scale composed of 27 items (basic e-service quality scale) and 7 additional items to add in case the customer had a non-routine encounter (34 items in total).

Results of the present study suggest that e-service quality in the context of service sites is more than just the interaction of the customer with the Web site. It includes fulfillment, technological efficiency, privacy, and customer attention. In particular, our findings suggest that customers evaluate the technological efficiency by considering the information, quickness, easiness and aesthetic (design) of the Web site. Furthermore, this study contributes to the literature in the following ways: (1) a specific scale in the context of service sites was developed. Most of the previous scales have not distinguished between goods and service sites (2) Contrary to previous studies, formative instead of reflective indicators were used to measure service quality. (3) Unlike other studies, our research proposed that e-service quality is a wider...
construct; the domain should include both the result of the interaction (fulfillment) and the post-service (customer attention). (4) Unlike Parasuraman et al.’s (2005) research, we managed to make a comprehensive psychometric assessment of the scale related to the service recovery, that is, the version of the scale for non-routine encounters. Finally, the use of these two scales allows managers to understand which elements are more important when the service is provided correctly (basic e-service quality scale) or when a service failure occurs (recovery e-service quality scale). It is a first step to identify strong and weak points of e-service quality in the context of service sites. References are available upon request.

ENDNOTE

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THE IMPACT OF A NATIONAL TRAUMA ON CONSUMER BEHAVIOR

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SUMMARY

Life events change people’s attitudes and behavior. Yet, research in this area focuses mainly on personal events such as loss of job or spouse. From a marketers point of view it may be more interesting and useful to see the impact of national events on consumer behavior. This is especially true for national traumatic events. If consumers radically alter their behaviors after a national traumatic event, it may require marketers to change their strategy and offerings. We use coping theory to hypothesize what behaviors may change after a national traumatic event and how. Specifically, by studying the emotional states and buying behaviors of consumers before and after the terrorist attacks of September 11, 2001 (herein referred to as 9/11), we can understand the impact of these kinds of events.

Two mail surveys, conducted by a national opinion research organization, were completed by 23,078 U.S. households. Each household responded to two surveys, the first one sent during Q1 2001 before 9/11 and the second during Q1 2002 after 9/11.

We tested six hypotheses suggesting that after a national trauma, consumers will become more conservative in their behavior, and this behavior will be shown by:

♦ A greater reliance on religion.
♦ Social introversion.
♦ More price consciousness.
♦ Less brand consciousness.

The move toward more conservative behavior will be moderated by:

♦ Rational reactions by those with greater experience and education.

Using a Wilcoxon Matched-Pairs Signed-Ranks, we determined the variability and reliability in responses by the ratio of the standard deviation and the sample mean. We found support that: people will turn to religion after a national trauma, people will become less brand conscious after a national trauma, and the sense of personal safety increases by education and experience level. We found mixed support that people will adopt social introversion after a national trauma, and that people will become price conscious after a national trauma.

The implications resulting from this study suggest that marketers must understand that national traumatic events influence consumer behavior. Given that, overall, consumers become conservative (religious, price conscious more than brand conscious, social introversion), marketers must change their strategy accordingly. For example, they should emphasize low prices and religious values. Given social introversion, mass communication is likely to become more effective than word of mouth.

The strength of this study is the sample size. Twenty-three thousand seventy-nine households responded to two waves of data collection. The limitation is that for most constructs only single item questions were asked. Researchers had to use available secondary data to test their theoretically driven hypotheses. Future research may want to replicate the study on other national traumas. The impact of national trauma on other behaviors such as charity and travel may also be investigated. References available upon request.

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EFFECTS OF SUPERSTITIOUS BELIEFS ON INNOVATIVENESS AND ADOPTION OF NEW PRODUCTS: EVIDENCE FROM CHINA

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SUMMARY

Cultural content (e.g., attitudes, values, lifestyles) has been examined in the context of identifying its relationship with adoption of new products, whereas the relationship between enduring cultural beliefs (e.g., superstition) and adoption remains unexplored. Our study developed and tested a series of hypotheses focusing on the effects of superstitious beliefs on innovativeness and adoption of new products.

Superstition refers to an irrational belief that an object, action, or circumstance not logically related to a course of events influences its outcome. Historically, superstitious beliefs have been strongly tied to ancient cultures. Some Eastern cultures – and particularly the Chinese culture – rely on numbers, forces, or astrology to make “correct” decisions. Thus, China was selected for our study not only because the strong influence of astrology, numerology, and feng shui on business activities, but also because of the rapid adoption of new products among Chinese consumers.

A grouping of superstitious beliefs based on the absence or presence of control of the individual over a particular situation was proposed. Proactive superstitious behaviors (carrying lucky charms, performing rituals, and feng shui) and passive superstitious beliefs (fate, fortune, fiction, and numerology) were empirically tested as antecedents of consumer novelty seeking (CNS) and consumer independent judgment making (CIJM). Data was collected in the Municipality of Chongqing in mid-western China. A stratified random sampling by gender procedure yielded a sample of 237 individuals.

To test the hypotheses, a model was estimated using path analyses. The model indicated that proactive superstitious behaviors were positively associated with CNS, whereas passive beliefs were negatively associated with CNS. Only passive superstitious beliefs were positively associated with CIJM. Results suggest that previous superstition scales are incomplete and fail to reflect contemporary thinking about superstitious beliefs.

Several implications for marketing practice can be drawn from the proposed relationships. First, our findings support the notion that superstition is not only composed of negative beliefs. Accordingly, our study provides a unique perspective and a more comprehensive definition of the superstition construct. Second, the findings highlight the importance of utilizing a macro (e.g., cultural) perspective for the study of consumer superstition. Our study also supports the notion that superstitious beliefs result from the individual’s learning history within their own culture, and not from personality qualities. Lastly, the superstition-adoption relationship certainly offers an unexplored perspective from the traditional and rationally-based view of consumer decisions and evaluations. Results indicated that, in spite of the strong Western influence on consumerism, some Chinese cultural beliefs still remain unique and continue to exert great influence on Chinese people. References available upon request.

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THE EFFECTS OF CONSUMER SEGMENTS AND SITUATIONAL FACTORS ON CONSUMER USE OF RETAIL SHOPPING AIDS

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SUMMARY

In an effort to enhance the customer’s shopping experience and increase sales, retailers have explored a variety of technology solutions, including kiosks, digital signs, handheld shopping devices, and self-checkout systems. These technologies have the potential to provide detailed product information, expanded selections of products, enhanced customer service, and fast, convenient checkout. Unfortunately, many applications of retail shopping aids have failed. Businesses need to develop a better understanding of which technologies will be most effective for specific situations and consumer segments.

This paper presents a conceptual framework to help guide decisions on the use of retail shopping aids. The authors focus on aids that provide expanded selection, personalized product recommendations, and additional product information (both objective information and subjective/evaluative ratings). These specific features were selected because they have the potential to increase purchase likelihood by facilitating deliberation and reducing decision uncertainty (cf., Corbin 1980). They can also directly influence perceptions of the shopping experience and decision satisfaction (cf., Westbrook, Newman, and Taylor 1978). The framework has implications for both technology-based and conventional approaches for improving the shopping experience, including product assortment planning, merchandising, and sales training.

Based on the needs, knowledge, and preferences of consumers, four consumer segments are identified. These are novice shoppers (who are new to the category), product category shoppers (with general product knowledge), brand shoppers (with a specific brand preference), and browsers. Each segment has a unique psychological profile. For example, novice shoppers know the general benefits and performance desired, but have limited knowledge of the product category or the features of specific brands (i.e., low knowledge, broad need). These individuals may perceive that other shoppers have either different (heterogeneous) or similar (homogeneous) preferences.

This research develops a set of predictions concerning the relationship between consumer segments and the selection of shopping aids, and the moderating effects of store knowledge and time pressure. For example, it is hypothesized that browsers and brand shoppers will be more likely to choose to use shopping aids providing expanded selection compared to other types of shoppers. In addition, consumers will be more likely to explore expanded selections under conditions of high store knowledge and low time pressure. The paper discusses the potential impact of shopping aids on purchase conversion and decision satisfaction, and presents several suggestions for future empirical research. References available upon request.

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THIN SLICE JUDGMENT AND RELATIONSHIP MARKETING: AN ANCHORING AND UPDATING PERSPECTIVE

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SUMMARY

Thin slices of observations based on brief encounters may generate rudimentary trust in the first seller-buyer encounter. Research on thin slice judgments shows that exposure to fleeting stimuli have lead to accurate evaluations of salesperson performance (Ambady et al. 2006), accurately predicted end of semester course evaluations for these teachers (Ambady and Rosenthal 1993), and accurately predict, patient satisfaction in the doctor–patient relationships (Hall, Roter, and Rand 1981). Thin slice judgments occur because of automatic processes or the human cognitive ability to complete effortlessly, mundane tasks without conscious thought to intermediate steps or sequence.

According to Rosch (1978), people seek “cognitive efficiency” by categorizing objects and events in a way that maximizes similarity among objects in a category. Thus, categorization and matching processes lead to cognitive efficiency. Thin slicing or frugal sampling of the target object to be matched, is an essential requirement for efficiency.

Anchoring and adjustment heuristic (Kahneman and Tversky 1974) is a related phenomenon leading to such cognitive efficiency. The matching process quickly identifies a category or a starting point, typically what Rosch (1978) calls the “basic or most inclusive” category. Further information adjusts this categorization and updates or assigns a more specific sub category. Thus, thin slice judgments aid cognitive efficiency by matching and anchoring target events or objects to categories.

Such thin slice judgments in the first encounter of a relationship can potentially anchor trust and consequently, make or mar faster consolidation of trust in that relationship. Although it is recognized that a better understanding of key drivers for relationship marketing can yield higher returns (Reinartz and Kumar 2003), this terrain has been conceptualized only in terms of cumulative constructs. All these constructs, such as trust, commitment, and relationship termination costs (e.g., Morgan and Hunt 1994; Anderson and Weitz 1992) have a temporal flavor, focusing on updating paradigm and ignoring the possibility of instantaneous initialization. Specifically, thin slice anchoring influence on trust has not been studied before.

This paper contributes by conceptualizing and explicating the proto-trust construct, developing an anchoring and updating framework to evaluate its influence in relationship marketing and explicating proto-trust anchoring based on differential matching processes.

Proto-trust is the embryonic belief in the initial moments of the first encounter that the target is potentially trustworthy. It is a consequence of thin slice processing of signals from initial encounter preceding a potential dyadic relationship between buyer and seller. Although proto-trust is reciprocal, our focus is the buyer’s proto-trust in the seller. We posit that the thin slice judgments engendering proto-trust work by matching available cognitive short cuts to the signal characteristics of the salesperson. We posit that such matching can happen in one of three distinct ways.

Sterotypical matching results from mere encounters with signaling characteristics of a person and activates attitudes without conscious awareness (Bargh and Chartrand 1996). Role matching occurs when buyers match the seller’s contextual behavior to a familiar script (Leigh and McGraw 1989) for the context. Similarity matching occurs when buyers attribute benevolent intentions and consequently, higher trust to salespersons perceived similar to them (Doney and Cannon 1997). Thus, proto-trust emerges instantaneously at the confluence of these thin slice matches in the first encounter between the buyer and the seller.

Are all three matching processes equally salient? We posit that different matching processes will dominate situationally based on the extent to which the transaction is new for the buyer. When transaction familiarity is low, the buyer leans on stereotype match, the only prior information he has, to reduce his uncertainty. When transaction familiarity is medium, the buyer has part reassurance from either product or firm familiarity and uses a role match as the significant heuristic. Finally, when transaction familiarity is high, buyer is ambivalent on who wins the order and is likely to use a similarity match.

Past research has shown that trust is a focal mediating construct in the relationship-marketing domain (e.g., Morgan and Hunt 1994; Doney and Cannon 1997). Recent research (Palmatier et al. 2006) reaffirms this
central mediating role of trust over other competing mediators. However, extant literature focuses on cumulative nature of trust that is influenced by ongoing relationship exchanges. We argue that such trust is anchored by proto-trust at time $t_0$ and is updated by other relationship-marketing antecedents across time. Further, in line with the well-established principle of insufficient adjustment (Tversky and Kahneman 1974), we posit that the influence of proto-trust on trust will persist over time.

How do the first impressions of a group differ from that of an individual? Impression formation is concurrent with exposure to the signal for individuals but not for groups (Hamilton and Sherman 1996). Thus, proto-trust in an individual will be persistent and stronger while that in a group will be evanescent. References are provided upon request.

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CONCEPTUALIZING THE NOTION OF JEALOUSY IN MARKETING RELATIONSHIPS

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SUMMARY

Relationship marketing examines a range of interactions, including those between firms, sellers, buyers, internal constituents, and institutions (Hunt 1983; Morgan and Hunt 1994). While the actors may vary, marketing relationship research often takes a dyadic focus. For instance, research may describe the maintenance of bilateral relationships (Dwyer et al. 1987; Murry, Jr. and Heide 1998) or draw from the marital and/or the interpersonal relationship literature (Dwyer et al. 1987). Some scholars suggest the reliance on this dyadic-driven approach has resulted in a “lack of attention paid to third-party actors” (Rindfleisch and Moorman 2003 p. 432), including those of rivals. We agree and submit that the influence of rivals on marketing relationships has been under emphasized, if not unnoticed, within the literature. We cite the study of on-line reverse auctions as an excellent exemplar of a third party’s influence on marketing relationships, (Jap 2003). In this context, long-term suppliers literally watch their competitors’ attempts to commandeer the business resources exchanged within an existing marketing relationship (Jap 2003). In this context, it’s evident that competitors pose an influence on the marketing relationship and its associated outcomes. We also suggest that when faced with losing the relational resources, the partners within a dyadic relationship may act in an unregulated manner. They may display “much of the human drama that underpins the formation, fulfillment and continuance of ‘business’ relationships themselves” (Bagozzi 2006, p. 453). Therefore, the goal of this paper is two-fold. First, we attempt to understand the influence of a third party, a rival, on a marketing relationship by developing a conceptualization. Next, we suggest that an actor’s reaction to a rival’s influence may be characterized beyond normative, regulated descriptions.

To meet these goals, we ground our argument in psychological studies that examine a rival’s influence on a relationship (Bringle 1991; Mathes 1991; Mathes 1992). The psychology domain describes the threat a rival poses to a relationship as jealousy (Bringle 1991; Mathes 1991; Mathes 1992) and suggests that jealousy may occur within business relationships, work, and social contexts (Bringle 1991; Buunk 1987; White and Mullen 1989).

Proposed Definition of Jealousy Within Relationship Marketing

We define jealousy within relationship marketing as the level to which one perceives a threat of losing valued relational resources that are exchanged within a marketing relationship to a rival (Ellis and Weinstein 1986; Hupka 1991; Parrott and Smith 1993). We suggest this definition contains five key elements. First, jealousy occurs within the context of a marketing relationship (Parrott and Smith 1993) in which two actors are exchanging some level of resources within the relationship. Second, examinations of jealousy are at the minimum, triadic in nature, and must include three actors – two actors within a marketing relationship and a rival to one of the relational actors (Ellis and Weinstein 1986). Third, the loss of relational resources may take many forms, from a discontinuance of exchange, such as the potential termination of a marketing relationship to a perceived lack of reciprocity within the relationship. Fourth, the resources exchanged in the relationship must be valued. These relational resources may include informational, monetary and relational assets (Srivastava et al. 2001), the relationship rewards of similar beliefs, values and personality, services, goods, money, information, status, and legitimacy (Dwyer et al. 1987). Finally, jealousy is based on perception. Due to the selective nature of perception, the assessment of threat may vary depending on the actor, the relationship, and the rival. In fact, the threat and/or the rival may or may not physically exist or even be acted upon (Hupka 1991). Thus, our proposed conceptualization suggests jealousy is a state rather than a trait of the actor.

Delineating Jealousy From Other Marketing Constructs

Our conceptualization of jealousy overlaps with two common areas of interest within marketing, that of relationships and competition. To provide evidence that jealousy is distinct, we delineate it from marketing constructs relating to competition, such as competitive intensity, competitive hostility (Jaworski and Kohli 1993; Kohli and Jaworski 1990; Slater and Narver 1994; Weitz 1985), and relationships, including envy and suspicion.
How Jealousy Occurs

We purport that cognitive appraisal and equity theory provide complementary perspectives to describe the process through which jealousy occurs. Both cognitive appraisal theory and equity theory suggest an actor would conduct an evaluation process about a rival’s influence on a relationship (Adams 1963; Lazarus 1993; White and Mullen 1989). We suggest the evaluation process incorporates two broad categories of inputs: the environment (i.e., aspects of the relationship and the rival), and the actor (i.e., the actor’s goals and motivations). During the appraisal process, the individual uses the inputs to assess the threat of losing relational resources to a rival. The actor may appraise the threat posed by the rival as an irrelevant threat, a positive outcome or a stressful threat (Mathes 1992). A stressful threat creates jealousy. The degree of jealousy may be moderated by a second evaluation process, in which the actor assesses the available options, resources, and alternatives to respond to the threat (Mathes 1992). A greater quantity or quality of options available to the actor attenuates the feelings of jealousy, and vice-versa (Mathes 1992). Finally, we suggest jealousy influences the thoughts and behaviors of actors through both conscious (controlled) and non-conscious (automatic) processes (Maskowitz 2005).

Next, we consider the effects of jealousy within a market relationship. We submit four propositions purporting jealousy’s moderating influence on substantiated marketing relationships (Palmatier et al. 2006). Finally, we suggest jealousy has both theoretical and managerial implications. Future studies may examine jealousy’s positive and negative effects on relational outcomes, its use as an influence strategy and the potential for jealousy to evince at the individual and collective level. References available upon request.
SUMMARY

Developments in the last quarter of the 20th century have dramatically changed the rationale behind the operations of firms. With improvements in data processing technology, business practitioners and academics witnessed the inauguration of the post-Fordist era. This involved a paradigm shift from mass production, reliance on economies of scale, and vastly integrated firms to customization, economies of scope, and firms focused on core competence. A relevant occurrence noticeable in this era has been the increase in inter-firm collaborations. In fact, more than 20,000 joint ventures (JVs) were reported from 1998 through 2000 alone. Other inter-firm collaborations extending beyond national borders and including global-scale inter-firm operations has increased dramatically.

Firms have numerous motivations to form inter-organizational relationships (IORs). The most important include: (1) achieving economies of scale through the combination of otherwise separate activities under one entity, (2) accessing the complementary assets of the other partner, (3) sharing the cost and risk of uncertain demand and/or shortened product life cycles, and (4) shaping the scope and basis of competition. Nonetheless, firms also face potential risks in the formation of IORs. The more noted risks include the development of unwanted competitive advantages through knowledge transfer, intrusive access to strategic resources, high coordination and safeguarding costs, and the creation of an adverse bargaining position through excessive collaboration-specific investments.

Synthesizing the benefits and costs associated with forming IORs and approaching this topic from the perspective of transaction cost analysis (TCA), we forward that a firm will engage in an IOR as long as it foresees that the potential benefits exceed any setup and operating costs. However, it may also be argued that it is not possible for firms to precisely anticipate the results of an IOR from its inception since – as the literature clearly states – decision-makers are intendedly rational but only limitedly so.

Therefore, trust may serve as a viable alternative to better understand the underlying dynamics of IORs. In fact, trust may diminish complications resulting from opportunism and uncertainty, and therefore encourage the benefits associated with IORs. Empirical studies report that trust between IOR partners decreases the transaction costs due to uncertainty, encourages a long-term orientation, and facilitates communication. Commitment, on the other hand, is another consequence of trust that indicates a willingness to maintain the IOR. As a result, this should have a significant impact on the durability of the IOR.

Following previous established literature, this study is an attempt to articulate and propose a conceptual model to fill a gap in the “trust-commitment” literature. An important contribution of this study is its attempt to explain how the trust-building process in an IOR evolves over time. Specifically, we first propose a model in which the monitoring mechanisms impact the level of trust in the IOR. This, in turn, may encourage two types of commitment: affective commitment and calculative commitment. In the model, continuity intentions, information exchange, asset specificity, and behavioral uncertainty are presented as determinants of monitoring mechanisms that may be used in an IOR. Building on the suggested benefits of long-term IORs already established in the literature, this conceptual model suggests that an appropriate balance between the different types of monitoring mechanisms and evaluation processes may encourage higher levels of trust and commitment between IOR partners.

Further, this model incorporates different trust-related constructs that have not been linked in extant literature and integrates them in a more comprehensive model. For example, contrary to previous suggestions, this model proposes that the intentions of IOR partners to maintain a relationship may determine monitoring mechanism choice rather than trust.

Nonetheless, exhaustive empirical work is required to test the propositions made in this study. Since scales for some of the constructs of the model (i.e., evaluation
processes) have been initially developed for inter-personal relationships, there is a need to either adjust these scales to fit the interorganizational context or develop new ones. Also, conducting a longitudinal study may be a promising research avenue to verify the relationships proposed in this study.

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WHO, WHAT, AND WHEN: THE ROLE OF THE CUSTOMER IN THE DEVELOPMENT OF RADICAL INNOVATIONS

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SUMMARY

Radical innovations challenge the preexisting technologies and concepts of a market (Garcia and Calantone 2002; Henderson and Clark 1990), so their development may differ from that of incremental innovations. Conventional wisdom suggests that the best new product development (NPD) strategy results from being close to the customer (Krishnan and Ulrich 2001; Urban and Hauser 1993; Urban and von Hippel 1988). For example, the lead user method requires firms to solicit ideas from advanced and innovative users (Franke and von Hippel 2003) and, if the “right” users provide ideas to the firm, the result is a successful novel product (von Hippel 1998; von Hippel 1986). An opposing view is that current customers may be unable to visualize the potential of a new radical technology and/or market. Hence, firms that get too close to customers may hinder or mislead the firm in the successful development of radically new products (Christensen and Bower 1996). Because the role of the customer is debated in both theory and practice, we need to understand more about how firms may use customer information.

The purpose of this paper is to determine when in the development of radical innovations firms obtain information from customers, what information is provided, and who are the customers that provide that information. First, we define “customer” as a current or potential client of the firm for the radical innovation (Nambisan 2002). Second, a product can be considered radical for one or both of two reasons (Garcia and Calantone 2002; Henderson and Clark 1990). It may use a radical technology to satisfy a current market need, for example, when iPod music players began replacing music CDs. Or, there may be an entirely new market opened by the innovation, such as when Apple introduced the ability of the iPod to download videos. We distinguish between these two dimensions of radical innovations and (consequently) between two different types of information that can be supplied by customers: technology and market information. Third, we characterize information by the stage of the NPD process in which it is elicited. While there are different models of the NPD process (Booz, Allen, Hamilton 1982; Song and Montoya-Weiss 1998), we follow Crawford and Di Benedetto’s (2000) model that we condensed into three core stages: idea generation, development, and product launch. Lead user research has studied the impact of such users in the first stage of NPD (von Hippel 2006), our paper extends von Hippel’s work to investigate when customers should be involved in NPD.

In summary, our research addresses the following research questions: Who is the customer that firms contact in the development of radical innovations? What types of information are provided by the customer? When during the NPD process does the firm obtain technology and market information from the customer? We address these questions by developing a model of the information and timing of customer information acquisition in the development of radical innovations. We test the model with survey data obtained from key informants in 152 medical device firms.

Analysis and Results

A repeated measures ANOVA with two within-subjects factors (stage and information type) was conducted to test for differences in the level of information by information type and by stage of the NPD process. There was a main effect for NPD stage, F(2,324) = 3.737, p = .025 and an interaction between NPD stage and information type, F(2,324) = 12.733, p < .001. Over the course of the NPD process, there is a decreasing linear trend for technology information and a positive U-shaped (quadratic) curve for market information. The mean and standard deviation for the customer characteristics scale are 5.3 and 1.1 which suggests that the firms utilize innovative customers in their NPD process. Thus, we find the Who, What, and When of the information obtained from the customer: technology and market information are obtained from the advanced customer and different levels of information are obtained during each stage of the process.

Discussion and Implications

The finding that both technology and market information are obtained from the customer provides support for the premise that customers provide useful information during the NPD process for radical innovations. The decreasing linear technology information levels supports the idea that early in the NPD of a radical innovation, firms require higher levels of technology information than during the rest of the process. When viewed across
the stages of NPD, the level of market information a firm obtains from its customers forms a U-shape. Considering the activities associated with the NPD process, idea generation and product release require the assessment of market conditions while the development stage is more internally focused and centers upon the more technical aspects of the products’ creation.

Reviewing the customer characteristics obtained in this study it is evident that these firms are collecting information from advanced users. While Franke and Shah (2003) found a mean of 4.1 for their innovators and a mean of 3.5 for their non-innovators, the firms in this study obtained information from customers with a mean 5.3 out of 7 on the characteristic scale. Given this finding, a “lead user” may be the best source of information, and they may provide that information during the entire process rather than just in the fuzzy front end of innovation.

These results suggest that there may be an “appropriate” time for a firm to obtain a particular type of information from the customer, but additional research is needed to study the impact on product performance. It is important that these results be verified in other industry settings.

**Concluding Remarks**

This research describes the role of the customer as an information provider in the development of radical innovations from both a substantive and theoretical standpoint. It enhances managerial practice and theory regarding the NPD for radical innovations in three ways: (1) It allows firms to focus their information acquisition activities on the information type or types most appropriate to the stages of NPD. (2) This research expands our understanding of the potential benefit of customer input by studying firms’ utilization of market and technology information obtained from the customer over the entire duration of the NPD process. (3) It provides a deeper understanding of the relationship between the types of information obtained, the stages when the information is obtained, and the characteristics of customers to solicit. References available upon request.

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WHAT MOTIVATES CREATIVE CONSUMERS TO PARTICIPATE IN VIRTUAL NEW PRODUCT DEVELOPMENT?

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ABSTRACT

This article investigates why creative consumers participate in virtual new product developments. Eight hundred twenty-five consumers that participated at least in one development project were surveyed. Intrinsic interest in innovation activities turned out to be the main driver. The results indicate that creative consumers are more motivated than less creative ones.

INTRODUCTION

Well-known product examples such as the snowboard or the mountainbike as well as various empirical studies (cf., von Hippel 2005) show that consumers and consumer communities are innovative to the point of even developing their own new products. Due to the innovative potential of consumers found on the Internet, research scholars like management consultants proclaim to engage consumers actively in the creation of new products (Dahan and Hauser 2002; Prahalad and Ramaswamy 2004). From a producer’s perspective there are numerous potential benefits of VCI. They include identifying emerging trends, increasing the number of product ideas, reducing the risk of product failure, and building relationships with formerly anonymous consumers (Dahan and Hauser 2002; Veryzer and Borja de Mozota 2005). But, why should consumers engage in virtual new product development projects initiated by producers and share their ideas and know-how with them? What are their benefits? In this study, we investigate what motivates consumers to engage in virtual NPD projects initiated by producers. Considering that consumers’ motivations depend on their individual characteristics (Deci and Ryan 2002; Vallerand 2000), we examine the influence of consumers’ creative personality – an essential prerequisite for innovative solutions – on motives for participation in virtual NPD. Further, this study investigates the impact of consumers’ creative personality on their willingness for further participation in virtual NPDs.

VIRTUAL CONSUMER INTEGRATION (VCI)

The novelty of VCI, compared to traditional market research is that consumers are not only asked about their opinions, wants, and needs, but also to contribute their creativity and problem solving skills (Lilien 2002 #1339; von Hippel 2005 #1226). Consumers are invited to actively participate in the creation of new products by generating and evaluating new product ideas, elaborating a detailed product concept, evaluating or challenging it, discussing and improving optional solution details, selecting or individualizing the preferred virtual prototype, testing and experiencing the new product features by running simulations, getting information about the new product, or just consuming it. To sum it up, by virtual consumer integration we understand the virtual integration of consumers into new product development. For example, in the “Virtual Lab” project initiated by AUDI, 1,662 car enthusiasts, equipped with a user-based design tool, developed individual infotainment systems (Füller et al. 2006). These infotainment systems integrate state-of-the-art communication and entertainment technologies in the domains of audio, video, navigation, and telematics as well as new user interfaces. Besides supporting the AUDI development in the identification of the most preferred product configurations, consumers ranked them from AUDI already-designated telematic services and gave indications about created value and application frequency. Further, the participants expressed 219 service ideas, gave 261 comments on the console, and contributed 728 visions of future car interiors. Only if qualified consumers are motivated to contribute their know-how, share their ideas, and honestly state their preferences, does the virtual integration of consumers’ input add value to a producer’s innovation process. What motivates consumers to participate and, how do the motives of “creative consumers” differ from less creative ones?

MOTIVES FOR CONSUMER PARTICIPATION

According to Deci and Ryan (2002), engaging in leisure activities can be considered as a function of intrinsic motivation and self-determined extrinsic motivation. Consumers are intrinsically motivated if they value an activity for its own sake. They are extrinsically motivated, if they focus on contingent outcomes that are separable from the activity per se (Deci and Ryan 2002). Thus, there are likely numerous reasons consumers participate in virtual NPD which originate from different motives. Drawing on the rich body of motivation research found in related fields such as leisure (Unger and Kernan 1981) online communities mainly open source software (OSS) (Hemetsberger and Pieters 2001; Hennig-Thurau et al. 2004; Lakhani and Wolf 2003), user innovation (Franke and Shah 2003), and survey participation (Groves et al. 2000), various intrinsic and extrinsic mo-
tives can be identified that may contribute to an explanation for why consumers engage in virtual NPD initiated by producers.

From these sources, 10 possible motives were identified: (1) Intrinsic Playful Task (IT) Individuals intrinsically motivated consider their virtual contribution to new product development as playful and enjoyable activity, valued for its own sake, and therefore perceived as intrinsically rewarding, instead of pure effort (Deci and Ryan 2002; Lakhani and Wolf 2003); (2) Curiosity (CU): Curiosity is defined as the desire for knowledge because of intrinsic reasons (Berlyne 1960). Consumers may engage in virtual new product development just because they are curious; (3) Self Efficacy (SE): Individuals that are optimistic about their capabilities to solve a certain task and cope with anticipated may perceive the activity as a challenge to be mastered (Unger and Kerman 1981). Consumers virtually working on challenging new product development tasks, similar to “Hackers,” may derive a sense of accomplishment due to their contributions (Lakhani and Wolf 2003); (4) Skill Development (SD): People are motivated to perform an activity because they are striving to improve their skills and gain additional knowledge (Amabile 1996). Engaging in virtual new product development may enable consumers to learn more about new technologies and products, and find solutions to hitherto fore unanswered questions (Butler et al. 2002); (5) Information Seeking (IS): Prior studies show that people participate in online communities because they are looking for information relevant to them (Galegher et al. 1998). Consumers may engage in virtual new product development because they are seeking innovations or product-related information pertinent to their hobby, upcoming product purchase, or just because of novelty seeking (Manning et al. 1995); (6) Recognition – Visibility (V): Consumers may participate in virtual new product development to become visible and get recognition from other participants as well as from the producer. Online community members may be motivated to share their know-how and participate in activities for ego gratification or the desire for peer recognition (Franke and Shah 2003; Hemetsberger and Pieters 2001; Hennig-Thurau et al. 2004). (7) Altruism – Community Support (A): Without going into the several definitions of altruism in more detail, as emphasized in other related fields, altruism may motivate consumers to engage in virtual new product development and to support producers in innovating new products (e.g., Hennig-Thurau et al. 2004; Hertel et al. 2003); (8) Make Friends (MF): Beyond the interest in the topic, the possibility to get in contact with like-minded people is a reason why consumers engage in virtual communities (Kozinets 2002). Getting in touch with like-minded people – employees and consumers, may be a reason for consumers to participate in virtual NPD; (9) Personal Need – Dissatisfaction (D): Sports enthusiasts start to modify or develop their own products because they derive benefit from using their innovation (Franke and Shah 2003). Personal need may motivate consumers to virtually engage in new product developments despite consumers’ limited influence on the final design; (10) Compensation – Monetary Reward (CO): Immediate as well as delayed payoffs may be the reason why consumers engage in innovation activities (Lerner and Tirole 2000).

ROLE OF CONSUMERS’ CREATIVITY

If producers aim to develop innovative solutions in virtual collaboration, besides collaborators belonging to the envisaged target group; they must also be able to come up with new ideas and innovative problem solutions. According to creativity theory, consumers’ capability to create novel and useful ideas is determined by their creativity (Amabile 1996). Consumers’ creative talent may qualify them to make valuable and highly innovative contributions to a producer’s NPD. According to Amabile’s framework (1996), consumers’ creativity is determined by three major components: (1) domain-relevant skills, (2) creativity-relevant processes, and (3) task motivation. Creative solutions only emerge if an individual possesses the complete set of skills necessary to solve a certain problem, demonstrates appropriate cognitive and working styles, and is motivated enough to carry out the given task with adequate dedication. Each component is necessary and unless certain thresholds for each are met, creativity is not possible (Sternberg and Lubart 1999).

Ideally, consumers engaging in virtual NPD score high on all creativity components. But consumers low in certain creativity components may still be able to make valuable contributions to virtual NPD. For example, “interested consumers” that are low in creativity-relevant processes may not come up with very creative solutions themselves, but may be able to assess the appropriateness of someone else’s solution, challenge it, and contribute to modifications. On the other hand, “motivated consumers” high in creativity-relevant processes, may come up with ideas that seem bizarre, but which may be useful starting points for others in possession of domain-relevant skills. Consumers that are low in both creativity- and domain-relevant skills may be considered unqualified for virtual NPD, unless they are equipped with adequate tools enabling them to experience, evaluate and judge the new product’s function, appeal, and perceived added value. Being able to experience the new product via trial and error is considered as minimum prerequisite for proper product evaluations.

METHOD

To examine why consumers engage in virtual NPD initiated by producers and if motives of creative partici-
pants differ from less creative ones, consumers that had previously participated in at least one virtual NPD project were surveyed. All consumers, in this study, participated in at least one of the 10 virtual NPD projects described in Table 1.

An online survey was used for data collection. An extensive literature review, preliminary interviews with consumers that had previous experience in virtual NPD, as well as discussions with five experts in the field of virtual consumer integration were carried out to develop the questionnaire. Following an online pre-test and subsequent telephone interviews with 25 participants, the questionnaire was revised and data collection commenced. E-mails with a link to the online questionnaire were sent to 4,714 previous virtual NPD participants, of which 1,390 emails were undeliverable. In total, 3,320 consumers were reached and 825 complete questionnaires returned. This corresponds to a response rate of 25 percent. As some NPD projects had been conducted more than

<table>
<thead>
<tr>
<th>Project</th>
<th>Project Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Running/Basketball Shoes</td>
<td>Consumers from different running and basketball communities participated in the development of a modular and adjustable running and basketball shoe concept.</td>
</tr>
<tr>
<td>Furniture</td>
<td>Readers of online interior design and lifestyle magazines like <a href="http://www.wallpaper.com">www.wallpaper.com</a> designed their own modular furniture system in classic design.</td>
</tr>
<tr>
<td>Model Railroads</td>
<td>Model railroading enthusiasts encountered on communities like <a href="http://www.miba.de">www.miba.de</a>, and <a href="http://www.dampf-plus.de">www.dampf-plus.de</a>, helped to customize innovative model railroading products according to their needs and to get ideas as regards how to extend the producers product portfolio.</td>
</tr>
<tr>
<td>Public City Shiners</td>
<td>Citizens of Munich, Germany supported design students to come up with new innovate shiners for the city. The design students modified their concepts according to the participants input. Munich residents became aware of the project via articles in newspapers like “Süddeutsche Zeitung.”</td>
</tr>
<tr>
<td>Baby Carriage</td>
<td>Young parents, frequenting the <a href="http://www.eltern.de">www.eltern.de</a>, community participated in the individualization of a new multifunctional baby carriage.</td>
</tr>
<tr>
<td>Mobile Phones for Kids</td>
<td>Parents assessed new mobile communication ideas to interact with their children.</td>
</tr>
<tr>
<td>Towels and Bedclothes</td>
<td>Housewives, visiting the website of Vossen, a famous towel brand in Austria, were invited to participate in a design testing of five different towel collections and taking part in the creation of new bedclothes.</td>
</tr>
<tr>
<td>Crystal Tattoo</td>
<td>“Fashionistas” visiting sites like <a href="http://www.fashion.net">www.fashion.net</a> created their own CrystalTattoos. The Swarovski design team got inspired by the creative contributions.</td>
</tr>
<tr>
<td>Infotainment Systems in Cars</td>
<td>Car enthusiasts and fans of Audi designed their own future infotainment systems. A link on the Audi webpage called consumers attention to participate in the development.</td>
</tr>
<tr>
<td>Snowboard Backpack</td>
<td>Members of snowboard and backcountry communities like epicski.com, forum.powdermag.com, and <a href="http://www.telemarktalk.com">www.telemarktalk.com</a>, made valuable contributions to develop a multifunctional backpack with integrated avalanche shovel and back protection.</td>
</tr>
</tbody>
</table>
one year earlier, the subjects were provided with a short visual and verbal overview of the project in which they participated to refresh their memory. The subsequent analysis was conducted on 727 consumers, as they stated that they were able to remember their participation in detail (value > 3) based on a 5-point scale anchored by 
(1) “I cannot remember at all” and (5) “I can remember in great detail.” To test possible non-response effects as described by Armstrong and Overton (1977) two subgroup comparisons were made. First, early and late respondents (first third vs. last third) were compared; secondly, age, gender, and education measured at the previously conducted virtual NPD projects were compared between respondents and non-respondents. No significant differences were found in either comparison leading us to conclude that no significant non-response bias was present. Within the total sample, 53 percent of the respondents are male, 47 percent female. On average, participants were 35.06 years old (SD = 9.49 years), and well educated: 30.1 percent hold a college degree, 37.9 percent even hold a post graduate degree. Stated professions varied widely and included: medical doctor, orchestra conductor, priest, computer scientist, engineer, management consultant, housewife, chemist, and soldier. Many of the participants (N = 354; 42.9%) reported that they already had an idea for a new product or product modification. But, only a handful of consumers (N = 46; 5.6%) reported actually having created a product stemming from their ideas, and 48 consumers (5.8%) tried to sell their product ideas for someone else to produce. In total, 25 consumers (3%) hold at least one patent.

MEASURES

Measurement items applied in various motivation studies (Butler et al. 2002; Constant et al. 1996; Manfredo and Driver 1996; Unger and Kernan 1983; Wasko and Faraj 2005) have been either used directly or slightly adapted for this study. In total, the questionnaire contained 24 motive items accompanied by (1) “strongly disagree” and (5) “strongly agree” scale shown in Appendix 1. Domain-specific skills (Novak et al. 2000), innovation task motivation (Price and Ridgway 1983), and creative cognitive style (Pallister and Foxall 1998) three frequently used measures for consumers’ creativity (Hocevar 1981) have been users. Further, two additional measures: Internet-specific innovation task involvement and previous innovation activities were added. Internet-specific innovation task involvement (Higie and Feick 1989) was introduced to examine the difference between consumers’ innovation task motivations in offline and online contexts. Previous innovation activities and achievements (von Hippel 1988) was used to examine the relation between consumers innovation activities and their creativity. Consumers’ interest in participating in further projects and participation frequency served as dependent variables to assess the importance of the different motives (Hertel et al. 2003). Counterbalancing of items was used to avoid potential method bias in self-report survey.

RESULTS

Consumers’ Motives

Principal component analysis with varimax rotation was performed on the 24 motive items to determine the structure of consumers’ motivation for engaging in virtual NPD. Using the scree test criterion, a six-factor solution was extracted. The scree test criterion was used because low communalities (< 0.50) suggested abolishing apparently important motivational attributes such as “consumers’ curiosity” when applying Kaisers’ eigenvalue > 1 criteria. Second, for factor analysis with less than 20 remaining items, (as it was the case in this study after measurement purification), the latent root criterion has the tendency to extract too few factors (Hair et al. 1998). Items with loadings on any factor below (> 0.5) or with high cross loadings (> 0.35) were eliminated. Based on these criteria, 12 of the 24 items were deleted. The Kaiser-Mayer-Olkin (KMO) measure for sampling adequacy (KMO = .787) and Bartlett’s test of sphericity (p = 0.000) indicated appropriate application of factor analysis. Coefficient alpha and split-half testing were used to test the reliability of factor scores. Table 2 presents the final factor solution and contains factor loadings, explained variance along with item-total correlations, and appropriate α’s. In addition, confirmatory factor analysis (CFA) on the hold out sample was used to validate the factor structure of the measurement sample. The overall fit measures of the CFA suggest a good fit for the data (χ² = 103.66 with 39 df; CFI = 0.961; GFI = 0.957; AGFI = 0.913; RMSEA = 0.067), and help to cross-validate the model. The final factor structure was also validated for every single project showing an adequate sample size.

As factor analysis suggests, consumers may engage in virtual new product development, for several reasons: (a) curiosity, (b) dissatisfaction with existing products, (c) intrinsic interest in innovation, (d) to gain knowledge, (e) to show ideas, or (f) to get monetary rewards. Regression analysis was conducted to determine the importance of the different motives. Consumers’ interest in further participations and desired future participation frequency served as dependent variables. Table 3 shows the results of multiple regression analysis. Overall, “innovation interest” (β = .399), “curiosity” (β = .274), and “showing ideas” (β = .107) are the main drivers for consumers to engage in future virtual product development. While “monetary rewards” have a negative impact on further participation interest, they are positively related to participation frequency (β = .213). Monetary compensation becomes important for consumers willing to spend more...
time and effort. Virtual engagement may be considered as a kind of work. On the contrary, “curiosity” and “show ideas” may motivate participation, but do not create endurance. As consumers’ engagement is voluntary, interest in the task is the most important prerequisite ($\beta = .329$).

**Consumers Creative Talent**

Confirmatory factor analysis was applied to validate the four creative talent constructs examined in this study (see Table 4). For all scales, the average variance extracted exceeds the cutoff criteria recommended in the literature (Bagozzi and Yi 1988). Satisfactory coefficient alpha values, factor scores, and item-to-total correlations for all measures evinces their internal consistency and reliability. Discriminant validity was assessed by applying the Fornell and Larcker criterion (Fornell and Larcker 1981). When the average variance extracted is larger than the shared variance (squared correlations) with other latent constructs, then this test criterion is fulfilled. As squared correlations do not exceed the average variance extracted, discriminant validity is indicated. Although these results indicate different constructs, common method bias could be a problem as all data was collected at the same study (Podsakoff et al. 2003).

**Impact of Creativity Components on Consumers’ Motives**

To determine the impact of consumers’ innate creative talent on their motivational levels for engaging in virtual NPD, the motives of creative consumers have been compared with the motives of less creative consumers. As Amabile notes, creative components combine in a multiplicative and not additive manner (Amabile 1996). Therefore, consumers’ creative talent was calculated by multiplying the measures on the three creative components: domain specific skills, creative cognitive style and innovation task motivation. An alternative index measuring consumers creativity would have been the MBTI (Stevens et al. 1999). A median split of the calculated creativity index was used to distinguish between creative (above median) and less creative consumers (below median). The calculated creativity index significantly correlates with consumers’ previous innovation activities.

### Table 2

**Summary of Exploratory Factor Analysis and Scale Reliability**

<table>
<thead>
<tr>
<th>Reasons to Participate in Virtual NPDs via the Internet:</th>
<th>Mean</th>
<th>Factor Loading</th>
<th>Explained Var. (%)</th>
<th>Item-Total Corr.</th>
<th>Alpha ($\alpha$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monetary Rewards</td>
<td>2.11</td>
<td>22.03</td>
<td>0.91</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Because I hope to get a monetary compensation.</td>
<td>2.20</td>
<td>0.92</td>
<td>0.92</td>
<td>0.83</td>
<td></td>
</tr>
<tr>
<td>Because I want to get paid for it.</td>
<td>1.95</td>
<td>0.91</td>
<td>0.84</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Because I expect a compensation in return.</td>
<td>2.17</td>
<td>0.88</td>
<td>0.81</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Show Ideas</td>
<td>2.47</td>
<td>15.39</td>
<td>0.71</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Because I have ideas I want to introduce to producers.</td>
<td>3.09</td>
<td>0.78</td>
<td>0.52</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Because I want to get in touch with producers.</td>
<td>2.56</td>
<td>0.77</td>
<td>0.50</td>
<td></td>
<td></td>
</tr>
<tr>
<td>To become known as co-inventor.</td>
<td>1.77</td>
<td>0.65</td>
<td>0.55</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gain Knowledge</td>
<td>3.06</td>
<td>13.86</td>
<td>0.71</td>
<td></td>
<td></td>
</tr>
<tr>
<td>To improve my skills.</td>
<td>2.94</td>
<td>0.86</td>
<td>–</td>
<td></td>
<td></td>
</tr>
<tr>
<td>To test my capabilities.</td>
<td>3.17</td>
<td>0.87</td>
<td>–</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Innovation Interest</td>
<td>4.18</td>
<td>13.39</td>
<td>0.75</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Because I enjoy dealing with new products.</td>
<td>4.16</td>
<td>0.87</td>
<td>–</td>
<td></td>
<td></td>
</tr>
<tr>
<td>To keep up with new ideas and innovations.</td>
<td>4.20</td>
<td>0.86</td>
<td>–</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dissatisfaction</td>
<td>3.22</td>
<td>8.66</td>
<td>–</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Because I am dissatisfied with existing products.</td>
<td>3.22</td>
<td>0.96</td>
<td>–</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Curiosity</td>
<td>4.24</td>
<td>8.29</td>
<td>–</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Just because I am curious.</td>
<td>4.24</td>
<td>0.98</td>
<td>–</td>
<td></td>
<td></td>
</tr>
<tr>
<td>N = 727 Total</td>
<td></td>
<td></td>
<td>81.62</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>


**TABLE 3**

Summary of Regression Analysis: Willingness for Further Participation and Participation Frequency

<table>
<thead>
<tr>
<th>Dependent Variables</th>
<th>Show Interest in Further Participation</th>
<th>Future Participation Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(Std. Beta)</td>
<td>(Std. Error)</td>
</tr>
<tr>
<td>Factor 1: Monetary Rewards</td>
<td>-.095**</td>
<td>.027</td>
</tr>
<tr>
<td>Factor 2: Show Ideas</td>
<td>.107**</td>
<td>.030</td>
</tr>
<tr>
<td>Factor 3: Gain Knowledge</td>
<td>.005</td>
<td>.033</td>
</tr>
<tr>
<td>Factor 4: Innovation Interest</td>
<td>.399***</td>
<td>.041</td>
</tr>
<tr>
<td>Factor 5: Dissatisfaction</td>
<td>-.009</td>
<td>.024</td>
</tr>
<tr>
<td>Factor 6: Curiosity</td>
<td>.274***</td>
<td>.032</td>
</tr>
<tr>
<td><strong>R²</strong></td>
<td>.330</td>
<td></td>
</tr>
<tr>
<td><strong>F</strong></td>
<td>59.177 ***</td>
<td></td>
</tr>
</tbody>
</table>

*p < 0.05; **p < 0.01; ***p < 0.001

1: single item anchored by (1) “strongly disagree” and (5) “strongly agree.”
2: single item (1) once a year, (2) once per quarter, (3) once per month, (4) once per week, (5) 2-3 days per week.

(.487***) confirming the link between consumers’ creative personality and innovation activities. A comparison of the creative consumers’ mean values of participation motives to the mean values of less creative consumers shows that, except for “curiosity,” (which scores as a high motivator in both groups) their motivational levels differ significantly (see Table 5). Generally, creative consumers score higher on monetary rewards, showing ideas, gaining knowledge, innovation interest, and dissatisfaction with current products. Creative consumers are more strongly motivated to engage in virtual NPD than less creative ones. It seems plausible that virtual NPD as creative activity is more strongly preferred by creative consumers.

To determine, if consumers’ motives to engage in further virtual new product development differ significantly between creative and less-creative consumers, moderating regression analysis was conducted to estimate the degree of interaction effects (Aguinis and Pierce 1999) (see Table 6). To reduce multicollinearity between the main and interaction terms, independent variables were mean centered. As the results show, consumers’ creativity has a significant moderating effect on curiosity and innovation interest. Creativity has a positive effect on consumers’ intrinsic interest in innovation activities and a negative effect on consumers’ curiosity as motives to engage in further virtual NPDs.

**Discussion and Implications**

In contrast to open source communities and lead user innovations (e.g., Franke and Shah 2003; Lakhani and von Hippel 2003; Shah 2000), where members engage in innovation tasks because they can benefit directly from the outcomes, e.g., from using their innovation, consumers engage in virtual new product developments because they consider the activity a rewarding experience. As virtual engagement of consumers is less intentional and planned, it may be considered as less “professional” and persistent. However, considering consumers’ innovation capabilities, illustrated by their previous innovation activities, their creative talent, and their stated willingness for further engagement, they offer a promising source of innovation. Research has shown that monetary rewards are important for people to participate in surveys (Singer and Kulka 2000), or to articulate their experiences on opinion platforms (Hennig-Thurau et al. 2004). However, in the context of virtual new product development, monetary rewards seem to attract only a certain type of consumer. More important for consumers seem to be a compelling – informative and entertaining – virtual participation experience in order to satisfy their intrinsic innovation interest.

In this study, we investigated why consumers participate in virtual new product developments and share
their ideas and innovation related knowledge with producers. As the results show, motives of creative consumers differ significantly from less creative consumers. The results indicate that creative consumers are more highly motivated to engage in virtual NPD than less creative ones. This implies that consumers virtually engaging in NPD tend to be interested in the topic and qualified to make innovative contributions. This kind of self-selection process, an often criticized aspect associated with traditional market research due to concerns related to poor representation of target groups and potentially causing invalid market predictions, is certainly welcomed when the self-selectors are most suited to finding innovative ideas and product solutions. Researchers developing new tools and methods for virtual consumer integration, as well as innovation managers intending to integrate consumers virtually into their innovation process may find some hints how they should design the virtual interaction in order to meet consumers’ expectations. As this study covers different projects that were pursuing diverse goals and applying various interaction tools in different product categories, process stages, innovation

### TABLE 4
Summary of Confirmatory Factor Analysis

<table>
<thead>
<tr>
<th>Factors/Items</th>
<th>Mean</th>
<th>SD</th>
<th>Factor Loading</th>
<th>Item-Total Corr.</th>
<th>Alpha (α)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Domain Specific Skills</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>.79</td>
</tr>
<tr>
<td>I consider myself very knowledgeable to contribute to product developments</td>
<td>3.40</td>
<td>.99</td>
<td>.799</td>
<td>.635</td>
<td></td>
</tr>
<tr>
<td>I possess profound know-how (e.g., concerning technology, materials, market understanding, product design) relevant for virtual new product development</td>
<td>2.89</td>
<td>1.20</td>
<td>.802</td>
<td>.629</td>
<td></td>
</tr>
<tr>
<td>How would you rate your skills to contribute to (virtual) new product developments, compared to a professional product developer?</td>
<td>2.11</td>
<td>.86</td>
<td>.822</td>
<td>.652</td>
<td></td>
</tr>
<tr>
<td>How would you rate your skills to contribute to (virtual) new product developments, compared to the leisure activity you are best at?</td>
<td>2.56</td>
<td>.90</td>
<td>.746</td>
<td>.544</td>
<td></td>
</tr>
<tr>
<td>Explained Variance = 62.78%; Average Variance Extracted = .51; Composite Reliability = .81;</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Innovation Task Motivation</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>.79</td>
</tr>
<tr>
<td>I am very curious about how things work.</td>
<td>4.47</td>
<td>0.74</td>
<td>.686</td>
<td>.448</td>
<td></td>
</tr>
<tr>
<td>I like to build my own equipment/things</td>
<td>3.35</td>
<td>1.25</td>
<td>.904</td>
<td>.770</td>
<td></td>
</tr>
<tr>
<td>I like to fix and improve things</td>
<td>3.47</td>
<td>1.28</td>
<td>.919</td>
<td>.797</td>
<td></td>
</tr>
<tr>
<td>Explained Variance = 71.08%; Average Variance Extracted = .62; Composite Reliability = .92;</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Internet-Specific Innovation Task Involvement</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>.82</td>
</tr>
<tr>
<td>Dealing with innovations on the Internet is...</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>stimulating.</td>
<td>3.70</td>
<td>1.04</td>
<td>.815</td>
<td>.658</td>
<td></td>
</tr>
<tr>
<td>enjoyable.</td>
<td>3.93</td>
<td>.96</td>
<td>.813</td>
<td>.652</td>
<td></td>
</tr>
<tr>
<td>exciting/fun.</td>
<td>3.52</td>
<td>1.05</td>
<td>.816</td>
<td>.659</td>
<td></td>
</tr>
<tr>
<td>Interesting.</td>
<td>4.35</td>
<td>.80</td>
<td>.801</td>
<td>.638</td>
<td></td>
</tr>
<tr>
<td>Explained Variance = 65.79%; Average Variance Extracted = .54; Composite Reliability = .83;</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Creative Cognitive Style</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>.82</td>
</tr>
<tr>
<td>I am an inventive kind of person</td>
<td>3.10</td>
<td>1.17</td>
<td>.822</td>
<td>.621</td>
<td></td>
</tr>
<tr>
<td>I consider myself to be creative and original in my thinking and behavior.</td>
<td>3.72</td>
<td>.98</td>
<td>.882</td>
<td>.713</td>
<td></td>
</tr>
<tr>
<td>I have original ideas.</td>
<td>3.54</td>
<td>1.07</td>
<td>.878</td>
<td>.702</td>
<td></td>
</tr>
<tr>
<td>Explained Variance = 74.14%; Average Variance Extracted = .62; Composite Reliability = .84;</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>N = 727</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>$\chi^2 = 196$ with 69 df; CFI = 0.972; GFI = 0.964; AGFI = 0.944; RMSEA = 0.050</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### TABLE 5
**Motives of Creative Consumers**

<table>
<thead>
<tr>
<th>Consumers’ Creative Talent</th>
<th>Creativity Index</th>
<th>Low</th>
<th>High</th>
<th>T-Value</th>
<th>P</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Motives</strong></td>
<td></td>
<td></td>
<td></td>
<td>**</td>
<td></td>
</tr>
<tr>
<td>Monetary Rewards</td>
<td>1.97</td>
<td>2.23</td>
<td></td>
<td>3.4</td>
<td>**</td>
</tr>
<tr>
<td>Show Ideas</td>
<td>2.09</td>
<td>2.88</td>
<td></td>
<td>12.6</td>
<td>***</td>
</tr>
<tr>
<td>Gain Knowledge</td>
<td>2.83</td>
<td>3.30</td>
<td></td>
<td>5.9</td>
<td>***</td>
</tr>
<tr>
<td>Innovation Interest</td>
<td>3.99</td>
<td>4.41</td>
<td></td>
<td>7.8</td>
<td>***</td>
</tr>
<tr>
<td>Dissatisfaction</td>
<td>3.04</td>
<td>3.42</td>
<td></td>
<td>4.6</td>
<td>***</td>
</tr>
<tr>
<td>Curiosity</td>
<td>4.25</td>
<td>4.25</td>
<td></td>
<td>.073</td>
<td></td>
</tr>
<tr>
<td>Interest in Further Participation</td>
<td>4.19</td>
<td>4.42</td>
<td></td>
<td>3.4</td>
<td>**</td>
</tr>
<tr>
<td>Future Participation Frequency</td>
<td>2.36</td>
<td>2.86</td>
<td></td>
<td>3.8</td>
<td>***</td>
</tr>
</tbody>
</table>

Creativity Index = Domain Specific Skills * Task Motivation * Creativity Processes  
Two tailed T-test (lower T-values are shown)  
*  p < 0.05  
** p < 0.01  
*** p < 0.001

### TABLE 6
**Consumers Willingness to Further Participate in Virtual New Product Developments**

<table>
<thead>
<tr>
<th>Dependent Variables</th>
<th>Show Interest in Further Participation</th>
<th>Future Participation Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Creative (Std.)</td>
<td>Less Creative (Std.)</td>
</tr>
<tr>
<td>Monetary Rewards</td>
<td>-.120 *</td>
<td>-.069 ns</td>
</tr>
<tr>
<td>Show Ideas</td>
<td>.151 **</td>
<td>.067 ns</td>
</tr>
<tr>
<td>Gain Knowledge</td>
<td>-.009</td>
<td>.013 ns</td>
</tr>
<tr>
<td>Innovation Interest</td>
<td>.454 ***</td>
<td>.351 ***</td>
</tr>
<tr>
<td>Dissatisfaction</td>
<td>-.007</td>
<td>-.018 ns</td>
</tr>
<tr>
<td>Curiosity</td>
<td>.156 *</td>
<td>.359 ***</td>
</tr>
</tbody>
</table>

\[ \Delta R^2 = 0.014^* \]

\[ F = 28.749 *** 30.076 *** 2.863 * 2.372 * \]

*  p < 0.05  
** p < 0.01  
*** p < 0.001
activities, and levels of innovativeness, the findings should be broadly applicable to current virtual innovation projects in consumer markets. However, the study also comes up with many, so far unanswered, questions such as: What is the effect of different consumer motives on the creativity, quality and quantity of their contributions? It would be interesting to know what the consequences of consumers’ participation experience are. Does it evoke consumers’ interest for the virtual new product? While this research shows that more creative consumers are more motivated to engage in innovation projects it would be interesting to see if creative consumers’ contributions indeed show higher quality.

REFERENCES


Lerner, Josh and Jean Tirole (2000), “The Simple Eco-

APPENDIX 1
24 Motive Items Ordered According to Strength of Participants’ Agreement

<table>
<thead>
<tr>
<th>Described Motives</th>
<th>What are the reasons for you to participate in virtual product developments via the Internet?</th>
<th>Mean</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>CU</td>
<td>Just because I am curious.</td>
<td>4.24</td>
<td>.91</td>
</tr>
<tr>
<td>IS</td>
<td>To keep up with new ideas and innovations.</td>
<td>4.20</td>
<td>.87</td>
</tr>
<tr>
<td>IT</td>
<td>Because I enjoy dealing with new products.</td>
<td>4.16</td>
<td>.88</td>
</tr>
<tr>
<td>CU</td>
<td>To experience new and different things.</td>
<td>4.12</td>
<td>.86</td>
</tr>
<tr>
<td>IT</td>
<td>For me, co-developing is rewarding.</td>
<td>3.89</td>
<td>1.06</td>
</tr>
<tr>
<td>A</td>
<td>Because I want to support new product innovations.</td>
<td>3.79</td>
<td>1.06</td>
</tr>
<tr>
<td>D</td>
<td>Because I would highly benefit from a new product.</td>
<td>3.77</td>
<td>1.14</td>
</tr>
<tr>
<td>SD</td>
<td>To gain new knowledge/ expertise.</td>
<td>3.70</td>
<td>1.05</td>
</tr>
<tr>
<td>A</td>
<td>To help inventors (producers) solve their problems.</td>
<td>3.60</td>
<td>1.03</td>
</tr>
<tr>
<td>MF</td>
<td>Because I want to meet others who share similar interests.</td>
<td>3.46</td>
<td>1.13</td>
</tr>
<tr>
<td>D</td>
<td>Because I am dissatisfied with existing products.</td>
<td>3.22</td>
<td>1.15</td>
</tr>
<tr>
<td>Described Motives</td>
<td>What are the reasons for you to participate in virtual product developments via the Internet?</td>
<td>Mean</td>
<td>SD</td>
</tr>
<tr>
<td>-------------------</td>
<td>------------------------------------------------------------------------------------------</td>
<td>-------</td>
<td>-----</td>
</tr>
<tr>
<td>SE</td>
<td>To test my capabilities.</td>
<td>3.17</td>
<td>1.25</td>
</tr>
<tr>
<td>V</td>
<td>Because I have ideas that I want to introduce to producers</td>
<td>3.09</td>
<td>1.22</td>
</tr>
<tr>
<td>V</td>
<td>To make others aware of my knowledge and ideas.</td>
<td>3.07</td>
<td>1.26</td>
</tr>
<tr>
<td>SD</td>
<td>To improve my skills.</td>
<td>2.94</td>
<td>1.20</td>
</tr>
<tr>
<td>CO</td>
<td>Because I am interested in the offered reward (price drawing, competition,...).</td>
<td>2.72</td>
<td>1.32</td>
</tr>
<tr>
<td>SE</td>
<td>To gain a sense of accomplishment.</td>
<td>2.68</td>
<td>1.16</td>
</tr>
<tr>
<td>A</td>
<td>Because I was asked to do it.</td>
<td>2.68</td>
<td>1.36</td>
</tr>
<tr>
<td>V</td>
<td>Because I want to get in touch with producers.</td>
<td>2.56</td>
<td>1.23</td>
</tr>
<tr>
<td>CO</td>
<td>Because I hope to get a monetary compensation.</td>
<td>2.20</td>
<td>1.21</td>
</tr>
<tr>
<td>CO</td>
<td>Because I expect a compensation in return.</td>
<td>2.17</td>
<td>1.18</td>
</tr>
<tr>
<td>CO</td>
<td>To get a future support myself.</td>
<td>2.06</td>
<td>1.10</td>
</tr>
<tr>
<td>CO</td>
<td>Because I want to get paid for it.</td>
<td>1.95</td>
<td>1.11</td>
</tr>
<tr>
<td>V</td>
<td>To become known as co-inventor.</td>
<td>1.77</td>
<td>1.04</td>
</tr>
</tbody>
</table>

N = 727

CU = Curiosity; IS = Information Seeking; IT = Intrinsic Playful Task; A = Altruism – Community Support; D = Dissatisfaction; SD = Skill Development; MF = Make Friends; SE = Self Efficacy; V = Recognition – Visibility; CO = Compensation – Monetary Reward.

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THE COMMUNITY DYNAMICS OF LEAD USERS: THE CASE OF USER TOOLKITS FOR INNOVATION

Yansong Hu, University College Dublin, Ireland
Damien McLoughlin, University College Dublin, Ireland

SUMMARY

Traditionally, studies on lead users (e.g., Franke and von Hippel 2003; von Hippel 1986; Lüthje 2003) have often been focused on the actions of individuals. The primary goal of this study has been to augment models of lead users with a more social perspective. Toward this end, we focused heavily on the social system analysis.

Such community perspective seems salient under today’s “high-velocity environments” (Eisenhardt 1988, p. 816), where the complexity of problems often requires solutions that combine the knowledge, efforts and abilities of people with diverse perspectives. To this end, however, the lead user theory has generated only limited advice up to now. Behaviors and contexts to support the innovation have been largely ignored. In this paper, therefore, we aim to extend lead user theory by exploring the embedded network characteristics of lead users. An investigation of these issues is important because creativity and innovation is not only the genius work of loners, but also the consequence of a social system of actors that amplify or stifle one another’s creativity (Uzzi and Spiro 2005).

Furthermore, previous empirical research has focused primarily on individual characteristics or “traits” of lead users, very little research has been done on their social network nature. Thus, in this research, we intend to extend the lead user theory by examining the network characteristics of lead user community and how they are related to innovation outcomes.

Because of the complexity of the research problem on lead user community on a new type of user toolkit, we performed a two-stage study that involved a combination of qualitative and quantitative methods. The first stage focused on three representative lead user communities on which we applied a multiple case study approach, subscribed to the process of case study research as suggested by Eisenhardt (1989). The second stage involved collection and analysis of the longitudinal quantitative data on one category of the toolkits in the case study. This category is of ultimate importance both technically and commercially in this industry. Our method is therefore historical and draws from published scientific and technical databases to identify patterns of toolkit lead user community of life scientists.

Our community perspective does not deny the novel contributions of individuals. However, the history of the different toolkits strongly reinforces the values of a social system approach. In particular, it points to the need to working on a theory of lead users that considers it as both an individual and collective process taking place within a larger community context.

Furthermore, this study implies that toolkit lead user communities can be an integral part of co-creation of value with manufacturers, indicating marketing is shifting toward more customer-centric, and service-centered (Vargo and Lusch 2004). The findings also suggest that knowledge brokers are critical actors of the social system driving innovation diffusion and adoption and that the structural, scientific, and personal dimensions of these brokers have significant impacts on their brokering activities.

Finally our study has also some important implications for managers. First, it suggests that management of creativity should shift its emphasis from managing creative individual lead users only to better understanding the social context of lead user community. Second, it proposes that to manage innovation in a nascent industrial field, managers should actively connect with knowledge brokers to link diverse lead users to support their innovation activities. References available upon request.
AN INTRODUCTION, CONSTRUCTION, AND VALIDATION TO THE OFFSETSCALE: A MEASURE OF OFFSHORE SERVICE ETHNOCENTRISM

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Vincent P. Magnini, Longwood University, Farmville
Boonghee Yoo, Hofstra University, Hempstead
Tanya K. Thelen, Independent Consultant

SUMMARY

While transacting with service providers cross-nationally is becoming increasingly commonplace in today’s global economy, no published research to date has brought-forth an adequate mechanism to measure potential consumers’ acceptance of the practice. Therefore, employing accepted psychometric scale development procedures, this research developed a multi-dimensional instrument termed OFFSETSCALE that can be used for assessing consumers’ levels of offshore service ethnocentrism. It is a 21-item scale containing four dimensions: protectionism, chauvinism, security, and communication. The scale demonstrates high reliability and validity.

Introduction

The use of information technology has allowed for services to be delivered across borders to a degree not previously witnessed. It is now possible to “export” customers and “import” service providers without either having to leave their respective countries (Javalgi and White 2002; Kirkegarrd 2004; Knight 1999). Motivated by a desire to understand consumers’ openness and acceptance of cross-national service exchanges this research introduces the Offshore Service Ethnocentrism Scale (OFFSETSCALE). This research, although rooted in ethnocentrism, is significantly different from prior research that has addressed consumer ethnocentrism, animosity, and cross-cultural service encounters. No known previous research offers a scale to measure consumer sentiment toward the offshoring of services.

Methodology

The following steps were employed: (1) the construct was defined, (2) a list of items generated, (3) initial items pilot tested, then (4) the scale was finalized and tested for validity and reliability.

In an effort to initially properly define the Offshore Service Ethnocentrism construct two steps were employed: (1) a review of the literature, and (2) in-depth interviews. Based upon interviews and review of the literature several themes emerged indicating that the Offshore Service Ethnocentrism construct is multi-dimensional, potentially consisting of (1) animosity toward firms that offshore, (2) demands for government action against offshoring, (3) a bias toward domestic service providers, (4) security/privacy worries, (5) concern with the ability to clearly communicate with offshore service providers, and (6) hostility toward overseas service workers. Individual items were assessed for clarity, proper construct, minimal word redundancy, readability and content, and face validity (Netemeyer et al. 2003; Nunnally and Bernstein 1994).

In total, two-hundred and forty-two surveys, considered sufficient for a pilot study (Clark and Watson 1995), were collected. Exploratory factor analysis was performed resulting in the presence of five dimensions. Two dimensions originally posited as being separate, animosity toward firms that offshore and demands for government action against offshoring, combined into a single dimension designated “protectionism.” A nationwide sample of three-hundred and ninety-four respondents was collected via an internet panel. Data were subjected to confirmatory factor analysis utilizing LISREL with a four-dimension model (protectionism, chauvinism, security, and communication) exhibiting acceptable fit indices. In addition, discriminate validity (against the CETSCALE) and criterion validity were assessed and established.

Discussion

The four resulting dimensions are protectionism, chauvinism, security, and communication. The protectionism dimension focuses primarily on consumer frustration regarding the loss of domestic jobs. The chauvinism dimension of the scale encompasses an enthusiastic and an almost-prejudiced loyalty to one’s own nationality. The security dimension, on the other hand, entails a consumer’s anxiety regarding data security when transacting cross-nationally. Lastly, the communication dimension involves consumer concerns communication with those located in overseas locations. Through
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ENHANCING NEW PRODUCT OUTCOMES THROUGH KNOWLEDGE TRANSFER WITHIN MNC NETWORKS

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Qimei Chen, University of Hawaii, Manoa
Daekwan Kim, Florida State University, Tallahassee
Jean L. Johnson, Washington State University, Pullman

SUMMARY

Introduction

Knowledge transfer between a multinational corporation’s (MNC’s) headquarters and their subsidiaries has been documented as critical in facilitating the development of potent global marketing strategies, which allow the MNC to compete successfully in the global marketplace. In other words, because foreign subsidiaries (referred to as network firms) have access to critical host market knowledge, the headquarters (referred to as the hub firm) must be capable of assimilating knowledge through their subsidiaries (referred to as the network firms) (Sydow and Windeler 1998), and also be capable of integrating the acquired knowledge throughout the whole corporation (Kogut and Zander 1992). Thus, coordinating and collaborating among the hub firm and network firms are key sources of competitive advantage as they provide market knowledge about their local and global competitors and customers (Buckley and Casson 1976). We extend this logic and argue that the value of a foreign subsidiary (or network firm) comes partly from its interactions with customers and competitors of its host country market and its headquarters (or hub firm). The significance of setting up a network firm in an overseas market resides not only on its sales and distribution, i.e., transaction-oriented function, but also and perhaps more essentially, on its co-production of market knowledge together with the hub firm, i.e., relationship-oriented function. Our research focuses on the interwoven MNC where the hub firm and network firms are brought together into the same network, exchanging market knowledge and competencies to develop dynamic capabilities that allow the MNC to outperform its rivals (Buckley and Casson 1998; Martin and Salomon 2003). We argue that the co-creation of value through reciprocal knowledge provision between the hub firm and their network firms is critical to sustain the competitive advantage of the MNC as a whole (Ghoshal and Bartlett 1990; Kogut 2000).

Conceptual Framework and Hypotheses

We investigate how the intensity of market knowledge transfer between the hub firm and its network firm affects overall new product outcomes (Lord and Ranft 2000). Because the network is an important source of knowledge, the extent to which a network firm ties with other network firms is crucial for the conversion of market knowledge configurations into positive new product outcomes (Birkinshaw and Morrison 1995; Podolny and Page 1998). In addition, dynamic capabilities emphasize how firms collaborate with not only other organizations but also their environments (Teece, Pisano, and Schuen 1997). In particular, globalizing trends and technology create environmental turbulence which compels the hub firm to carefully manage knowledge acquired from its network firms so that the hub firm may better navigate its global environments. We therefore maintain that positive new product outcomes are a function of the hub firm’s ability to navigate its environments. In line with previous research which has shown that global environmental factors play a critical role in developing successful firm strategy and actions (e.g., Grewal and Tansuhaj 2001; Luo 2003), we explore the extent to which global market and technological environmental turbulence influences the relationship between knowledge transfer intensity and knowledge creation, manifested as new product outcomes (Moorman 1995; Rindfleisch and Moorman 2001). Below summarizes our hypotheses:

H1: Knowledge transfer intensity relates positively to new product outcomes such that more intensive market knowledge transfer between the hub firm and its network firm enhances the hub firm’s new product outcomes.

H2: Network strength (a) relates positively to new product outcomes and (b) further enhances the positive effect of knowledge transfer on new product outcomes.

H3: When the hub firm faces high (low) levels of global market environmental turbulence, the positive impact of knowledge transfer intensity on new product outcomes is decreased (enhanced).

H4: A high (low) level of global technological environmental turbulence induces a stronger (weaker) effect of knowledge transfer intensity on new product outcomes.
Data and Method

In this study, we focus particularly on U.S. firms that have overseas operations. We drew our sample from the Directory of American Firms Operating in Foreign Countries published in 2004. We selected 898 firms that are manufacturers in high tech industries such as electronics, biochemistry, and software from the list. After telephone prescreening, 137 firms were removed from the original list. After three mailings, we received 139 completed responses, for an 18.2 percent response rate, comparable to recent organizational research.

We use OLS regression models to test our hypotheses. To address multicollinearity, we first mean centered our variables before creating interaction terms (Aiken and West 1996). We find support for Hypothesis 1, which posits that knowledge transfer intensity positively impacts new product outcomes ($b = .131, p < .05$). Our results also support Hypothesis 2a suggesting that high levels of network strength induce positive and significant new product outcomes ($b = .223, p < .01$). In contrast to our expectation in Hypothesis 2b, our result indicates that the effect of knowledge transfer intensity on new product outcomes is weakened when network strength is high ($b = -.088, p > .10$). Further, consistent with Hypothesis 3, our results show that the effect of knowledge transfer intensity on new product outcomes becomes weaker when the global market environment is highly turbulent ($b = -.176, p < .01$); however, such an effect can be strengthened when hub firms face a high level of global technological environment as expected in Hypothesis 4 ($b = .128, p < .01$).

Conclusion

Our research presents empirical results to help prompt MNCs to re-investigate their organizational knowledge transfer practices. As the contemporary society in general and global market in particular has become increasingly turbulent, unstable market environments likely induce unexpected changes. Hence, creating new products to meet uncertain global market demands may seem to be impossible and risky (Dröge, Claycomb, and Germain 2003). Our findings resonate these concerns and caution managers to take the global market and technological environment turbulence into consideration to refine the intensity of knowledge transfer within the MNC network.

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INCUMBENT FIRMS’ RESPONSE STRATEGIES TO FOREIGN ENTRANTS: NON-PRICE MARKETING MIX VARIABLES

Yu Henry Xie, College of Charleston, Charleston

SUMMARY

Firms’ response strategy has been subject to a stream of research (Gatignon and Hanssens 1987). Porter (1979) maintains that predicting the reaction to new entrants is strategically important. Kotler and Singh (1981) also point out that firms also choose to employ marketing mix variables in different ways in their reactions. Incumbent firms’ response strategy has tremendous implications for firms, because an appropriate response strategy cannot only enable firms to utilize their firm-specific resources and core competencies, but also alleviate the competitive pressure from foreign firms in the local market. In this rapidly globalizing marketplace, strategic consideration is about where a firm seeks to gain competitive advantage through concentrated configuration or coordination among activities or both (Porter 1986). However, conspicuously missing from the marketing and international business literature is a study of marketing strategies of local, incumbent firms facing competition from foreign entrants in the marketplace. This conceptual paper attempts to address this research gap by analyzing incumbent generalist and specialist firms’ responses in non-price marketing mix to foreign entrants.

A body of literature on response strategy has studied the non-price marketing mix variables of advertising and salesforce expenditures (e.g., Shankar 1997, 1999; Gatignon et al. 1989). Advertising and salesforce of firms are considered two important non-price marketing mix variables. According to Shankar (1997, p. 272), “the reallocation of resources toward advertising and salesforce upon entry is strategically important to managers.” As Scherer (1980) holds, incumbent firms can respond in three different ways: accommodate (decrease), retaliate (increase), or neutral (no change) in the expenditures of their non-price marketing mix variables. Resource partitioning theory addresses the dynamic distribution of generalist and specialist firms within an industry (Carroll 1985). Large generalists compete with each other for the center of the market vigorously and thus push other firms to the periphery. When a few generalists dominate core of the resource space in the presence of high concentration within the industry, specialists can thrive on the periphery (Carroll 1985, 1994). As Gatignon and Bansal (1990) point out, incumbents’ response to new entry is affected by the market demand conditions, the incumbents’ characteristics, and the competitive dynamics. When foreign entrants enter the marketplace, both generalist and specialist firms face potential challenges from these foreign entrants, consequently resulting in response decisions for these incumbent firms.

The entry of foreign firms changes the dynamics of concentration and density of the industry. In response to the foreign entrants, generalist and specialist firms are proposed to take different approaches. We argue that market domain overlap, elasticity of marketing mix variables, and market knowledge exert considerable impact on incumbent firms’ response to foreign entrants. Market domain overlap denotes the similarity in resource requirement in the marketplace. It is a major determinant of the potential for competition among the firms in the industry (Baum and Korn 1996). MacMillan et al. (1985) assert that high-perceived potential and strategic threat is likely to result in a rapid response from the incumbent firms. Therefore, the growing presence and power of foreign entrants in a local marketplace eventually will lead to certain level of competitive response from local firms. Gatignon et al. (1989) also propose that competitive response of firms is contingent upon the elasticity of marketing mix variables of the firms. Firms respond to the new entrant by increasing high elasticity marketing mix variable and by decreasing low elasticity variable. The entry of foreign firms changes the dynamics of concentration and density of the industry in the local marketplace. In response to the foreign entrants, generalist and specialist firms are proposed to take different response strategies, which are affected by the market demand conditions, the incumbents’ characteristics, and the competitive dynamics.

This current study contributes to the extant literature by examining response strategies of incumbent firms to foreign entrants. This preliminary attempt sheds light on future research on incumbent firms’ response strategy in global economy. References available upon request.
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THE INTERFACES BETWEEN MARKETING AND OTHER FUNCTIONS: PERSPECTIVE-TAKING AS THE MEDIATOR OF INTEGRATING MECHANISMS AND INTEGRATION OUTCOMES

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SUMMARY

Improving the interfaces between marketing and other functions has recently attracted a great deal of attention from both academics and practitioners. A critical review of marketing literature on these interfaces shows that several integrating mechanisms have been proposed to enhance interfunctional cooperation (e.g., cross-functional team use, cross-functional training, job rotation, joint-reward system, socialization) yet empirical evidence has been mixed. Researchers have shown only a few integrating mechanisms to be effective and have identified a need for further research (e.g., Maltz and Kohli 2000). With the exception of Griffin and Hauser’s (1996) and Fisher et al.’s (1997), no other published studies have explicitly examined the underlying mechanism of the link between integrating efforts and outcomes substantive to organizations. It should also be noted that most previous research has been cross-sectional and does not single out the integrating mechanisms to probe into their unique effects. Finally, although Ruekert and Walker (1987) recommend individual as the appropriate level of analysis because individuals function as the primary link between functions and possess idiosyncratic experiences in the transmission of information and resources among functions, most previous research surveys functional managers and largely ignores individual differences.

Drawing from the contact hypothesis (Dovidio et al. 2003; Gaertner et al. 1999) and perspective-taking literature (Davis 1983; Eisenberg et al. 1994; Schwalbe 1988; Galinsky et al. 2005), the author proposes an interactionist framework (Tett and Burnett 2003) to predict the differential effects of integrating mechanisms. The framework depicts personal traits and situational factors as two antecedents to perspective-taking, defined as “the process of imagining the world from another’s vantage point or imagining oneself in another’s shoes” (Galinsky et al. 2005). The current paper focuses on two major integrating mechanisms as situational factors, the use of cross-functional teams and cross-functional training, and one important individual difference construct, Emotional Intelligence (EI). According to Salovey and Mayer (1990), EI is “the subset of social intelligence that involves the ability to monitor one’s own and others’ feelings and emotions, to discriminate among them and to use this information to guide one’s thinking and actions.” EI is chosen because it has been found to be an individual trait that is positively related to perspective-taking (Schutte et al. 2001). The focal outcome of perspective-taking examined here is perceived relationship effectiveness, defined as “the perception of personnel who interact with people in another functional area that their relationship is worthwhile, equitable, productive, and satisfying” (Fisher et al. 1997; Ruekert and Walker 1987).

The general underlying mechanism of the impact of perspective-taking on an outcome is through an increase in self-other overlap. Social psychologists have found that perspective-taking inhibits aggressive responses, lowers the frequency of interpersonal conflict, creates more egalitarian conflict resolution (Bond et al. 2004), results in positive evaluation of targets, and reduces the expression of stereotypic content (Galinsky and Moskowitz 2000). Perspective-taking constitutes a necessary condition for collaboration and “going the extra mile,” behaviors that are typically desirable in the interfaces between Marketing and other functions wherein ever-changing customers’ demands and needs are not always well predicted or scripted. Therefore, perspective-taking can be conceptualized as a potent mediator of the relationship between integrating mechanisms and interfunctional relationship effectiveness. However, too much perspective-taking can also lead to negative consequences through the process of reactive egoism such that the understanding of others’ needs and perspectives also makes the self more salient (Devine 1995; Epley et al. 2005).

Cross-functional training is limited to creating a generic understanding of other functions and infrequent interpersonal interaction. These interpersonal interactions, however, should result in trainees’ greater ability to develop an appreciation of other functions’ work and to perspective-take than in the condition of no training. Compared with cross-functional trainees, cross-functional team members should enjoy ample opportunities to interact (i.e., more contact) and familiarize themselves with each other, to learn and understand other functions’ operation and jargon germane to specific tasks, and to update real-time information. Most importantly, unlike cross-trained employees, cross-functional team members share a common goal and are possibly jointly re-
warded. These collaboration-inducing conditions are necessary for stronger perspective-taking without being necessarily contingent upon expected reciprocation from the other party (Schwalbe 1988; Gehlbach 2004). Only when expected reciprocation is high will cross-trained employees calculatively engage in active perspective-taking and helping.

The interactionist framework, which should be tested using longitudinal quasi-experiments, presents, the following research propositions about the differential effects of integrating mechanisms with perspective-taking as the partial mediator.

P1: Both cross-functional team use and cross-functional training have a positive effect on perspective-taking. Compared with cross-functional training, cross-functional team use has a more positive effect on perspective-taking.

P2: There is an inverted U-shaped relationship between perspective-taking and perceived relationship effectiveness.

P3: Both cross-functional team use and cross-functional training improve perceived relationship effectiveness directly. Compared with cross-functional training, cross-functional team use has a more positive and direct effect on perceived relationship effectiveness.

P4: EI is positively related to perspective-taking. Cross-functional team use and cross-functional training moderate the relationship between EI and perspective-taking such that when cross-functional team and cross-functional training are in use, EI is more strongly related to perspective-taking.

P5: EI has a direct positive effect on perceived relationship effectiveness. Cross-functional team use and cross-functional training moderate the relationship between EI and perceived relationship effectiveness such that when cross-functional team and cross-functional training are in use, EI is more strongly related to perceived relationship effectiveness. References are available upon request.

ENDNOTE

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INTEGRATING AND EXTENDING OUR UNDERSTANDING OF THE MARKETING-FINANCE INTERFACE AND ITS PERFORMANCE IMPLICATIONS

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SUMMARY

The interface between the marketing and the finance function gains relevance against the unprecedented interest of many firms’ top managers in marketing’s return on investment. Especially from a marketing perspective, this interface seems to be of central importance: By collaborating with finance, marketing can better demonstrate the long-term profit streams generated by marketing investments (e.g., investments in brand equity), which might be crucial to secure appropriate resources as well as a strong position within the firm (Lukas, Whitwell, and Doyle 2005; Srivastava, Shervani, and Fahey 1998).

Our review of the literature shows, that there is only a limited conceptual discussion and empirical examination of the intraorganizational interface between the marketing and the finance function (see also de Ruyter and Wetzels 2000; Hyman and Mathur 2005; Zinkhan and Verbrugge 2000). In particular, prior studies only address isolated issues of the marketing-interface without providing a more comprehensive understanding of its nature. With regard to specific performance implications of the marketing-finance interface, there are even fewer studies: There are only a few conceptual studies (e.g., Egan and Guilding 1994; Jenkins and Meer 2005) and – to the best of our knowledge – only one exploratory empirical study (Trebuss 1976). The existing studies on the performance implications of the marketing-finance interface examine particular design characteristics and performance variables without taking a broader, more comprehensive perspective. The lack of an integrative framework that adequately reflects the complexity of the marketing-finance interface and its performance implications provides a promising research opportunity, which we will address in our paper.

Exploratory Study and Integrative Framework

With the objective to complement our fragmented knowledge of the marketing-finance interface, we conducted 14 in-depth interviews with senior marketing and finance managers from different industries in Switzerland. Based on the findings of prior studies and our interviews, we develop an integrative framework of the marketing-finance interface and its performance implications (see Figure 1).

Referring to Jensen’s (2006) translation of the IMP group model (Hakansson 1982) to an intra-organizational context, we conceptualize the marketing-finance interface as a five-layer phenomenon, i.e., information sharing, structural linkages, power, orientations, and knowledge of marketing and finance. In our framework, we link these layers to specific performance variables at the relationship, decision, and business performance level.

Key constructs in the information sharing layer are information provision by finance and information provision by marketing. Our interviews revealed that information sharing may improve mutual understanding and reduce the level of conflict between marketing and finance. Additionally, mutual information provision can improve decision process quality (e.g., early and fast detection of possible future problems), decision quality (e.g., stronger reflection of financial requirements in marketing decisions), and decision enforceability (e.g., higher transparency and accountability increases support by finance and hence enforceability of marketing decisions).

The structural linkage layer refers to the extent to which formal horizontal platforms or interaction channels are established for interdepartmental activities. Our interviews support the notion that structural linkages may improve mutual understanding and decrease conflicts. Furthermore, they might have a positive impact on performance at the decision level (e.g., better decision process quality and decision quality due to the existence of a marketing controller).

With regard to the power layer the extent, to which finance influences marketing decisions is of central importance. Our interviews reveal the importance and complexity of the power layer: A balanced dispersion of influence among marketing and finance may reduce the decision process quality (e.g., lengthy discussions to achieve consensus) but may increase both decision quality (e.g., power dispersion increases involvement into decisions and leads to more thorough cognitive considerations) and decision enforceability (e.g., both departments actively involved in decision making and hence stronger support their own decisions). In addition, a balanced power distribution may improve the relationship attitude (“partnership of equals”). Furthermore, while
clear and accepted power structures (e.g., very powerful marketing department) can reduce the level of conflict between marketing and finance, a balanced power distribution with no defined leading actor may increase conflict (“struggling” for a dominant position).

The orientation layer pertains to the goals, time horizons, and objects at which marketing and finance array their activities. Our interviews indicate the high relevance of this layer for the performance of the marketing-finance interface. Interestingly, we found two contrary performance implications. On the one hand, similarity of orientation (e.g., common goals, common time orientations) was found to have positive performance implications on relationship attitude and mutual understanding and also led to a reduced level of conflict between marketing and finance. On the other hand, different orientations (e.g., different goals, different time orientations) may decrease decision process quality (slower processes since consensus-building is more difficult) but may lead to increased decision quality (due to broader perspectives).

Finally, the knowledge layer refers to the level of expertise in the marketing and finance subunits. In our interviews we found that specialization of knowledge and competences in marketing and finance can increase decision quality (e.g., more sophisticated budget calculations carried out by finance experts). At the same time a certain level of cross-functional knowledge (e.g., market knowledge of finance) can increase mutual understanding (e.g., understanding of underlying motives), decision process quality (more efficient exchange of arguments), and decision enforceability (e.g., increase of marketing budget accepted by finance due to a better understanding of the investment character of many marketing activities).

Implications

Our study is the first study, which addresses the managerially important marketing-finance interface and its performance implications in a comprehensive way. By doing so, we contribute to the understanding of the nature of the marketing-finance interface and its relevance. Future research may test our ideas in a more generalized setting. In addition, our conceptualization provides managers with a systematic way to think through the design of their marketing-finance interface. By actively managing the respective layers of the marketing-finance interface, firms are likely to achieve higher relationship quality, decision excellence, and outstanding business performance.
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INTERFIRM COLLABORATION, CROSS-BORDER KNOWLEDGE TRANSFER, AND FIRM PERFORMANCE: AN EMPIRICAL STUDY

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SUMMARY

A fundamental rationale for the existence of multinational corporations (MNCs) is that they have traditionally been able to transfer and build knowledge across countries (Ghosal and Bartlett 1989; Dunning 1994; Hedlund and Nonaka 1993; Mansfield 1979; Perlmutter 1969). They are able to do so through a variety of mechanisms, including uniform reporting, centralized control, and transfer of personnel. With the advent of the “flat world” (Friedman 2005) and a “tectonic shift” (Sheth and Sisodia 2005), organizations can now collaborate “seamlessly” across countries and time zones. Although there are several examples of successful collaborations (e.g., Inkpen 2005; Inkpen and Pien 2006), if they are not understood and managed well, transaction costs (Coase 1936; Williamson 1985) can make knowledge transfer both costly and ultimately unprofitable. For example, there are several instances in which outsourcing contracts have been cancelled (e.g., Dell in Corcoran 2004), and the benefits of such arrangements over the long run for both knowledge creation and profitability have been questioned (Harland et al. 2005). Thus, academic research and firms can benefit a great deal by a careful examination of interfirm collaboration and knowledge transfer on firms’ performance.

Although globalization and technology have made the logistics of alliance management easier today, global alliances have been in existence for a long time. For such alliances, data on international collaboration, repeated partnering, new knowledge production, and profitability are available through public databases. Over the past two decades, there has been an increasing scholarly interest in international alliances and the creation of knowledge (Curral and Inkpen 2002; Mowery 2003; Simonin 2004). These alliances have been examined in the context of such important issues as the role of culture (Bhagat et al. 2002; Morosini, Shane, and Singh 1998), the need to transfer personnel (Almeida and Kogut 1997), the stickiness and adaptation of new knowledge generated (Jensen and Szulanski 2004), the path dependence of new knowledge generated (Song, Almeida, and Wu 2003), and new product development activities and innovation generation (e.g., Wind and Mahajan 1997; Wuyts, Dutta, and Stremersch 2004).

Previous conceptualizations of international knowledge transfer have visualized institutional forms as a continuum of firm → alliance → markets (e.g., Almeida, Song, and Grant 2002). Today, global outsourcing of services is rapidly increasing. Typically, outsourcing begins as a market transaction, and given the sticky nature of tasks, these relationships resemble alliances; thus, firms (e.g., Daksh acquired by IBM in Slater 2004) may follow a path such as markets → alliances → firms. Converting an alliance into ownership can be a major distraction for focal firms. In contrast, markets are incapable of combining sticky knowledge, and therefore good alliances that work can be an ideal midpoint. Understanding how alliances function in terms of innovation generation, long-term relationships, and long-term profitability can provide valuable insight into the forms of governance that allow for the effective transfer of knowledge internationally.

This study focuses on two key research questions: (1) Does the level of interfirm collaboration enhance firms’ cross-border knowledge transfer? and (2) What is the firm’s performance impact of cross-border knowledge transfer. In answering these questions, we address calls for additional research on performance of knowledge alliances (Almeida, Song, and Grant 2002), reduction of stickiness (Szulanski and Jensen 2006; Teece 1998), and continued investigation of Arndt’s (1979) “domestication of markets.”
A PROCESS-BASED ANALYSIS OF E-PROCUREMENT ADOPTION

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SUMMARY

While many researchers have examined different antecedents of e-procurement adoption and have found empirical evidence to support their claims, most of these studies have looked at these antecedents separately and have ignored how their influence may vary depending on many factors such as the complexity of the buying situation. This is important because organizations will likely adopt different e-procurement techniques depending on the complexity of the buying situation. Therefore, the objective of this research is to address this gap in the literature by building a model specifying the perceived drivers and barriers of adopting e-procurement techniques from a business customer perspective and showing how the adoption varies based on the complexity of the buying situation.

Based on a review of academic and trade press literature, we identified the perceived drivers and barriers of e-procurement adoption and developed scales to measure them. These scales were tested and purified using exploratory and confirmatory factor analysis, which suggested a three-factor model consisting of the perceived drivers, perceived internal barriers, and perceived information barriers.

A Web-based field study was conducted in which 399 business customers of a power tool company indicated their perceptions about the e-procurement tools that they were using or intending to use. We tested the significance of the perceived drivers and barriers across the different types of buying situations using a multiple regression model. Several interesting results emerged from this study.

The relative importance of the significant factors in explaining the variability of e-procurement adoption as captured by the partial correlation coefficients indicate that in the context of this study, perceived drivers are the most important factor. This is followed by internal barriers, and then information barriers. Additionally, the influence of both perceived internal barriers and perceived information barriers were qualified by the type of buying situation business customers were involved in.

These findings represent a first effort in the academic literature about the influence of the antecedents of e-procurement adoption and how these influences may vary depending on factors such as the complexity of the buying situation. Future research maybe directed toward integrating both antecedents and consequences of e-procurement adoption in a single study.

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SUMMARY

Self-service technology (SST) is a technology interface that enables customers to obtain a service independent of direct service employee involvement (Meuter et al. 2000). Examples of SSTs include ATMs, Barnes & Noble’s in-store kiosks, E-Trade brokerage services, AT&T’s automated wireless account management, and IBM’s e-service package for client education and product support, among others. Previous studies have discussed the concept of “customer participation,” that is, the active participation by the customer in a service delivery (Bateson 1985; Schneider and Bowen 1985). A few studies have featured technology-based self-services (Meuter et al. 2005). However, fewer works have been conducted to understand failed SSTs (Meuter et al. 2000). Because there are limited options for suppliers to recover from SST failures, they often experience high customer defections. In such circumstances, it is critical for firms to educate and motivate customers to use the technology to recover from the service failure on their own whenever possible (Meuter at al. 2000). It is surprising that no theoretical model has been developed or tested to guide business practice to involve customers in SST failure recovery.

Drawing from the attribution and expectancy theory, we address these theoretical gaps, with the aim to answer two research questions in this study. First, what is the psychological process that a customer experiences after an SST failure? Second, how do technology features and individual psychological differences influence the psychological process? It is our hope that the theoretical framework and the empirical findings through a field-based computer experiment provide important contributions to both scholarly research and managerial practice.

Companies are increasingly incorporating SSTs, as signified most noticeably by the servicing of customers through the Internet. Research that enhances the understanding of the nature of SSTs in the services sector and customers’ interaction with the technology will furnish a significant contribution to the knowledge of consumer behavior in the new Information Age. Moreover, this study focuses on an under-researched area in SST, namely, the service failure and recovery in a technology-intensive environment (Meuter et al. 2000). Studies from the perspective of an SST failure offer unique opportunities to discover customers’ negative feelings toward automated services, making academic understanding about human-to-technology interfaces more comprehensive. In interpersonal service encounters, most of the service recovery processes are initiated and executed by service employees, whereas in technology-based self-services, customers initiate the service recovery process. Customers’ intentions to participate in the recovery process rather than switch to another service alternative have direct implications for customer retention and switching behavior management for the SST sector. The research model emphasizes the building of customers’ expectations for self-service recovery so that customers can become involved in correcting SST failures.

The conceptual framework depicts the psychological process that customers experience during an SST failure and their corresponding recovery behaviors. It describes the formation and the intentional and behavioral consequences of customers’ expectancy for self-recovery. The framework proposes that in encounters of SST failure, customers’ failure attribution (to self), perceived control before the failure, level of perceived interactivity of the SST, and innovativeness in handling technologies collectively influence the formation of their expectations for recovering the SST failure themselves. As a result, customers’ expectancy for self-recovery, along with their perceived interactivity of the interface and innovativeness, will affect their intentions and actual reactions for correcting the SST failure.

The work also represents a first attempt at exploring customers’ self-recovery intentions and behavior through a computer-simulated experimental approach. Two typical SST settings, namely a car-rental kiosk and an intelligent ATM, are employed in the test. Subjects in four shopping malls in the United States were recruited for the study. The results provide support for most of the hypotheses. The research method of testing real customer responses to computer-simulated failure encounters adds a
unique approach for the study of SSTs. Learning from this experimental study should be helpful for further method designs in similar research settings. We conclude with a discussion of the theoretical and managerial implications of the findings. References available upon request.

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THE UNDERLYING MOTIVATION(S) OF CONSUMERS’ PARTICIPATION IN OPEN SOURCE ORIENTED MARKETING PROJECTS: RESULTS OF AN EXPLORATORY STUDY

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SUMMERY

The internet has intensely influenced consumer behavior. Initially driven by an information and transaction-related focus, the World Wide Web reveals more and more its true strength: the social networking of people. The formation of communities is booming, forums and weblogs gain considerable attention and the digital version of social networks like myspace.com or facebook.com reach as much users as former internet giants such as AOL. In the course of this development networks have gained growing interest in marketing management. As an unusual form of consumer-sided social organization, open source networks (OSN) have drawn special attention from both, academics and practitioners. Originating from counterparts to proprietary software development (e.g., Windows vs. Linux), these communities exist today as collaborative networks in a variety of application areas, e.g., as organizations of creatives generating texts, videos, images or audio sources (e.g., creativecommons.org, flickr.com or jamendo.com), as educational networks (e.g., MIT OpenCourseWare) or as collaborative marketing communities (e.g., Mozilla’s spreadfirefox.com, P&Gs Vocalpoint, or Converse’s conversegallery.com). A well-known company which has shifted their marketing efforts to an OSN is the Mozilla Foundation. The non-profit company organizes, coordinates, and manages the development of the Web browser Firefox. With a market share of over 10 percent, Firefox can be considered as the first serious challenge for Microsoft’s Internet Explorer for years – not last thanks to their open source orientated marketing. Central to Mozilla’s innovative concept is the website spreadfirefox.com.” It can be seen as the internet headquarters of many worldwide marketing activities aimed at raising the browser’s using rates. To jointly plan and coordinate the marketing for Firefox, Mozilla strictly follows the success rules of the OS movement. The non-profit company set up a community, founded the bases for a constructive idea exchange among the members and integrated mechanisms for motivation and the choice of possible marketing activities. Most part of Mozilla’s strategic marketing planning and operative activities (like artwork) is made-up in the OSN and assigned to associated community members as work packages. In the meantime, a whole number of examples – among others DaimlerChrysler, Converse, or General Motors – show the potential of OS concepts in the area of marketing. Thus, with special reference to research on OS community motivation, this paper aims at providing a first empirical analysis for the identification of key motivational dimensions and factors in OS oriented marketing projects to answer the following research questions: Why do consumers take part in a marketing-oriented OSNs, on which OSN characteristics is individual participation based upon, and what are underlying drivers that firms can address to induce people to participate in business processes voluntarily? Our paper is structured into three sections: First, analyzing literature on OSN and collaborative marketing, a conceptualization of open source oriented marketing (OSM) is developed. Second, based on previous research on OSN motivation, motivational determinants and their specific role in OSM participation are introduced and analyzed. Third, empirical results of an exploratory study are discussed with reference to future research steps and managerial implications to efficiently integrate consumers in development and management of marketing processes.

Conceptual Model

To analyze OSM motivation, our conceptual model integrates three motivational dimensions: a pragmatic, a social, and a hedonistic motivation. A pragmatic motivation integrates all need and expectancy-based motivations that are related to a direct benefit for the consumers’ participation in an OSN like, e.g., receiving appealing compensations (rewards), enhancing one’s individual job perspectives (signaling), meeting respectable personalities (get-in-touch), or receiving help in other projects (reciprocity). The social dimension on the other side integrates all motivational factors that are related to interpersonal relationships in the community like identification processes, peer recognition, altruism, or a joint enemy (e.g., a competing brand or a dominating company like Microsoft in the software market). A hedonistic motivation finally includes specific and non-specific emotional drivers for participating in an OSN like emo-
tional appeal and brand enthusiasm (is there an emotional brand/consumer fit and has the brand the power to activate?) and fun and flow experiences during the community work.

**Methodology**

A professional German community provider, specialized on OSM projects, was chosen as partner for this study. In order to cover most of the variety of OSM facet’s the particular focus lay on three different OSM projects conducted by large and well-known B2C companies. In detail the participants were recruited from projects conducted by Germany’s number one discount mobile telephone provider, the largest German bonus program and the leading provider of custom, online apparel in Europe. All measures used in the study were adapted from existing scales and previous research on OSN motivation. The wording of scales was adapted to suit OSM projects. Items were rated on five-point Likert scales because they are more commonly used in Germany than the seven-point scales. Capturing other areas of interest, such as motives, e.g., affiliated to brand enthusiasm, required the formulation of additional scale items, which were derived from exploratory interviews conducted with OSM participants and experts. Finally the questionnaire was face validated twice using exploratory interviews and pre-tested offline and online. The online questionnaire was accessible through a link on the homepages of the participating communities as well as through individualized e-mails. Participants had to authenticate themselves by login and password assuring that only active OSM community members took part. Of 483 invited community members 246 people answered the questionnaire – a remarkable 51 percent response rate. The data was (exploratory) factor analyzed to produce a factor solution that accounted for 58 percent of the variance with 50 of 78 items loading onto 9 factors with a Keyser-Meyer-Olkin measure of 0.89. All items had medium (> 0.45) up to high factor loadings (> 0.8) and the factors’ Cronbach’s alpha was 0.84 in average, indicating that the chosen scales and items were reliable and generalizable to OSM participants. All factors with low Cronbach’s alphas (< 0.6) were excluded from further analysis’s.

**FIGURE 1**

The Conceptual Model of Consumers’ Motivation in OSM
Results

Our results yielded a multi factor solution that confirmed 7 out of our 13 hypothesized motivational factors: Learning and Stimulation, Ego-Boosting, Peer Recognition, Community Identification, Consumer Empowerment/Joint Enemy, Altruism and Brand Enthusiasm. Furthermore it revealed two unexpected aspects of OSM motivation: A non-reward-orientation and the need for a community match. References available upon request.

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INCIDENTAL MOOD AND CONSUMER EVALUATIONS OF PRICE

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SUMMARY

The goal of this research is to investigate the effects of incidental mood on consumer evaluations of price. Incidental mood is defined as a low-intensity, diffuse, and relatively enduring affective state that has neither salient antecedent causes nor significant cognitive contents (i.e., an overall good or bad feeling). While the social psychology literature offers ample evidence of incidental mood impacting social judgments, incidental mood effects on reactions to prices are under-investigated (Hsu and Liu 1998). The findings inform marketers of how incidental mood may affect consumer evaluations of price and purchase intentions. In addition, important public policy implications of incidental mood effects are discussed.

Conceptual Framework

The marketing literature has previously addressed incidental mood effects in a retail context (Donovan and Rossiter 1982; Swinyard 1993). However, several questions remain unanswered. For example, what are the specific processes that underlie incidental mood effects in the context of price evaluations? What is the directionality of negative and positive-valenced incidental mood effects on consumer evaluations of price? These issues have gained even more importance as modern technology has introduced many new ways to influence shoppers’ mood (e.g., online interactive shopping). The elaboration likelihood model (ELM) (Petty and Cacioppo 1986), suggests two mechanisms by which mood can affect judgment: (1) by influencing the extent of information-processing activity or the types of thoughts that come to mind, and (2) by serving as a piece of issue-relevant information, functioning as a simple cue (Petty et al. 1991). In the context of price evaluations under central processing, there are two competing theories that may explain and predict directionality and underlying mechanisms of incidental mood effects: the mood maintenance/repair model (e.g., Schaller and Cialdini 1990) and the affective priming model (e.g., Bower 1981, 1991).

Hypotheses

Mood Maintenance/Repair Hypothesis – (e.g., Schaller and Cialdini 1990) suggests that “people in a positive mood will choose to attend to information that is likely to maintain their positive mood, whereas people in a negative mood will be motivated to repair their mood by attending to information that will uplift them.” Consumers may sometimes utilize considering and buying products (i.e., shopping) as a distraction from their thoughts if they are in a negative mood and even as a pleasurable activity. Hence,

H1a: Regardless of valence (positive or negative), valenced incidental mood will positively affect consumer evaluations of price (mood maintenance/mood repair mechanism).

Affective Priming is considered to be a broad and parsimonious principle that can apply to a variety of cognitive processes and suggests multiple avenues through which indirect affect infusion into judgments may occur (Forgas 1995). Incidental mood may prime the encoding, retrieval and selective use of information during the processing of price. Hence, alternative to Hypothesis 1a the following hypothesis is proposed:

H1b: Positive (negative) incidental mood will positively (negatively) affect consumer evaluations of price (affective priming mechanism).

Thus, the mood maintenance/repair and affective priming models represent competing theories that provide directionally different predictions of negative incidental mood effects on consumer evaluations of price and are tested in the following study.

Study: How Does Incidental Mood Affect Evaluations of Price?

One hundred and ten students received extra credit for participating in the study. The Brief Mood Introspection Scale (BMIS) (Mayer and Gaschke 1988) was administered to assess the mood of all participants. Next, participants were presented with a questionnaire containing pictures and short descriptions of two functional products (a vacuum cleaner and a piece of luggage), followed by series of price evaluations. Compared to BMIS scores of non-depressed subjects reported in the extant literature, from a possible range from 0 to 64 the range of BMIS scores of the sample in this study was adequate (Min = 26, Max = 58; M = 44.9, Std. Error = 6.82).
To test the alternative hypotheses, linear and polynomial regression models were estimated, in which individual price evaluations were regressed on BMIS scores. While quadratic trends were significant for both products and across all dependent variables (i.e., reasonable price, worth the money, a good buy, fair price), linear trends were consistently insignificant ($p < .05$). These results provide clear support for the mood maintenance/mood repair account predicted in H1a.

Conclusion

The findings of this experiment clearly demonstrate that both positive and negative incidental mood favorably affect consumer evaluations of price. Hence, in some instances, negative mood may lead to more positive price judgments. Future studies will incorporate mood manipulations in order to clearly establish cause-and-effect relationship between mood and consumer evaluations of price.

Rapid technological changes continuously present new opportunities for companies to influence the mood of consumers. Based on the findings presented here, motivation to repair mood by means of considering and/or purchasing products may lead to suboptimal and biased evaluations of price and subsequent purchase decisions. Moreover, technology allows increasing the appeal of this form of mood regulation even more as consumers are exposed to emotion and mood-stimulating images and experiences. Perhaps future research of incidental mood and the effect it may have on consumer judgment and decision making should focus on the public policy implications in support of consumer wellbeing. References available upon request.

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THE IMPACT OF PHYSICAL DISTANCE ON PRICE DISCOUNT PERCEPTIONS

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SUMMARY

A number of different factors have been shown to impact the perceived difference between a regular price and a sale price (i.e., price discount magnitude). In this paper, we suggest that numerical difference perceptions may be influenced by the physical distance between two prices. We examine this effect in the context of two experiments.

Research suggests that numerical stimuli are non-consciously and automatically represented and encoded in memory as magnitude representations, which are judgments of relative “size” arrayed in analog format along a left-to-right oriented mental number line. Research further suggests that the magnitude representation that sustains the processing of numeric value may be highly related to the underlying magnitude code that sustains the processing of physical stimuli. Thus, when making quantitative comparisons between numbers, interference may ensue if the magnitude representation associated with the numeric value of a number (e.g., large) is inconsistent with the magnitude representation associated with the physical size or appearance of that number (e.g., small). Interference on the part of the non-relevant (i.e., size or appearance) dimension may reduce the accuracy with which the relevant response (i.e., numeric value) dimension is encoded, thereby causing overestimation or underestimation of the correct value or amount.

Because numerical distance and physical distance appear to be highly related dimensions, we argue that the physical proximity of the regular price to the sale price may impact price discount perceptions (termed the “discount-distance congruency effect”). We argue that for small price discounts, a small distance between prices should have no effect on the accuracy of price discount perceptions, but that greater distance should increase discount perceptions through an interference processing mechanism. For large perceived discounts, a large distance between prices should have no effect on the accuracy of price discount perceptions; however, reduced distance should decrease discount perceptions through an interference processing mechanism. Thus, we predict main effects of physical distance and (actual) discount size on perceived price discount. When perceived price discounts are adjusted for actual price discounts [i.e., APD = (perceived – actual/actual)], the discount size main effect is reversed.

In Experiment 1, we examined our hypotheses using six print ads. The ads contained regular and sale prices representing small or large discounts, and the prices were placed one, three, or five inches apart. ANOVA revealed a significant difference in mean adjusted price discount across the three physical distance conditions, and a negative small/large actual discount main effect. Thus, our hypotheses were supported. Subsequent regression analyses revealed that sale price recall and regular price recall had no effect on price discount perceptions, but that perceived physical distance did have an impact. The latter effect occurred below the threshold of conscious awareness.

In Experiment 2, we measured the reaction time associated with a series of numerical comparisons. Research has demonstrated that faster reaction time is indicative of a greater ability to discriminate between numbers. Because the ability to discriminate is a function of the numerical difference between those numbers, we argue that faster reaction time should be linked to greater perceived discount. In addition, we predict that as the horizontal distance between numbers increases, the time it takes to discriminate between those numbers will decrease (i.e., reaction time will be faster). This effect is not expected to occur for vertical distance comparisons, because research has demonstrated that magnitude representation encoding tends to show a predominant left-to-right orientation.

In Experiment 2 we utilized a 2 (separation: horizontal, vertical) x 2 (physical distance: near, far) x 3 (numerical difference: 1, 2, 4) within-subjects design; each participant was exposed to a total of 120 number and price combinations. Participants were asked to respond to which of the two numbers was smaller. Reaction time, the dependent variable, was measured in milliseconds. The order in which participants were exposed to each of the combinations was randomly determined by the software.

For the vertical separation conditions, repeated measures ANOVA revealed that the physical distance effect was non-significant, but that the discount size effect was significant – response times were fastest when absolute
numerical difference was 1 than when it was 4 or 2. Because the average relative numerical difference was greater in the former instance, our results are consistent with the Weber-Fechner Law. For the horizontal separation conditions, repeated measures ANOVA revealed that response times were faster when the physical distance between numbers and prices was large than when it was small. Thus, our hypotheses were supported.

In sum, evidence from our two experiments indicates that the perceived physical distance between regular and sale prices may have an impact upon price discount perceptions. References available upon request.

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HOW DOES THE PRESENCE OF A GUARANTEE CUE IMPACT EVALUATIONS OF A RETAILER?: IT DEPENDS ON CUE TYPICALITY AND THE REPUTATION CUE’S VALENCE

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SUMMARY

Consumers are exposed to a barrage of information cues about retailers, some high-scope and some low-scope. High scope cues are those which are enduring over time such as a retail reputation; whereas low scope cues are those which can be more easily changed, such as offering (or not offering) a guarantee (Purohit and Srivastava 2001). A guarantee provides an assurance to the consumer that the product or service will meet certain criteria. Examples of guarantees include price matching guarantees (we guarantee the lowest price), and in-stock guarantees (we guarantee availability).

The objective of our research is to understand how one type of low-scope cue, a guarantee, impacts consumer’s evaluations as a function of the retailer’s reputation (high scope cue). Previous research suggests that how these cues impact evaluations may be based on a complex relationship. More specifically, it has been shown that when a stimulus (e.g., guarantee) is atypical of the evoked schema (e.g., schema based on the retailer’s reputation), consumers engage in more extensive processing of the stimulus and form more favorable evaluations (e.g., Mandler 1982; Meyers-Levy and Tybout 1989; Goodstein 1993). This suggests that guarantees which are atypical of the retailer type (e.g., price-matching guarantee with a retailer known for service) will have more impact than guarantees which are in line with the reputation of the retailer (e.g., price matching guarantee with price competitive retailer).

In addition, findings from other research endeavors suggest that the valence of the high-scope cue (reputation) may also impact when the low-scope guarantee cue is used (e.g., Purohit and Srivastava 2001; Miyazaki, Grewal, and Goodstein 2005; Biswas et al. 2002; Lurie and Srivastava 2005). However, the results are conflicting in nature with some research indicating that low-scope cues are used only when the valence of the high-scope cue is negative (Biswas et al. 2002; Lurie and Srivastava 2005; Srivastava 1999).

By examining the joint role of cue typicality and the valence of the high scope cue, this research seeks to provide a more comprehensive understanding of the impact of multiple cues on consumer’s evaluations. More specifically, we expect that consumers will evaluate a guarantee as being consistent with the strategy of a retailer differentially as a function of the type of reputation and valence of reputation such that when:

♦ The low-scope guarantee cue is typical of the high-scope reputation cue: the low-scope guarantee cue will offset a negative reputation, but have no impact on a positive reputation.

♦ The low-scope guarantee cue is atypical of the high-scope reputation cue: the low-scope cue will enhance a positive reputation, but have no impact on a negative reputation.

Results of three experiments support that a guarantee enhances a good reputation if the guarantee is atypical for that type of reputation and offsets a poor reputation if the guarantee is typical of that reputation type. Experiment 1 (n = 320) manipulated the type of reputation (price competitive vs. service), the valence of the reputation (excellent vs. poor), and whether a price matching guarantee was offered (present vs. absent). The price matching guarantee would be viewed as typical relative to the price reputation manipulation and atypical relative to the service reputation manipulation. Participants then rated their perceptions of the retailer. To generalize the result to a different context Experiment 2 (n = 93) manipulated the type of reputation (movie availability vs. service) and the valence of the reputation (excellent vs. poor) and whether a price matching guarantee was offered (present vs. absent). The price matching guarantee would be viewed as typical relative to the price reputation manipulation and atypical relative to the service reputation manipulation. Participants again rated their perceptions of the retailer. Finally, Experiment 3 (n = 86) was conducted to provide evidence for the process underlying the result.
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THE SOCIOCOGNITIVE DETERMINANTS OF ACCOUNT MANAGER PERFORMANCE

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SUMMARY

The role of salesperson has been transformed into that of a relationship manager who draws on the contributions of diverse organizational members to create distinctive customer solutions. Little is known about how they align customer-related knowledge to the capabilities, strategies, and performance goals of their firm. The purpose of our research is to examine the information-search networks and customer-related knowledge structures that distinguish high- versus low-performing account managers.

Drawing on the cognitive selling paradigm, we posit that customer goals represent the most meaningful underlying characteristics that high-performing account managers use to understand and respond to customers. Customer goals are concepts stored in an account manager’s memory that represent their customer’s relationship objectives (Barsalou 1991). In addition to variations in knowledge content, the structure of account managers’ knowledge may also be linked to performance. Means-end beliefs (Walker 1985), defined here as the mental connections between buying-firm characteristics and performance consequences for the selling firm, capture the strategic knowledge that aligns the selling firm’s organizational capabilities with the buying firm’s characteristics and requirements. Therefore, we hypothesize that:

H1: Compared to low and average performers, the knowledge structures of high-performing account managers will contain proportionately more customer goals.

H2: Compared to low and average performers, the knowledge structures of high-performing account managers will contain proportionately more means-end beliefs.

We examine two types of networks that assume a central role in the information search and acquisition process: (1) social ties within an account manager’s workgroup and (2) social ties that connect an account manager to other parts of the organization. Network size is the extent of an individual’s involvement in a communication network (Freeman 1979) and is assessed by the number of ties that are activated to acquire information. Strong ties, characterized by frequent, close, and important interactions, have numerous benefits including ease of knowledge transfer and the receipt of useful knowledge. However, strong ties also take time and effort to develop and maintain, and often transmit redundant information (Hansen, Podolny, and Pfeffer 2001). In contrast, weak ties are the primary conduits for access to information that is novel and non-redundant. Therefore, we hypothesize that:

H3: Compared to poor and average performers, high-performing account managers will have more extensive networks both inside and outside of their workgroups.

H4: Compared to low and average performers, high-performing account managers will maintain (a) stronger ties within the workgroup and (b) weaker ties outside of the workgroup.

Transactive memory refers to an individual’s knowledge of the existence and location of information held by others (Wegner 1995). As customer knowledge is developed and refined, account managers forge new internal working relationships and expand the size of their cognitive directories to include specialists who can contribute unique solutions to a particular set of customer problems. By providing access to a rich and diverse set of potential customer solutions, an account manager’s information-search network mediates the relationship between customer-related knowledge and performance.

H5: The effects of customer knowledge on performance are mediated by the account manager’s information-search network.

The hypotheses were tested with a sample of 19 high performing, 19 average performing, and 19 low performing account managers from a Fortune 500 transportation services firm. Face-to-face, one-hour indepth interviews elicited the customer-related knowledge structures and information-search network characteristics. Because our dependent variable (performance) is categorical with...
three ordered levels, ordinal logit regression analysis was used throughout to assess both the direct and mediating effects on performance.

The analysis results provided partial support for the mediation hypothesis (H5). Our study is the first, to our knowledge, to demonstrate empirically that the effects of knowledge structure on performance are mediated by the social networks that account managers develop and maintain for information search and knowledge transfer. This important finding indicates a more complex link between knowledge structures and performance, than is currently modeled in the literature.

Hypotheses 1 and 2 were also supported by the results. Our findings imply that the existence of customer goals is a key manifestation of the act of planning to determine the suitability of sales behaviors and activities. Moreover, the relations among concepts contained in a mental model are also revealing when examining account manager performance. By linking customer characteristics and organizational consequences to define and make sense of the customer environment, account managers are obligated to develop a theory of the world. Consequently, the best practices of high-performing account managers can provide a template for improving CRM strategies, by hardwiring the theories-in-use exhibited by high-performing account managers, thereby making this tacit knowledge available to the entire organization.

The social network hypotheses (H3 and H4) were also supported by the results. Our findings reveal the mechanisms that astute managers exploit to obtain actionable knowledge (Cross and Sproull 2004) – that is, knowledge directed at making progress on relatively short-term projects. High-performing account managers are able to create significantly larger communication networks by actively constraining the strength of ties with contacts outside the workgroup. Strong ties are located within the workgroup while weak ties are found outside the workgroup. By contrast, for low performers, there is no significant relationship between the location and the strength of the tie. We find that it is the weak ties outside the workgroup that truly matter for performance. Firms should assist account managers in identifying internal experts and creating informal social networks for information search and knowledge transfer. References available upon request.

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A PSYCHOMETRIC ASSESSMENT OF JAWORSKI AND KOHLI’S
ESPRIT DE CORPS MEASURE FOR USE IN A TEAM
SELLING ENVIRONMENT

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ABSTRACT

As organizations move toward selling teams, research examining team dynamics is needed. Esprit de corps (Jaworski and Kohli 1993) seems well-suited for such investigations. We conduct a psychometric analysis of this scale using data collected from three team samples. The results support a revised six-item esprit de corps measure.

INTRODUCTION

The selling environment is becoming increasingly more complex. Customer demands and expectations require the sales organization to shoulder the responsibility of managing customer relationships (Piercy 2006), yet basic sales tactics have remained unchanged. To cope, many sales organizations attempt to move to a team selling structure. This allows for the advantages of complementary skills and knowledge. The selling team has been defined as “... a small, permanent team responsible for customer relationships, sales strategy and sales transactions, and comprised of selling organization members who possess complementary skills, who are committed to a common purpose, performance goals, and a selling approach for which they hold themselves mutually accountable” (Deeter-Schmelz and Ramsey 1995, p. 49). There has been increased attention on research in team selling focusing on various aspects of this new selling structure (e.g., Arnett, Macy, and Wilcox 2005; Jones et al. 2005; Deeter-Schmelz and Ramsey 2003; Dixon, Gassenheimer, and Barr 2003, 2002; Eby et al. 2000).

Review studies from organizational behavior literature suggest that there is still a long way to go to understand what creates and maintains a successful team (Ilgen 1999; Cohen and Bailey 1997; Guzzo and Dickson 1996). The composition of a successful team, the dynamics of a team, and the addition of new members are a few of the issues that must be addressed. An area that we wish to focus on includes one aspect of team dynamics: How do you create an environment that allows for teams to thrive while attaining the goals set for them by the organization?

In their seminal study on market orientation, Jaworski and Kohli (1993) introduce a construct, esprit de corps that has the potential to increase our understanding of the dynamics of successful teams. Jaworski and Kohli (1993) developed a framework in which they position esprit de corps as a consequence of an organization with a market orientation. They define esprit de corps as “... the extent to which a team spirit prevailed in the organization” (p. 60). In essence, esprit de corps represents team members’ commitment to each other as they undertake an exploration for meaning and purpose in the group’s cause (cf., Heerman 2003). Jaworski and Kohli (1993) posit that an organization with a market orientation and an environment of esprit de corps will have higher employee and organizational performance. More specifically, the authors position esprit de corps as a consequence of market orientation; results of the statistical analysis support the idea that market orientation “... promotes a feeling of belonging to one big organizational family dedicated to meeting and exceeding market needs and expectations” (Jaworski and Kohli 1993, p. 64).

As part of their study, Jaworski and Kohli (1993) developed a seven-item scale for measuring esprit de corps in an organizational setting. It is important to note that the authors designed the scale to measure team spirit at the organizational level rather than at the individual team member level. Although the results of their study suggested high reliability and validity, we argue the esprit de corps construct is even more relevant in a team setting and should now be rigorously assessed in a team environment. Moreover, esprit de corps is particularly relevant in a team selling environment; while many organizations are implementing sales team structures (Deeter-Schmelz and Ramsey 1995), sales positions often attract “lone wolves,” i.e., individuals who prefer to work alone and who experience difficulties operating in a team environment requiring intra-team communication and coordination (Dixon, Gassenheimer, and Barr 2003). As such it is critical that we understand constructs like esprit de corps that can aid our understanding of the intra-team dynamics of successful selling teams.

Toward this end our research establishes a foundation to begin looking at the context in which high performing teams exist. It is important to examine teams at the appropriate level of analysis, as researchers suggest that using the incorrect unit of analysis could lead to misspecification and aggregation biases (Ilgen 1999; Rousseau 1985). An understanding of the differences
that occur when using various aggregations is certainly beneficial. “Effectiveness at one level of analysis can interfere with effectiveness at another level. Thus it is important to be clear about the dimensions of effectiveness that are being considered and the level at which they are being considered” (Cohen and Bailey 1997, p. 243).

As noted by Campbell and Fiske (1959), “... before one can test the relationships between a specific trait and other traits, one must have some confidence in one’s measures of that trait” (p. 100). If this measure of 
esprit de corps\ can be shown to be sound, there are many areas of research in the selling team environment where we can utilize the measure. It is the purpose of this paper, therefore, to perform a psychometric assessment of the Jaworski and Kohli (1993) 
esprit de corps\ scale with customer-contact teams and verify the findings in two additional samples of team members: one comprising member of an MBA class team; and one of sales personnel who have moved to a team-selling environment.

BACKGROUND

Many team tasks ideally require collaborative effort, and the working climate impacts member satisfaction and performance (Guzzo and Dickson 1996). Theoretical underpinnings for interactions within teams may be found in social interaction theory (Iacobucci and Hopkins 1992) and relational exchange theory (Dwyer, Schurr, and Oh 1987). Both theories emphasize the dynamics occurring in complex exchange processes. With this foundation, 
esprit de corps\ is studied.

Jaworski and Kohli (1993) suggest that the overall environment, including top management’s emphasis on a marketing philosophy, interdepartmental dynamics, and organizational systems develop a culture that impacts employees and, thus, overall business performance. Their earlier work (Kohli and Jaworski 1990) proposed that a market orientation provides psychological and social benefits to employees. This results in employees developing a sense of pride and belonging and building a sense of team spirit or 
esprit de corps\ All this work would seem to transfer well into a sales team environment where 
esprit de corps, social integration, cooperation, and cohesiveness are frequently related to ROI and sales growth (Smith et al. 1994). Of course the seminal work of Katzenbach and Smith (1993) identified a lack of team spirit as a barrier to team effectiveness.

Team spirit is not a new concept, nor has it gone unnoticed by the marketplace. In both practitioner-oriented and academic literature, several instances referring to the importance and characteristics of team spirit can be found. Procter & Gamble, for example, attributed successful new product launches to 
esprit de corps\ (Burghard and Mackay 2004). Melymuka (2004) recommends seeking individuals possessing team spirit, i.e., an upbeat attitude, respect for others, and a willingness to learn continually, when choosing members for information technology (IT) project teams. Another author credits the team spirit of employees with the success of the Mayo Clinic (Alperovitz 1993). Further, research has linked team spirit with successful teams and organizations (Heerman 2003; Vaill 1982).

With the ever-increasing importance on teams the assessment of measures to investigate 
esprit de corps\ as well as other critical team characteristics, is warranted. Given that salespeople are the individuals who bring in the majority of revenue, it seems critical to better understand how to encourage 
esprit de corps\ in sales teams. Researchers may then begin to include 
esprit de corps\ in sales performance models and perhaps to understand why some sales teams perform better than others (Ilgen et al. 2005).

METHODOLOGY

Data from three samples were used to analyze the psychometric properties of the 
esprit de corps\ measure developed by Jaworski and Kohli (1993). In each case the data were collected as part of a larger study on team behavior. The first sample (labeled “PCT”) consisted of members of patient contact teams in a large regional medical center in the Southeast. These teams were responsible for all services provided to patients. Three shifts were included (weekdays and weekends) and 427 team members responded to the survey (62.8%). Members of four teams were removed from the analysis due to less than 50 percent team participation. Of the final sample, the members were between the ages of 30 and 49. The length of time in the team environment ranged from less than one year to more than six years.

Data for the second sample (labeled ‘MBA’) were collected from 117 MBA students enrolled in a Marketing Strategy class from a university in the Midwest. The students worked in teams as a means to complete a class project. The 
esprit de corps\ measure was completed as part of a team evaluation process at the end of the quarter. In this sample males accounted for 56.6 percent of the respondents. Respondents ranged in age from 20 to 53, with an average age of 29 (standard deviation = 6.80).

The third sample (labeled “SP”) comprised 40 salespeople who have been involved in a team selling situation for approximately one year. This was the total population of salespeople in teams working for a mid-size services company in the Midwest. Each team has one sales representative. These teams are responsible for selling a new high tech service. Males accounted for 67.5 percent of respondents in this sample, with age ranging from 23 to 49 and an average age of 31 (standard deviation = 5.90).
Measures

As mentioned previously, esprit de corps was measured with a seven-item scale developed by Jaworski and Kohli (1993) as part of their seminal work on market orientation. Items were scored on a seven-point Likert-type scale ranging from “strongly disagree” (1) to “strongly agree” (7). Jaworski and Kohli (1993) reported a .90 reliability coefficient for this measure (see items in Table 1).

To facilitate tests of discriminant and nomological validity we measured team cohesion. Defined as “the degree to which members are attracted to their team and desire to remain in it” (Michalisin, Karau, and Tangpong 2004, p. 1109), team cohesion is theoretically similar to esprit de corps. Research has shown that members of cohesive teams are more likely to become involved in team activities and work for team success (Stogdill 1972; Zander 1982). When teams are highly cohesive, team members spend less energy on the maintenance of intra-team relationships and more energy on performance (Wolfe and Box 1988).

The team cohesion measure used in this study was designed to assess the extent to which team members find their colleagues friendly, helpful, and trustworthy (Price and Mueller 1986). Sample items include “To what extent are the people in your team friendly?” and “To what extent do you look forward to being with the members of your team each day.” Items were scored on a five-point Likert type scale ranging from “not at all” (1) to “very much” (5). Our study reveals acceptable Cronbach’s alpha values of .88 (PCT), .84 (MBA), and .87 (SP) (Nunnally and Bernstein 1994; Peterson 1994). Previous research has reported a reliability coefficient of .88 (Price and Mueller 1986). Esprit de Corps and team cohesion should be highly related as both measure some aspect of team dynamics. However, esprit de corps measures how well the team works together, while team cohesion reflects the collegial atmosphere. Additionally, the scales are anchored differently so that different perspectives are measured.

The achievement of team goals has been identified as an important output associated with team performance (O’Leary-Kelly, Martocchio, and Frink 1996; Scott and Townsend 1994). Moreover, a commitment to group goals has been shown to be an outgrowth of the interpersonal processes between team members (Deeter-Schmelz, Kennedy, and Ramsey 2002; Yeatts and Hyten 1998). As such, we would expect a positive relationship between esprit de corps and goal achievement. Accordingly, as a further test of the discriminant and nomological validity of the esprit de corps scale, we measured goal achievement in the MBA and SP samples. Two items developed by Deeter-Schmelz, Kennedy, and Ramsey (2002) were used to measure goal achievement: “Did your team achieve its set goals?” and “Did your team achieve the goals you had hoped to achieve?” Both items were rated on a five-point scale. Deeter-Schmelz, Kennedy, and Ramsey (2002) reported a Cronbach’s alpha value of .83 for the goal achievement measure. Our results reflected similarly high levels of reliability, with a Cronbach’s alpha value of .93 for the MBA sample and .94 for the SP sample. (Data were not collected from the PCT sample.)

RESULTS

First, to assess scale reliability and convergent validity, Cronbach’s alpha values were generated and the variance extracted calculated. Subsequently, to evaluate scale structure, a confirmatory factor analysis was conducted. Finally, discriminant and nomological validity were assessed by examining the relationships between esprit de corps, team cohesion, and goal achievement.

Reliability

Table 1 provides information on reliability analysis, descriptive statistics and the correlations among items, by sample. As shown, Cronbach’s alpha values are consistent with the reliability coefficient of .90 reported by Jaworski and Kohli (1993). We obtained alpha values of .93 (PCT), .92 (MBA), and .92 (SP), results which are well-above the widely-accepted cut-off value of .70 (Nunnally and Bernstein 1994; Peterson 1994).

Variance Extracted

To assess the convergent validity of the esprit de corps measure we calculated the variance extracted. Scores above the .50 thresholds suggest the variance due to the construct is greater than the variance resulting from measurement error, whereas scores lower than .50 suggest the bulk of the variance is due to measurement error (Fornell and Larcker 1981). As shown in Table 1, the variance extracted scores attained are well above this threshold, with scores of .69 (PCT), .63 (MBA), and .66 (SP).

Assessment of Scale Structure

To assess the structure of the esprit de corps scale the items were subjected to a confirmatory factor analysis utilizing LISREL 8 (Jöreskog and Sörbom 1993). The model was first tested using the PCT sample; subsequently the MBA and SP samples were used to cross-validate the results.

We evaluated six measures of overall fit: the chi-square statistic, the Goodness of Fit Index (GFI), the Adjusted Goodness of Fit Index (AGFI), the Comparative Fit Index (CFI), the Root Mean Square Error of
Approximation (RMSEA), and the Root Mean Square Residual (RMR). Factor loadings and t-values were also reviewed. The CFI was chosen because it provides an unbiased estimate of its corresponding population value; as such, it should be independent from sample size (Bentler 1990). Bentler and Bonett (1980) have suggested that models with overall fit indices of less than .90 can be improved. Accordingly, a cutoff point of .90 was established for the GFI and AGFI. A cutoff point of .95 was set for the CFI (Hu and Bentler 1999). Finally we considered RMSEA values of ≤ .06, and RMR values of ≤ .08 to reflect reasonable fit of the model to the data (Brown and Cudeck 1993; Hu and Bentler 1999).

As shown in Table 2, the confirmatory factor analysis results for the PCT sample are indicative of an ad-
equate, although perhaps not well-fitting, model. A review of the factor loadings and t-values reveals strong loadings. Loadings range from .55 to .94, with t-values ranging from 11.75 to 24.93. An evaluation of the fit statistics, however, reveals possible room for improvement. A significant chi-square value (225.49, df = 14, p = .000) was attained, suggesting that the model does not fit the data well, although the stringent assumptions of the chi-square test are easily transgressed (Bollen 1989). Results for the GFI (.86) and CFI (.92) approach the desired cut-off points, and the RMR statistic (.07) is within the desired range. Alternatively, scores for the AGFI (.73) and RMSEA (.20) are clearly outside the bounds of the desired scores of ≥.90 and ≤.06, respectively.

A more detailed examination of the standardized residuals reveals several large residuals, both positive and negative, associated with item 7: “People in this team view themselves as independent individuals who have to tolerate others around them.” Residuals associated with this reverse-scored item ranged from -4.96 to 11.36. Although one reviewer noted it is not necessarily unusual for reverse-scored items to behave in this manner, the other reverse-scored item in our measure (item 6) did not respond similarly. We concluded that item 7 is problematic. Theoretically, this item is similar to another positively-scored item in the scale: “People in this team are genuinely concerned about the needs and problems of each other.” Given the apparent problems associated with the item along with the presence of a theoretically similar item in the measure, we chose to regenerate the analysis with item 7 removed (Table 2).

Although the chi-square test remains significant, the value has been reduced substantially (60.97, df = 9, p = .000). The GFI (.95), CFI (.98), and RMR (.02) have exceeded the desired cut-off values of .90, .95, and .08, respectively. The AGFI (.88) and RMSEA (.12) have also improved, with the AGFI approaching the desired .90 value. The RMSEA is still larger than the desired .06; still, the inability to achieve a specific cut-off value for this fit statistic does not necessarily mean that the model is poorly specified (Steiger 2000). Overall, this revised version of the scale reflects acceptable fit while retaining the theoretical meaning as defined by Jaworski and Kohli (1993).

Next the MBA data was used to cross-validate the revised measure. The results, as shown in Table 2, are generally acceptable. The chi-square test remains significant (25.81, df = 9, p = .002). The GFI (.94) and RMR (.04) are within the desired ranges, as is the CFI of .96. The AGFI (.85) and RMSEA (.13) remain below/above.

### TABLE 2
Assessment of Esprit de Corps Scale Structure

<table>
<thead>
<tr>
<th></th>
<th>Full Scale (PCT)</th>
<th>Revised Scale (PCT)</th>
<th>Revised Scale (MBA)</th>
<th>Revised Scale (SP)</th>
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<tbody>
<tr>
<td>Factor Loadings</td>
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<td>t-values</td>
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</table>

1. People in this team are genuinely concerned about the needs and problems of each other.
   .84 20.54 .84 20.46 .77 9.71 .84 6.49
2. A team spirit pervades all ranks in this team.
   .88 22.32 .88 22.20 .93 13.08 .97 8.15
3. Working for this team is like being a part of a big family.
   .94 24.93 .94 25.02 .71 8.64 .81 6.06
4. People in this team feel emotionally attached to each other.
   .92 24.17 .93 24.34 .72 8.72 .78 5.73
5. People in this team feel like they are “in it together.”
   .93 24.31 .93 24.31 .85 11.18 .88 6.89
6. This team lacks an “esprit de corps.”
   .68 15.27 .67 14.92 .74 9.08 .71 5.02
7. People in this team view themselves as independent individuals who have to tolerate others around them.
   .55 11.75

Fit Statistics:

<table>
<thead>
<tr>
<th></th>
<th>225.49</th>
<th>60.97</th>
<th>25.81</th>
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<tr>
<td>df</td>
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<td>p</td>
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<td>GFI</td>
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<td>AGFI</td>
<td>.73</td>
<td>.88</td>
<td>.85</td>
<td>.74</td>
</tr>
<tr>
<td>CFI</td>
<td>.92</td>
<td>.98</td>
<td>.96</td>
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<tr>
<td>RMR</td>
<td>.07</td>
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<tr>
<td>RMSEA</td>
<td>.20</td>
<td>.12</td>
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<td>.14</td>
</tr>
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</table>

*Reverse-scored item
respectively, the desired cut-off points. All factor loadings are strong, ranging from .71 to .93, and t-values ranging from 8.64 to 13.08.

Finally, the model was re-analyzed using the SP data. Again, the results (Table 2) are generally acceptable. In fact, the SP data reveal the desired non-significant chi-square statistic (16.11, df = 9, p = .065). The GFI (.89) is approaching the desired cut-off point, and the RMR (.04) and CFI (.96) are within the desired ranges. Because the size of this sample is relatively small, the sample-size invariant nature of the CFI statistic makes it particularly important for this data set. The AGFI (.74) and RMSEA (.14) are not within the desired ranges. The factor loadings (.71–.97) and accompanying t-values (5.02–8.15) are strong and significant.

Following the recommendation of Gerbing and Anderson (1988), we reassessed the reliability of the revised esprit de corps measure subsequent to confirmatory factor analysis. Acceptable Cronbach’s alpha values were attained: .94 (PCT); .90 (MBA); and .92 (SP), providing evidence that the revised six-item esprit de corps scale possesses internal consistency (Nunnally and Bernstein 1994; Peterson 1994). We also recalculated the variance extracted, with acceptable values attained: .75 (PCT); .63 (MBA); and .70 (SP) (Fornell and Larcker 1981).

Assessment of Validity

To facilitate tests of discriminant and nomological validity we included the previously described measures of team cohesion (Price and Mueller 1986) and goal achievement (Deeter-Schmelz, Kennedy, and Ramsey 2002) in our study. Theoretically, esprit de corps and team cohesion are similar but distinct constructs: esprit de corps reflects a group’s team spirit (Jaworski and Kohli 1993), while team cohesion reflects team members’ attraction to the group (Michalisin, Karau, and Tangpong 2004). As such we expect that these constructs related yet distinct, thereby providing evidence of nomological and discriminant validity. Similarly goal achievement, as an output of interpersonal processes between team members (Deeter-Schmelz, Kennedy, and Ramsey 2002; Yeatts and Hyten 1998) should be related to yet distinct from esprit de corps.

To examine discriminant validity we conducted a two-factor confirmatory analysis of esprit de corps and team cohesion twice: once with the correlation between the two constructs constrained to one and once with the parameter estimated freely. Subsequently we conducted a chi-square difference test to determine if the unconstrained model had a significantly lower chi square value than the constrained model. A significant difference in chi square values provides evidence of discriminant validity (Anderson and Gerbing 1988). For the MBA and SP samples we conducted the same tests between esprit de corps and goal achievement. Our assessment supported the discriminant validity of esprit de corps as compared to team cohesion. With respect to the PCT sample, the chi-square difference of 390.58 for one degree of freedom far exceeded the critical value of 10.83 at the .001 significance level. Likewise in the MBA sample the chi-square difference of 24.78 exceeded the p ≤ .001 level of significance. In the SP sample, the chi-square difference of 8.84 exceeded the critical value of 6.64 at the p ≤ .01 level of significance; thereby providing evidence of discriminant validity.

Our analysis also supported the discriminant validity of esprit de corps as compared to goal achievement. For both the MBA and SP samples the chi-square difference for one degree of freedom exceeded the critical value of 10.83 at the .001 significance level: 86.11 (MBA) and 34.75 (SP).

Our assessment of nomological validity also provided evidence in support of the six-item measure. Esprit de corps correlated significantly with both team cohesion (.69, p ≤ .01, PCT; .79, p ≤ .01, MBA; .86, p ≤ .01, SP) and goal achievement (.69, p ≤ .01, MBA; .70, p ≤ .01, SP).

DISCUSSION

The goal of this study was to provide a psychometric assessment of the Jaworski and Kohli (1993) esprit de corps measure. Using data collected in a customer contact team environment, MBA student teams, and salespeople from sales teams, we have analyzed the reliability, convergent validity, and scale structure of the original measure. Upon evaluation of the results of this analysis we found that a reverse-scored item, item 7, affected scale structure negatively. The removal of this item did not affect the reliability and validity of the measure adversely. Moreover, the fit of the measurement model improved substantially, with most fit statistic values falling within the desired ranges. Based on these findings the revised six-item esprit de corps measure appears to exhibit improved scale structure and sufficient reliability and validity for use in future studies of esprit de corps in selling teams. Still, given the exploratory nature of our study more research is needed before the reduced scale can be applied with certainty.

Rigorous research involving esprit de corps is in its infancy. While the purpose of this paper is restricted to scale assessment, we suggest future research utilizing the scale. Research on sales manager effectiveness, for example, has found that a sales manager’s ability to develop positive morale contributes to the sales representatives’
willingness to work harder and ultimately perform (Deeter-Schmelz, Kennedy, and Goebel 2002). Perhaps esprit de corps is an antecedent to positive morale and job performance. Future research should examine how esprit de corps influences salesperson satisfaction, turnover, performance, and ultimately customer satisfaction.

If esprit de corps is shown to influence key outcome variables positively, an appropriate next step for future research relates to the development and maintenance of esprit de corps. Several managerial books on team building (e.g., Newstrom 1998) provide suggestions on how to build team spirit. Practitioners suggest that “[E]ffective team spirit depends on open and honest communication” (Parks & Recreation 2002, p. 85), while others imply team governance, including rule-setting, is important (Allerton 1996). Moreover, given that so many sales people infrequently come to a central location, it is important to examine how to develop esprit de corps in a virtual team environment. Finally, it would be useful to know how individuals make unique contributions, while maintaining the team spirit. Given that sales tends to be an individual activity, is there a point where a high level of esprit de corps can become problematic leading to more concern about team members rather than sales goals (Mullen et al. 1993)?

We used team cohesion and team goals as a test for discriminant and nomological validity. Researchers have identified cohesion as requisite for effective team performance (e.g., Wolfe and Box 1988; Zander 1982), and certainly, attainment of goals is critical. Our findings clearly reveal these constructs as distinct but related. An interesting avenue for future research might lie in exploring the relationships between these variables, and the subsequent effects on sales performance and other key outcome variables such as organizational commitment, turnover, and customer satisfaction.

It is our hope that the assessment of this scale has inspired other sales researchers to engage in this area of research. “There is general agreement that groups are certainly more complex than most of our theories and methods would suggest. The difficulty has and continues to be, ‘how can this complexity best be analyzed and understood?’” (Kerr and Tindale 2004, p. 642), Additional research is needed to answer this important question.

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THE IMPACT OF BRAND-SPECIFIC TRANSACTIONAL AND TRANSFORMATIONAL LEADERSHIP ON FRONT-LINE EMPLOYEES’ BRAND-BUILDING BEHAVIOR

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Walter Herzog, University of St. Gallen, Switzerland  
Torsten Tomczak, University of St. Gallen, Switzerland

SUMMARY

Customers’ perceptions of a company’s brand depend highly on the behaviors of front-line employees (Berry 2000; Hartline, Maxham III, and McKee 2000; Vallaster and de Chernatony 2005). Thus, the task of getting employees to build and strengthen the organization’s brand image— that is, getting them to act as “brand ambassadors”— is a challenge for businesses in many industries. Central in this process are the front-line employees’ supervisors, who are the ones with the most direct influence on their followers’ behavior (Miles and Mangold 2004; Vallaster and de Chernatony 2005). The purpose of this study is to analyze how different styles of leadership affect customer contact personnel’s brand-building behavior and their relative effectiveness. In doing so, we resort to the distinction between two fundamental approaches to supervisory behavior: transactional and transformational leadership (Bass 1985). Identity and motivation theories (Ashfort and Mael 1989; Deci and Ryan 1985) are used to explain the different working mechanisms of these two leadership processes.

Three aspects of employee brand-building behavior are examined as dependent variables in this study: (1) retention, which refers to employees’ unsolicited willingness to stay with their current employer as an indicator of loyalty to the corporate brand; (2) in-role behavior, which refers to front-line employees dependably meeting the behavioral standards prescribed by their organizational roles as representatives of the corporate brand; and (3) extra-role behavior, which refers to employee actions going beyond their prescribed roles for the good of the corporate brand and which are discretionary (the latter subsumes active participation in brand development and positive word-of-mouth).

We hypothesize that both brand-specific transactional and brand-specific transformational leadership affect employees’ brand-building behavior. However, the psychological mechanisms through which these two leadership styles have their effects are different, resulting in different outcomes. Whereas brand-specific transactional leaders influence followers through a process of compliance, leading to in-role but no extra-role behaviors and decreased retention intentions, brand-specific transformational leaders are assumed to influence followers through a process of internalization, leading to in-role and extra-role behaviors and increased retention intentions. Furthermore, these processes are assumed to be mediated by followers’ perceived satisfaction of their basic psychological needs with regard to their work roles. Specifically, brand-specific transactional leadership behaviors are hypothesized to hinder satisfaction of the followers’ needs for autonomy, competence, and relatedness while enacting their imposed role-identity as brand representatives, which in turn entails a process of compliance. On the other hand, brand-specific transformational leadership behaviors are hypothesized to promote satisfaction of the followers’ needs for autonomy, competence, and relatedness while enacting their imposed role-identity as brand representatives, which in turn entails a process of internalization.

Data for this study were collected from 269 customer contact employees of a large Swiss telecommunications company by means of an online survey. Whenever possible, established measures of the constructs were used and adapted to this study’s context. Most important, items from the Multifactor Leadership Questionnaire (Avolio and Bass 2004; Bass and Avolio 1993) have been reformulated in terms of the specific branding domain.

Confirmatory factor analysis was used to ensure that study measures exhibited acceptable psychometric properties. Covariance structure analysis was used to test our proposed theoretical framework. Results show that brand-specific transformational leadership significantly contributes to satisfaction of followers’ basic needs for autonomy, competence, and relatedness while enacting their roles as brand representatives. This, in turn, has a positive impact on followers’ internalization of this role into their self-concepts with the consequence of an increase in all dimensions of follower brand-building behaviors. In contrast, brand-specific transactional leadership significantly diminishes followers’ experiences of autonomy and competence, which results in employees’ compliance. Finally, compliance exerts a significant negative effect on follower retention, in-role behavior and positive word-of-mouth, but no significant effect on
followers’ participation in brand development. The statistical significance of the hypothesized relationships is retained even when controlling for common method variance, except for one path (competence → compliance). Thus, in the main, the relationships between the leader behaviors, mediators, and brand-building behaviors of followers were not substantially influenced by methodological artifacts.

Our findings suggest that managers would do much better in improving their followers’ performance as brand ambassadors by paying more attention to brand-specific transformational behaviors than to transactional behaviors – although the latter have been the most common practice among managers in the past. References available upon request.

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THE EFFECT OF CONSUMERS’ CORE SELF-EVALUATIONS ON CUSTOMER SATISFACTION AND DISSATISFACTION

Stanford A. Westjohn, Saint Louis University, St. Louis
Mark J. Arnold, Saint Louis University, St. Louis

ABSTRACT

Core self-evaluations reflect the fundamental conclusions consumers reach about themselves. This construct has important influence on life satisfaction, but has received limited attention in marketing. This study proposes a model relating core self-evaluations, approach-avoidance motivation, and affect with satisfaction/dissatisfaction. Results suggest core self-evaluations indirectly influence customer dissatisfaction, but not satisfaction.

INTRODUCTION

Satisfaction and dissatisfaction have long been key performance metrics for business and a focus of considerable academic research. Recently, satisfaction researchers have recognized that attention is increasingly drawn to other important variables, such as loyalty and relationships, and thus, “. . . cracks in the satisfaction research dynasty are beginning to appear” (Oliver 1999, p. 33). However, while satisfaction has been defined as a necessary yet insufficient precursor to loyalty, businesses, and researchers alike are realizing that, for many firms and industries, loyalty is simply unattainable and the pursuit of satisfaction should be the primary focus (Oliver 1999). Therefore, satisfaction continues to be an important variable of interest for firms and academics alike.

Our understanding of satisfaction is built on decades of research, which has shown consistently that satisfaction is a function of both cognitive and affective variables. For example, it is generally accepted that cognitive variables, such as disconfirmation, expectations, and perceptions of performance, are related to satisfaction (e.g., Szymanski and Henard 2001). Likewise, numerous studies show that affective variables, such as moods and emotions, influence satisfaction (e.g., Bagozzi, Gopinath, and Nyer 1999; Liljander and Mattsson 2002).

However, one area that has received little attention is how the self-concept influences evaluations of consumption experiences. In other words, does an individual’s evaluation of himself affect his post-consumption evaluation of products and services? We believe that theoretical evidence supports the notion that an individual’s self-concept, or how a person perceives himself, influences perceptions and evaluations of the world around him, including judgments of satisfaction and dissatisfaction. This perspective is consistent with recent thinking of satisfaction as closely tied to the fulfillment of motivations underlying life satisfaction, self-esteem, and self-efficacy (Fournier and Mick 1999). Therefore, the purpose of this research, and the primary contribution, is the exploration of an individual’s “core self-evaluation” and its effect on satisfaction and dissatisfaction judgments. Core self-evaluations refer to the fundamental conclusions people reach about themselves (Judge et al. 1998). It is a multidimensional construct comprised of self-esteem, self-efficacy, locus of control, and neuroticism.

CONCEPTUAL BACKGROUND

We have provided a brief discussion of some of the cognitive and non-cognitive variables that affect customer satisfaction. Now we turn to the primary focus of our research and discuss how another non-cognitive variable, core self-evaluation, may influence customer satisfaction.

Core Self-Evaluations

Core self-evaluations refer to the “fundamental, subconscious conclusions individuals reach about themselves” (Judge et al. 1998, p. 18). It is a construct comprised of self-esteem, self-efficacy, locus of control, and neuroticism that has been successfully tested as an antecedent to both job and life satisfaction (Judge et al. 1998). In the research presented here, we propose that core self-evaluations also influence post-consumption customer satisfaction and dissatisfaction. In essence, we are asking if a consumer’s evaluation of himself affects his evaluations of products and services. While we agree that cognitive processes (e.g., disconfirmation of expectations) affect customer (dis)satisfaction, non-cognitive variables cannot be overlooked. The non-cognitive variables contribute not only to our theoretical understanding of customer satisfaction, but also carry practical managerial implications. If core self-evaluation is, in fact, an antecedent to customer satisfaction, it may take its place alongside other supported non-cognitive antecedents such as general affect, emotion, and mood.

Judge et al. (1998) define the four underlying traits of core self-evaluations as follows. Self-esteem is the basic appraisal people make of themselves and is the most...
fundamental core self-evaluation. Self-efficacy is *generalized* to distinguish it from task-specific self-efficacy, and is defined as one's personal judgment of his ability to exercise general control over events in one's life. Similarly, internal locus of control refers to the degree that one believes he can control events in his life; however, it differs from self-efficacy. Self-efficacy refers to the belief that one can control his own *actions or behaviors*, while locus of control refers to the belief that one can control *outcomes* (Judge et al. 1998). The final trait is neuroticism. They suggest that neurotic individuals are more likely to experience insecurity, guilt, helplessness, and are more prone to anxiety.

Judge et al. (1998) maintain that these four traits, self-esteem, generalized self-efficacy, locus of control, and neuroticism, are indicators of an underlying core self-evaluations latent construct. They suggest that each trait is fundamental in nature and focuses on global evaluations about one's self or relation to his environment. They support their assertion by citing research by Judge, Thoresen, and Pucik (1996) that shows self-esteem, self-efficacy, locus of control, and positive affect load on a common factor (Judge et al. 2003).

In addition to core self-evaluations, core evaluations include appraisals outside of the self. These are called external core evaluations and are appraisals of how one views other people (e.g., trust vs. cynicism) and the world around them (e.g., belief in a just world) (Judge, Locke, and Durham 1997). One may wonder why the external core evaluations are not argued to be linked to satisfaction given that it is the appraisal of something outside the self, just as evaluating a product or service would be. As a matter of fact, external core evaluations may very well be related to satisfaction. However, Judge et al. (1998) found that external core evaluations did not account for any incremental variance beyond that already explained by core self-evaluations. They posit that the views one holds about the world and other people are a reflection of the views that one holds about himself. Accordingly, we suggest the same relationship as it relates to customer satisfaction.

We posit that the fundamental views that one holds about himself, core self-evaluations, will be reflected in the level of customer satisfaction and dissatisfaction experienced in consumption. Additionally, we propose that core self-evaluations will directly impact one’s level of positive and negative affect, which research supports as an antecedent to satisfaction (Szymanski and Henard 2001). Thus, our model (see Figure 1) displays both direct and indirect effects of core self-evaluations on judgments of satisfaction and dissatisfaction. Next, we discuss each of these relationships and provide support for our hypotheses.

**Behavioral Inhibition and Activation Systems and Core Self-Evaluations**

We suggest that two general motivation systems referred to as behavioral activation (BAS) and behavioral inhibition (BIS) (Gray 1990) will affect a person’s core self-evaluations. BAS reflects the neurobiological sensitivity to positive stimuli and rewards, and is thought to underlie approach motivation. The BIS reflects the neurobiological sensitivity to negative stimuli and punishment, and is thought to be responsible for avoidance. **FIGURE 1**

**Path Diagram for Proposed Model**

Note: *p < .05, **p < .001; standardized beta weights reported.
motivation (Gray 1990). In other words, BAS and BIS reflect individuals’ fundamental dispositions to approach rewards and avoid punishment. Updegraff, Gable, and Taylor (2004) suggest that approach motivated individuals place greater value on positive experiences than do avoidance motivated individuals. Avoidance motivated individuals also tend to focus more on potential and past negative emotional experiences. Their research suggests that individuals displaying an approach motivation (BAS) or avoidance motivation (BIS) are likely to allow the accordingly positive/negative valenced experiences be chronically salient sources for satisfaction judgments (Updegraff, Gable, and Taylor 2004). Thus, we suggest that an individual’s motivation system, approach or avoidance, will affect their cognitive evaluation of their own core dispositional traits.

**H1**: Behavioral activation will have a positive effect on core self-evaluations.

**H2**: Behavioral inhibition will have a negative effect on core self-evaluations.

### Core Self-Evaluations, Satisfaction, and Dissatisfaction

Core self-evaluations are likely to have a direct affect on satisfaction because the evaluations that individuals make of consumption experiences are colored by how the individual views himself, others, and the world around him. Theoretical support for this argument comes from dispositional theory, which Judge et al. (1998) used to explain the role of core self-evaluations on job and life satisfaction. Dispositional traits have sometimes been referred to as personality characteristics, as they describe psychological, not physical, characteristics of individuals. Yet, not all psychological personality characteristics are dispositions, only those that represent the most stable of personality characteristics (House, Shane, and Herold 1996).

Dispositional traits have been argued to explain job satisfaction by suggesting that individuals interpret and process information consistent with the positive or negative disposition that they bring with them to work (Staw, Bell, and Clausen 1986). These fundamental traits, or dispositions, are the lenses through which individuals interpret their experiences. We further assert that these lenses not only color how an individual would interpret (i.e., evaluate) their level of satisfaction with a job, but also with their level of satisfaction with the consumption of a product or service. This line of thinking is supported by Judge et al. (1998) who suggest that the views one holds about the world and other people are a reflection of the views that one holds about himself. In other words, we suggest that an individual’s evaluation of a consumption experience will be influenced by these fundamental dispositional traits, or core self-evaluations. Thus, our hypotheses are as follows:

**H3**: Core self-evaluations will have a positive effect on customer satisfaction.

**H4**: Core self-evaluations will have a negative effect on customer dissatisfaction.

### Affect, Satisfaction, and Dissatisfaction

Extant research supports a relationship between affect and (dis)satisfaction (e.g., Westbrook 1980, 1987; Mano and Oliver 1993; Bagozzi, Gopinath, and Nyer 1999). Westbrook (1980) suggested that satisfaction is not only a cognitive function but is comprised of some amount of affect or feeling. Positive or negative affect can cause an individual to be more satisfied or dissatisfied with certain products even though the presence of the affect is otherwise unrelated to the product. Further, Liljander and Mattsson (2002) found that a customer’s preinteraction mood colors their evaluation of service behaviors. Their empirical results support the claim that both positive and negative mood affect customer satisfaction. Mattila and Wirtz (2000) found similar results and suggest that consumers use their mood state as an input to the evaluation process, as did Gardner (1985) who suggested that mood states generally seem to bias evaluations. The more intense, yet shorter lived; mental process of emotion has also been shown to affect satisfaction. Three specific emotions have been identified as important antecedents of satisfaction including hostility, pleasant surprise, and interest. Research supports that when these emotions occur during consumption experiences they leave markers in episodic memory. These markers are readily retrievable by the consumer when asked to conduct a cognitive evaluation of a product or service (Westbrook and Oliver 1991). We suggest that these affective antecedents are related, but distinct, from core self-evaluations. Thus, consistent with prior research, we hypothesize a positive relationship between positive affect and satisfaction; and between negative affect and dissatisfaction.

**H5**: Positive affect will have a positive effect on customer satisfaction.

**H6**: Negative affect will have a positive effect on customer dissatisfaction.

### Core Self-Evaluations, Affect, Satisfaction, and Dissatisfaction

Core self-evaluation may also have an indirect effect on customer satisfaction through positive and negative
affect. Literature supports the argument that some of the traits that comprise core self-evaluations are related to positive and negative affect. Specifically, self-esteem, generalized self-efficacy, and neuroticism. Research by Moreland and Sweeney (1984) found that in response to negative events, individuals with high self-esteem experienced less negative affect than those with low self-esteem. Additional research suggests that when one’s self-esteem is high he can control anxiety and is more able to experience positive affect (Pyszczynski et al. 2004). More recently, Lightsey et al. (2006) suggest that self-esteem accounts for unique variance in negative affect.

Generalized self-efficacy has also been shown to account for variance in the level of negative affect unique from that explained by self-esteem (Lightsey et al. 2006). Furthermore, it has been viewed as one of two primary components of self-esteem (Judge et al. 1998) suggesting that it too would influence affect. The final trait, neuroticism, is often associated with negative affect. Costa and McCrae (1980) found that neuroticism directly influenced negative affect, which subsequently affected an individual’s subjective well-being. Later, Larsen and Ketelaar (1991) found that individuals with high neuroticism are more susceptible to and consequently exhibit more negative affect. Thus, extant literature provides ample support for the link between the traits of core self-evaluations and affect, and indirectly affecting downstream evaluations like subjective well-being.

Given the close relationships between some of the components of core self-evaluations and affect, some may be inclined to think that perhaps there is no difference between core self-evaluations and affect. However, analysis conducted by Judge et al. (1998) found that while core self-evaluations do have commonalities with the positive-negative affect scales, they are “getting at something different” (p. 30). The “something different” may be the difference between state- and trait-affect. A meta-analysis on the influence of affect on job perceptions and attitudes by Thoresen et al. (2003) describe state-affect as relating to what one is feeling at a point in time, while trait-affect refers to a dispositional tendency to experience certain affective states. We suggest that core self-evaluations, which are described as fundamental traits (Judge et al. 1998) are direct reflections of dispositional tendencies. Thus, they represent something different from the affect most often referred to in marketing literature. Extant literature suggests that satisfaction is not only a cognitive function but is comprised of some amount of affect. We suggest, therefore, that affect will mediate the relationship between core self-evaluations and customer satisfaction. Thus, our hypotheses are:

$H_{7a}$: Core self-evaluations will have a positive indirect effect on customer satisfaction, significantly mediated by positive affect.

$H_{7b}$: Core self-evaluations will have a positive indirect effect on customer dissatisfaction, significantly mediated by negative affect.

$H_{8a}$: Core self-evaluations will have a negative effect on negative affect.

$H_{8b}$: Core self-evaluations will have a negative indirect effect on customer dissatisfaction, significantly mediated by negative affect.

**METHODOLOGY**

Data were collected over a period of six weeks at an automobile maintenance shop specializing in brakes, tires and oil changes. Customers were asked to complete a sixty-two-item questionnaire. In exchange for completing the survey, customers were given a coupon entitling them to three dollars off their next oil change. Of the respondents, 55 percent were female, and the mean age for all respondents was forty-two years old. The total sample size was $n = 179$.

**Measures**

**Behavioral Inhibition and Activation.** The BIS/BAS scales developed by Carver and White (1994) were used to measure behavioral inhibition and activation. The BIS scale consists of seven items, two of which are reverse scored, measured on a four-point scale from strongly disagree to strongly agree. The scales include items such as “I feel pretty worried or upset when I think or know somebody is angry at me” for the BIS scale, and “when I see an opportunity for something I like, I get excited right away” for the BAS scale. Internal reliability was sufficient, ($\alpha = .792$). The BAS scale consists of three subscales, reward responsiveness, drive, and fun seeking. The combined BAS scale consists of thirteen items measured on the same response scale as BIS. The combined BAS scale also had sufficient reliability, ($\alpha = .843$). We conducted a factor analysis on the BIS/BAS scale as a whole with the results suggesting four distinct factors that match what they should be. Prior studies employ a consolidated BAS scale (Updegraff et al. 2004).

**Core Self-Evaluations.** The core self-evaluation scale developed by Judge et al. (2003) was used to measure this construct. It consists of twelve items, half of which are reverse scored. The scale includes items such as, “I am confident I get the success I deserve in life,” and “I am capable of coping with most of my problems.” The response scale is a five-point likert-type, anchored by strongly disagree and strongly agree. Internal reliability of the scale is acceptable, ($\alpha = .807$). While the construct of core self-evaluations is based on four existing traits, the items in the scale are not written to directly reflect any particular core trait. Judge et al. (2003) explain that
instead, some items reflect a combination of two or more of the core traits keeping the focus on the associations among the individual traits, rather than the variance accounted for by each individual trait.

**Positive and Negative Affect.** The items used to measure positive and negative affect were based largely upon Izard’s (1977) DES-II measure with some modification. Specifically, all of Izard’s ten items were included except for one, shame. Because of the nature of service setting where our data was gathered, additional items were added, e.g., relief and resignation, for a total of fifteen affect items, seven positive (interest, joy, relief, surprise, awe, trust, and pleasure) and eight negative (anger, disgust, contempt, guilt, sadness, fear, helplessness, and resignation). Reliability for the positive and negative affect scales were α = .786 and α = .848 respectively.

**Satisfaction and Dissatisfaction.** Satisfaction was measured both at the attribute level and overall. The attributes were selected based upon interviews with the owner and included attributes such as timeliness and price. They were measured using a five-point likert-type response scale anchored by strongly disagree and strongly agree. The attributes were highly correlated with the overall measures of (dis)satisfaction; therefore, only the overall measures are used in the analysis. Both satisfaction and dissatisfaction were included because evidence suggests that these two constructs are unipolar, coexist simultaneously, and can provide unique diagnostic information (Oliver 1997).

**FINDINGS**

We used SPSS to run a series of multiple linear regression models and conducted a path analysis to determine mediating effects. Of the ten hypothesized relationships, six are supported, see Figure 1, and all significant paths in the model are in the expected direction. 

Hypothesis 1 predicts that the BAS has a positive effect on core self-evaluations. Figure 1 illustrates that the standardized beta coefficient is positive and significant (beta = .196, p < .01). Therefore, H1 is supported. Hypothesis 2 states that the BIS has a negative effect on core self-evaluations. The standardized beta coefficient is negative and significant (beta = -.504, p < .001), therefore, H2 is also supported. Hypothesis 3 predicts that core self-evaluations will have a direct positive effect on customer satisfaction. Although the relationship is in the expected direction, the data analysis suggests a very weak, non-significant relationship (beta = .063, p = .41). Thus, H3 is not supported. Hypothesis 4 states that core self-evaluations will have a direct negative effect on customer dissatisfaction. The standardized beta coefficient is negative but is non-significant (beta = -.131, p = .094), therefore, H4 is not supported.

Hypotheses 5 and 6 predict relationships between positive affect and satisfaction; and between negative affect and dissatisfaction. Both of these relationships were positive and significant (H5 beta = .201, p < .01; H6 beta = .178, p < .05). Therefore, both H5 and H6 are supported. Hypotheses 7a and 8a predict the relationships between core self-evaluations and positive and negative affect. The relationship is significant only for the negative path, i.e., core self-evaluations to negative affect (beta = .186, p < .05). Therefore, H7a is not supported, while H8a is supported.

Tests for mediation were conducted for hypotheses 7b and 8b. Mediation occurs when a mediator variable accounts for the relation between a predictor and criterion (Baron and Kenny 1986). In this study, the variables of interest are as follows. For mediation along the positive path, (H7b), core self-evaluations is the predictor variable, positive affect the mediator, and satisfaction the criterion. For the negative path, (H8b), negative affect and dissatisfaction serve as the mediator and criterion respectively. Hypothesis 7b suggests an indirect relationship between core self-evaluations and customer satisfaction, mediated by positive affect. To test the mediation relationships we used a path analysis procedure suggested by Baron and Kenny (1986). First, a regression was run to test the relationship between core self-evaluations and customer satisfaction; the result was non-significant. Next, we tested the relationship between core self-evaluations and positive affect; this too was non-significant. The final step tested the effect on the criterion variable, satisfaction, with the independent variables positive affect and core self-evaluations. Only positive affect was significant (beta = .199, p < .05). These results suggest no relationship, mediated or otherwise, between core self-evaluations and satisfaction; thus, H7b is not supported. We used the same procedure to test H8b that suggests an indirect relationship between core self-evaluations and customer dissatisfaction, mediated by negative affect. First, a regression was run to test the relationship between core self-evaluations and dissatisfaction; the result was significant (beta = -.149, p < .05). Next, we tested the relationship between core self-evaluations and negative affect; this too was significant (beta = -.186, p < .05). The final step tested the effect on the criterion variable, dissatisfaction, with the independent variables negative affect and core self-evaluations. Only negative affect was significant (beta = .154, p < .05). These results suggest a relationship between core self-evaluations and dissatisfaction fully mediated by negative affect; thus, H8b is supported.
CONCLUSIONS AND IMPLICATIONS

The results of the study support the proposed model along the negative path, but not the positive path. Specifically, BIS strongly affects core self-evaluations, which affects negative affect, which, in turn, affects dissatisfaction. These results are potentially very interesting. Why would the negative path be significant, while the positive path is not? Attribution theory may provide some guidance here. Remember that the components of core self-evaluations include generalized self-efficacy, locus of control, and neuroticism. Individuals who feel that they have little control over their behavior and outcomes, and are prone to anxiety may be more inclined to dwell upon poor service experiences and attribute them to external forces. Therefore, they may be more likely to blame the service provider and express dissatisfaction. Conversely, those who feel they have abundant control over their behavior and outcomes, and are less prone to anxiety may insulate themselves from the poor service experience and attempt to focus on or seek out the positive aspects. These conclusions are consistent with those of Updegraff, Gable, and Taylor (2004) whose findings suggest that approach motivated individuals (BAS) have a general tendency to emphasize positive emotional experiences when evaluating events in their lives, while people higher in BIS sensitivity tend to notice negative stimuli more and dwell on past negative experiences.

The positive path in the model breaks down because core self-evaluations are not related to positive affect or satisfaction. What could explain this disconnect along the positive path? Perhaps the items used to measure core self-evaluations are negatively oriented and relate better to negative affect than positive affect. In addition, the research context, i.e., an automobile maintenance shop, may inherently evoke more negative than positive affect. However, perhaps individuals with high core self-evaluations are less prone to experience emotional extremes; therefore, lowering both their positive and negative affect. Those with greater control over their emotions may be able to evaluate service experiences more objectively, and therefore remove some of the effect of their core self-evaluations from satisfaction and dissatisfaction evaluations. This clearly needs further research.

Finally, note that the data supports strong relationships between BIS, BAS, and core self-evaluations. The relationship between BIS and core self-evaluations is particularly strong. These avoidance motivated individuals tend to focus more on potential and past negative emotional experiences. The results suggest that those who are motivated by the avoidance of negative outcomes also tend to give themselves low or poor core self-evaluations. The converse can be said for BAS or approach motivated individuals. Those who are motivated by positive stimuli and rewards tend to give themselves high or good core self-evaluations.

Limitations and Future Research Directions

This research study would benefit from replication with some possible adjustments. First, the sample is somewhat small, n = 179, and taken from only a single context, i.e., automobile maintenance shop. A larger sample may increase statistical power, and additional contexts may support more generalizability. Second, the research setting of evaluating experiences of oil changes and brake repairs may not evoke enough emotion or strong enough feelings about satisfaction and dissatisfaction. Other settings where consumers are more emotionally invested in their purchases may be helpful. Third, satisfaction and dissatisfaction were determined with single-item measures. Measuring (dis)satisfaction with multiple items or along other specific attribute dimensions may add value. The potential for common methods bias is present as well. Instead of measuring the true state of nature, respondents may correlate answers to questions to avoid cognitive dissonance. Finally, the sample was taken from a rural, Midwestern town; thus, the results may not be generalizable to other geographic regions, or to more urban locations.

Suggested extensions of this research include testing for differences between consumer products versus services industries, or between purchase settings of high-involvement versus low-involvement. This research setting was also in a business to consumer context, would different results be found in a business to business setting? Finally and probably most importantly, is to explore the differences between the negative and positive paths in the research model. Are the differences a result of the research setting or low statistical power? If differences really do exist between the positive and negative path, we should seek the answer as to why.

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PURCHASES OF DIETARY SUPPLEMENTS AS HEALTH-RELATED CONSUMER BEHAVIOR

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SUMMARY

There is a trend of people engaging in healthy lifestyles. In the present paper, health-related purchases are assessed in the context of purchases of dietary supplements. Dietary supplement users tend to have healthier lifestyle profiles than non-users (Conner et al. 2001). The main objective of the present study is to: (1) analyze health related purchases within the domain of consumer behavior, (2) determine the main predictors of purchases of dietary supplements, and (3) test the usefulness of the theory of planned behavior (Ajzen 1991) in the context of consumer behavior. Based on the theoretical considerations following hypotheses are derived:

H1: The more favorable the attitude toward purchasing supplements, the stronger intention to purchase supplements.

H2: The more favorable subjective norms toward purchasing supplements, the stronger intention to purchase supplements.

H3: Perceived behavioral control (PBC) is a significant predictor of intentions to buy dietary supplements.

H4: Perceived behavioral control is a significant predictor of dietary supplement purchase.

H5: The intention to purchase dietary supplements is a significant predictor of dietary supplement purchase.

H6: Compared to the variables of interest (the theory of planned behavior), control variables are less important in predicting purchases of dietary supplements.

In order to test the hypotheses, data were collected from 236 students at a large U.S. university. There were 121 male and 115 female respondents. Participants completed a survey measuring the items from the theory of planned behavior (Ajzen 2007a) that were adapted to the context of dietary supplement purchases. Also, several control variables are measured (age, gender, eating habits, level of physical activity, smoking, and alcohol consumption). Because the dependent variable is dichotomous (purchase/no purchase), logistic regression is used. Several regression models are estimated to assess mediating effects of intentions, as suggested by Baron and Kenny (1986).

In support of H1 and H3, attitudes (b = .74), and PBC (b = .41) were found to significantly predict one’s intentions to purchase dietary supplements. When it comes to subjective norms, they were not a significant predictor of intentions to purchase dietary supplements (even though the sign was in the predicted direction b = .15). Thus, H2 is not supported.

Next, no significant direct effects of perceived behavioral control on purchasing behavior were found, and H4 is not supported. However, significant effect of PBC on intentions and of intentions on purchases of dietary supplements (H5 supported) indicates that the effects of PBC on behavior are mediated by intentions to purchase (Baron and Kenny 1986).

Finally, when only control variables are entered, both age and eating habits were found to be significant predictors of purchases of dietary supplements. However, when intentions are added to the analysis, the control variables are no longer significant. H6 is supported in stating that the variables of interest in the present study (based on the theory of planned behavior) have an effect on purchases of dietary supplements that is stronger than that of control variables.

In conclusion, the results indicate that intentions are the most important predictor of whether an individual purchases dietary supplements, while attitudes are the most important predictor of intentions (perceived behavioral control also influences intentions to purchase dietary supplements). Neither direct nor indirect effects of subjective norms on either intentions or behavior were found. Finally, attitudes, PBC, and intentions were more significant predictors of purchases of dietary supplements than were age, gender, eating habits, level of physical activity, smoking, or alcohol consumption.

The findings provide some important implications for related marketing strategies. In understanding factors that affect purchases of dietary supplements, we may be able to better target specific customer groups. Perhaps people that are at a higher risk of developing certain diseases may be better targeted by promotional messages that affect their attitudes toward dietary supplement purchases. The theory of planned behavior provides a basis for behavioral intervention (Ajzen 2007b). In the present example, behavioral interventions may be designed to change consumers’ attitudes toward purchases of dietary
supplements, which in turn should change behavioral intentions.

The main limitation of the present study is the use of student samples, which may bring into question the generalizability of results to the general population. Insignificant effects of control variables may be due to the fact that there was not enough variance in the sample. For example, 75 percent of the sample is less than 26 years old. Future studies using general population sample may increase our understanding of factors that affect purchases of dietary supplements. Also, future research should provide a better understanding of the reasons why consumers purchase dietary supplements (such as to gain strength, to not get sick, to improve quality of life, etc.) and other factors that may affect whether people purchase health-related products (such as personal characteristics of individuals purchasing dietary supplements, promotional efforts, and economic factors). References available upon request.

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EAT, DRINK, AND BE MERRY: CONSUMERS SELF-REGULATORY STRATEGIES FOR EATING, DRINKING, AND EATING AFTER DRINKING

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SUMMARY

Controlling eating and drinking has been an important focus of attention in public health research, and more recently in consumer research, due to their significant implications for individuals and society. Alcohol consumption, referred to here as “drinking” has been a longstanding concern in public policy, public health, medicine, and social science research. In addition to concerns about alcoholism and drunk driving, recent attention has focused on binge drinking. At the same time, there has been a flurry of recent attention in the popular media, among policymakers, and researchers on nutrition, food choice and consumption volume (e.g., Wansick 2004; Wansink, Painter, and North 2005). The purpose of this research is to explore what strategies consumers use to control their consumption of food and alcohol. In addition, we investigate the relationship between alcohol consumption and food consumption. We draw on previous research on consumption rituals, portion control, and self-control to develop a framework for understanding the ritualistic nature of individuals’ mechanisms to control their food and alcohol intake.

In order to determine what strategies people use to control food and alcohol consumption and how alcohol influences food consumption decisions, the two coauthors and 45 student collaborators interviewed 89 people (Spiggle 1994). Informants were personal contacts of the interviewers. Interviewers were trained to use a standardized interview protocol and on probing techniques. The participants included 49 males and 40 females from a variety of professional backgrounds, ranging from 18 to 60 years of age. Our analysis involved coding, categorizing, abstracting, and clustering the data, resulting in the pattern of results described below.

Participants used a variety of self-imposed rules to regulate the content and quantity of the foods they eat. However, when consuming alcohol, participants often failed to engage their self-imposed regulatory strategies. Our findings revealed that participants relied on three main approaches in order to regulate their intake of food and alcoholic beverages: portion control heuristics; physical signals (e.g., feeling “full”); and consumption rituals.

In order to control portions, many participants used frequency heuristics or cutoffs, such as a certain number of drinks. One limitation of frequency heuristics in decision-making is that this information does not include specific details about the event (Alba and Mamorstein 1987). These portion control efforts often take the form of precommitments, which Hoch and Loewenstein (1991) suggest can be used as a self-control device. These authors claim that these strategies are difficult for consumers to execute, and are often ineffective. Previous research has examined the effects of portion control efforts on food consumption, and has found that many heuristics used for this purpose are imprecise and unreliable (e.g., Glanz 1998; Painter et al. 2002).

Eating and drinking behaviors are often ritualistic in nature and individuals often follow specific rules about where, how much, and what to eat and drink (Rook 1985; Treise, Wolburg, and Ottes 1999). Eating behaviors that occur after drinking also share characteristics of other consumption rituals. In our interviews, many participants claimed that they eat foods they normally avoid due to nutrition and weight concerns when drinking alcohol. These participants reported that they believe that alcohol consumption causes them to make poor eating decisions. Furthermore, some participants claimed that that they control what they eat by controlling how much alcohol they drink. These interviews also imply that consumers may intentionally use drinking as a self-justification for unhealthy eating decisions.

Another prevailing theme in these interviews was that people crave foods that contain high levels of cholesterol, fat, and sugar when drinking alcohol, including fried foods, carbohydrates, “fast,” and “junk” foods. One obvious explanation for this is that alcohol consumption can lead to intoxication, which by definition, results in impaired judgment (Baumeister et al. 1994). However, these interviews suggest that even before individuals become intoxicated they experience ego depletion (Baumeister 2002). Muraven, Baumeister, and Tice (1999) proposed that willpower is a kind of limited resource that gets depleted as used. In other words, exercising self-control over both drinking and eating depletes the cognitive resources available for implementing self-control.
strategies. At a result, once alcohol is involved, food choices and even consumption volume decisions are driven by short-term, impulsive, hedonic urges.

Future research should examine the effectiveness of these self-control strategies, and should test whether these self-control mechanisms are evident in other types of consumption, such as credit card spending. Also, future research should further our understanding of simultaneous efforts to exercise self-control in multiple behavioral contexts. References available upon request.

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IMPLEMENTATION AND INTERNALIZATION OF MARKET ORIENTATION: TOWARDS A TYPOLOGY OF MARKET ORIENTATION FORMS

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SUMMARY

As market orientation topic gains more prominence, a critical issue that arises is related to the nature of the market orientation adoption process in organizations. Several authors indicate that the adoption of market orientation involves essentially a cultural change process with the assumption that market orientation rests fundamentally on cultural values (Gebhardt, Carpenter, and Sherry 2006; Homburg and Pflesser 2000). On the other hand, a number of researchers indicate that some firms exhibit market-oriented behaviors, but they do not internalize market-oriented values and norms, suggesting that market-oriented values and norms might not be a prerequisite for the implementation of market-oriented behaviors (cf., Day 1994; Harris 1999; Narver, Slater, and Tjietje 1998). Theoretically, it is possible to conceive that market-oriented values and norms may emerge as a result of incremental knowledge and commitment that employees gain through experimentation with market-oriented behaviors (cf., Narver et al. 1998; Scott 2001; Zeitz, Mittal, and McAuley 1999). Thus, a significant question arises as a topic for further research in marketing: Is the presence of market-oriented values and norms a necessary condition for the development of market-oriented behaviors?

In this paper, we argue for the value of conceptualizing the adoption of market orientation as having two separate dimensions that are not necessarily causally related: the implementation of market-oriented behaviors and internalization of market-oriented values and norms. Arraying the internalization and implementation of market orientation on a continuum from low to high, we develop a typology of different forms of market orientation represented by a 2 by 2 matrix that juxtaposes these two dimensions. As such, we extend the notion of market orientation by proposing four forms of market orientation (i.e., active, ceremonial, emergent, and inactive market orientation).

Specifically, we suggest that the “market-oriented values drive market-oriented behaviors” assumption needs to be relaxed to accommodate situations where market-oriented behaviors are implemented without the internalization of market-oriented values and norms. Consistent with the extant market orientation literature, we conceive that the adoption of market orientation in an organization is manifested at both the cultural and behavioral levels (Gebhardt et al. 2006; Homburg and Pflesser 2000; Hurley and Hult 1998). Different from the extant market orientation literature, we treat the behavioral and cultural aspects of market orientation as distinct components that are correlated, but not necessarily causally related. In this framework, we propose that the implementation of market orientation represents the extent to which market-oriented behaviors are developed in organizations (cf., Kohli and Jaworski 1990). The internalization of market orientation reflects a shared understanding and wide acceptance of market-oriented values and norms, which lead to a state in which employees view market orientation as taken-for-granted and part of their organizational identification (i.e., cultural indoctrination Gebhardt et al. 2006; Narver and Slater 1990). Furthermore, we posit that the implementation and internalization of market orientation should be arrayed on a continuum from low to high to form a 2 by 2 matrix that juxtaposes these two dimensions. As such, we propose that the notion of market orientation may be extended, and perhaps better understood, by considering each cell within such a typology comprised of different forms of market orientation (i.e., active, ceremonial, emergent, and inactive market orientation). References are available upon request.

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DECOMPOSING THE EFFECTS OF ORGANIZATIONAL MEMORY ON MARKETING IMPLEMENTATION

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SUMMARY

Our understanding of organizational performance has focused considerably on a firm’s current capabilities to understand and satisfy customer needs (e.g., Day 1994; Vorhies and Morgan 2005) but has not considered how these capabilities are a product of the firm’s past. This study examines components of organizational memory that enable the implementation of marketing strategies that result in market-based advantages. Given that the best made plans can fail due to poor implementation and that such failures may hide the appropriateness of the chosen strategy heightens the need for understanding the mechanisms behind marketing implementation.

Bonoma and Crittenden (1988) suggest that strategy addresses “what” questions and implementation addresses “how” questions. This research argues that organizational memory addresses “why” questions. While drawing on memory may reduce the risk of repeating past failures, it also introduces the possibility of continual repetition of past successes that are sub-optimal in changing environments. This research explores this paradox by examining the relationship between a firm’s memory and its marketing implementation capability. Additionally, the robustness of this relationship is examined under varying conditions of environmental turbulence. In examining these relationships, this research demonstrates how organizational memory can both enable and constrain marketing implementation.

Capabilities are shaped through learning processes (Zollo and Winter 2002). Learning in organizations is “routine-based, history-dependent, and target-oriented” (Levitt and March 1988, p. 319). To make use of learning, organizations depend on memory (Huber 1991), which is information about past successes and failures that is retained by individuals and stored as organizational routines (Levitt and March 1988; Walsh and Ungson 1991). This study explores the role of three mnemonic mechanisms (i.e., market orientation, procedures, and experience) on marketing implementation. Each mechanism is a connection to the past that is embedded in the organization’s memory and is proximal to the formation of those capabilities through which the organization engages its environment. This research examines each mechanism and its relationship to marketing implementation under both high and low levels of environmental turbulence. Additionally, the relationship between marketing implementation and market effectiveness is tested. These relationships are illustrated in Figure 1.

FIGURE 1

Linking Organizational Memory to Market Effectiveness
To test the hypotheses, multi-item measures based on established scales were used. Data were gathered from business executives actively involved in strategic marketing decision-making. In total, 128 respondents, each representing an individual organization, participated in the research. Measure unidimensionality was assessed by examining the interrelations among each scale’s items using item-to-scale correlations and by conducting confirmatory factor analysis. Structural equation modeling was used to test the hypotheses.

The measurement results indicate that the estimated measurement model adequately represented the observed input matrix and that the constructs are internally consistent and distinct. The overall fit of the structural model was acceptable and all paths are statistically significant ($p < .05$ or better). To test for moderation, a multi-group analysis was conducted for both low and high levels of environmental turbulence. Chi-square difference tests indicated that the marketing implementation relationship was stronger in the high environmental turbulence group for both market orientation and procedures but not for experience.

The findings suggest that effective marketing implementation requires a market focus coupled with deliberative processes that retain what is learned from past efforts without locking into pre-determined behaviors. This is particularly the case in highly turbulent environments; wherein, it becomes increasingly important for the firm to remain flexible in how it deploys its accumulated knowledge and skills while avoiding procedures that reinforce a core rigidity (Leonard-Barton 1992). Ultimately, the management of memory is critical to marketing implementation. References available upon request.

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THE DETERMINANTS AND OUTCOMES OF CRM TECHNOLOGY USE: THE MEDIATING ROLE OF MARKETING CAPABILITY

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SUMMARY

Customer relationship management (CRM) has generally been assumed to create a competitive edge for an organization, as well as to positively impact organizational performance (Sin, Tse, and Yim 2005). Yet despite the amount of resources poured into CRM initiatives globally, the results have often proved disastrous. Recent studies suggest that “70 percent of companies that had implemented CRM have found it to be only a minor success or even a failure” (Emerald Group Publishing Ltd. 2002).

This article addresses two important gaps in knowledge regarding successful CRM implementation. First, with conflicting findings emerging with respect to the direct effect of the CRM technology use on business performance, it becomes imperative that we more thoroughly inspect the actual dynamics of a CRM technology use. We suggest marketing capability will mediate the relationship between CRM technology use and organizational performance. Thus, the major purpose of this article is to test the postulated “CRM technology use-marketing capability-organizational performance” chain empirically. Second, little empirical research has thoroughly investigated other contingent conditions within the firm that may directly influence the relationship between CRM technology use and superior performance.

Using a list of Korean top 500 firms in terms of sales, we developed a contact list of marketing and CRM managers. Questionnaires were sent to key informants included in the contact list, either by e-mail or by fax. Data collection occurred over eight weeks and resulted in a final usable sample of 106. The response rate was 21.2 percent. Of the 106 respondents, 59 (55.7% of the total responses) answered the questionnaire by fax and the remaining (44.3% of the total responses) was collected by e-mail.

In the results, we find that a CRM technology use has a significant positive influence on marketing capability ($\beta = 0.660, t = 8.950, p < 0.01$), supporting H1. In addition, marketing capability is positively related to performance ($\beta = 0.750, t = 11.578, p < 0.01$), bolstering H2. In testing the direct relationship of customer-centric organizational culture upon a CRM technology use suggested by Hypothesis 3, we found a significant relationship ($\beta = 0.628, t = 8.223, p < 0.01$). Finally, Hypothesis 4 postulated the direct association between the customer-centric management system and a CRM technology use. The result supported H4 also ($\beta = 0.564, t = 6.963, p < 0.01$).

To investigate the mediating role of marketing capability between a CRM technology use and performance, we conducted three following regression analyses: (1) a CRM technology use on marketing capability, (2) a CRM technology use on performance, and (3) both CRM technology use and marketing capability on performance (Baron and Kenny 1986). The results show that the effect of the CRM technology use on performance was not significant in the third equation contrary to in the second equation. Therefore, we can conclude that the marketing capability mediates the hypothesized relationships.

The primary objective of this study was to empirically examine the relationship between CRM technology use and performance. The results of our research provide evidence that CRM technology use facilitates organization’s marketing capability, which, in turn, influences its performance. Moreover, our results show that the presence of a customer-centric organizational culture and management system facilitates the firm’s use of CRM technology. As a result, this study serves to clarify the processes through which CRM technology use leads to improved performance. In so doing, we believe our findings offer meaningful implications to both academicians and business practitioners and can serve as a springboard for further research on this important topic.

Despite insights grained through our results, future research should aim to overcome a number of limitations inherent to this study. First of all, this research was conducted with the survey responses provided by one key informant per firm. Although such an approach has long been fruitfully used in strategy research (Hult, Ketchen, and Slater 2005), using multiple informants might be recommended for further research. Further, this study did not investigate the interrelationships between customer-centric organizational culture, management system, and CRM technology. Recent researches suggest conceptually the requirement of the cross-functional integration with CRM technology to enhance the outcome of CRM
technology implementation (Chen and Popovich 2003; Day 2003; Jayachandran et al. 2005; Payne and Frow 2005). Thus, it would be beneficial for future studies to investigate the interrelation between other factors and CRM technology. References available upon request.

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LINKING SERVICE QUALITY TO PERCEIVED QUALITY OF STORE BRANDS

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ABSTRACT

This paper examines the impacts of retail service quality on the perceived quality of store brands. A conceptual model is developed and tested against a sample of supermarket consumers in Taiwan. Results show that the delivery of high service quality of retailers increases the perceived quality of their store brands.

INTRODUCTION

The importance of store brands in frequently purchased consumer goods marketing has been clearly established over the past decade. Consumers’ perception of the relationship between price and quality appears to be a key factor when consumers make brand choice decisions between store brands and national brands (Dunne and Narasimhan 1999). The misfortune for retailers, however, is that research generally shows that store brands are perceived lower in quality than national brands (e.g., Bellizzi et al. 1981; Bushman 1993; Richardson et al. 1994; Rosen 1984; Wheatley et al. 1977). Hence, retailers are likely to benefit from enhancing store brands quality perception. Marketing studies have consistently shown that perceived quality is a key determinant of store brands success (e.g., Hoch and Banerji 1993; Richardson et al. 1994). Various strategies are available to retailers for improving the perceived quality of store brands; such as, increase advertising budgets (Kirmani 1990; Kirmani and Wright 1989), increase objective quality (Berry 1995; Howell 2001; Miller 1992) and increase a store brand’s physical similarity to better known and more highly regarded national brands (Sayman et al. 2002). However, research so far has not linked the retail service quality to perceived quality of store brands.

The goal of this paper is to examine the impacts of retail service quality on the perceived quality of store brands. The delivery of high service quality is recognized as a basic retailing strategy for creating competitive advantage than competing stores. More importantly, the service quality of retailers turns into an effective implementation to differentiate themselves by meeting the needs of their customers better than competitors (Reichheld and Sasser, Jr. 1990). Based on the cue utilization theory and the environmental psychology model, this study hypothesizes that the delivery of high service quality of retailers will increase the perceived quality of their store brands. This paper hopes to shed light on providing an alternative strategy for retailers to successfully develop their store brands and increase store profits. Following a review of the available literature on perceived quality and retailer service quality, a conceptual model of this study is proposed. The model is tested against a sample of supermarket consumers by utilizing structural equation modeling methodology. The paper concludes with a discussion of the findings and their implications for researchers and practices.

LITERATURE REVIEW AND HYPOTHESES

Perceived Quality of Store Brands

Marketing researchers define quality as “the totality of features and characteristics of a product or service that bear on its ability to satisfy stated or implied needs” (Kotler 2000). Quality also can be represented in two forms: objective and subjective. The former refers to actual quality, while the latter refers to a consumers’ perception of quality (Kotler 2000). Perceived quality also represents consumers’ judgments regarding a brand’s overall excellence or superiority (Zeithaml 1988). Research further supports the view that store brands are perceived to have a lower quality than national brands (e.g., Bellizzi et al. 1981; Bushman 1993; Richardson et al. 1994; Rosen 1984; Wheatley et al. 1977). Richardson, Dick, and Jain (1994) examined the relative importance of extrinsic cues versus intrinsic cues in determining perceptions of store brands quality in an experiment using a sample of 1564 shoppers for five products. In their study, extrinsic cues were product attributes that were not part of the physical product, such as price and brand name; on the other hand, intrinsic cues were attributes that could not be changed without altering the physical nature of the product, such as product ingredients. In their study, extrinsic cues were product attributes that were not part of the physical product, such as price and brand name; on the other hand, intrinsic cues were attributes that could not be changed without altering the physical nature of the product, such as product ingredients. The important findings of their experimental study were: (1) regardless of ingredients, national brands are perceived to be of higher quality than private labels; (2) extrinsic cues (e.g., brand name) are more influential than intrinsic cues (e.g., ingredients); and (3) perceived quality has a greater influence on consumer decision making than other factors such as value-for-money – even for purchasers of store brands. Similarly, Hoch and Banerji (1993) determined that quality was positively related to store brands market share across 180 product categories. Scattone (1995) found that consumers’ likelihood of considering a store brand was positively related to their perceptions of store brands/national

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indicators (Richardson et al. 1994). Extrinsic cues are an array of extrinsic and intrinsic cues that serve as quality indicators (Richardson et al. 1994; Scattone 1995).

Marketing researchers have developed various options to retailers for improving the perceived quality of store brands. First, to increase a store brands’ physical similarity, such as mimicking the national brands’ packaging graphics, to better known and more highly regarded national brands. Although Sayman et al. (2002) indicate that this strategy can be incapable of enhancing perceived quality similarity between store brands and national brands, the remaining options are seemingly feasible. Second, based on the premise that perceived quality is directly affected by consumer perceptions of a brand’s advertising expenditures (Kirmani 1990), retailers can improve perceived quality of store brands by increasing advertising budgets. Third, retailers can also argue perceived quality of their store brands through increasing objective quality. While the quality of store brands has increased in recent years (e.g., Berry 1995; Howell 2001; Miller 1992), further improvements are possible. However, from strategic and operational perspective, the last two tactics are impractical because either option would increase the retailers’ cost and reduce contribution margins to store brands. Increasing the operational cost of store brands would negate the competitive advantage of store brands than national brands and reduce the retailers’ profits. Another practical option, increasing the retailers’ service quality, is proposed in the current study.

Link Retailer Service Quality to Perceived Quality of Store Brands

It is widely recognized that today’s retail environment is changing more rapidly than ever before. This is characterized by highly competition from both domestic and foreign companies. Retailers today must differentiate themselves by creating competitive advantage for delivering high service quality to meet the needs of their customers better than the competitors (Berry 1986; Hummel and Savitt 1988; Reichheld and Sasser, Jr. 1990). Berry (1986, p. 3) even stresses that “retail business is service business.” The usefulness of retail service quality for augmenting perceived quality of store brands is supported by cue utilization theory, which is the generally accepted account of how consumers arrive at quality judgments.

Cue utilization theory conceptualizes products as an array of extrinsic and intrinsic cues that serve as quality indicators (Richardson et al. 1994). Extrinsic cues are peripherally related to the product (price, brand name, packaging, store name) (Szybillo and Jacoby 1974). Intrinsic cues are the characteristics of the core product itself (ingredients, taste, smell, texture) (e.g., Cox 1962; Olson 1972; Zeithaml 1988). The cue utilization literature has found repeatedly that brand name is one of the most important cues of product quality (Dawar and Parker 1994). Zeithaml (1988) indicates that intrinsic cues dominate extrinsic cues when the intrinsic attributes can be evaluated with high confidence at the time of purchase; extrinsic cues are proposed to dominate when intrinsic cues cannot be evaluated or when consumers are not much involved and thus base their judgments more on extrinsic cues such as store or brand name (Maheswaran et al. 1992). That is, consumers will rely more on intrinsic cues (e.g., ingredients, taste) of products than on extrinsic cues (e.g., store or brand name) if they believe they can confidently judge those intrinsic cues that indicate product quality (Jacoby et al. 1971; Szybillo and Jacoby 1974; Valenzi and Andrews 1971; Wheatley et al. 1981) and when they are highly involved in the judgment or decision (Maheswaran et al. 1992; Sprott and Shimp 2004). However, blind taste tests have demonstrated that extrinsic cues, such as store name, often explain more variance in perceptions of product quality than do intrinsic cues in frequently purchased consumer goods (Allison and Uhl 1964; Collins-Dodd and Lindley 2003; Richardson et al. 1994). The current study hypothesizes that a store with delivering high service quality may work as the extrinsic cues when shoppers make the judgment of quality perception for store brands.

The environmental psychology model of Mehrabian (1980); Mehrabian and Russell (1974); and Russell and Pratt (1980), provides another valuable insight for examining the impacts of retail service quality on perceptions of store brand quality. It postulates a stimulus-organism response (SOR) process. The environment within which the decision is made serves as a stimulus to the decision maker. Mehrabian and Russell propose that the environment could be positively loaded or negatively loaded. The environment has the potential to create arousal on the part of the individual. A positive load would result in pleasure arousal. These states of arousal are then hypothesized to influence consumers’ decision-making processes. Applying this environmental psychology model to a retail setting, an example of a positively “loaded” store would be one that was delivered high quality of service such as modern-looking equipment, store layout makes it easy for customers, and have employees who are willingly to handle customer complaints. On the other hand, a negatively “loaded” store might be delivered poor quality of service. The high service quality (positively loaded) store may yield positive halo effects toward the store’s own brands. The customers may believe that the private labels of such a store may have good ingredients and quality. However, for stores which are...
negatively loaded, the shoppers may have less favorable thoughts about their products’ ingredients and quality control. Consequently, shoppers may judge the overall quality of store brands offered high service quality stores to be significantly better than those of poor service quality stores.

Previous empirical studies also provide evidences in supporting the above arguments. Richardson, Jain, and Dick (1996) used experiment method to examine the effect of store atmosphere on consumer evaluations of private brand grocery products. The results of their research demonstrated the role of store aesthetics in the formation of perceptions of store brand quality and they further suggested that store aesthetics can increase the evaluation of the quality of store brands. Baker, Grewal, and Parasuraman (1994) examined how combinations of specific elements in the retail store environment influence consumers’ inferences about merchandise and service quality and discusses the extent to which these inferences mediate the influence of the store environment on store image. Their results show that ambient and social elements in the store environment provide cues that consumers use for their quality inferences and store service quality were posited to be antecedents of store image. Furthermore, Semeijn, Riel, and Ambrosini (2004) conducted an experiment to investigate how store image factors affect consumer evaluations of store-branded products and found a strong relationship between image and attitude toward the store brand. Krishnamurthi and Papatla (2003) used survey method to measure attitudes toward individual stores’ images and store brand perceptions, as well as general attitudes toward store brands. Their results demonstrated a positive relationship between consumers’ perceptions of individual store own brands and their associated store’s image dimensions. Therefore, based on the cue utilization theory and environmental psychology model, this study proposes the first hypothesis.

H1: Retailer service quality has a positive influence on perceived quality of store brands.

Dimensions of Retailer Service Quality

The most widely known and discussed scale for measuring service quality is SERVQUAL (Parasuraman et al. 1988), a scale designed to measure five dimensions of service quality: tangibles, reliability, responsiveness, assurance, and empathy. Although SERVQUAL (Parasuraman et al. 1988) has been empirically tested in a number of pure service setting industries, such as long-telephone service, banking, and credit card service, it has not been successfully adopted and validated in a retail store environment. The importance of defining retail service quality is because the retail stores offer a mix of merchandise and service. Customers’ experiences in the store involve more than a non-retail service experience regarding customers finding the merchandise they want and returning merchandise, negotiating their way through the store, and interacting with store personnel along the way, all of which affect customers’ evaluations of retail stores service quality. Dabholkar, Thorpe, and Rentz (1996) proposed a hierarchical factor structure to capture dimensions important to retail customers based on the retail and service quality literatures as well as three separate qualitative studies. Their confirmatory factor analysis based on the partial disaggregation technique and cross-validation using a second sample support the validity of the scale as a measure of retail service quality. Thus, this study utilizes the five dimensions of retail service quality as proposed by Dabholkar, Thorpe, and Rentz (1996).

Physical Aspects

The first dimension of retailer service quality is physical aspects. This dimension has a broader meaning than does the tangible dimension in the SERVQUAL scale (Parasuraman et al. 1988). In the retail stores, this dimension encompasses the convenience of the store by the layout of the physical facilities, for example, the cleanliness of the store, the general appearance of the store, the appearance of public facilities, the ease of finding merchandise within the store and ease of moving though the aisles (Dabholkar et al. 1996). According to the environmental psychology model (Mehrabian 1980; Mehrabian and Russell 1974; Russell and Pratt 1980), the store of providing good physical aspects may yield positive loaded. A positive load would result in pleasure arousal and influence consumers’ decision-making processes. A store with the good physical aspects may yield the positive halo effects toward the store own brands. The shopper, therefore, may believe the private brands of such a store may have a good quality in ingredients and quality control.

H2a: Physical aspects have a positive influence on perceived quality of store brands.

Reliability

The second dimension of retailer service quality is reliability. This dimension is similar to the SERVQUAL (Parasuraman et al. 1988) reliability dimension. A retail store with the reliability will keep promises and doing it right, insist on err-free sales transactions and records, and perform the service right the first time. The reliability of such a store will positively influence the service quality and store image of the store (Baker et al. 1994). Furthermore, the reliability of such a store may let affirmative
outcome toward the store own brands (Collins-Dodd and Lindley 2003; Semeijn et al. 2004). The shopper may think retail stores with the reliability will provide a good quality of their store own brands. Therefore,

H3a: Reliability has a positive influence on retail service quality.

H3b: Reliability has a positive influence on perceived quality of store brands.

**Personal Interaction**

The third dimension of retail service quality is personal interaction. A retail store offers a mix of tangible merchandise and intangible service (Berry 1986; Dabholkar et al. 1996). Employees in a particular store that have the knowledge to answer customers’ questions, give prompt service to customers, are never too busy to respond to customer’s requests, exhibit confidence, and are helpful to customers may let shoppers experience a good service in the store. A store with good personal interaction and that provides such good service will positively affect the store image and store name. As previously argued in the cue utilization theory (Richardson et al. 1994), the store image may work as an extrinsic cue when shoppers make judgment toward store brands’ quality (Collins-Dodd and Lindley 2003; Maheswaran et al. 1992). Thus, a store with good personal interaction may yield shoppers who evaluate the store as delivering high service quality and who believe the private brands of such a store have a good perceived quality.

H4a: Personal interaction has a positive influence on retail service quality.

H4b: Personal interaction has a positive influence on perceived quality of store brands.

**Problem Solving**

The fourth dimension of retailer service quality is problem solving. This dimension refers to a retail store be able to return exchanges and handle complaints. Although this dimension would also involve interaction between the customer and the employee, it is specifically related to the handling of problems and therefore separating from the above dimension of personal interaction (Dabholkar et al. 1996). The stores with problem solving orientated, for example, showing a sincere interest in solving a customer problem and handling customer complaints directly and immediately, may yield a responsible aspect of their business operation and the shopper may believe the private brands of such a store may have good ingredients, be carefully manufactured and be generally free of defects. Thus,

H5a: Problem solving has a positive influence on retail service quality.

H5b: Problem solving has a positive influence on perceived quality of store brands.

**Policy**

The fifth dimension of the retail service quality is policy. This dimension captures aspects of service quality that are directly influenced by store policy, such as convenient operating hours, and credit and charge account policies. The store providing good quality of merchandise (Dabholkar et al. 1996), convenient parking, and credit card usage may yield positive load and halo effects. Again, as the environmental psychology model (Mehrabian 1980; Mehrabian and Russell 1974; Russell and Pratt 1980) stated, a positive load would result in pleasure arousal and influence consumers’ decision-making toward store own brand evaluation. The shopper may believe the private brands of such a store may also have a good quality. Therefore,

H6a: Policy has a positive influence on retail service quality.

H6b: Policy has a positive influence on perceived quality of store brands.

**METHODOLOGY**

**Data**

The data used in this study come from a store-intercept study of consumers. Students at a national university of south Taiwan intercept shoppers at various supermarket stores. They randomly selected and asked shoppers to fill the questionnaires. In all, 218 usable questionnaires were obtained from respondents. Thirty-nine percent were men, 76 percent were between 20 and 35 years of age and 24 percent were over 35 years of age; 58 reported that they had a college degree or above.

**Measures and Validation**

**Retail Service Quality.** To measure five dimensions of retail service quality, physical aspects, reliability, personal interaction, problem solving, and policy, this study adopted the measure developed by Dabholkar, Thorpe, and Rentz (1996). The measure was chosen because it was a service quality scale which is particularly developed for the retail industry. It would be also interesting to apply the scale in Taiwan and examine the validity of the retail service quality measurement. Table 1 provides a complete list of the items included in the questionnaire. Multiple Likert items on five-point scales
were asked for each of the question. The dependent variables, retail service quality and perceived quality of store brands, are a single-item construct on a five-point interval scale from 1 (disagree) to 5 (agree).

To investigate the internal consistency of the above scales, Cronbach’s alphas were computed. The coefficients alphas for the physical aspects, reliability, personal interaction, problem solving, and policy were 0.63, 0.62, 0.61, 0.78, and 0.62. This suggested an acceptable internal consistency among the items in each dimension. Further, a confirmatory factor analysis (maximum likelihood algorithm and LISREL 8.72) gave support for the postulated structure of the model and confirmed the construct validity of the measures.

This study also used confirmatory factor analysis to examine convergent and discriminant validity. Evidence of convergent validity is found if the average variances extracted (AVE) shared between the constructs and their measures are above 0.50 and the loadings on the factors are significant (Fornell and Larcker 1981). In this study, the AVE for each factor and its measures were greater than 0.50 and the factor loadings were all significant (p < 0.05). This suggested evidence of convergent validity. Discriminant validity was examined using chi-square difference tests in which a correlation between pairs of factors are freely estimated and then set equal to 1 (Jap and Ganesan 2000). In this study, the correlations were significantly different from unity and therefore provide evidence of discriminant validity.

To examine the hypotheses, this study estimated the structural equation model using LISREL 8.72, using the maximum likelihood estimation method. In the results obtained from the structural model, the chi-square/d.f. of 4.32, goodness-of-fit index (GFI) of 0.90, a comparative fit index (CFI) of 0.98 and a standardized root mean square residual (SRMSR) of 0.044, which indicated that the model provides a good fit to the overall sample. Table 1 shows the results of standardized estimates for the hypothesized paths. All the paths depicted in the research model (H1–H6b) were supported as the t-values associated with the correct signs were statistically significant (p < 0.10).

The empirical results illustrate the five dimensions of retail service quality on the perceived quality of store brands. The five dimensions of retail service quality, i.e., physical aspects, reliability, personal interaction, problem solving, and policy, had positive and significant effects on the overall retail service quality and perceived quality of store brands. More specifically, the positive impact of overall retail service quality on the perceived quality of store brands in H1 is quite strong, with the standardized path coefficients of 0.50 as shown in Table 1. As for the first dimension of physical aspects, the path from physical aspects to the overall retail service quality and perceived quality of store brands is positive which supports H2a and H2b even though the coefficient of 0.05 is slight and only statistically significant at p < 0.10.

### Table 1

<table>
<thead>
<tr>
<th>Hypotheses</th>
<th>Expected Signs</th>
<th>Parameter Estimates</th>
<th>Hypothesis Supported</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1 Retail service quality → Perceived quality of store brands</td>
<td>+</td>
<td>0.50***</td>
<td>Yes</td>
</tr>
<tr>
<td>H2a Physical aspects → Retail service quality</td>
<td>+</td>
<td>0.09***</td>
<td>Yes</td>
</tr>
<tr>
<td>H2b Physical aspects → Perceived quality of store brands</td>
<td>+</td>
<td>0.05*</td>
<td>Yes</td>
</tr>
<tr>
<td>H3a Reliability → Retail service quality</td>
<td>+</td>
<td>0.24***</td>
<td>Yes</td>
</tr>
<tr>
<td>H3b Reliability → Perceived quality of store brands</td>
<td>+</td>
<td>0.12***</td>
<td>Yes</td>
</tr>
<tr>
<td>H4a Personal interaction → Retail service quality</td>
<td>+</td>
<td>0.25***</td>
<td>Yes</td>
</tr>
<tr>
<td>H4b Personal interaction → Perceived quality of store brands</td>
<td>+</td>
<td>0.11***</td>
<td>Yes</td>
</tr>
<tr>
<td>H5a Problem solving → Retail service quality</td>
<td>+</td>
<td>0.11***</td>
<td>Yes</td>
</tr>
<tr>
<td>H5b Problem solving → Perceived quality of store brands</td>
<td>+</td>
<td>0.05***</td>
<td>Yes</td>
</tr>
<tr>
<td>H6a Policy → Retail service quality</td>
<td>+</td>
<td>0.10***</td>
<td>Yes</td>
</tr>
<tr>
<td>H6b Policy → Perceived quality of store brands</td>
<td>+</td>
<td>0.04*</td>
<td>Yes</td>
</tr>
</tbody>
</table>

***Significant at p < 0.01
** Significant at p < 0.05
* Significant at p < 0.10
H2b of the impact on perceived quality of store brands. Furthermore, providing support for H3a and H3b, reliability of a retail store also significantly influences overall service quality and perceived quality of store brands, with the standardized path coefficients of between 0.24 for overall service quality and 0.12 for the perceived quality of store brands. Similar results can be found in personal interaction, problem solving, and policy as shown in Table 1.

CONCLUSIONS AND IMPLICATIONS

Store brands have become an important contributor to retail profit and also help to build store loyalty. Consumers’ quality perception of store brands appears to be a key factor in determining the success of store brands and therefore retailers are likely to benefit from enhancing perceived quality of store brands. On the other hand, the service quality of retailers turns into an effective implementation to differentiate themselves by meeting the needs of their customers better than competitors. Based on the cue utilization theory and the environmental psychology model, this study examined the influence of retail service quality on the perceived quality of store brands. The empirical results of this study indicated that five dimensions of retail service quality, physical aspects, reliability, personal interaction, problem solving, and policy, had positive and significant effects on the overall retail service quality and perceived quality of store brands. This research filled a literature gap by illustrating that the delivery of high service quality not only creates competitive advantage than competing stores but also arguments the perceived quality of store brands. In addition, these five dimensions of retail service quality give managers clear guidance on how to pursue a highly service quality delivered and enhance the perceived quality of their store own brands and increase the overall profitability.

The current study only reported the direct effects of five dimensions of retail service quality on perceived quality of store brands. This study is currently conducting the investigation and comparison of the direct and indirect effects of these five dimensions of retail service quality on perceived quality of store brands for future research.

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THE INFLUENCE OF SYMBOLIC RETAIL BRAND ATTRIBUTES ON STORE LOYALTY

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SUMMARY

Retail branding as a concept has tremendously gained in importance in retail literature. Researchers argue that branding and brand management principles can and should be applied to retailers (Ailawadi and Keller 2004). But while the idea that stores have a personality of their own, has been brought forward very early (Martineau 1958), studies on the antecedents and the consequences of a retail brand and on brand personality related issues in retailing are almost completely lacking, as well as a profound understanding of the concept itself.

In recent years, marketing research has become increasingly interested in understanding and measuring the symbolic meaning consumers attribute to brands (Austin et al. 2003). A considerable amount of attention in consumer research has been given to the construct self-congruity (see reviews by Sirgy 1982; Claiborne and Sirgy 1990 and the meta-analytic study by Bauer et al. 2006). In a related stream of research, a number of studies on brand personality has been stimulated by the article by Jennifer Aaker (1997). However, research on self-congruity and on brand personality in retailing has been very limited and might contribute to retail marketing research by adding additional explanatory variables to explain patronage behavior. Ailawadi and Keller (2004) list brand personality among the research priorities for future retail research and Sirgy et al. (2000) strongly recommend analyzing the effect of self-congruity on retail patronage.

To investigate the influence of symbolic retail brand attributes on retail patronage, a model is developed and tested dealing with the influence of self-congruity and retail brand personality on store loyalty. To compare with the influence of functional store benefits, the effect of brand performance on store loyalty is also integrated in the model. To analyze these influences, a data set was collected with seven retailers in Germany as stimuli, representing different retail sectors. We used an online survey with a convenience sample and the final number of usable cases was 515.

In a first step, we investigated the applicability of Aaker’s brand personality scale (BPS) for German retail brands. After some purification of the original 42-item battery, we assessed the reliability of the five dimensions by calculating Cronbach’s alpha scores that were all well above the usual threshold of .7. Also, based on 38 items, an exploratory factor analysis almost perfectly replicated Aaker’s BPS, when the number of factors was fixed at five.

The influences of self-congruity, brand personality dimensions and retail brand performance on store loyalty were analyzed with a set of multiple regression analyses. Consonant with previous research on product brands (see Bauer et al. 2006), self-congruity is influential in consumers’ patronage decisions.

Considering the brand personality dimensions, three, namely sincerity, competence, and excitement, also exert a significant direct positive influence on store loyalty. But brand sophistication does only exert an influence on the 10 percent significance level and a higher level of ruggedness even reduces store loyalty significantly.

While it is not surprising, that the retail brand performance (i.e., the functional brand attributes) influence store loyalty positively, it is of interest to compare the magnitude of the effects. Comparing the coefficients, retail brand performance exerts a much stronger influence on store loyalty than self-congruity. This finding is consistent with the results of Sirgy et al. (1991), who have shown that functional congruity is a stronger predictor of consumer behavior than self-congruity and with the findings of Bauer et al. (2006) who show that self-congruity has a positive effect on purchasing behavior, but emphasize that the predictive power of the variable is limited.

This present study integrated three predictors of store loyalty in one model that have not been simultaneously tested before. All three constructs, namely self-congruity, brand personality, and retail brand performance, were shown to be determinants of store loyalty.

It is important that retail managers realize that the symbolic image of the store (which was often neglected by retailers in the past, when retailers dominantly focused on functional attributes) play an important role in store patronage and loyalty behavior (Sirgy and Samli 1985).
Generally consonant with previous research, the results document the importance of self-congruity in predicting store loyalty. However, the effect should not be over-estimated. The predictive power from self-congruity is lower than that of the specific brand personality items. More research on the relation between both constructs is needed, but our study already indicates that it might be useful to strengthen the dimensions “competence,” “sincerity,” and “excitement” regardless of the target group of the retailer.

While the relevance of symbolic brand attributes on retail patronage has thus been shown, our results confirm previous studies in the paramount importance that functional attributes still have (Garton 1995; Merrilees and Miller 2002; Sirgy et al. 1991). In the current study, they are by far the most important influence factor and play a pivotal role in explaining store loyalty. References available upon request.

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THE RELATIONSHIP BETWEEN RETAIL ENVIRONMENT AND CONSUMERS’ PRODUCT BRAND LOYALTY IN VERTICAL VS. CONVENTIONAL RETAIL CHANNELS

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SUMMARY

Despite the great amount of academic literature on vertical integration only few studies have analyzed the impact of vertically integrated channels on consumer behavior. We therefore address the question how forward verticalization of manufacturers impacts consumer reactions towards the brand. Our main interest is if vertically integrated marketing channel systems and the related distribution channel characteristics lead to superior consumer reactions to the brand than in non-vertical marketing channel systems. In this context, we address the issue if the impact of channel strategy is related to consumers’ involvement, as there is almost no research on this area.

Relationship marketing literature suggests that brand loyalty is of strategic importance for companies to obtain a sustainable competitive advantage (Sirdeshmukh, Singh, and Sabol 2002). Therefore, we consider brand loyalty as an adequate concept to analyze the outcome of manufacturers’ distribution policy. Regarding the antecedents of brand loyalty, consumers’ evaluation of brand characteristics are of major importance because the outcome of such evaluation processes determines the value that individuals derive from a brand. In addition to product characteristics, loyalty toward the product brand also is influenced by the distribution channel, that is by the consumers’ perception of the retail store. Branding literature suggests that a consistent brand environment is critical to generate brand loyalty and thus, context effects are important for consumer evaluations. According to these theoretical implications on the antecedents of product brand loyalty we propose:

H1: The better the evaluation of the utilitarian and the hedonic dimensions of the product brand is, the higher is product brand loyalty.

H2: The better the evaluation of the retail store is, the higher is product brand loyalty.

Verticalization is a channel strategy that should be highly consistent to the product brand strategy and thus, a high degree of “fit” between the product brand image and the channel image should be the rule. We therefore propose a moderating effect of verticalization:

H3: The relationships between product brand perception and product brand loyalty and between the retail store perception and product brand loyalty are moderated positively by verticalization.

Involvement is considered as one of the most important factors of influence on consumer evaluation processes of products and retail stores and on the development of brand loyalty. Highly involved consumers are considered to use more criteria in decision making, to search more extensively for information, to use more information sources or to accept less alternatives and their information processes are characterized as being more elaborate (Petty and Cacioppo 1984). We assume that evaluation processes of higher involved consumers should therefore lead to more pronounced product brand loyalty intentions:

H4: The relationships between product brand perception and product brand loyalty and between retail store perception and product brand loyalty are moderated positively by consumers’ involvement.

As vertically integrated channels are considered to be highly consistent in terms of product brand and retail brand strategy, we suppose that if product brand and retail image “fit” to a high degree, higher involvement should lead to even more pronounced and enduring loyalty intentions than in the low involvement case (Park, Milberg, and Lawson 1991):

H5: The moderating effect of involvement on the relationships between product brand perception, retail store perception and product brand loyalty in vertical channels is higher than in conventional channels.

To test our hypotheses, an empirical study (795 respondents) was conducted among consumers in Germany. We focused on the fashion industry. Four different product brands and twelve different stores were chosen as stimuli. Each respondent was asked about one specific product brand in one specific retail store. Measure vali-
dation and model testing were conducted using PLS (Partial Least Squares). Our results show support full for Hypothesis 1. Hypotheses 2–5 are partly supported by our empirical study.

With the results of our study, we can add to the knowledge on the sources of success of vertically integrated channel systems. We can show that characteristics of the retail channel are important in building product brand loyalty and that the contribution of the retail store perception to product brand loyalty is significantly higher in vertically integrated channels. We also show that the higher involved consumers are, the more important are hedonic aspects of the product for product brand loyalty creation and our study shows that verticalization moderates the impact of involvement on the effects of product and retail store perception on product brand loyalty.

This study reinforces the notion that for manufacturers a careful selection of distribution channels is of key importance to generate product brand loyalty. But our results imply that verticalization seems to be more important for weaker brands. According to our results and contrary to what we expected, in conventional channels, the product brand seems to be less contingent on its retail channel environment and thus the product characteristics themselves exert a higher influence on brand loyalty in vertically integrated channels. The product brand has to compete to other product brands in the assortment and single product brands exert less support from the channel environment. Thus, if the manufacturer has a strong product brand, verticalization is not necessarily required to be successful, whereas, on the other hand, weaker brands can benefit from the support of a favorable retail channel environment and this can be achieved more effectively in vertically integrated channels. In channel design, manufacturers also should care for consumers’ involvement as in vertically channels the impact of service aspects become more important, while, however, with higher involvement the impact of the store environment is alleviated. References are available from the authors upon request.
GENDER AND NEW BRAND NAME RESPONSE

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SUMMARY

Selecting a new brand for a new product is often considered the centerpiece of introductory marketing programs. An effective brand name can enhance awareness and create a favorable image for the product. However, not all brand names are well received by consumers. In fact, one of the more notorious failures in marketing history, the Ford Edsel, has been attributed to its name. As a result, certain desirable characteristics of new brand names have been identified. For instance, Kotler (1992) proposes that new brand names should be suggestive, distinctive, and easy to pronounce, recognize, and remember.

While helpful, these guidelines may be challenging to follow. One noted difficulty lies with creating brand names that are both “distinctive” and “suggestive” of product benefits or qualities. In response to this challenge, marketers have turned to the linguistic field of sound symbolism. Sound symbolism studies “the direct linkage between sound and meaning.” The popular press, for instance, contends that the Kraft brand name communicates efficacy through the letter K. Prior branding research has found that certain sounds in brand names can convey a number of attribute qualities – e.g., size, speed, femininity, etc.

Another challenge to conventional naming guidelines is that they do not recognize possible individual-level differences that may exist in response to new brand names. For instance, given that certain sounds are associated more with femininity, might brands that contain such sounds be received more favorably by women than men? Additionally, if gender differences do exist, might they be more pronounced in product categories where masculinity/femininity commonly differentiates competing product offerings?

In short, the purpose of this research is to examine whether gender differences exist in response to certain brand name sounds. This research also investigates whether this potential gender effect is more pronounced when masculinity/femininity is a relatively important product attribute.

Results of an empirical study indicate that females prefer brand names containing higher frequency vowel sounds (e.g., the “i” in bin), as opposed to lower frequency vowel sounds (e.g., the “u” in bun). While the results were not significant, more males chose brand names with lower frequency vowel sounds over brand names with higher frequency vowel sounds. A logistic regression found that gender differences became more pronounced when the importance of the masculinity/femininity attribute increases.

In short, prior research has largely neglected individual differences such as gender in studying brand name preferences. The findings of this study, however, indicate that males and females differ in their response to new brand names. Gender differences in brand name preferences appear more pronounced in product categories where masculinity/femininity is commonly used to differentiate competing offerings (e.g., deodorants as opposed to paper clips). An important implication of this study is for managers to account for gender (and possibly other demographic characteristics) when targeting a given segment with a new brand name. References available upon request.

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CAUSE MARKETING: DIMENSIONS OF FIT AND THEIR IMPLICATIONS ON ATTITUDE TO THE SPONSORSHIP AND THE BRAND

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SUMMARY

Consumers’ involvement with different social causes has sparked a great interest in the minds of executives who realized that aligning their brand with a “good cause” is not only socially responsible but can also be a profitable endeavor. An alliance between a brand and social cause may be an effective marketing strategy potentially leading to a sustainable competitive advantage. At the same time, not all brand-cause relationships have a positive outcome for the brand. It has been suggested that only brand-cause relationships that fit allow the brand to generate positive returns, whereas low fit relationship may even be detrimental to the brand.

Despite its recognized importance, there are no clear guidelines helping managers assess whether a certain cause may be a good fit with their brand. Experimental research showing that fit matters has relied on extreme cases comparing “good fit” with “bad fit.” Although in some instances it may be easy for marketing managers to determine “good fit,” this may not always be the case, which forces managers to rely on their instincts. In order to help alleviate this uncertainty, the purpose of this paper is to advance the development of a fit theory. Our objective is to examine different dimensions of fit to establish better criteria for developing appropriate relationships between a brand and social cause. We conduct two studies to test our hypotheses. First, we rely on a qualitative study to generate potential dimensions of fit, which we subsequently examine in a large-scale quantitative analysis. Additionally, to further substantiate previous studies we explore how cause-brand fit affects attitude to the sponsorship, as well as attitude to the brand.

Study 1: Qualitative Approach

Twenty-two graduate business students were presented with 16 actual advertisements from popular magazines where various brands endorsed the Susan G. Komen Breast Cancer Foundation. More than 300 brands are associated with the Breast Cancer foundation in some capacity which makes it a suitable context for our study. In an open-ended questionnaire, the respondents were asked to identify how the Komen foundation “fits” with the various brands. This exercise identified several dimensions of fit, all of which seemed to contribute to the perceived fit between a brand and cause. Fit between the cause and brand was derived from (1) slogan compatibility, (2) mission agreement (FMIS), (3) color or visual compatibility, (4) common target market (FTM), (5) compatible promotional activities, (6) location compatibility, (7) local attributes, (8) encouraging active involvement, (9) visibility of relationship (VIS), and (10) explicitness of relationship.

Study 2: Hypothesis Testing – Quantitative Approach

In this study, we created a questionnaire which asked the respondent to view a set of nine advertisements and identify how well the brand and cause rank on the various dimensions of fit that we had identified in the study one. The respondents were 92 undergraduate business students resulting in 826 valid observations. To assess the reliability of all our latent constructs, we relied on factor loadings in Lisrel 8.7, Cronbach’s alpha, as well as Average Variance Extracted (AVE). Factor loadings for all of the items were well above recommended threshold levels. Similarly, Cronbach’s alpha for all items were above the recommended .7 threshold and AVE were all above the recommended .5 threshold.

Our analysis assessed the multidimensionality of fit. In doing so, we employed an exploratory approach in our efforts to determine which fit dimensions best explains perceived overall fit. In order to test each dimension’s ability to generate overall fit between the brand and social cause, we first specified a path model which included all ten of the fit dimensions. Based on this iterative process, we conclude that overall fit is best predicted by three of the original ten fit dimensions: FMIS, FTM, and VIS. These findings shows that fit is a multi-dimensional construct that can be explained by three dimensions.

Subsequently, we examined a path model that explores the relationships between the three fit dimensions, overall fit, attitude to the sponsorship, and attitude to the brand. The model shows adequate fit and the path coefficients are significant and in the expected direction. We find that the three dimensions of fit are positively related with overall fit. Furthermore, as expected, we find that fit is positively related with attitude to the sponsorship (t =
and that attitude to the sponsorship is positively related to attitude to the brand (t = 6.06, p < .001). However, the direct path between fit and attitude to the brand is not significant (p > .05). This indicates that attitude to the sponsorship mediates the effect of fit on attitude toward the brand.

**Implications and Conclusion**

Our research takes us a step closer in developing a foundation that can guide managers in developing CRM relationships perceived as having good fit. Our analysis has identified three dimensions of fit that significantly affect the perceived overall fit between a brand and social cause. The multidimensionality of the fit construct implies that managers cannot and should not simply rely on their instincts. Rather, they should take into consideration the full complexity of the construct in order to make CRM contribute to their brand’s longevity. Our results indicate that firms involved in sponsorship activities perceived as fitting can benefit in terms of improved attitude to the brand. More importantly, we have shown that consumers perceive relationships as fitting when high congruence, in terms of the firm and the cause having similar mission or products and serving a similar target market, exists. Additionally, it is particularly interesting to pinpoint the strong connection between the visibility of the relationship portrayed on the ad and the consumers’ perception of fit. This indicates that if “natural” fit is less than optimal, firms have an opportunity to create a perception of fit. References available upon request.

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UNCERTAINTY ORIENTATION AND THE EVALUATION OF BRAND EXTENSIONS

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SUMMARY

Brand names with high equity are among the most valuable assets possessed by the firm (Madden, Fehle, Fournier 2006; Simon and Sullivan 1993). It is, therefore, not surprising that companies often attempt to extend their high equity brands to other product categories. Such extensions are typically less risky than new brand introductions and constitute one of the most frequently employed and most profitable marketing strategies (Völckner and Sattler 2006). Furthermore, it has been demonstrated that brand extensions have a positive impact on advertising efficiency (Smith 1992; Smith and Park 1992), market share (Smith and Park 1992; Sullivan 1992), and stock market return (Land and Jacobson 1995).

Researchers have spent considerable time and effort identifying antecedent and moderating variables that affect the evaluation of brand extensions (for recent reviews see e.g., Czellar 2003; Hem, Chernatony, and Iversen 2003; Völckner and Sattler 2006). Interestingly, some researchers have also tried to integrated categorization theory into the discussion of brand extension success (e.g., Kalamas, Cleveland, Laroche, and Lauffer 2006; Mao and Krishnan 2006) and specifically examined whether Mandler’s (1982) schema congruity theory helps explain consumers’ evaluation of brand extensions across different levels of schema (in)congruity (e.g., Meyers-Levy, Louie, and Curren 1994). In the latter case, Meyers-Levy et al. (1994) argued that the extent to which the parent brand and its new extension are congruent or linked by common associations constitutes an important determinant of brand extension success. In line with Mandler’s (1982) schema congruity theory, they found that consumers’ are likely to evaluate moderately incongruent brand extensions more favorably than either congruent or extremely incongruent brand extensions (inverted-U relationship).

The present research aims to extend Meyers-Levy et al.’s (1994) study by taking into consideration a possible moderating variable of this proposed relationship. Specifically, we examine how one individual difference variable – uncertainty orientation – is likely to affect brand extension success across three levels of congruity. Uncertainty orientation constitutes a well-known antecedent to attitude and behavior in the psychology and sociology literatures, but is unstudied to date in a marketing context.

Specifically, the theory of uncertainty orientation states that uncertainty (certainty) oriented individuals have the tendency to become more cognitively active (passive) in uncertain situations (Sorrentino, Short, and Raynor 1984). If it is assumed that a new brand extension creates lower or higher levels of uncertainty depending on how discrepant it is from the parent brand, uncertainty orientation theory allows us to predict individual differences in consumer processing and evaluation of the extended brand. Thus, we hypothesize that the inverted-U relationship that was found by Meyers-Levy et al. (1994) will only hold true for uncertainty-oriented (UO), but not certainty-oriented (CO), consumers. Specifically, we hypothesize that consumer differences exist in the moderately incongruent conditions, so that UO consumers are likely to evaluate moderately incongruent brand extensions more favorably than consumers who are CO. We further posit that this effect will be due primarily to higher levels of elaboration on the part of UO versus CO individuals when confronted with moderately incongruent brand extensions. Moreover, we test the hypothesis that the relationship between uncertainty orientation and moderately incongruent brand extension elaboration and evaluation is mediated by consumers’ perceptions of the fit of the brand extension with the parent brand. Finally, a second potential mediator, a firm’s reputation, is analyzed.

In two experiments, we find empirical support for the hypothesis that UO (versus CO) consumers elaborate more upon and evaluate more favorably moderately incongruent brand extensions. In addition, we find for the moderately incongruent brand extension condition that UO consumers perceive greater similarity between the parent brand and its extension than CO consumers. Finally, preliminary evidence is provided that the effect of uncertainty orientation on brand extension evaluation is mediated by perceived similarity and a firm’s reputation. Surprisingly, differences in consumer evaluation (UO versus CO) overall were not significant for the congruent and extremely incongruent conditions. Moreover, in contrast to Meyers-Levy et al.’s (1994) findings we, overall, did not find an inverted-U relationship between consumers’ brand extension evaluation and level of (in)congruity.
for both UO and CO consumers, but rather a more linear relationship similar to Boush and Loken (1991) and Barone, Miniard, and Romeo’s (2000) findings for different levels of brand extension typicality. Limitations of

our study, managerial implications, and suggestions for future research are presented. References available upon request.

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ADVERTISING DISCLOSURES ONLINE: HOW EFFECTIVE ARE THEY?

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SUMMARY

The popularity and worldwide acceptance of electronic media are rapidly changing advertising, marketing, and the way organizations around the world conduct business. Computer-mediated advertising allows organizations to provide customers with simulated direct-product experiences (Klein 2003), which lead to stronger attitudes and beliefs than traditional advertising (Berger and Mitchell 1989; Marks and Kamins 1988; Smith and Swinyard 1987).

However, the phenomenal growth in Internet advertising activity, as well as marketers’ increased capability to rapidly change their online messages have resulted in increased concerns about incomplete and potentially misleading content in Internet advertisements. Although online advertisements are subject to the same regulations as advertisements in traditional media, the rules may be more difficult to enforce given the profusion of ads and the capabilities of advertisers to quickly change messages.

While previous research has examined misleading advertisements in traditional media, relatively little attention has focused on consumers’ responses to online advertising. We investigate how consumers process advertising content in media rich contexts such as the Internet. Specifically, we examine how media richness of the online ad affects the processing of advertising disclosures, and how these results are moderated by consumer involvement.

This study shows that consumer processing of disclosures in online advertisements depends on the level of media richness of the ad, and that consumers’ motivation to process the advertising information moderates these effects. Results of an experiment showed that when involvement is low, advertising content (disclosures/non-disclosures) influenced consumer responses only under a low level of media richness. However, beliefs of high involved consumers were affected by advertising content regardless of the level of media richness. Public policy makers must continue to enforce the disclosure guidelines for online advertisements.

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THE UNLAWFUL INTERNET GAMBLING ENFORCEMENT ACT OF 2006: MARKETING AND REGULATORY IMPLICATIONS

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ABSTRACT

The passage of the Unlawful Internet Gambling Enforcement Act of 2006 by the U.S. Congress restricting Internet gambling in the U.S. is significant because it is the first federal law that specifically addresses restrictions of Internet gambling. This paper addresses legal, marketing, and regulatory issues relating to the new legislation.

INTRODUCTION

The recent passage of federal legislation by the U.S. Congress to restrict Internet gambling in the United States adds a new dynamic to the current regulatory framework. This has important implications for international gambling operators and financial intermediaries “serving” the U.S. market and for their American consumers. The “Unlawful Internet Gambling Enforcement Act of 2006” criminalizes the acceptance of funds from bettors by operators of most online gambling Websites. The new law is significant in that it is the first federal law that expressly addresses restrictions of Internet gambling and the emerging payment technologies for online betting according to Rose (2006). Prior to this legislation many Internet gambling sites disguised their origins and transactions, while using aggressive marketing promotions with U.S. consumers, e.g., an online casino located in the U.K. and operated from the Caribbean.

The U.S. government’s intent with this legislation is to prevent or limit gambling especially by vulnerable groups such as youth, the elderly or the poor. Clearly, there is a social and economic concern about the potentially addictive characteristics or hazards of online gambling for these groups (Netemeyer, Burton, Cole, and Williamson 1998; Korn, Gibbins, and Azmier 2003). This paper, however, will focus on the more prevalent “amateur” and professional Internet gambling consumers in the expanding internet entertainment services environment.

There are an estimated 1500 Websites worldwide, available to U.S. consumers despite restrictions by the U.S. Department of Justice (Christiansen 2005). Internet gambling is legal in over fifty countries and jurisdictions, primarily in Europe and the Caribbean (U.S. GAO December 2002) which does not go unnoticed by U.S. land-based casino conglomerates such as Harrah’s, or Wynn properties. To date, Internet gambling, industry-wide, ranges from three and a half to four percent of the total business-to-consumer global e-commerce according to various sources or a $12 billion market or larger with Americans estimated to make up a significant share. For example, estimates for U.S. Internet bettors range from fifty to seventy percent of the total global online gambling market (U.S. GAO December 2002; Economist.com 2004; Woellert 2004; Christiansen 2005; Kearney 2005).

Consumer advocates believe that Internet gambling is especially pernicious to vulnerable groups given aggressive marketing and its widespread access at home, campus or work. Some (Parke and Griffiths 2004) argue that online gambling is a more dangerous environment than other forms of commercial gambling because much is still unknown. There is a wide range of literature that supports consumer groups and others concerns about gambling’s dangers of addiction (Eadington 2004). The seemingly unrestricted Internet raises just as much concern for these groups and perhaps for the larger but unsuspecting American public. These issues are addressed in part in the new law. The Goodlatte-Leach (2006) House of Representatives (H.R. 411) Bill which contributed to the final version of the Unlawful Internet Gambling Enforcement Act of 2006 states:

Internet gambling’s characteristics are unique: online players can gamble 24 hours a day from home; children may play without sufficient age verification; and betting with a credit card can undercut a player’s perception of the value of cash, leading to addiction, bankruptcy, and crime. Because these businesses are located overseas, they usually evade Federal or State laws enforcement. Easy access . . . gives the U.S. public a misimpression that Internet Gambling is legal.

International online gambling operators have already been directly affected by the tougher enforcement and legislative approach taken by the U.S. For example, the large Internet gambling firm BetOnSports PLC of the United Kingdom, consented to a settlement with the U.S. Department of Justice to return refunds to previous wagering customers. Another part of the agreement is that the firm must place prominent advertisements in major U.S. newspapers and on its website that online gambling is illegal in the United States. Like many online global gambling firms, the publicly traded BetOnSports (listed
on the London Stock Exchange), depends upon American bettors for a significant share of their operations (Timmons and Pfanner 2006). An important question is to what extent the law will discourage other international operators from marketing in the U.S. Another question is, whether these or other large operators, with legitimate sites in other developed countries, will eventually be able to return to the U.S. market – either through the “back door” or legitimately. Only time and the new, still to be promulgated regulations, will tell.

How this new legislation will affect consumers may be even less clear. Nearly twenty-five percent of the U.S. adult population made a visit to casino operations in 2005 (American Gaming Association 2006). As legalized gambling continued to grow as a mainstream form of entertainment for Americans, so did Internet gambling. Although Internet gambling is deemed illegal by the U.S. Justice Department, it has continued to proliferate until now. The question is whether this trend will continue now that the new law has taken effect.

In order to address these legal, marketing, and regulatory issues as they relate to the new legislation in the global marketplace, this paper will address Internet gambling in terms of the:

1. U.S. legal structure and enforcement challenges;
2. Effects on gambling operators and consumers; and
3. Conclusions and suggestions for further research.

U.S. LEGAL STRUCTURE

The legal status of online gambling has been murky ever since web operators started taking bets over the Internet. The Commerce Clause of the U.S. Constitution gives the Federal government the authority to regulate interstate gambling (States regulate intrastate betting). The Wire Wager Act of 1961 prohibits interstate gambling but only over interstate wires. This has lead to confusion and apparently conflicting interpretations by different courts. The U.S. Department of Justice, however, maintains that all interstate gambling, including all online gambling, is illegal (U.S. GAO 2002; Humphrey 2004).

To confuse matters further, the Interstate Horseracing Act (IHA) as amended, specifically allows for interstate off-track bets with the use of electronic equipment. That presumably includes bets by telephone and computer, including the Internet. The USA Patriot Act is primarily aimed at preventing transmission of funds to entities or individuals that threaten our national security but includes all criminal money transfer and laundering activities. If online (interstate) gambling is indeed illegal in the U.S., this law would prohibit all money transactions involved in online gambling. The big question is whether this practice is illegal or not.

None of these laws deal explicitly with online gambling since they were either enacted before the advent of the Internet or address tangential issues, e.g., the USA Patriot Act. Several unsuccessful attempts have been made to pass legislation in Congress to clarify or at least deal with the legal status of online gambling but none were passed until recently (Binkley and Vascellaro 2006; Cage 2005; Dorey 2003; Doyle 2003; Humphrey 2004; Humphrey 2005; Gambling Licenses.com 2004; Thomas Local Government 2007).

Finally the Unlawful Internet Gambling Enforcement Act of 2006 was passed by Congress and promptly signed into law by the President in October 2006. This Act is a compromise between those lawmakers who preferred to leave the present status intact or wanted legal, regulated online gambling, and those who preferred its outright abolition.

The key elements of the Act are highlighted in Exhibit 1. This presentation and its analysis is based mainly on the available official (electronic) sources, i.e., the (U.S.) Government Printing Office (GPO 2007) and U.S. Library of Congress (Thomas 2007). The main thrust of this law is directed at preventing the transfer of funds involved in illegal Internet gambling. It especially singles out financial intermediaries but also restricts gambling website operators, Internet service providers (ISPs) and search engines.

As can be seen from Exhibit 1, this compromise law raises almost as many questions as there are stipulations. The ban on gambling site operators and their associates to accept betting funds from unlawful Internet gambling is a case in point. The problem is that the law does not really define what “unlawful” Internet gambling is. It does state that such unlawful online gambling is the sponsorship of online gambling that “violates any other federal or state law.” This raises the question as to which laws are involved. There are a few states that now have laws that specifically ban online gambling but the rest do not. Moreover, such laws only apply to the state in question. On the federal level there are no such (preceding) laws as explained earlier (Rose 2006).

There are a series of stipulations aimed at financial intermediaries and institutions. These include legitimate main street and – stream establishments such as regulated banks and those that operate in a gray area or even illegally according to U.S. law. Most, if not all, of the latter are based outside the U.S. in countries that allow online gambling.
EXHIBIT 1
Unlawful Internet Gambling Enforcement Act of 2006

*Bans operators of online gambling Websites from accepting funds from bettors in unlawful Internet gambling – subject to criminal penalties. Also affects associates – aiding and abetting.

Q. What online gambling is “unlawful?”
   * Unlawful Internet gambling is the sponsorship of online gambling that violates any other federal or state law.

Q. Which laws?
   * Merely betting online is not banned.
   * The transfer of funds for this purpose by financial intermediaries is prohibited.

Q. Which financial intermediaries?
   * Financial intermediaries are required to adopt procedures and policies to identify and block money transactions to unlawful gambling sites. Federal regulators are required to specify relevant regulations within 270 days.

Q. What will these regulations require?
   * The Federal Reserve Board or the FTC may take measures to ban U.S. financial institutions from dealing with financial intermediaries that seem to be acting primarily as conduits for fund transmissions to unlawful gambling sites.

Q. What about more indirect or secondary transfers?
   * Online bets made in accordance with the Interstate Horseracing Act are allowed (as before).

Q. How can the U.S. justify this exemption in view of the WTO ruling?
   * ISPs can be required to remove illegal sites and block hyperlinks to sites that are transmitting money to the former.

Q. Where are such sites located?
   * Search engines may be ordered to remove a link to a website that violates the prohibition of money transfers for unlawful gambling.

Q. Do the courts want or expect Google and others to check and censor all references to (illegal) online gambling?
   * This Act expressly does not alter the Wire Wager Act or any other existing U.S. or state law.

Q. So where does that leave the status of “Internet gambling?” Which part is “unlawful?”


The Act prohibits “financial intermediaries” from transferring funds, directly or indirectly, to and from gambling operators and their bettors if this practice is “unlawful.” Apart from the obvious question of how legality can be unambiguously determined, there is also the uncertainty of which financial intermediaries are included. One would expect that those in the legitimate mainstream in the U.S. and other leading international nations trading with the U.S. are included. Since this law also requires oversight of these intermediaries by the federal regulators, it is unclear whether the law applies to those based in countries that allow questionable and illegal “offshore” operations. Also, it is not clear whether the law includes electronic payment services – especially those based offshore such as NETeller and Firepay. These firms often serve as the conduit for online gambling funds.

These financial intermediaries are also required to adopt policies and procedures to identify and block money transactions to illegal gambling sites. Federal regulators, in the form of the U.S. Treasury and the
Federal Reserve Board, are to specify relevant stipulations within 270 days of the enactment of this law. This raises the uncertainty level for the online gambling industry yet another notch – what precisely will be required of these financial intermediaries? Banks and credit card companies, for instance, are not keen to be overburdened by onerous and costly regulations. They also are concerned that they may not have the technology to vet every conceivable suspicious transaction, especially written checks. Fortunately for them, the law provides for an out, in instances where these institutions are unable to implement such regulations (Binkley and Vascellaro 2006; Ford, Breen, and Houle 2006).

In order to (further) limit rogue financial intermediaries such as NETeller, if they act primarily as funding conduits for illegal online gambling, the law allows for cutting their financial transactions with U.S. financial institutions. The Federal Reserve Board and the Federal Trade Commission are authorized to take the pertinent measures. The question here is how far these regulators will go in choking off the money supply to rogue intermediaries. Will they only look at direct links between these intermediaries and their wayward gambling operator clients? Or will they also follow up to see if such links are masked through indirect transfers via legitimate offshore financial institutions? What if these funds are first “invested” or held in a foreign bank and then (later) released for payments? How far will and can they go in such a chain?

The Act also upholds the legality of the Interstate Horseracing Act which allows interstate online wagering. This is a significant concession to the racing industry especially in view of the recent ruling by the World Trade Organization (WTO). The tiny nation of Antiqua and Barbuda sued the U.S. because it tries to deny them (and all other) nations access to their online gambling market. It claimed that this was a violation of the WTO treaty on free trade in services to which the U.S. is a signatory (Ford, Breen, and Houle 2006; Rose 2006; Pfanner 2005).

In its latest ruling, the WTO agreed that the U.S. restricted such trade but it was justified in doing so to maintain morals and public order. However, it also stipulated that since betting on online horse racing is legal (at least for U.S. operators), this discriminates against operators from other countries such as Antiqua and Barbuda. It ruled that this is a violation of the free trade in services treaty and that the U.S. has to rectify this situation by a given deadline (Cage 2005; Ford, Breen, and Houle 2006).

This ruling leaves the U.S. with essentially two internationally acceptable legal options – to either scrap the horse racing exemption or to allow racing operators from other countries to enter the U.S. market. The Administration has done neither, in fact it passed the new Act which affirms the (U.S.) legality of Internet horse race wagering. In the meantime, the WTO deadline has passed. So far, no subsequent formal international legal steps have been taken by either of the parties involved nor by the WTO. Perhaps the renewed confirmation of the existing U.S. legal status of gambling on Internet horse racing will serve as a catalyst for a resolution.

The stipulation that allows for ISPs to remove illegal sites and block financial hyperlinks to them can probably only apply to U.S.-based servers or web-sites. The potentially most controversial provision allows for search engines to be ordered to remove links to Websites violating the money transfer prohibition. Will the courts really want or expect Google and others to play a major role as monitor or censor in weeding out all gathered (non-advertised) references to illegal Internet gambling?

This law also states that it does not alter any existing U.S. or state law. The problem is that this does nothing to clarify the murky legal status of Internet gambling – it fails to specify what it means by “unlawful” in this context. This perpetuates the uncertain legal climate for operators, consumers and law enforcers. It actually draws more actors into this legal fog, i.e., financial organizations, ISPs and search engines.

Enforcing any laws regulating online activities is especially challenging because their “borderless” nature makes it easier for illegal offshore website operators to avoid apprehension and prosecution. This problem is compounded when the law is unclear as is the case with online gambling in the U.S.

Exhibit 2 presents a number of enforcement issues emanating from the new Act. Blocking foreign financial intermediaries from transmitting funds via legitimate financial institutions would certainly severely stem the financial flow between bettors and operators.

The question is whether this can be accomplished effectively. Indirect links and bypass routes may be devised by clever operators and intermediaries. For instance, enterprising rogue operators may steer gamblers to open accounts in offshore banks based in gambling-friendly countries. These accounts can then be accessed as needed for participating in Internet gambling. Payouts of winnings could be credited to these accounts or eventually transferred back via circuitous routes. Alternatively paper checks could be used since U.S. banks are unlikely to readily spot those used for online gambling purposes (Binkley and Vascellaro 2006; Humphrey 2006; Rose 2006).
Perhaps when the financial regulations regarding U.S. financial institutions are finally promulgated it may become clearer whether some of these practices can be stopped. Regardless of the regulations ultimately enforced, it is doubtful that all links can be effectively sealed off.

As a practical matter, ISPs will only have to respond to law enforcement requests to remove sites and links of offenders. If they happen to be foreign ISPs they are beyond the jurisdiction of the U.S. Foreign servers of a U.S. ISP may also be immune to the U.S. legal system (Humphrey 2006; Rose 2006).

A key issue is whether U.S. search engines will or can be required by U.S. courts to block or censor all references to illegal Internet gambling. This not only raises important freedom of (commercial) speech issues but is also potentially very costly for search engine providers. Can they technologically even detect all or most of these cited sites and links? What happens when online gambling operators switch to a foreign website of the U.S. ISP (Rose 2006).

Poker played online is one of the most popular forms of Internet gambling. Supporters are making the argument that poker is more a game of skill than of chance. If they could prove this, they would be able to classify poker as a game of skill and exempt them from many state gambling laws. Since the new Act defers to these laws in this matter, online poker might conceivably escape an “unlawful gambling” designation in many instances. However, furnishing such proof seems virtually impossible (Humphrey 2006).

The law also provides for an international enforcement component. It authorizes state and federal attorneys general to take legal action against offending foreign electronic payment processors such as NETeller. That, however, is easier stated than done. These intermediaries and their executives are based offshore and are normally not subject to extradition to the U.S. That is probably one reason why the law also urges the U.S. executive branch to cooperate with other countries to assist in such enforcement (Rose 2006). Again, that sounds good but many of these governments see more gain in continuing support for their online gambling operators than the kudos they may receive from the U.S. for cooperating. The Antigua and Barbuda complaint is a case in point.

**EFFECTS ON OPERATORS AND U.S. GAMBLERS (CONSUMERS)**

*Online Operators, Financial Intermediaries, and Search Engines*

The new law has already registered a major initial impact for mainstream publicly traded British firms since their combined market value has been eroded by over $7 billion in the first few weeks after the prohibition went into effect (Timmons and Pfanner 2006). In order to survive without the U.S. market, legitimate publicly

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**EXHIBIT 2**

**Enforcement Issues**

* Blocking foreign financial intermediaries from transmitting to and from legitimate U.S. financial institutions.
* The extent of yet-to-be announced financial regulations – effect on U.S. financial institutions (block, monitor, means of payment, e.g., paper checks).
* No ISP is required to monitor or track down offenders – only to remove sites and links on their own servers if requested.
* ISPs with foreign servers – out of reach.
* Censoring or blocking all references to illegal online gambling by search engines – possible?
* (Online) poker – is it a game of skill or not?
* Effectiveness of potential judicial action (under the Act) by attorneys general against foreign payment processors.
* International cooperation by executive branch with other countries to help enforcement.

traded online gambling operators such as PartyGaming.com are likely to focus on the regulated British online market and/or pursue new markets in Europe and Asia. PartyGaming’s net profit for 2005 of $293 million or 29 percent of $997 million in revenues were substantial. Future profits are likely to decline given the current scenario (see Partygaming.com’s 2005 annual report to shareholders). While some U.K. based firms are in a panic, private equity firms may see this as an opportunity to acquire these once successful online business models and move to the Caribbean or Asian locations, where many smaller firms already proliferate with little or no scrutiny from the U.S. government.

The problem with many private equity online gambling firms however, is their perceived “rogue” like reputations of going underground and money laundering activities. For example, private online gambling firms may be more likely to process customer gambling transactions that flout U.S. law or European Union regulations. Such, illegal back-room operators have been able to infiltrate the Internet at little cost and to manipulate the odds for unassuming gamblers (Clarke and Dempsey 2001). Another problem is that, many of these competitors are firms that are licensed in third-world countries with lax regulatory standards and reputations.

Also, because of the act, mainstream publicly traded firms are no longer able to use their Websites for marketing to U.S. customers. The new legislation, however, has not prevented private online gambling firms from marketing to American customers from their Websites located in the Caribbean or elsewhere outside of U.S. jurisdiction. Regulatory standards set in the U.S. are unlikely to change such practices.

There are also new challenges for Internet service providers (ISPs), search engines and financial intermediaries. The highly successful California-based Internet service firm Google does not accept advertising from Internet gambling sites. Using the Google search engine, however, the consumer will still readily find a number of gambling Websites at their disposal. Unfortunately, given the current demise of legitimate publicly traded Internet operators, many amateur and professional gamblers have sought other European and Asian operated Websites. As they do so, they can no longer depend on U.S. financial intermediaries such as banks and credit card companies to process their payments. U.S. users who decide to continue to gamble will need to use other Internet payment services located in other countries.

NETeller a major online money transfer firm, located in the Isle of Man may be less affected than U.S. based financial intermediaries by the new act. NETeller processes direct debit, electronic checks, credit card payments for Internet merchants, and a significant number of American bettors. To date, NETeller still allows U.S. resident consumers to use their services as normal even after the new Act was signed into law. However, this is not necessarily significant since the specific regulations governing its actions as a financial intermediary have not yet been published. As stated earlier, the designated regulators have 270 days from the signing of the law (in October 2006), to do so. So NETeller has at least that much time to comply – assuming it chooses to do so. Even if NETeller does not comply, enforcement by the U.S. may be difficult, partly because it may be able to forge back-door links to U.S. customers via other intermediaries and partly since gambling is legal in the countries from which NETeller operates (Holahan 2006). Thus, for those U.S. consumers who still desire to gamble, NETeller and other Internet payment services outside the U.S. may become even more attractive alternatives to continue their gambling activities.

### U.S. Gamblers

As noted earlier, the global online gambling market was expected to grow substantially in the near future. To better understand the nature of the consumer gambling market it is useful to divide it into segments based on the type of activity involved, i.e.:

1. Bets for racing and sporting events – only Internet horse racing bets are clearly legal in the U.S.
2. Lotteries or types of games that involve only randomness and are typically operated by the government, e.g., almost all states provide some form of lottery – not really applicable to online gambling in the U.S. at present.
3. Casino games such as blackjack, roulette, and slot machines that are played for either free or real money, and in either case players bet against the house where the outcome is determined by randomly generated results – Internet versions popular.
4. Poker where the site is host for fee-paying customers playing Texas Hold ‘Em or 7 card stud in online tournaments or individual tables called “ring games.” Poker is considered to involve some degree of skill, e.g., knowledge of probability and odds of winning certain game configurations (see Pokersplayersalliance.org).

The largest growth rates for online gambling are expected to continue to be in the poker and casino style segments for online operators. The new law will probably accentuate this incidence although the number of bettors may, at least initially, be vastly reduced.

Internet gamblers may be divided into the “amateurs” or occasional players and the more avid and/or
professional gamblers. While Internet gambling firms hope to attract both types of players, clearly the most profitable is the repeat or loyal customer who returns to the site eight or ten times a month and views gambling as their main leisure activity (see http://www.partygaming.com/annual_report_05/another/customers/index.html).

In the near term, “amateur” online gamblers are more likely to abandon their search for new sites because of difficulty in finding them and access to payments. Or they may lack familiarity with the remaining brands, e.g., due to the withdrawal of well-known brands such as PartyGaming from the U.S. market. The serious Internet gambler, however, will attempt to find alternate ways for payment at familiar sites. There has been little empirical research about online gambling behavior by marketing academics who investigate the implications for online gambling and those developing public policy.

At this early stage it seems that the biggest challenge for law enforcement will be to find the professional gamblers who will have the means and the motivation to find alternative routes through which to funnel their gambling funds. Since the U.S. market is so large and lucrative, many operators and some financial intermediaries will not easily abandon it until and unless all their legal and other options have been exhausted. The continued legal uncertainties not clarified by the new act and the subsequent hamstrung enforcement efforts, will provide ample opportunity for further exploitation by such participants. Ultimately only unambiguous and transparent legislation, coupled with effective enforcement, may end such “gray” practices.

CONCLUSION

The legal environment encompassing the online marketing of gambling is still largely undefined. Time will tell whether the recent legislation will have the desired effect of drastically curtailing the growth of online gambling by American consumers. The new act’s main contribution is in the area of curbing the role of financial intermediaries. It does little to clarify the legality of online gambling in the U.S. and as such it prolongs the existing murky status of this practice. In fact it raises many questions that will not be easily resolved, barring new, unambiguous legislation. With the possible exception of legitimate financial institutions, pending clear-cut and practical regulations, subsequent enforcement efforts will remain ineffective due to online gambling’s continued fuzzy legal status.

It is highly doubtful that these financial institutions will be very effective in choking off the flow of funds too dedicated, resourceful, and addictive gamblers. The latter will find alternative financial channels. At this stage it does not appear that Congress is prepared to take further action against online gambling but neither does it seems inclined to legitimize, i.e., regulate, this practice. The latter is unfortunate, since legislative action seems to be the only realistic way to resolve this legal conundrum and create a potentially effective enforcement framework.

Gambling operators will continue to develop innovative marketing tactics and payment schemes to attract new customers, if not in the U.S. than abroad. For instance, continued growth is expected to take place in the United Kingdom (where online gamblingprospers within a regulatory framework that is legal and generates tax revenues) and elsewhere in the European Union and Asia.

Further research in the area of marketing policy and Internet gambling is needed. Operators should be studied for their marketing, screening, and financial practices. Online search engines have to be monitored for the extent they are used, via “hits,” by gamblers to identify gambling Websites. Clearly, there is a need to examine how Internet gambling operators, financial intermediaries, and search engineers respond to customers and society at large (Wilkie and Moore 2003; Bloom and Gundlach 2001).

There is an opportunity for researchers to investigate safeguards or controls for the protection of vulnerable groups such as youth and college age students, e.g., age verification and payment standards. Also requiring more study is the impact this activity has on consumer behavior and welfare, e.g., is the Internet more addictive than land-based gambling, do these consumers spend more, are they more vulnerable, are they less social, do they have less gambling information, do they trust legitimate “branded” casinos more than rogue off-shore operators? Finally, how do online gambling practices and policies in various countries compare with each other? These might include “best practices” in regard to standards for licensing, audits, and inspection for online operators, prohibition of minors, extent of participation of problem gamblers, and player privacy. For those countries that have prohibited this practice, how effective is this policy and why?
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WEB SITE LOCALIZATION FOR HISPANIC ONLINE CONSUMERS: AN EXPLORATORY ANALYSIS

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SUMMARY

Companies with a presence on the web are faced with two different alternatives for effectively reaching their international online consumers. Some businesses develop standardized global web sites, while others localize their web sites by considering the presence of cross-cultural differences in online consumer behavior (e.g., Luna et al. 2002; Simon 2001; Singh and Pereira 2005). According to Singh and Pereira (2005), a firm must localize its web site linguistically and culturally in order to sell successfully to online global consumers. This also seems to be true for ethnic subcultures. The objective of this study is to explore the extent of web site localization practiced by U.S. organizations in appealing to the culturally unique Hispanic minority in America. The study is one of the first to analyze the extent of web content localization practiced by U.S. organizations in communicating with their Hispanic audiences and to provide a cross-industry analysis of Hispanic web site localization.

The online Hispanic market holds enormous potential for U.S. businesses. There are currently 16.7 million Hispanics online (Williamson 2006); this represents 40 percent of the total U.S. Hispanic population. Online Hispanic consumers are the most affluent and educated segment of the total Hispanic population (AOL Latino 2006 Hispanic Cyberstudy), with spending power of $6 billion (Vann 2006). According to the AOL Latino 2006 Hispanic Cyberstudy, more than three quarters (77%) of online Hispanics use the Internet to learn about different brands of products, while 72 percent use the Internet to compare product prices. More than two thirds of online Hispanic consumers (68%) consider the Internet to be the best source to make a final brand decision, thus making the Web an extremely important medium for marketers (AOL Latino 2006 Hispanic Cyberstudy). According to Mark Lopez, publisher of AOL Latino, cultural relevance is a big factor in defining Internet use for Hispanics. Industry experts agree that companies must build culturally relevant, localized online communities to ensure that their Internet marketing efforts are successful (Vence 2005).

The process of developing web sites that are customized for different cultures is called “web site globalization.” Web site globalization includes two complementary processes: web site internationalization and web site localization (Singh and Boughton 2005). Web site internationalization involves using back-end technologies to create modular, extendible, and accessible global web site templates that support front-end customization. Web site localization is the process of front-end customization where web sites are adapted to meet the needs of a specific international target market (Singh and Boughton 2005).

We used content analysis to identify the extent of localization for a sample of 208 web sites with content specifically dedicated for online Hispanic users. The unit of analysis was the entire web site for U.S. English-speaking and U.S. Spanish-speaking consumers. Two bilingual raters (fluent in English and Spanish) analyzed thousands of web pages on the 208 web sites in the sample.

Each web site was analyzed on 14 constructs/variables. The 14 variables were divided into four different categories of measures to capture the extent and quality of localization efforts. The first set of measures determines the equivalency, relevancy, and currency of the web site in terms of its Hispanic content. The second group of measures examines companies’ web site localization efforts by measuring their content adaptation to local culture through elements like the promotion of products and services, use of appropriate colors and graphics, and web page design and structure. The third set of measures is based on the navigational qualities of the web site. The fourth type of measure is called “translation”; this provides an assessment of how well the English parts of the web site were translated into Spanish.

The study results indicate that most U.S. companies focus primarily on the translation of web content from English to Spanish to create web sites for their Hispanic consumers. For example, half of the sampled firms have 58 percent or more of their web sites translated into Spanish. Companies have also made some progress in localizing their sites for Hispanic consumers in the following areas: the web site’s content depth; the web site’s synchronization with English language web content; the navigation aspects of the web site; and the quality of the translation from English to Spanish. However, there are
still many web design areas where localization efforts are inadequate given the size and importance of the Hispanic market. There is great potential for enhanced localization efforts in: the page structure of the web site; the graphics and colors used on the web site; the promotion of products and services unique to Hispanics; and navigational aspects of the web site including service and support structures and URLs that are appropriate for Hispanic audiences.

There is compelling data to suggest that culturally customizing a web site leads to better web site acceptance, greater purchase intentions, and better attitude toward a company’s product or service (e.g., Luna et al. 2002; Singh and Pereira 2005). However, the results presented in this study demonstrate that most organizations have not yet truly localized their web sites to connect with their Hispanic online audiences. Companies that want to effectively target Hispanic consumers online can benefit by going beyond basic translation to provide a truly localized and culturally customized experience. The four categories of localization variables presented in this study can be used as guidelines by managers in assessing their current web site localization efforts and identifying areas that could be improved.

The analysis of web site localization is still in its infancy, and more work is needed to develop an established framework for assessing localization efforts. This study represents one of the first academic attempts to create a systematic approach for measuring web site localization quality and to use this approach to measure how companies have localized their web sites for the Hispanic online population. References available upon request.

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CULTURAL ADAPTATION ON THE WEB: REVIEW AND IMPLICATIONS

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ABSTRACT

Catering to the preferences of culturally diverse Web audiences requires adaptation in Web communication. In this article, we review existing literature on culture and Website design and discuss the impact of culture on Web communication using ten dimensions of culture drawn from Hofstede’s (1991) and Trompenaars’ (1993) cultural frameworks.

INTRODUCTION

Over fifty years ago, Duesenberry observed that all of the activities people engage in are culturally determined and that nearly all purchases are made either to provide physical comfort or to implement the activities that make up the life of a culture (Duesenberry 1949). One of the key manifestations of culture is how people within a society communicate. Communication takes place through cultural symbols that are assimilated and learnt within the culture. It is the lack of shared symbols and experiences that makes cross-cultural communication difficult (Kale and Barnes 1992).

The vital role of culture in communication has been well-documented over several decades (cf., Barnlund 1989; De Mooij 1997; Hall 1960; Kale 1995; Mueller 1996; Kanso and Nelson 2002). With the advent of the Internet as a global medium, scholars are now looking at how culture impacts communication on the Web (cf., Singh, Zhao, and Hu 2003; Hillier 2003; Robbins and Stylianou 2002). While these studies have helped in developing an appreciation of the impact of culture on Website design, scholars and practitioners are still at a loss when it comes to generalized norms or solid prescriptions for designing culturally appropriate Websites. This is largely due to the lack of a cohesive framework with which to assess the role of culture in Web-based communication. The problem is further exacerbated by the lack of generalizability of findings from previous empirical studies.

The advantages of using the Web to reach global markets are obvious – overall affordability, low support costs, local presence, and ubiquitous brand identity. The number of Internet users has recorded almost two-hundred percent growth between 2000 and 2005, and the number of users is currently estimated to exceed one billion individuals (Internet World Stats 2006). International e-commerce activity is already into trillions of dollars and will only skyrocket with intensified globalization and increased net access. The time is therefore right to take stock of the existing literature on culture and Web design and to move toward generalizable norms on the cross-cultural aspects of Web design for practitioners.

A synthesis of scholarly work on culture and Internet communication accomplishes three worthwhile goals: (1) It helps researchers and educators in their quest to better comprehend existing research on culture and Web communication; (2) It assists practitioners in gaining an understanding of how consumer culture shapes the perception of their on-line communication activities; and (3) It identifies important gaps in extant literature and thus points to research opportunities in this nascent exciting area.

Toward this end, this paper reviews the existing literature on culture and Web marketing across three broad disciplines – information technology, marketing, and management. It then proceeds to formulate twenty propositions formalizing the relationship between culture and Web design. Finally, we conclude with a brief discussion of the implications of this discussion for managers.

EXTANT LITERATURE

Most scholarly articles relating culture to online communication have emerged only over the last five years. Thus far, the discourse on culture and Web communication has been dominated by narrow conceptual studies or empirical studies founded on fragmentary frameworks. Despite these weaknesses, the extant studies, when collectively assessed, do provide value for scholars and practitioners.

Yoon and Cropp (1999) were among the first researchers to investigate the cultural dimensions of Web communication. Their findings comprising 20 South Korean and 20 U.S. national-brand product Websites reported no significant differences along culture-based measures of advertising content. Marcus and Gould (2000)
examined how Hofstede’s (1991) five dimensions of culture might affect user-interface design. By drawing from the Internet sites of several corporate and non-corporate entities of differing nationalities (Finland, Malaysia, the Netherlands, Costa Rica, Germany, etc.), the authors concluded that societal levels of power distance, individualism, masculinity, uncertainty avoidance, and long-term orientation are reflected in several aspects of user-interface and Web design.

Consistent with the premise of our paper, Zahedi, Van Pelt, and Song (2001) suggest that no single model of cultural understanding is sufficient for communicating effectively with all Web audiences. Accordingly, they identified six cultural factors and six individual factors that would influence people’s Web experience. Their six cultural factors comprised of power distance, individualism, masculinity, anxiety avoidance, long-term orientation, and monochronic versus polychronic time orientation. The six individual factors were demographics (age and gender), professional knowledge, information technology knowledge, flexibility, information processing ability, and cultural knowledge. User satisfaction with the Website was postulated to consist of perceived usability, reliability, clarity, and comprehension. The authors then developed a series of propositions relating the aforesaid twelve factors to site effectiveness.

Warden, Lai, and Wu (2002) investigated the impact of different language interfaces on Web-based product searches. The results indicated that understanding the Web-page interface language enhances product evaluation for highly differentiated products but leads to decreased evaluations for products with low levels of differentiation. Robbins and Stylianou (2003) content analyzed Websites from ninety companies represented in Fortune 500 international corporations. Fifteen companies headquartered in each of the six clusters based of Hofstede’s (1980) cultural dimensions were investigated. The clusters were Anglo, Nordic, German, Latin, Asian, and Japan. Differences across clusters on various aspects of content and design were analyzed. The content component addressed what was included in the site, i.e., the various types of information provided. The design component probed the presentation and navigational aspects of the site. Results indicated that site content was significantly different across national cultures, and to a much lesser degree, across industry. However, very minor differences were found by national culture or by industry with regards to site design.

Singh, Zhao, and Hu (2003) surveyed forty large U.S.-based companies to investigate the degree of cultural adaptation in their Chinese Websites. Four of Hofstede’s cultural dimensions and the context dimension of Hall (1960) were included in the study. Content analysis of the U.S. and Chinese Websites for each company was conducted. The results indicated a clear evidence of cultural adaptation being practiced by the chosen U.S. sample in their Chinese Websites.

Smith et al. (2004) presented a “process model” for developing usable cross-cultural Websites. The model comprises of five main activities: planning the site development process, specifying the context of use, specifying user and organizational requirements, producing design solutions, and evaluating the design concepts against requirements. The use of ethnography and application of Hofstede’s (2001) typology figures in several of the processes. Complexity and level of detail of the process model make it more relevant to Web designers as opposed to cross-cultural researchers and international managers.

Lavie and Tractinsky (2004) argued that aesthetics is a primal factor in Website evaluation that significantly influences other perceptions of a site. They assessed the dimensions of aesthetics in Websites designed in English and Hebrew. The findings of this experimental study suggest that aesthetics has two elements: classical aesthetics and expressive aesthetics. Classical aesthetics deals with clear and orderly design, whereas expressive aesthetics involves breaking the mold with regard to design conventions in favor of creativity and originality. No attempt was made to relate aesthetic judgments with respondent culture. Hu et al. (2004) studied audience impressions of B2C Web pages in three countries, Japan, China, and the U.K. Eight design factors were investigated: design format, title position, menu size, clipart size, main color, background color, color brightness, and color harmonization. The results suggest that color and spatial effects were differentially evaluated across the three countries.

Maynard and Tian (2004) examined Chinese Websites of the top 100 global brands. The results indicated the top brands did not follow the strategy of standardization when operating in China. Brand managers localized their Websites by integrating China’s political, economic, and cultural characteristics into their online branding strategies.

A careful evaluation of the studies cited here suggests that researchers and practitioners will both be well-served by an integrative assessment of relevant literature. This is best accomplished by developing formal propositions relating culture to Website perception and/or effectiveness.

CONCEPTUAL FRAMEWORK

Cultural factors shape all levels of communicative interaction, and should therefore impact not only the nature of messages conveyed via a Website but also how
These messages are processed and interpreted (Ito and Nakakoji 1996). As Hall (1960) pointed out almost fifty years ago, since culture is a system for creating, sorting, sending, storing, and processing information, it is, in essence, communication. Designers of a Website create Web pages using embedded cultural symbols. Web audiences, in turn, operate from their own cultural wiring when receiving the communication inherent in these pages. Successful decoding of the messages encoded by the Web designer(s) will depend on the level of psychological overlap between the designer and the audience. Chances of successful decoding will be greatly enhanced if Web designers exhibit cultural mindfulness and design sites in accordance with the beliefs, norms, and other cultural mores of the target audience (cf., Kim 2001).

Several competing frameworks exist by which to operationalize the phenomenon of culture (cf., Hofstede 1991, 2001; Inkeles and Levinson 1969; Kluckhohn and Strodtbeck 1961; Triandis 1995; Trompenaars 1993). From a practical viewpoint, it is unrealistic to expect Web designers to visualize every target audience along every major framework. Besides, since all frameworks probe the selfsame phenomenon of culture, there are inevitable commonalities across frameworks (for a through review of some of the earlier frameworks, see Clark 1990). The choice of cultural frameworks or particular dimensions for practical applications is ultimately a tradeoff between parsimony and comprehensiveness. From the standpoint of Web communication, we have chosen to harness the cultural dimensions proposed by Hofstede (1991) and Trompenaars (1993).

Hofstede’s work on the dimensions of culture is probably the most cited study in the field of national culture (Budhwar 2000). The validity and reliability of this framework have already been tested by many researchers (cf., Hunt 1981; Triandis 1982). Trompenaars’ (1993) framework has been validated across scores of countries over two decades. The dimensions of this framework complement Hofstede’s cultural dimensions, and when used in conjunction with Hofstede, provide a comprehensive inventory of the constituents of culture.

It should be pointed out, however, that both the Hofstede (1991) and Trompenaars (1993) frameworks have been subject to criticism (cf., Landis and Wasilewski 1999; Baskerville 2003; Baskerville-Morley 2004). Space limitations preempt us from discussing these issues in this article. Readers interested in the alleged potential weaknesses of these frameworks can access Hofstede (1996) and Mc Sweeney (2002). Certain drawbacks notwithstanding, both these frameworks offer the advantages of intuitive appeal, parsimony, and empirical validation.

Hofstede (1991) discusses five dimensions of culture—individualism, power distance, uncertainty avoidance, masculinity, and long-term orientation. Trompenaars (1993) views culture as social attitudes and casts the culture construct as comprising of seven “dilemmas” underlying societal differences. The seven dilemmas are universalism vs. particularism, individualism vs. collectivism, neutral vs. affective, specific vs. diffuse, achievement vs. ascription, sequential vs. synchronous time, and inner vs. outer-directed locus of control.

The dimension of individualism vs. collectivism is common across the two frameworks. In our opinion, while each of Hofstede’s (1991) dimensions has direct relevance to Web design, Trompenaars’ dimension of “specific vs. diffuse” culture would not materially impact online communication. Trompenaars explains that specific cultures tend to keep their business and social relationships separate whereas a fusion of the two tends to occur in diffuse cultures. Because this dimension is unlikely to influence Web communication, it will be excluded from further discussion. We will now proceed to briefly discuss the remaining cultural dimensions across the two frameworks.

**Individualism vs. Collectivism.** This dimension assesses the strength of the bond between an individual and his or her fellow individuals. In individualistic societies such as the U.S. and Australia, “I consciousness” prevails and the individual tends to have fairly weak ties with others. In collectivist societies such as Taiwan and Pakistan, people regard themselves as part of a larger group such as the family, clan or tribe (“We” consciousness). People in individualistic cultures are more concerned about themselves and their immediate nuclear family whereas people in collectivist cultures are equally concerned about their in-group, be it the extended family, clan, or tribe.

**Power Distance.** This dimension addresses the issue of human inequality. It suggests the amount of inequality a culture accepts in the distribution of power, status, and wealth. Small power distance societies strive to minimize distributional inequities whereas large power distance societies more readily accept such inequities. Visual manifestations of status differences are frowned upon in small power distance societies (such as Austria and Denmark) whereas such depictions are both expected and welcome in large power distance societies (such as the Philippines and India).

**Uncertainty Avoidance.** Dealing with life’s uncertainty and ambiguity is a challenge in every society. The dimension of uncertainty avoidance explains how societies respond to this challenge. Strong uncertainty avoid-
ance societies (such as Japan and Belgium) attempt to create as much certainty as possible in the day-to-day lives of people through the imposition of procedures, rules and structures. Weak uncertainty avoidance societies (such as Denmark and Sweden), on the other hand, condition their members to handle uncertainty and ambiguity with relative ease and little discomfort. Because of the low tolerance for uncertainty and ambiguity, large uncertainty avoidance societies experience greater stress and anxiety as compared with weak uncertainty avoidance societies.

**Masculinity vs. Femininity.** This dimension concerns a society’s subscription to stereotypical masculine or feminine values. In masculine cultures sex roles are sharply differentiated and traditional masculine values such as achievement, assertiveness, and competition are relatively more valued. In feminine cultures, sex roles are less sharply distinguished and attributes such as nurturing and caring are relatively more valued. Masculine societies (such as Japan and Austria) tend to be hero worshipers whereas feminine societies (such as Sweden and the Netherlands) tend to sympathize with the underdog.

**Long-Term Orientation.** Also called “Confucian Dynamism,” this dimension assesses a society’s capacity for patience and delayed gratification. Long-term oriented cultures (such as China and Hong Kong) tend to save more money and exhibit more patience in reaping the results of their actions. Short-term oriented societies (such as West Africa and Norway) want to maximize the present rewards and are relatively less prone to saving or anticipating long-term rewards. Hofstede (2001, p. 359) writes, “Long Term Orientation stands for the fostering of virtues oriented toward future rewards, in particular perseverance and thrift. Its opposite pole, Short-Term Orientation, stands for the fostering of virtues related to the past and present, in particular, respect for tradition, preservation of ‘face’ and fulfilling social obligations.” Having touched upon key aspects of the Hofstede (1991) framework, we shall now proceed to briefly explain Trompenaars’ (1993) cultural dilemmas.

**Universalism vs. Particularism.** Universalism rests on the premise that ideas and practices can be applied everywhere and in every context without modification. Particularism is the belief that situational factors and circumstances should dictate how ideas and practices should be applied. Universalist cultures (such as Norway and Switzerland) tend to emphasize rules rather than relationships and there is an insistence on the ubiquitous following of procedures and contracts. Particularist cultures (such as Korea and Venezuela) are less concerned with rules, and tend to focus more on relationships and trust.

**Neutral vs. Affective.** Neutral cultures (such as Korea and Ethiopia) believe in keeping one’s emotions in check. People in such societies try not to show their feelings in public or in business dealings and strive to maintain their composure at all times. Affective cultures (such as Spain and Iran), on the other hand, allow the open expression of natural emotions. People in affective cultures smile a great deal, talk loudly when excited, and greet one-another enthusiastically. Such emotional display is usually held in check in neutral cultures.

**Achievement vs. Ascription.** In achievement-oriented cultures (such as U.S. and Norway), people’s status is a function of their performance (what people do). Ascription-oriented cultures (such as the Czech Republic and Egypt), on the other hand, bestow status based on who or what a person is. Thus, while high-achievers are the beneficiaries of status in achievement-oriented cultures, factors such as age, gender, and family or social connections are often the important determinants of status in ascription-oriented cultures.

**Sequential vs. Synchronous Time.** Cultures with a sequential approach to time (such as U.S. and Norway) tend to perform only one activity at one point in time. They value punctuality in appointments and depict a strong preference for following plans. In cultures where a synchronous approach is common (such as Saudi Arabia and Japan), people tend to do more than one activity at a time, appointments are less stringently adhered to, and schedules are subordinated to relationships.

**Inner vs. Outer-Directed.** People in inner-directed cultures (such as Canada and U.S.) believe they are in control of the outcomes of their actions. People in outer-directed cultures (such as the Czech Republic and Egypt) place less emphasis on their own actions and let things take their own course. Inner-directed people strive to control their environment whereas outer-directed people believe that they are controlled by their environment and that they cannot do much about it.

**Impact on Website Perceptions**

The challenge of Web communication is to effectively interact with culturally diverse audiences across long distances. The greater the congruence of Web communication preferences in form, function, and message between the site sponsor/designer and the target audience, the greater the chances of a Website having the desired impact on the intended audience. Understanding of the cultural dimensions discussed above allows for formulation of propositions in order to better appreciate the link between culture and Web communication.
A society’s position on the continuum of individualism would dictate the tone and substance of the message in a preferred Website. Recall that people in individualistic cultures tend to have loose ties with their fellow individuals. Such cultures would place greater salience on Website personalization compared to individuals from collectivist cultures. With regard to the promotional claims made on Websites, individualistic cultures would value a promise if the appeal is directed to them as individuals and purports to enhance their personal happiness or well-being. In addressing collective cultures, it would be more advantageous to frame the promotional appeal within the context of the individual’s in-group (such as the family or tribe).

Individualistic cultures place a great deal of emphasis on seeking novelty, variety, and pleasure. Collectivist societies do not value these attributes nearly as much, and make their product and brand choices by taking into consideration the opinions of their in-group instead (Kale and Barnes 1992). This leads to the following propositions.

\[ P_1: \text{Features resulting in a personalized Website would be more valued by audiences from individualistic cultures than from collectivist cultures.} \]

\[ P_2: \text{While individualistic cultures would be more favorable toward promotional appeals addressing their individual needs, collectivist cultures would be more favorably disposed toward Websites that make references to the appropriate in-groups.} \]

\[ P_3: \text{Web themes connoting novelty, variety, and pleasure would be more appreciated in individualistic cultures than in collectivist cultures.} \]

\[ \text{Power distance} \text{ will also impact people’s preferences in relation to Web content. Kale and Barnes (1992) state that in certain large power distance societies (such as Japan), the buyer is king and the seller is accorded a lower status than a beggar. Websites targeting such cultures would therefore want to assume a tone of subservience. Power distance should also dictate the degree of formality to be observed in the content and design of the Web pages (cf., Kale 1991). Large power distance societies would expect the content of the Web pages to be expressed in a very formal tone. Small power distance societies would prefer informality instead. For sites promoting products perceived as status symbols, audiences from large power distance societies would like to see the Web pages making overt references to status and class. Small power distance societies, on the other hand, would prefer that the Web pages for such products be free from such overt references. We therefore suggest the following propositions:} \]

\[ P_4: \text{Websites depicting respect and subservience toward the audience will be favorably evaluated by inhabitants in large power distance societies.} \]

\[ P_5: \text{Large power distance cultures will prefer a higher level of formality in Website tone compared to audiences in small power distance cultures.} \]

\[ P_6: \text{Compared to small power distance cultures, overt appeals to audience status and power will be more favorably received by audiences in large power distance societies.} \]

\[ \text{Uncertainty avoidance} \text{ will impact site content with regard to the risk reduction elements of a Website. Societies with strong uncertainty avoidance will place a lot of emphasis on the security aspects of a Website. Features of strong uncertainty avoidance cultures such as low tolerance for ambiguity, distrust of outsiders, and skepticism toward youth should be considered when designing a Website targeted toward these societies. Audiences from weak uncertainty avoidance societies are less likely to trust a site provider a priori and would engage in such actions only if they are absolutely convinced of a site’s integrity and security features. Accordingly, we suggest that:} \]

\[ P_7: \text{Relative to audiences from weak uncertainty avoidance societies, perceived trust in a Website would be valued higher by audiences in strong uncertainty avoidance societies.} \]

\[ P_8: \text{Unless proper security assurances and explicit guarantees are offered, visitors from strong uncertainty avoidance societies will be very resistant to download Web documents, to part with personal information online, and to conduct online transactions.} \]

\[ P_9: \text{Compared to strong uncertainty avoidance societies, cultures with weak uncertainty avoidance will be relatively more receptive to newer technologies and lesser navigation control in a Website.} \]

\[ \text{Masculinity vs. Femininity} \text{ refers to characteristics that affect both individual men and women within a culture. Masculine values consist of assertiveness, competition, and toughness. Feminine values include sympathizing with the downtrodden, nurturing, and a focus on people and environment as opposed to material possessions. These values would impact the way Web messages are designed as well as interpreted. Having audience competitions administered on the Web, making frequent} \]
references to high achievers, and a strong emphasis on the performance dimension of products promoted would be favorably received by audiences within masculine societies. Conversely, feminine cultures would be relatively more receptive to messages promoting the charitable causes of the site sponsor, environmentally-friendly policies adopted by the sponsor, and androgyny in site tone as well as language. The following propositions can thus be forwarded:

P_{10}: Depictions of successful achievers in a Website would be more favorably received by audiences from masculine cultures than those from feminine cultures.

P_{11}: Information on charitable causes supported by a site’s sponsor would impact feminine societies more favorably than it would impact masculine societies.

P_{12}: Androgyny in the pictures and messages constituting a Website would be more valued by feminine cultures than by masculine cultures.

*Long-Term Orientation* covers issues such as adapting traditions to modern perspectives, being thrifty and sparing with resources, and perseverance toward slow results. Short-term oriented cultures live in the present (or past) and show relatively little concern for tomorrow. Accordingly, they will be relatively impulsive in making unplanned purchases on the Web while long-term oriented cultures would be expected to show more restraint. Given their past-orientation, appeals to tradition will be favorably interpreted by short-term oriented cultures as will overt comparisons with the audience’s peer groups. This brief discussion suggests the following:

P_{13}: Relative to societies displaying long-term orientation, audiences from cultures with short-term orientation are more likely to be influenced by sites using peer group influence.

P_{14}: When it comes to online purchases, short-term oriented cultures will display greater impulsiveness than long-term oriented cultures.

*Universalism vs. Particularism* will impact the way in which the terms and conditions of transacting online business are displayed and enforced. Universalist cultures will appreciate clear and unambiguous disclosure of the terms and conditions for doing business. Furthermore, they would like to see objective evidence of uniform application of these terms and conditions. Particularist cultures, on the other hand, would prefer flexibility in the application of rules and practices. Rather than a statement of terms and conditions, they would be better served by instructions to contact the provider to get the terms and conditions given their particular situation. E-

CRM and site customization will yield better results in particularist cultures than in universalist cultures. We therefore propose that:

P_{15}: A clear statement on Web pages highlighting the terms and conditions of transacting business would be more valued by inhabitants of universalist cultures than by those of particularist cultures.

The dimension *neutral vs. affective* would determine people’s preferences for the amount of emotional content in Web pages. Cultures displaying neutrality in emotions would prefer Web pages that are fact-driven and largely devoid of emotion. The site design for audiences in neutral cultures should use colors and fonts that elicit neutrality in viewer emotions. Affective cultures, on the other hand, would like to see relevant displays of emotion in both the site design as well as content. Colors invoking strong emotional responses and appeals employing affect would be well-received in affective cultures. This suggests the following proposition:

P_{16}: Audiences from affective cultures would be relatively more receptive to the use of emotions in Web content and to the use of emotion-invoking colors and fonts in Web design than audiences from neutral cultures.

*Achievement vs. Ascription* would determine Web content through its impact on who or what is regarded as respectable and trustworthy. Achievement oriented cultures bestow status based on the visible achievements of an individual. Portraying such individuals in the role of company spokespersons or product endorsers will have a favorable impact on product and company evaluations in achievement-oriented cultures. Societies that place more importance on ascription will be more swayed by factors such as gender, age, family roots, and social connections when it comes to determining individual status. It is therefore postulated that:

P_{17}: While achievement-oriented cultures will be more swayed by the individual accomplishments of spokespeople or product endorsers, characteristics such as age, gender, and family connections will have relatively more impact on audiences from ascription-oriented cultures.

*Sequential vs. Synchronous Time* orientation within a culture would determine the navigational aspects of a site. Synchronous cultures would value multitasking capabilities in a Website whereas sequential cultures would prefer that the site design enables the completion of one task (e.g., document download or identity verification) before beginning another. Where a transaction requires a certain amount of time to complete (such as credit card authorization), audiences from sequential
cultures would appreciate precise information up-front on how long the transaction is likely to take. They would also welcome features that minimize their time spent in Web navigation. Audiences from synchronous cultures would get impatient waiting for a Web transaction to complete and would appreciate any distractions (such as entertaining pop-up windows, music or quizzes) that would occupy them while the transaction is in process. We therefore suggest that:

\[ P_{18} : \text{Web multitasking capabilities would be relatively more valued in synchronous cultures than in sequential cultures.} \]

\[ P_{19} : \text{Sequential cultures will value site navigational efficiency more than synchronous cultures.} \]

*Inner vs. Outer-Directed* locus of control describes the extent to which people in a culture feel that they have control over their surroundings. Audiences with inner-directed locus of control need to be convinced of how using the product depicted on the Web pages will make a difference in their life. Proactive appeals to deal with life’s opportunities, challenges and uncertainties will be highly regarded in such cultures. Outer-directed societies do not believe that an individual has much control in shaping reality. Their preferred mode of handling opportunities, challenges, and uncertainties is therefore reactive as opposed to proactive. Appeals that respect the cycles of nature, destiny, or the will of God (*Inshallah!* will be quite persuasive in outer-directed cultures. This leads us to the final proposition:

\[ P_{20} : \text{Inner-directed cultures will be influenced by Website content that emphasizes individual choice in dealing with life’s opportunities, challenges, and uncertainties in a proactive manner.} \]

**CONCLUSION**

The illustrative propositions suggested in this paper, once empirically tested, should provide a good start for companies wanting to adapt their Web content and design to the various cultures constituting their market. Understanding Web audiences’ culture along the ten cultural dimensions discussed here will point the way toward specific adaptations needed to effectively communicate with each culture. This will help the Web marketer bridge some of the inherent cultural distance with customers and enhance its prospects for persuasive communication.

Using the ten dimensions as cultural lampposts will enable greater congruence between the encoding of Web messages and audience cultural characteristics. It will facilitate Web designers to seek answers to several vexing questions such as: How formal or extrinsically rewarding should the Web interaction be? What specific appeal needs to be conveyed in the site to motivate different groups of people (money, fame, honor, achievement, etc.)? How much conflict can people tolerate in content or style of argumentation? How avant-garde should a Website be to differentiate itself in the Internet clutter within the context of a particular culture? Answers to these and other vital questions will go a long way in designing culturally compatible Websites.

**REFERENCES**


BEND IT LIKE BECKHAM: CAN CELEBRITY STATUS “BEND” CONSUMERS’ IMAGE OF A COUNTRY? A FOUR COUNTRY STUDY OF THE MANCHESTER UNITED FOOTBALL CLUB OF ENGLAND

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SUMMARY

The authors of this study are investigating the relationship between the celebrity status of a professional sports team (CSST) and its impact on country-of-origin (COO). This is a cross-cultural comparison using data sets collected from four different countries. The purpose of the study is to examine the psychological involvement an individual has with a professional sports team, and the impact that this involvement has on that individual’s perception of the team’s country-of-origin. The professional sports team in this research is the Manchester United Football Club and the country-of-origin was England.

Respondents were asked a series of questions about their opinion of England and the Manchester United Football Club (MUFC). Respondents completed the survey which included measures of country-of-origin image of England, celebrity status of a sports team (specifically MUFC), and various demographic measures. The country-of-origin image scale measures “the picture, the reputation, and the stereotype that businessmen and consumers attach to products of a specific country.”

Samples were taken from four different countries: The U.S., Canada, Guatemala, and Serbia. A total of 985 surveys were completed. Thirty-four of the surveys were discarded for incomplete information resulting in a final survey total of 951. The number of usable surveys completed by country was as follows: 265 from Serbia, 230 from Guatemala, 199 from Canada, and 257 from the U.S.

Trained marketing researchers collected data via the survey instrument in various locations in the four countries using the mall-intercept method. In order to increase the likelihood of identifying respondents that were soccer fans, data was collected at locations like soccer fields, sports-oriented restaurants, and soccer retail stores. Initially, an English-version survey was created and pretested among international students at a major U.S. university, including natives from the regions of the world to be sampled.

The importance of country-of-origin image as a cue in consumer choice behavior is well recognized in the international business literature. Bilkey and Nes (1982) reviewed 25 studies and found that in each study, COO image does influence product evaluations. Laroche et al. (2003) conducted a meta-analysis of 22 research studies of COO cue effects on consumer judgments and alternative. In all but two of the experiments they reviewed, COO was found to be statistically related to consumer product evaluations or choices over a broad assortment of products. Even with all the research on COO, relatively little quantitative research has been done in determining what factors influence the formation of COO image in the minds of potential consumers.

Throughout the world the role of sports, particularly soccer, is acknowledged as constructing and reinforcing identities in the literature of cultural studies. Researchers have identified soccer as a significant theatrical stage for generating expressions of national identity.

The relationship between country-of-origin image for England and the celebrity status of the Manchester United Football Club was first tested for the entire sample then for each individual country sample. The ANOVA for the entire sample manifested a significant ($p < 0.01$) F value of 4.20. Thus, the hypothesis was supported.

A tertiary split was made on the independent variable to place each respondent into one of three celebrity status Manchester United Football Club (CSMUFC) groups (low celebrity status of MUFC, moderate celebrity status of MUFC, and high celebrity status of MUFC). There are significant differences between the low and moderate CSMUFC respondents and the high CSMUFC respondents on the COO scale.

The results seem to indicate that the majority of the impact that CSST has is realized only when a respondent is highly involved with both the sport and the team. Interestingly, people that are highly involved with the sport but are not MUFC fans exhibited a similar opinion of England as did people with no involvement with the sport at all. Again, this seems to indicate that the impact
on COO was primarily a function of fandom of a particular team.

In order to better understand cross-cultural differences in the tested relationship, ANOVAs were conducted on the four country samples separately. These tests revealed that the relationship between CSST and COO was much stronger with U.S. respondents and Serbian respondents than it was for Guatemalans and Canadians. One possible explanation for this finding centers on the individual players making up the Manchester United team. At the time of this study, MUFC had individuals from the U.S. and Serbia playing for the team; Tim Howard (U.S. Men’s National Team goalkeeper) and Nemanja Vidic (Serbia Men’s Nation Team defender). Guatemala and Canada have never had individuals from their country play for Manchester United. As a result, soccer supporters from the U.S. and Serbia had greater opportunity to become familiar with the team and culture through local media coverage of these individuals.

A major contribution of this study is to examine a heretofore overlooked distinction – the celebrity status of a sports team versus an individual athlete – within the overall celebrity/marketing academic research stream. This research also contributes to the ever growing country-of-origin image body of knowledge. Even with all the research on COO, relatively few studies have sought to empirically explore what factors influence the formation of COO images. Further research is necessary to determine whether the backing of a product by a celebrity sports team elicits similar effects on a sponsored product as it does on country image.

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SUMMARY

New product development and commercialization is critical for the success of a firm in high-technology industries. However, most technology-based inventions never go beyond the conception stage (Volly 1997). Nearly 50 percent of all new products fail in the marketplace. To overcome the resource constraints, reduce risks, and speed up the innovation process, many firms choose to enter new product development alliances (Sivacases and Dwyer 2000). When a start-up firm forms an alliance with a large established firm, the large firm often gains a functional contribution from the small firm in the form of breakthrough technology that can lead to new products (Cooke and Ryan 2000). In return, the start-up gains access to the resources and capabilities of the large firm, and enjoys enhanced legitimacy through association with the large firm (Dacin et al. 2007). Alliance formation (AF) is often critical to the survival and growth of a start-up firm (Stuart et al. 1999).

All high-technology industries share three common characteristics: market uncertainty, technological uncertainty, and competitive volatility (Mohr et al. 2005). One way for a large firm to evaluate a potential alliance partner is to gauge if this firm can address these uncertainties well. Since the actual marketplace outcome will not be observed until the product is launched, legitimacy of the potential alliance partner is used as an important indicator. In accordance with the two types of uncertainty mentioned above, this paper focuses on two types of legitimacy: scientific and market legitimacy. Recently, Rao, Chandy, and Prabhu (2006) proposed that new ventures that garner the highest rewards for new product introductions are those that are able to establish internal legitimacy through strong associations with highly reputed entities. They examined four types of internal legitimacy, including scientific, and market legitimacy.

Legitimacy is “a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions” (Suchman 1995). I define scientific legitimacy as a generalized perception or assumption by valued stakeholders that a firm has the expertise necessary to bring a scientific invention from idea to realization. It signals a firm’s access to critical scientific resources and technological capabilities. I define market legitimacy as a generalized perception or assumption by valued stakeholders that a firm has the expertise necessary to successfully introduce a new product to the market and gain meaningful marketplace acceptance. It signals a firm’s access to marketing resources and ability to successfully commercialize a new product. Market-based assets can reflect a firms’ market legitimacy (Srivastava et al. 1998).

According to the strategic alliance literature, firms seek strategic complementarity from their alliance partners (Oh and Waldman 1994). In the case of an alliance between a start-up and a large established firm, the large firm usually has the resources and capabilities needed to successfully bring a new product to market. But it may not have the specific scientific expertise that the start-up has. In addition, in established firms, product innovation is often ineffective due to organizational inertia (Dougherty and Heller 1994). Managers in established firms also face many barriers in the process of matching technologies to market opportunities (Bond and Houston 2003). Therefore, scientific legitimacy is more critical than market legitimacy in assuring the large firm that the alliance will bring in value that it cannot achieve otherwise.

P1: A start-up with high levels of scientific but low levels of market legitimacy is more likely to enter a strategic alliance with a large established firm than a start-up with low levels of scientific but high levels of market legitimacy.

When a start-up firm has high levels of both scientific and market legitimacy, the interaction may have a negative effect on the AF likelihood. This is because the cost of strategic alliances can outweigh the benefits to the start-up. During AF with a large firm, a start-up usually loses some managerial control, may give up exclusive ownership of the new products, and must share revenue.
with the large firm. When a start-up has high levels of scientific and market legitimacy, it is likely that the firm already has extensive resource capabilities. It is more likely to go it alone than a start-up with high levels of scientific or market legitimacy but not both. In the biotech industry, a start-up with high levels of scientific and market legitimacy gains more from its product introduction if it goes it alone rather than with an alliance partner (Rao et al. 2006). Recently, Ahuja (2000) showed that the interaction between technical and commercial capital has a negative impact on interfirm linkage formation. The higher the technical and commercial capital, the fewer the number of linkages formed by the firm.

P2: A start-up with high levels of scientific and market legitimacy is less likely to enter a strategic alliance with a large established firm than a start-up with high levels of either scientific or market legitimacy but not both.

When a start-up firm has low levels of scientific and market legitimacy, it will have a much harder time overcoming the liability of newness. Singh et al. (1986) pointed out that the lack of legitimacy makes it difficult for start-ups to gain external stakeholders.

P3: A start-up with low levels of scientific and market legitimacy is less likely to enter a strategic alliance with a large established firm than a start-up with high levels of scientific and/or market legitimacy.

In this paper, I propose that when a start-up firm tries to form an alliance with a large firm, its scientific and market legitimacy are both meaningful signals of firm quality. Scientific legitimacy is a more powerful signal than market legitimacy. This is similar to the situation in consumer product markets, where any signal can help consumers identify higher-quality sellers, but some signals are more powerful than the others (Kirmani and Rao 2000). According to signaling theory, signals rarely operate in isolation (Chatterjee et al. 2005). The interaction of various signals will affect the outcome more than any single signal does. Building on the work of Rao et al. (2006), this paper contributes to the marketing literature by proposing that the interaction of scientific and market legitimacy within a start-up firm affects the likelihood of the start-up forming a new product development alliance with a large firm. References available upon request.

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SLOW AND STEADY WINS THE RACE: LEARNING AND THE INNOVATION PROCESS

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SUMMARY

How should incumbent firms innovate in the long term? Should these firms focus on being fast initially or does slow and steady win the race? Answers to these questions are relatively scarce because past literature has failed to unravel the dynamics of competing at innovations over time. Instead past literature has focused on studying competition in innovation as an outcome at a point in time, i.e., either during the radical phase or during the incremental phase of a new product category (see Kalyanaram et al. 1995; Rothaermel 2001). The limited past research on competing at innovations over time concludes that firms which are fast at radical innovation will be able to develop greater number of incremental innovations over time than firms that are relatively slow at radical innovation (Robinson and Fornell 1985). We challenge this view. Our thesis is that some incumbent firms that are initially slow at radical innovation can be faster at subsequent incremental innovations than incumbent firms that are initially fast at radical innovation.

We make three contributions to the past literature: First, we view and measure innovation as a dynamic process that begins with a radical phase and is followed by an incremental phase (based on conceptual and empirical research on the nature of innovation (e.g., Anderson and Tushman 1990). In contrast, past literature views innovation as a static event categorized into two types: radical and incremental. Second, we take a knowledge-based view (Nonaka 1994) of the innovation process and develop arguments based on the path dependent nature of learning. In so doing, we show that incumbent firms that learn through the path of internal knowledge creation during the radical phase followed by external knowledge transfer during the incremental phase are likely to develop more incremental innovations compared to other incumbent firms.

Conceptual Framework and Hypotheses

We draw on the innovation (Anderson and Tushman 1990), organizational learning and knowledge-based view (Nonaka 1994) literature to develop our arguments. In our conceptual framework, we propose that choice of mode of learning during the radical phase has a direct impact on: (a) innovation outcomes in the radical phase, (b) the mode of learning in the incremental phase, and an indirect impact on (c) innovation outcomes in the incremental phase.

Hence, based on our arguments in the conceptual framework, we hypothesize that:

H1: Incumbent firms that learn through internal knowledge creation during the radical phase are likely to be slower at radical innovation compared to incumbent firms that learn through external knowledge transfer during the radical phase.

H2: Incumbent firms that learn through internal knowledge creation during the radical phase are more likely to use external knowledge transfer during the incremental phase as compared to incumbent firms that learn through external knowledge transfer during the radical phase.

H3: Incumbent firms that learn through internal knowledge creation during the radical phase followed by external knowledge transfer during the incremental phase are likely to develop more incremental innovations compared to other incumbent firms.

Methodology

We study the innovation of online retail banking over nine years (from 1995 to 2003) using archival data. We measure internal knowledge creation through the use of in-house technology development and external knowledge transfer through incumbent firms’ creation of licensing agreements. Analysis of a longitudinal data set of 89 incumbent U.S. banks using appropriate econometric models provides evidence for all three hypotheses.
Implications for Practice

*Develop Internally.* We suggest that incumbent firms use in-house technology development during the radical phase. Our advice is contrary to conventional wisdom that firms should form licensing agreements so as to be faster at innovation.

*Develop Internally Then License.* We suggest that incumbent firms which use in-house technology development during the radical phase form many licensing agreements during the incremental phase. On the other hand, incumbent firms that use licensing during the radical phase are able to form limited licensing agreements during the incremental phase. Our suggestions contrast past research on path dependence that expects firms to use the same mode of technology acquisition as used before (Hagedoorn and Duysters 2002).

*Live with Trade Offs.* We point out that incumbent firms are likely to be fast either at radical innovation or at incremental innovations, but not fast at both. We indicate that incumbent firms that use our suggested path of in-house technology development during the radical phase followed by licensing during the incremental phase are likely to be relatively slow at radical innovation but fast at incremental innovations than incumbent firms that use other paths. This insight suggests that the expectation of past literature and conventional wisdom that firms should always be fast at innovation is unrealistic.

Conclusion

Our study asks: how should incumbent firms innovate in the long term? We find that incumbent firms that learn through internal knowledge creation initially followed by external knowledge transfer are faster at innovation in the long term than firms that learn through external knowledge transfer initially. Hence, we advise incumbent firms to focus on internal learning and remain content with being a tortoise than a hare in the long innovation race. References available upon request.
FORM FOLLOWS FUNCTION: RECONCEPTUALIZING INCREMENTAL NEW PRODUCT DEVELOPMENT FROM A DESIGN PERSPECTIVE

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SUMMARY

“Innovate as a last resort” (Charles Eames).

Products are the lifeblood of consumer oriented companies, but products become obsolete, outdated, and stale. Firms must repeatedly innovate to keep their competitive edge and be successful (Cooper and Kleinschmidt 1993; Wind and Mahajan 1997; Song and Montoya-Weiss 1998). New product development (NPD) is a broad topic, nonetheless, one central theme is the distinction between disruptive and incremental innovation. Research in this area has largely focused on those products which are “really new,” disruptive, or radical (Carpenter and Nakamoto 1989) while less effort has been spent exploring incremental product innovations (Veryzer 2005). As a result, research concerning the re-introduction and re-design of existing products has been relatively under-developed. Incremental products are those that are substantially the same as preceding products. They are reformulated and subsequently reintroduced to the same market (Hertenstein, Platt, and Veryzer 2005). This process is incremental because the new product form embodies no fundamental change in technology (e.g., the ketchup inside an improved container or a more ergonomic vacuum cleaner) rather the change comes via a new design. Although product design has been established as a key driver of NPD success (Veryzer 2005) design as a stand-alone construct remains largely overlooked (Gemser and Leenders 2001). Extant literature has shown that design is positively related to product success (Hertenstein, Platt, and Veryzer 2005) and firm performance (Cooper and Kleinschmidt 1993). However, a distinct lack of theoretic development exists to support proponents of design as an ingredient in the NPD process. This paper narrows that gap by developing a model of design that separates strategic and tactical product design for incremental innovations.

Design is often exclusively associated with aesthetic taste (Dormer 1993). Clearly there is a wide overlap between design and art, the difference between the two fields lies in their outputs. Art is a process with its own intrinsic purposes. Artists are driven by their personal needs for self-expression. In contrast, design serves an extrinsic function that creates objects that attend to user needs. Further, the aesthetic facets of design do not account for the practical, analytical and conceptual competencies of the process (Hertenstein, Platt, and Veryzer 2005). Designers approach the product development question from a very different perspective than marketers. Designers are trained to see a product, its users and its environment as an integrated whole – a gestalt – such that a product’s attributes are aligned and mutually reinforcing. Marketers are focused on deconstructing consumer demand to provide a product which addresses those wants and needs. The marketing viewpoint depends on using consistent evaluative thinking to arrive at a single best solution for a given set of criteria (e.g., “How do we make a mobile phone take a picture? This is what consumers are telling us they want.”). The marketing focus is in marked opposition to the divergent problem-solving stressed by contemporary design education (Svengren 1995). Designers view product design as a holistic process, rather than a discrete function (e.g., “How can we improve a mobile phone user experience using human factors”). This inevitably leads to tension between the disciplines that hamper clear elucidation of product development. The functions of design, R&D, engineering and marketing are elusive and overlapping. Clear separation of each facet has been problematic (Veryzer 2005). Research developing design as an ingredient in NPD has been hampered by the intangible nature of the design process and the lack of empirical studies to support conceptual development (Gemser and Leenders 2001). This in large part explains why the treatment of design has been less developed than more tangible aspects of the NPD process. Therefore, it is not surprising that earlier attempts to untangle the distinct value of design have been unsatisfying.

Industrial design (i.e., the art that deals with the design problems of manufactured objects) attends to aspects of a product’s final form that enhance a user’s experience (Cagan and Vogel 2002). Coates (2003) defines product design as practicality (i.e., engineering, functionality), ergonomics (i.e., convenience, safety, comfort), and aesthetics (i.e., beauty, attractiveness). Borja de Mozota (1990) argues that design, like marketing, is the art of the differential strategy. Researchers who have examined the interaction of marketing and design have overwhelmingly focused on attaching a “dollar sign” to the use of design in product development (Potter et al. 1991; Hertenstein, Platt, and Veryzer 2005). Char-
acterizations often lump aspects of a product’s engineering, technological innovation, R&D and marketing together under the umbrella term “design” (Svengren 1995) while at the same time considering instrumental features of a product’s “design” (Verganti 2006). Thus “design” often refers to both a holistic process and the resulting artifacts of that process. This has created conceptual haziness around discussions of the design process versus the design outcome that this paper reconciles.

Design has been alternatively conceptualized in two ways; First, as a process of divergent problem solving – a proxy for creativity and innovation in the “fuzzy front end” of NPD (Cooper and Kleinschmidt 1994). Second, as an outcome of design decisions related to color, size, shape, and material – the look and feel of a product’s form (Bloch 1995). This paper suggests that rather than bundling process and outcome properties of the construct, research would benefit from models that separate design into distinct, but complementary constructs. In this model Strategic product design refers to the intangible aspects of product development (i.e., the process of design) while tactical product design (the resulting product outcome) is the antecedent of that process. This differentiation will be helpful clarifying process versus outcome confusion in present conceptualizations by bringing precision to research terminology.

Understanding of strategic versus tactical design is particularly important for incremental products because, perhaps more than any other, these products depend on design. Extant characterizations of the importance of incremental products are unduly dismissive (Cooper 1994). Incremental innovations are often portrayed as “me-too” offerings that provide little added benefit for consumers (de Brentani 2001). Cooper and Press (1995) posit that design’s biggest contribution is in adapting existing products and technologies to create new demand. Verganti (2006) argues that most firms do not use design to fully exploit differences in consumer markets, nor do they develop a strategic vision for design or invest in design as a source of long-term competitive advantage. The use of strategic and tactical product design offers firms a roadmap to pursue incremental change as a source of competitive advantage and guides researchers on how to account for the non-radical new products that largely drive firm success. References available upon request.

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A BELIEF UPDATING PERSPECTIVE OF COMBINING SEQUENTIAL INFORMATION: “SEIZING” AND “FREEZING” FOR THE FOCAL HYPOTHESIS

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SUMMARY

Prior research would make three distinct predictions as to how consumers might update their beliefs while combining information from sequential sources. The averaging model of information integration would predict that people give equal weights to each piece of information in a sequence, and hence average them (Lopes 1985). However, two other research streams would predict that people differentially weight sequential information when updating their beliefs. The literature on recency effects (e.g., DeWit et al. 1989; Johar et al. 1997) would predict that the last piece of information in a sequence exerts the strongest influence. In contrast, the literature on primacy effects (e.g., Boulding et al. 1999; Kruglanski and Freund 1983; Rabin and Schrag 1999) would predict that greater weight would be placed on the first piece of information in a sequence.

We propose that how weights are assigned to different pieces of information is impacted by whether the initial information serves as a focal hypothesis (e.g., Evans et al. 2002; Wilson et al. 2000). If the initial information becomes the focal hypothesis, we argue that that information will receive more weight (i.e., primacy effects). We refer to this as a focal hypothesis bias, and propose that it will occur when the initial information conforms to norms or past experiences. Specifically, the focal hypothesis bias can be defined as the tendency to stay close to the judgment induced by the focal hypothesis, and not give much weight or importance to alternative information (Wilson et al. 2000). When the first piece of information does not conform to expected norms or past experiences, we expect that the initial information will not serve as a focal hypothesis, and instead recency effects or averaging effects will be observed. We test these predictions by examining participants’ beliefs (or judgments) after being exposed to each piece of sequential information.

When presented with a sequence of information where there is high past agreement with the first source and lower past agreement with the second source with both sources giving similar product ratings, consumers are likely to stick to their initial judgments, due to the initial information serving as a focal hypothesis, and will not significantly update their beliefs even when faced with subsequent unfavorable information. In contrast, when presented with a sequence of information where there is higher agreement with the second source, the initial information is unlikely to serve as a focal hypothesis, and instead the second piece of information is likely to cause consumers to revise their judgments. Specifically, we hypothesize that when the high agreement source of information is presented first, judgments will not be revised after seeing similar product rating information from a low agreement source. When the information from the low agreement source is presented first, there will be judgment revision after seeing information from the high agreement source. In Study 1, a 2 (past agreement levels sequence: decreasing: high-low agreement vs. increasing: low-high agreement) x 2 (product rating: positive vs. negative) x 2 (judgment after first and second piece of information) mixed-factorial design experiment supports this hypothesis.

Study 2 examines the degree of confirmatory bias toward the focal hypothesis when exposed to additional similar types of information, under conditions of information ambiguity (Rabin and Schrag 1999). Unlike in Study 1 where the past agreements of the sources were manipulated (“high” vs. “low” agreements in the past), in Study 2, the source agreements were kept constant (both high past agreements), but the recommendations were varied for the first source (positive vs. negative ratings). The second source gave a neutral rating across all conditions. We hypothesize that while combining sequential information from multiple sources with high levels of past agreements, when the second information is ambiguous (vs. unambiguous) consumers are likely to weight the initial information more heavily as they view the ambiguous information to be supportive of the focal hypothesis. The results of a 2 (product rating by first source: positive vs. negative) x 2 (ambiguity in second piece of information: high vs. low) between subjects experiment support this hypothesis.

Study 3 examines if cognitive constraints reduce the weight given to the focal hypothesis. We hypothesize that with an increasing sequence (low-high agreement), regardless of cognitive constraints, there will be significant belief updating. In the decreasing sequence (high-low agreement...
agreement), under low cognitive constraints there will be no belief updating, but under medium/high cognitive constraints there will be updating. A 2 (past agreement level sequence: decreasing vs. increasing) x 3 (cognitive constraints: low vs. medium vs. high) x 2 (judgments after first and second pieces of information) mixed factorial experiment support this hypothesis.

Study 4 examines how consumers combine information from sources with varying levels of past accuracy (85% correct in the past vs. 70% correct in the past). Past accuracy ratings were given in quantitative terms which allowed us to compare participant judgments to a normative model (e.g., Bayesian belief updating theory) to check for accuracy levels. The results of a 2 (past agreement level sequence: decreasing vs. increasing) x 2 (judgments after first and second pieces of information) mixed factorial experiment support our hypothesis that when both the sources are credible (have greater than 50 percent past accuracy), the final judgment after seeing both pieces of information will be higher when the information is presented in an increasing (vs. decreasing) sequence. Also, participants’ final judgments in the increasing (vs. decreasing) sequence were relatively closer to the normative Bayesian predictions.

Study 5 examines how the valence of the second piece of information (positive or negative) impacts belief updating when the information is presented in an increasing sequence, and as a function of whether a purchase decision has been made after viewing the initial information. The results of Study 5 show that a hypothetical purchase decision made after viewing the initial information lead to a greater degree of confirmatory bias toward the focal hypothesis.

Taken together the result provide strong support for the role of the focal hypothesis in determining whether averaging, recency, or primacy effects will occur in the integration of sequential information. References available upon request.

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NEGATIVE WORD-OF-MOUTH: ITS INFLUENCE ON EXISTING CUSTOMERS

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SUMMARY

Word-of-mouth marketing, buzz marketing, viral marketing, referral marketing – all these jargons appear frequently in newspapers, business magazines, as well as academic journals, pointing to the trend that organizations are serious about marketing activities to promote customer-to-customer communication about products and services. Realizing the importance of word-of-mouth (WOM), many researchers have examined issues related to positive word-of-mouth that range from investigation of antecedents (e.g., altruism, satisfaction) and consequences (e.g., product adoption) of WOM, the relationship between satisfaction and WOM behavior, and the relationship between advertising and WOM to identification of profiles of opinion leaders who are likely to spread WOM. However, studies on negative WOM are somewhat limited, especially with respect to its influence on existing customers. This study is one of the very few studies that examine the effect of negative WOM on existing customers and their evaluations of the organization. The study attempts to answer the questions of how consumers respond to negative WOM and what are the factors that make consumers resistant to negative WOM. To address these issues, we examine the roles of attribution, consumers’ familiarity with the product/service provider, and prior attitude toward the product/service provider, as well as consumers’ decision making characteristics. The research questions are answered based on the test of the hypotheses grounded on concepts and theories established in the literatures of word-of-mouth, cognitive dissonance, relationship marketing, and services marketing.

We hypothesized that changes in consumers’ attitude and repurchase intentions following a negative WOM incident will be influenced by attribution of negative WOM (i.e., attribution to the communicator vs. the service provider), familiarity with product/service, prior attitude toward the product/service, and commitment to the choices.

The study used a scenario-based survey on customers of various organizations in the lodging industry. The lodging industry was chosen because (a) it provides an appropriate service context, in which variables under investigation can be easily manipulated (e.g., attribution, familiarity, and choice commitment), (b) most people have experiences with lodging services, therefore, the incidence rate (i.e., those who are qualified for the study) is typically high for general population, and (c) lodging services are high in experiential service quality, making WOM an important communication tool to influence others’ perceptions. Participants were subjected to one of the four possible scenarios in a 2 (attribution) x 2 (type of negative WOM: hotel service-specific negative WOM and corporation-related negative WOM) mixed factorial design experiment. The final sample size after discarding responses with incomplete information was 207.

The results show that existing customers are affected by negative WOM and their attitude and repurchase intentions decrease significantly following negative WOM. This suggests that companies, in order to manage the spread of negative WOM, may want to focus on the factors that make current customers resistant to the effect of negative WOM. Our research demonstrates three factors that may act as buffers to negative WOM communication. First, consumers who are highly familiar with the product or service tend to be more resistant to the negative WOM. Consumer behavior research suggests that consumers will rely on “internal” information (e.g., knowledge) first before searching for “external” information because of instant access to the former. Thus, customers who are not familiar with the service provider will be more dependent on negative WOM because they do not have sufficient internal information. Companies may want to focus on educating consumers and expanding PR efforts to properly equip customers against potential damage caused by negative WOM. Second, consumers’ prior positive attitude toward the service provider helps consumers be less vulnerable to the effect of negative WOM. Consumer behavior research suggests that consumers will rely on “internal” information (e.g., knowledge) first before searching for “external” information because of instant access to the former. Thus, customers who are not familiar with the service provider will be more dependent on negative WOM because they do not have sufficient internal information. Companies may want to focus on educating consumers and expanding PR efforts to properly equip customers against potential damage caused by negative WOM. Second, consumers’ prior positive attitude toward the service provider helps consumers be less vulnerable to the effect of negative WOM. Third, the study found a consumer decision process characteristic (e.g., choice commitment) is related with consumers’ commitment to the service and service provider and this makes customers more resistant to the negative WOM. In our study, leisure travelers who are primary decision-makers and spend efforts in searching for information about hotels were found to be more resistant to negative WOM than business travelers. This is because leisure travelers are usually responsible for their choice, and thus, they are likely to choose the
behavior that conforms to their choice. Consistent with the cognitive dissonance theory, this study found that when consumers are presented with a message that is not consistent with their existing beliefs they will discount the negativity so as to stay in cognitive balance. This suggests that companies may want to devise a systematic tool that helps reduce consumers’ cognitive dissonance by affirming their choice.

This study makes contribution to the existing literatures of word-of-mouth, services marketing, and relationship marketing by investigating whether and how negative word-of-mouth influences existing customers. Future research may expand this study by investigating the effect of negative WOM in an online environment and examining different variables. References available upon request.

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CURRICULUM INNOVATION: TOWARD REAL-WORLD-BASED LEARNING

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SUMMARY

To help marketing majors develop the skills essential for an entry-level job offer, the department of marketing at Kent State University initiated a fundamental curriculum transformation. The process of curriculum innovation involved the use of strategic analysis, planning, and implementation, coupled with extensive faculty participation, to bring the program to fruition. This paper describes this curriculum redesign and implementation process and reports early outcomes from a program-wide student survey.

Under the old curriculum, marketing majors were receiving the same training as non-majors, though the department was able to provide education to a large student body. The quality of the education marketing majors received was limited by the large class sizes, lack of interactions between faculty and students and among students, and absence of hands-on and real-world experience. A new curriculum was designed to address these issues.

The courses in the major were designed to be offered only to marketing majors. Limiting class enrollments to only marketing students allows us to keep class sizes to about 30 students, which creates the opportunity for greater faculty/student interactions. The goal is to have faculty spend less time lecturing and more time facilitating and engaging students in their coursework. We are striving to become the “guides on the side” rather than the “sages on the stage.”

The process of designing courses with a hands-on orientation started with an interest in incorporating a tools course into the program, which provides the basic managerial skills marketing students need, especially in the areas of financial analysis, decision-making, and writing where our students had not typically been very strong. In order to assure that skills learned in the tools course would be used and augmented in subsequent courses, and that students would come to understand marketing as a whole, the curriculum was designed to be taken sequentially (i.e., lock step). The benefits of a sequential program are many. We can be more certain that students do obtain an integrated understanding of marketing. Courses were designed to build upon each other throughout the curriculum, which helps students understand the field more cohesively as compared to taking courses in no prescribed sequence or having no direct connection among the classes.

Another highlight of the new curriculum is hands-on and real-world learning experience. We were able to attract and engage many local businesses to provide the students with opportunities to work on real-world marketing projects. By the second semester in the program, students will be divided into small groups (3–4 people per group) to work extensively with these companies to solve marketing-related problems. These real-world experiences will prove to be a valuable asset to the marketing majors.

The new curriculum requires that students complete seven three-credit hour courses. They are, namely, Marketing Tools, Customer Analysis, Research for Marketing Decisions, Competitive Market Analysis, Promotion Management, Channel Management, and Integrated Marketing Strategy. In addition, three one-credit hour labs are offered to majors to augment course content and enhance skill development through hands-on assignments and activities.

To assess whether the students have improved their knowledge and skills and their levels of satisfaction with the new curriculum, we designed a longitudinal study, which involves multiple evaluation surveys. Students in the new curriculum will finish a survey with both Likert scale and open-ended questions about their learning experience at the end of each semester. In the first round of the survey, given at the end of Fall 2006, specific questions were asked to extract students’ opinion on hands-on and real-world-based learning, small class size, involvement with faculty members and other majors, and overall satisfaction with the new curriculum. The results from this first survey indicated that the new curriculum was well received by the students: they highly valued the hands-on and real-world based learning orientation; they favored small class size and resultant high level of involvement with faculty members and other marketing students; their satisfaction with the new curriculum was high; and their learning experience in the first semester changed their expectation toward the new curriculum positively.
Our department started an innovative process and initiated a substantial change in our undergraduate curriculum though the use of strategic analysis and planning. The resultant new curriculum focuses the course content to provide students with hands-on, real-world experiences. As such, the new curriculum offers an innovative approach to marketing education at the undergraduate level at a large, state university. We believe this new direction will yield numerous benefits for our students, faculty, college, and university. References available upon request.

ENDNOTE

1 Members of the Marketing Department participating in this curricular development process, who accordingly are responsible for the content of this paper, are Professors Paul J. Albanese, Pamela Grimm, Michael Y. Hu, Robert Jewell, and Tuo Wang.

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USING Q-METHODOLOGY TO STUDY INFORMATION LITERACY AMONG MARKETING STUDENTS

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ABSTRACT

The study uses Q-Methodology to increase understanding of the extent to which marketing students possess information literacy skills. Three distinct factors emerge: Diligent Students, Procrastinating Students, and Techno-Realist Students. Each factor has a unique approach to accessing, evaluating, and using information. Implications for teaching are suggested.

INTRODUCTION

Due to the ongoing and well-documented explosion of technology, information is much more easily accessible to our students than anyone could have imagined a few short years ago. Of course, this helps students in many ways. When doing research for a course project, they can find an almost endless number of sources on any given topic. But as most instructors realize, there are downsides. Chiefly, students do not always understand that easy-to-obtain information is not necessarily information that is trustworthy and reliable.

This situation points to the importance of information literacy, which relates to how students access, evaluate, and use information. Information literacy has received widespread attention in the field of library science, where it originated. Articles by Cooney (2005) and Wu and Kendall (2006) focus on business information literacy, but both are published in library science journals. Information literacy as a research topic has not really spread to journals focusing on marketing education. The topic is addressed only sporadically in these journals (Hawes 1994; Sterngold and Hurlbert 1998). Thompson (2003) summarizes the information literacy literature as having the “prominent message . . . that today’s college students are lazy, procrastinating, plagiarizing patrons of the glut of information that has come to be known as the Internet” (pp.259–260).

Even if only partly true, this should be a concern for all educators – and especially those of us who teach marketing courses. Information literacy skills are critical for our students, who must use these skills to be successful not only in their schoolwork, but also in their work as marketing practitioners after graduation. After all, a marketing strategy based on unreliable, inaccurate information is doomed for failure. Indeed, information literacy skills are increasingly being integrated into marketing curricula – found in courses such as marketing research, database marketing, and marketing on the Internet. Standards for information literacy are even being included in the learning outcomes of business programs in line with the AACSB standards (Eisenbach, Watson, and Fiegen 2001; Cunningham 2003).

The goal of the current study is to increase our understanding of the ways in which marketing students are and are not information literate, and to do this by using the relatively unique statistical technique known as Q-Methodology. As shown in the next section, information literacy is a broad, multi-dimensional concept. Because attitudes and behaviors toward this concept vary widely across students, Q-Methodology is ideally suited to enhance our knowledge in this area. Though well-established in the fields of psychology, sociology, and political science (see Stephenson 1953; Brown 1980; McKeown and Thomas 1988), Q-Methodology is not commonly found in the marketing literature, and has never been applied to the study of information literacy. We use this technique to analyze a sample of marketing students. This results in a set of factors, each consisting of a group of students who are similar with respect to their information literacy skills. Analyzing the common characteristics of each factor provides insight into their strengths and weaknesses, and thus should lead to more effective strategies in teaching our students how to access, evaluate, and use information.

DEFINING INFORMATION LITERACY FOR MARKETING STUDENTS

To understand the concept of information literacy for marketing students, we begin with the following general definition provided by The Association of College and Research Libraries (ACRL): information literacy is the ability to recognize a need for information, plus the ability to locate, evaluate, and effectively use that information (Information Literacy Competency Standards for Higher Education 2000). The ACRL further defines this broad concept through five standards. This set of standards provides a framework for measuring an individual’s progress toward the goal of becoming information literate. Below we present these five standards (indicated by the letters A through E), each with a brief discussion for what it might mean to a marketing student that is conducting a major research paper for a course.
Standard A

The information literate student determines the nature and extent of the information needed. To be consistent with this standard, marketing students should begin their project by developing a comprehensive, but realistic plan for how they will proceed through the various stages. This requires them to start their project early, and to be well-organized. Before engaging in a serious information search, they are likely to create a rough outline that includes the type of information they need. They might also create a timeline with respect to when the information needs to be collected. This involves an appreciation for the wide variety of information sources, and for what is involved in accessing these sources.

In general, these students carefully plan ahead, and proceed in a thoughtful manner. They do not start to seriously collect information until they have thoroughly defined the research question, and thus have narrowed down the topic to a manageable focus.

Standard B

The information literate student accesses needed information effectively and efficiently. Once the scope of the project—along with its information needs—is understood, students must begin to collect information specific to their chosen topic. For marketing students who are information literate, this involves a systematic search of a wide variety of information sources, including books, periodicals, databases, websites, and multimedia. These students access both online and offline sources. They also are likely to go to the library or use the library website, and certainly are aware of the help they can get from a reference librarian. They also know how to borrow materials from another library through interlibrary loan. Finally, they understand the value and differences between primary and secondary information; so, they also might interview an outside business executive to obtain a first-hand perspective.

To access this information, they use more advanced search strategies than most other students—refining their search strategy (through trial-and-error) as they proceed. For online databases, they use the advanced search screens and Boolean operators. They manage this information with technology; thus, are comfortable using copiers, scanners, and a variety of computer software programs. Throughout the entire search process, they are very well organized as they are careful to keep track of all the sources and citation information.

Standard C

The information literate student evaluates information and its sources critically and incorporates selected information into his or her knowledge base and value system. To be consistent with this standard, students must appreciate the potential bias associated with certain information sources, such as websites. When writing an industry analysis, for example, marketing students must be careful when reporting information from a website of a specific company. Typically, such information is not objective, especially when the company website compares its own products with those of competitors. Information literate students understand that a great deal of online information is potentially biased or even erroneous. They do not trust anyone, single source; and thus make sure to confirm facts through multiple sources.

Consequently, information literate students tend not to rely exclusively on a major search engine (like Google) to access all their information; and, in fact, naturally question the credibility of information from a website. They seek out a variety of viewpoints on a given issue, and tend to use more than the minimum number of sources required by their instructor. These students stand out as being intellectually curious (in the classroom, they are quicker to ask questions and participate in discussion). Finally, these students have an appreciation for the timeliness of information, and thus look for more recent sources.

Standard D

The information literate student, individually or as a member of a group, uses information effectively to accomplish a specific purpose. After accessing accurate information from a variety of credible sources, students must use it. Information literate students are careful to organize and present the information in a way that clearly supports their arguments and communicates their intended message. This involves a great deal of time spent writing and rewriting the project.

In addition, students can use information technology applications to meet this standard of information literacy. This might involve using advanced features of Power Point or Excel in order to create charts or graphs that present the information in the most effective way possible.

Standard E

The information literate student understands many of the economic, legal, and social issues surrounding the use of information and accesses and uses information ethically and legally. For marketing students, this standard is most pertinent to the laws and institutional policies associated with intellectual property and copyrighted materials. Of course, information literate students are careful not to plagiarize; and they do not engage in acts of academic dishonesty, such as buying papers from an
online papermill or passing off a fellow student’s work as their own. Rather, they properly cite the work of others, and are sure to use “quotations” when extracting the exact wording from any source. They also conscientiously follow an appropriate documentation style, such as MLA or APA styles.

METHODOLOGY

To gain a better understanding of how marketing students meet the standards of information literacy, we use Q-Methodology to analyze their attitudes and behaviors toward gathering and using information. As stated in the introduction, Q-Methodology is an established statistical technique, especially in the fields of psychology, sociology, and political science (Stephenson 1953; Brown 1980; McKeown and Thomas 1988), but is uncommon in the marketing literature.

Our person-sample consisted of undergraduate students enrolled in two sections of a senior-level marketing course. Students were given a small amount of extra-credit for participating in the exercise. Out of 64 students enrolled in the course, 48 students (or 75%) chose to participate. This is a more than adequate number of participants for Q-Methodology, as it typically involves “no more than 40” (p. 92, Brown 1980). The key concern is that those individuals participating possess the full diversity of opinion on the issue (Addams 2000). We believe they do, as the participating students represented the full range of students in the course – from the top to the bottom performers.

The first step of this methodological process is to generate the Q set, which is a list of statements that reflect the range of attitudes and behaviors that marketing students have toward relevant aspects of information literacy. The size of the typical Q set varies anywhere from 10 to 100 statements (Rogers 1995). The statements for the current study were generated by the two co-authors, who are a marketing professor and a business reference librarian, respectively. Thus, the authors have an insight into student viewpoints on this topic. Further, the statements were generated along structured lines, as we attempted to capture the domain of each ACRL standard of information literacy (as they related to marketing students). The process resulted in a total of 50 statements, which are shown in Table 1. The statements are numbered from A1 through E9, with the letters indicating the ACRL standard that served as the primary inspiration for the statement.

The next step is the Q sort. Each participant begins with a set of the 50 statements (the Q set), each one on a separate card. The participants were told to imagine that they were assigned to complete a major research paper for a marketing course, and that the paper was to involve a great deal of research about a particular industry. They were then asked to read through and ultimately rank order each of the 50 statements from those that were least characteristic to those that were most characteristic of their attitudes and behaviors. Specifically, they were asked to sort the cards (or statements) by laying them down in a pattern on the table in front of them. As shown in Figure 1, the pattern was “pyramidal” – with fewer statements at the extremes, and more in the middle. Since the pyramid had 11 columns, students were essentially ranking each statement from -5 to +5.

The next set of steps involves the following three statistical procedures, which are done in sequence: (1) calculation of the correlation matrix, correlating the individuals’ rankings with each other, (2) a factor analysis, which involves extraction and rotation of significant factors to an acceptable solution; and (3) the computation of a set of factor scores for each factor, in order to identify a set of distinguishing statements for each factor. For much more detail on each of the steps of Q-Methodology, readers are encouraged to refer to the reference list, especially Brown 1980; McKeown and Thomas 1988.

RESULTS

We decided to extract three factors based on a combination of statistical significance and of our own insight from helping students gather and use information (in other words, the three factors made sense to us). According to Addams (2000), strictly “. . . relying on statistical criteria may lead to discarding a factor that, although unimportant in terms of the proportion of the variance explained, nevertheless may be of special theoretical interest” (p. 28). So, balancing statistics and theory is encouraged in Q-Methodology (Brown 1980; McKeown and Thomas 1988).

In the factor analysis after a varimax rotation, 30 students load most strongly on the first factor, 11 students load on the second factor, and 7 students load most strongly on the third factor. All loadings are significant at the 0.05 level as they are over 0.27 as demonstrated by Brown (1980), loadings are significant at 0.05 level if they are over 1.96 times the standard error of the loadings, which is 1 divided by the square root of the number of statements (50). The number of students loading on a factor is relatively unimportant. As stated by Addams (2000), “. . . the focus is on the similarities in attitudes of the group, rather than on which individuals share them.” Further, the generally accepted rule is that a factor can be accepted if there are two or more Q sorts that significantly load on it (Addams 2000; Stephenson 1953).

Computation of factor scores allows us to rank each statement for each factor. Figure 1 demonstrates these rankings in the form of a Q sort that is uniquely represen-
| A1 | I'll start the project by writing out a rough outline of the type of information I need. | 3 | -4 | 1 |
| A2 | I'll use the same database that I always use (like Lexis-Nexis) — and nothing else. | -2 | -1 | 2 |
| A3 | I'll consider using interlibrary loan, or driving to another university library to access needed information. | -2 | -4 | -4 |
| A4 | I'll be sure to rely on a combination of online and offline (in-print) sources. | 2 | 2 | 2 |
| A5 | I'll be sure to include articles from subscription-based sources (like the Wall Street Journal) that are not freely available on the Internet. | 0 | -1 | -1 |
| A6 | Before focusing on a topic, I'll explore a variety of sources to become more familiar with the industry. | 0 | -1 | 3 |
| B1 | I'll be sure to get help from a Reference Librarian at the university library. | -1 | 0 | -2 |
| B2 | I'll do all my research from a computer. | -2 | 4 | -2 |
| B3 | I'd rely heavily on information from the Library Research Databases, such as Lexis-Nexis, Business Source Premier (EBSCO), etc. | 2 | 3 | 1 |
| B4 | I'll get almost all of my information through Google. | -3 | 0 | -1 |
| B5 | I'll take some time to consider the best search terms for my topic. | 0 | -2 | 5 |
| B6 | I'll consider using reference books from the university library as sources. | 1 | 2 | 1 |
| B7 | There is no way I'll go to the university library to do any of my research. | -4 | -3 | -3 |
| B8 | I'll talk to a business person from the industry to get some first-hand information. | 0 | -4 | 1 |
| B9 | I'll use the technology (e.g., scanners, photocopiers, PowerPoint, etc) to access and manage the information. | -1 | 1 | 3 |
| B10 | I'm careful to keep track of all the sources where I get my information. | 4 | 3 | 1 |
| B11 | For online databases, I'll use sophisticated search strategies, such as the Advances Search Screen and/or Boolean Operators. | -1 | -1 | -4 |
| B12 | I'll go to my instructor's office hours for help with the project. | 2 | 1 | 0 |
| B13 | I'll be sure to look at scholarly, academic journal articles. | 3 | 2 | 0 |
| B14 | I'll keep careful track of the citation information of all my sources for future reference. | 3 | -2 | -2 |
| B15 | I'll use a trial-and-error process to refine my search strategy as I gather information. | -1 | 2 | 0 |
| B16 | I'll definitely make use of the textbook of my current course for some of the information. | 1 | 3 | 0 |
| B17 | I'll use textbooks from some of my other courses. | -1 | 1 | 0 |
| C1 | Before including information from a website, I'll make sure it's credible. | 2 | -2 | -1 |
| C2 | All my information will probably come from websites. | -3 | 4 | 0 |
| C3 | I'll compare various sources to evaluate the reliability & accuracy of information that could be biased. | 1 | -2 | -3 |
| C4 | I'll use the minimum number of sources required by my instructor — and no more! | -2 | 1 | -1 |
| C5 | I'll search for a variety of viewpoints and opinions about the topic. | 1 | 1 | 2 |
| C6 | I won't entirely trust any one, single source. | -1 | -1 | -2 |
| C7 | Before stating something as fact, I'll be sure to rely on more than one source. | 1 | -1 | 0 |
| C8 | I'll rely heavily on facts that I obtain from company websites. | 0 | 2 | 4 |
| C9 | I'll try hard to use fairly recent sources, that are no more than one or two years old. | 2 | 1 | 4 |
| C10 | I'm careful to consider if the information I find is biased. | 0 | -1 | -1 |
| D1 | My project will contain several images to support my information. | 0 | 0 | 1 |
| D2 | I'll revise and rewrite my paper to make sure my ideas are communicated clearly. | 4 | -2 | -2 |
| D3 | I'll write the majority of my paper “at the last minute” (i.e., the night before)! | -3 | 5 | 1 |
| D4 | My project will have a well-designed title page and be put in a nice binder. | 1 | 0 | 4 |
| D5 | I'll be sure to “piece up” my project with lots of graphics I downloaded from the web. | -2 | -2 | 0 |
| D6 | I'll make extensive use of bar charts, graphs, etc. | -1 | -3 | -1 |
| D7 | I'll use the advanced features of more than one software package (e.g., PowerPoint, Excel, etc.) to present my information in the most effective way possible. | 0 | 0 | 2 |
| D8 | I'll spend much more time working on this project than most other students in my class. | 1 | 3 | -3 |
| E1 | I'll look into buying a printer from an online printer store like temppapers.com. | -5 | -5 | -5 |
| E2 | I'll get help from a fellow student who is a smarter, better student than I am. | -2 | 0 | -4 |
| E3 | I'll cut and paste large portions of text into my report, but will always cite the source. | -4 | 0 | -2 |
| E4 | I'll be sure to use “quotations” when using exact wording from any source. | 5 | 4 | 5 |
| E5 | I'll use websites as sources for information — even if my instructor tells us not to. | -4 | 0 | 3 |
| E6 | I'll be very careful not to plagiarize. | 5 | 5 | -1 |
| E7 | I'll closely follow an appropriate documentation style when citing sources (such as MLA or APA styles). | 4 | 2 | 2 |
| E8 | I'll take advantage of research databases that I only have access to because I'm a university student. | 2 | 1 | -2 |
| E9 | I'll have no problem passing off someone else's work as my own — especially if I'm confident that I won't get caught. | -5 | -5 | -5 |
FIGURE 1
Representative Q-Sorts for Each Factor

Factor 1: Diligent Students

Least Characteristic of My Attitudes / Behaviors

Most Characteristic of My Attitudes / Behaviors

Factor 2: Procrastinating Students

Least Characteristic of My Attitudes / Behaviors

Most Characteristic of My Attitudes / Behaviors

Factor 3: Techno-Realist Students

Least Characteristic of My Attitudes / Behaviors

Most Characteristic of My Attitudes / Behaviors

NOTE: The above Q-sorts show how each of the three factors tended to sort the 50 statements. For example, Diligent Students (Factor 1) tended to sort the statements as shown on the top pyramid. Refer to Table 1 for the full statements, which are coded from A1 to E9.
tative of each factor. In other words, statement E6 (“I’ll be very careful not to plagiarize”) had the highest score for factor 1; so, it is listed in the right-most (+5) column of the top pyramid. Note the numbers “5–1” next to this statement E6 in Table 1. These are the statement’s rankings for each of the three factors in order (so, those in factor 2 also rated this as +5, but those in factor 3 rated it as -1). These rankings are discussed in the final section in order to provide a profile of each factor, and thus gain a better understanding of information literacy among marketing students.

DISCUSSION

The Q-Methodology results in three factors, which we label as Diligent Students (factor 1), Procrastinating Students (factor 2), and Techno-Realist Students (factor 3). Each of these factors is best understood by analyzing how the statements that characterize that factor fit together. The descriptions below refer to the statements (from A1 to E9), which are listed in Table 1.

Diligent Students (factor 1) are generally the most conscientious with respect to gathering and using information in a way that meets the standards for information literacy. First, Diligent Students spend much more time working on the project than most other students (see statement D8 on Table 1). This allows them to plan ahead by starting the project early and creating a rough outline of the type of information they need (A1, D3). In the end, they tend to revise and rewrite to make sure they present the information clearly, and in a way that achieves their intended purpose (D2). They are always well-organized, carefully keeping track of all of their sources along the way (B14).

Relative to the other two factors, Diligent Students appreciate the potential bias of information, and thus are the most likely to question the credibility of certain online sources (C1, C3, C7) – especially company websites (C8). In fact, they are the most adamant that their information will not exclusively come from websites (B4, C2), and will conscientiously follow their instructors’ directions regarding this (E5). They are the most likely to reference scholarly journal articles (B13).

Diligent Students’ only characteristic weakness with regard to information literacy is in the area of technology skills (B9, D1, D7).

Procrastinating Students (factor 2) are those that openly admit that they will probably write the paper “at the last minute,” and thus will be short of time (D3, D8). This appears to drive much of their behavior associated with how they gather and use information. These students say that they will conduct all research from their computer (B2), and that their information will all come from websites (C2). They are the least likely to obtain primary information by interviewing a business person from their assigned industry, which, of course, they have no time to do (B8). There also is no time for careful planning of what information they will use (A1), nor for revising and rewriting the project once it is all put together (D2).

These students generally are not worried about potential bias, and view a source as legitimate as long as it somehow relates to the issue at hand (C1, C3, C7). In their bibliography, Procrastinating Students will cite no more than the minimum number of sources required by their instructor (C4); and relative to the other two factors, they are the least concerned over whether or not their sources are recent (C9).

Procrastinating Students, however, are not without superior information literacy skills – even relative to the other two factors. For example, they are the group most likely to use a trial-and-error process to refine their search strategy (B15). This suggests that they are quicker to identify gaps in the search results, and to understand how revising the search strategy can result in a greater number of relevant hits. So, perhaps, rather than choosing a search term, and spending lots of time searching through all the results; they are quicker to recognize how the results can be improved through an alternative search strategy.

There is also evidence that Procrastinating Students are more information literate than others with respect to understanding how to use the library, or at least in understanding the efficiencies of working with a reference librarian (B1). Indeed, it is routine for reference librarians to be meeting with students who are working on papers with an imminent due date. Of course, these students come to the library only as a last resort – because they were not successful in finding the information from their own search of the web. Along the same lines, they are quicker to get help from friends that are better students than they are (E2).

Interestingly, Procrastinating Students are the most likely to use and reference their course textbooks for their project (B16, B17). At first glance, this appears to contradict this group’s tendency to rely heavily on website information. However, keep in mind that they are short of time, and they know where their textbooks are. Further, instructors often require a certain number of sources that are not websites; so they might reference their textbooks without really relying on information from them.

Techno-Realist Students (factor 3) are the most effective users of technology for the purposes of managing and presenting information. These students demonstrate their technology skills by using the advanced features of multiple software programs, such as
PowerPoint and Excel (D7). They also are adept at using technology applications, such as scanners, photocopiers, etc., to manipulate digital text, images, and data (B9). These are the students that insert graphics (perhaps gratuitously?) throughout their project in order to enhance its look (D5). Similarly, they take the time to create a well-designed title page, and to put it all together in a nice binder (D4).

Techno-Realists also tend to have more of a real-world orientation to gathering and using information, and this leads to both strengths and weaknesses with regard to information literacy standards. The strengths are two-fold. First, they are concerned with using recent, up-to-date information (C9). Second, they have the greatest appreciation for primary information, such as that gathered through interviews with business people (B8). The key weakness that stems from their orientation is that they rely heavily on information from the websites of actual companies (C8), and they appear to not fully appreciate that this information can be biased (C1, C3). In fact, they will access and use information from websites even when their instructor tells them not to (E5). Further, their real-world orientation makes them the least likely to use more academic sources, such as published articles from scholarly journals (B13) or even from any Library Research Databases (e.g., Lexis-Nexis, Business Source Premier) (B3).

Finally, Techno-Realist Students have an independent streak. That is, relative to the other two factors, these students are the least likely to get help from anyone else, including their instructors (B12), reference librarians (B1), and fellow students (E2).

CONCLUSION

The profiles of the three factors provide insight into the strengths and weaknesses of marketing students in the area of information literacy; and thus suggest some specific teaching strategies that might help our students become better at accessing, evaluating, and using information. Overall, Diligent Students are the most likely to complete a marketing research project in a way that is consistent with the standards of information literacy. These students, however, do have a weakness in the area of using technology; and so they might benefit from computer workshops to demonstrate various technology applications. Procrastinating Students need to learn time management skills, which are not easy to teach. Of course, a way to force these students to better manage their time would be to have projects due in stages (e.g., having a rough outline due first, etc.). The third factor, Techno-Realist Students, might benefit from having a reference librarian visit class to discuss the credibility of different sources; or to show how to access (and to discuss the merits of using) scholarly journal articles.

These are just a few suggested teaching strategies that follow from the analysis. Future research should delve further into these factors, attempt to identify others, and suggest a more comprehensive strategy for enhancing the information literacy of our students.

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A NOTE ON INTERVENTIONS BASED ON DEPARTMENTAL ASSESSMENTS TO IMPROVE A MARKETING PROGRAM

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ABSTRACT

There is little guidance for departmental program interventions in higher education (a process where program assessment leads to improved student learning objective attainment, commonly termed intervention). To begin to fill this gap, the present research provides details of how assessments were used to begin to improve a departmental marketing program.

INTRODUCTION

Accreditation agencies such as the Association to Advance Collegiate Schools of Business (AACSB), and the Council for Higher Education Accreditation’s (CHEA) regional accreditation body, the Commission on Institutions of Higher Education, North Central Association of Colleges and Schools (NCA) now require assessment of student learning – what students know, and increasingly what students can do (e.g., Bloom 1956). These assessments require assessment plans: statements of student learning objectives and outcomes, with measures of whether students are achieving these outcomes, and a process where assessment leads to improvement (e.g., Engineering Accreditation Commission 1998; (NCA) Handbook of Accreditation 2003; UNESCO 2005) (also see Soundarajan 2004). There also are requirements for multiple measures of learning: direct measures such as proficiency exams, and student papers and presentations; and indirect measures, such as student exit surveys and focus groups, and employer surveys and alumni surveys.

The AACSB does not require assessment at the departmental level. However, departmental-level assessments are necessary to “control,” in the managerial sense, departmental-level responses to college-level assessments mandated by the AACSB.

Assessment in higher education usually refers to the assessment of individual students (tests), or the assessment of academic programs. Academic program assessment has received attention recently (e.g., Banta, Lund, Black, and Oblinger 1996; Banta 1999; Boyer 1990; Elphick and Weitzer 2000; Glassick, Huber, and Maeroff 1997; Loacker 2000; Mentkowski 2000; Palomba and Banta 1999, 2001; Palomba and Palomba 1999; Schneider and Shoenberg 1998; Shulman 1999) (also see the influential older cites in Van Vught and Westerheijden 1994). However, a matter closely related to program assessment, how to use assessment results to improve a program, which we will term intervention, have received comparatively little attention (Soundarajan 2004).

Student assessment has been of interest for many years (e.g., Ruch and Stoddard 1925), and the topic has generated considerable research (e.g., Volume 1 of the journal Assessment & Evaluation in Higher Education was published in 1976). Student assessment can be summarized as comprising two types, objective or summative assessment (e.g., tests involving multiple choice, true/false, matching, etc.) (see the citations at http://ahe.cqu.edu.au/MCQ.htm), and “alternative” assessment (e.g., essays, self-evaluation, and peer evaluation, etc.) (see for example Schelfhout, Dochy, and Janssens 2004; Maclellan 2004).

Exit surveys require students to rate or self-assess themselves, and student self-rating/assessment also has received considerable attention, with studies dating from 1932 (Sumner 1932). There have been several summaries of this literature. For example, Boud and Falchikov’s (1989) review of the student self-rating literature concluded that studies have reported some degree of students’ over- or under-rating themselves, but they saw no consistent pattern across studies. These ambiguous results are predicted by the “self-presentation tactic” (Shaw and Costanzo 1982) of Ingratiation Theory (Jones 1965; Jones and Wortman 1973). Ingratiation involves attempts to impress a target individual with one’s positive qualities (Shaw and Costanzo 1982), sometimes involving exaggeration, and the characteristics of the target may determine ingratiating attempts. Because high authority and low disclosing targets are less likely to be ingratiated (Kaufman and Steiner 1968; Schneider and Eustis 1972), these attributes of the target may help explain the ambiguous results of previous student self-rating studies.

Boud and Falchikov (1989) also concluded that good students under-rate themselves, and weaker students over-rate themselves. This result is predicted by Impression Management Theory (Schlenker 1980). Impression management tactics vary depending on how public they are (Schlenker and Weigold 1989). When someone believes others may not find out how good they are, they modify their self-presentation efforts in a self-enhancing direction. If others will find out (or know), modesty is the rule. Under-rating is dissonance with the under-rater’s attitude and behavior, but their later performance eliminates this dissonance (Steele and Liu 1983). Under-rating is also predicted by the self-presentation
tactic (Shaw and Costanzo 1982) of Ingratiation Theory (Jones 1965; Jones and Wortman 1973): the ingratiator presents traits that are generally valued by society (Shaw and Costanzo 1982).

Previous studies have reported that males and females variously over- and under-rate themselves. However, Boud and Falchikov (1989) reported that gender differences in student over- or under-reporting were inconclusive.

Nevertheless, Falchikov and Boud’s (1989) meta-analysis of student self-rating studies concluded that overrating was more common than under-rating, especially in more recent studies. They concluded that overall, the “average” correlation between students and teacher rating was 0.39. In recent studies this correlation has been higher: Longhurst and Norton (1997) observed a correlation between students and teacher rating of 0.43; and Schelfhout, Douchy, and Janssens (2004) observed a correlation of 0.53.

THE PRESENT RESEARCH

However, because program assessment in higher education is in a developmental stage, the extant literature on program assessment provides little guidance for departmental program interventions based on student assessments. To begin to fill this knowledge gap, this research contributes the results of implementing an exit survey of graduating undergraduate marketing majors. For emphasis, even with the potential for student over- and under-rating, exit surveys are useful to gauge how well marketing students believe they are prepared for advanced marketing schooling, marketing employment, and so on. Stated differently, if students believe they are not prepared for advanced schooling, for example, they may not attempt such a perceptually risky objective.

The research also contributes an explanation for student over- or under-rating in the self-assessments required in exit surveys, and it contributes needed research on student self-rating conducted at the end of a course. Finally it contributes much needed details of how results were used to begin to improve a departmental marketing program (interventions).

The present intervention research is within the logic of action research (e.g., Winter 1989) – plan, act, observe, and reflect – and within the tradition of evaluation research: objectives setting, program operation, evaluation, and replanning (e.g., Suchman 1967; see Miller 1991). As a result, the present research addresses the gap in the documentation of the interventions (how to improve a program) used to effect changes suggested by assessments (e.g., Soundarajan 2004).

RESEARCH QUESTIONS AND INTERVENTION ISSUES

Dochy, Segers, and Sluijsmans (1999) noted that there have been only two studies of student self-rating conducted at the end of a course. Because exit surveys provide “end-of-courses” student self-ratings, we investigated the following research questions:

RQ1: Did good students under-assess themselves in their exit interviews, while weaker students over-assessed themselves?

Weaker students may over-rate themselves, and good students may under-rate themselves (e.g., Falchikov and Boud 1989). However, because there have been comparatively few end-of-course studies of student self-assessment, where impression-management and ingratiating may be less important (plausible explanations for this behavior are discussed later), we were interested in any student over- or under-rating in this “end-of-courses” venue.

Because Boud and Falchikov (1989) found gender differences in under- and over-rating inconclusive,

RQ2: If students did over- or under-assess themselves, were there gender, or other demographic, differences in these assessments?

Finally,

RQ3: Was it possible to “profile” the low marketing attainment (grades) students?

If it were possible to segment the exit-survey questionnaires into high and low marketing attainment (grades) segments, the “profile” (e.g., age, gender, part-time student, etc.) of the low attainment students might result. This profile could then be used to identify potentially low attainment marketing majors so that interventions might be developed at the individual student level early in their marketing program.

The following issues related to intervention using exit interviews, were also addressed:

♦ How should learning objectives and outcomes that produced low assessment scores be selected for intervention, and how could the effect of an intervention be detected?

Comparing assessment results across statistically small and infrequent samples of graduation seniors risks confounding the effect of an intervention with sampling variation. Similarly, a mean from these assessment samples has a large confidence interval because the samples are
small. Pooling successive assessments to raise the power of this test risks confounding uncontrolled changes such as changes in faculty, texts, etc. with the assessment of the effect of an intervention.

Finally,

♦ How should program interventions be efficiently and effectively designed?

What Soundarajan (2004) terms “Closing the assessment loop” – developing and implementing program changes based on assessment – has received little attention in this venue. A review of the “evaluation research” literature (see Miller 1991), in which social programs such as those in Primary and Secondary Education, and in Health and Human Services, are evaluated, revealed that what we are terming (group-level) intervention may be thinly researched in most venues. Thus, the design of interventions based on assessments and aimed at departmental-level program improvement is generally an unresearched area.

EXIT SURVEY RESULTS

An exit survey for graduating marketing seniors was developed by writing goals for student learning (e.g., obtain employment, graduate work, etc.), then by writing student-learning objectives tied to these goals, and learning outcomes tied to these objectives. Next, because we were measuring attitudes (e.g., “I can develop appropriate marketing strategies”) Likert-scaled items were used.

After the exit survey was developed, its scores (average attitudes), using pre-intervention baseline data, by, for example, marketing program learning outcome, were computed. These averages for each learning outcome and objective were ranked from high to low. Graphically, the result was an “s-shaped” curve. Specifically, there was one highest average, and averages dropped quickly from left to right. Then they tapered off to form a large “middle group” of averages that were all nearly the same. Farther to the right, averages dropped quickly to the minimum average in the “bottom tail” of this s-curve. Of interest for intervention were the minimum average and its immediate neighbors that were significantly different from the grand mean of all the objectives and outcome means.

We elected to target the bottom four or five objective and outcome means. As it turned out, there was one objective and its outcomes that were all in the bottom tail. However, concern over sampling variation because the sample was small, led to bootstrapping (sub-sampling) the pooled cases to estimate the effects of sampling variation on the ranking of the lowest means. These rankings changed across the sub-samples, so the means that were most often lowest were chosen for possible intervention. An additional mean was also included for possible intervention: the mean with the largest variance, which could be viewed as a measure of student uncertainty about their response, was also chosen for possible intervention in order to reduce its variance. As a final step, we investigated a “cutoff” rule for identifying the lowest means in the bottom tail: target means that were two standard errors below this grand mean. This identified low means that were less likely to be affected by sampling variation. The net result of these approaches was a set of six target means, one objective mean and four outcome means, and one outcome mean with high variance.

INITIAL INTERVENTIONS

Our initial interventions involved emphasizing subject material related to each of the target means’ objective/outcomes. Specifically, the interventions involved providing readings, lectures, and homework in the final (capstone) marketing course in order to change students self-reported attainment of the target objective/outcomes.

Our objective was to “flatten” the bottom tail of means using interventions aimed at increasing these target means. However, for several reasons including lack of a control group in these quasi-experiments (see Campbell and Stanley 1966), and the well-known difficulties with comparing multiple means across repeated small samples, an average of the five target means was used to help gauge changes. Specifically, we computed the average of the target means and aimed at reducing its difference from the grand mean.

In the next administration of the assessment (post-intervention administration 1), we compared differences between grand means and averages of the five target means. Specifically, in the pooled pre-intervention baseline data we computed the difference between the grand mean and the average of the target means. Then, we compared this “baseline deviation” to the corresponding difference between the grand mean and the average of the target means in the post-intervention administration 1 sample. This “deviations” approach was used to help account for any uncontrolled variation that might have, for example, affected all or most of the “post 1” means.

In post-intervention administration 1 we observed a slight but significant difference in deviations. Specifically, the deviation in the post-intervention 1 sample was significantly smaller than the corresponding deviation in the pooled pre-intervention baseline data. We were anxious to consider improving interventions, and while admittedly not a perfect approach for these purposes (see Rossi and Wright 1984; Campbell and Stanley 1966; for these and other difficulties with evaluation and quasi-experimental research), the small but significant differ-
rence in deviations suggested that we might begin to consider the individual target means further. The grand means had increased slightly, and individual means in the post-intervention administration 1 sample had “moved around” when compared to the post-intervention administration 1. As result we bootstrapped the post-intervention administration 1 sample and elected to improve interventions in bottom three means.

**DISCUSSION**

Ideally, there are two approaches to creating or improving interventions, a “top-down” approach using for example a curriculum committee, or “bottom-up” using individual instructor efforts in individual classes. Our first-round intervention could be viewed as a bottom-up approach in a single course. Other examples of objectives/outcomes that could be viewed as course specific might be objectives/outcomes related to marketing research or consumer behavior. Intervention improvements (a second round of interventions) for the target bottom three deviations could use the round one interventions with more formal curriculum committee reviews for module content and inclusion in additional courses in which the modules were taught, where appropriate.

The intended intervention pattern was an intervention followed by assessments to gauge its effects, then intervention improvement. However, this approach assumes that an intervention should have an almost immediate effect. It also assumes that subsequent administrations will detect a “real” effect of an intervention, and that the exit survey will detect changes due to interventions. While it is likely that high reliability measures will detect a “real” intervention effect, the other two assumptions may be unrealistic, especially for interventions in courses taken months ago. Specifically, if a target mean does not respond to interventions, this may reflect interventions that take more than several administrations to take effect. However, it also may reflect ineffective interventions (no learning), or that the effects of the interventions are not retained over time (no retention). For example, being “able to develop marketing plans” may require several courses spread out over a year or more, and measuring an intervention for that outcome immediately may produce a misleading evaluation of that intervention. Thus, an intervention design should be accompanied by an analysis of how long an intervention should take to show an effect. Stated differently, if an effect is not noticed within several administrations, any intervention improvement should be prefaced by an estimate of how long the intervention should take before it should be noticed.

Our initial reaction to the outcomes in the “bottom tail” of means in the pre-intervention baseline data was similar to the well-known denial phase of grief (Kubler-Ross 1969). Specifically, the “bottom tail” means were difficult to accept because they involved outcomes we believed were heavily emphasized both in lectures and in the texts. While it was initially believed that these results reflected problems with the measures that produced these means, depth interviews with graduating seniors confirmed the plausibility of the low bottom tail means.

We speculate that the process of intervention and then assessment, then improved intervention and assessment, and so on, will ultimately not lead to a completely flattened tail. Specifically, since students and instructors have a fixed amount of time for a course, material related to outcomes that are not intervention targets may become less well covered as a result of an intervention, resulting in their declined means. Stated differently, interventions in “bottom tail” means may affect other higher means. In addition, changes in uncontrolled factors such as faculty changes may cause means to decline.

It is difficult to guess where the process of intervening might lead. It is plausible that each objective and outcome could ultimately have at least one intervention, and these interventions would change one-by-one over time in response to uncontrolled factors such as changes in faculty, texts, and students. Thus, to slow or avoid a plausible evolution into what might be viewed as a “micro-managed” program, it may be reasonable to limit interventions to means that are below a specified numeric level, such as 4 (Agree). In addition, it might be efficacious to experiment with selectively abandoning older interventions to see if their means subsequently decline.

**RESEARCH QUESTIONS REVISITED**

Returning to the Research Questions, RQ3 involved profiling the low marketing attainment (grades) students. While a two-group segmentation of the learning outcomes and demographics without GPA produced a significant difference in marketing grades (Group 1 average = 3.40, Group 2 average = 3.87, F of difference = 6.48, p = 0.01) using (Ward’s method and squared Euclidean distance) case clustering, it produced little more profiling information. The students in the lower marketing grades segment had higher average learning outcome ratings than the higher marketing grade segment (Group 1 = 4.23, Group 2 = 3.53, F of difference = 36.98, p = 0), in some cases by as much as 33 percent, suggesting the lower marketing grade students over-assessed their outcomes. They also appeared to over-assess their overall learning (Group 1 = 4.35, Group 2 = 3.62, F of difference = 5.48, p = 0.02). A mean split of marketing grades produced similar results: the low attainment students over-assessed themselves, and they had lower GPA’s (Group 1 = 3.38, Group 2 = 4.44, F of difference = 24.56, p = 0).
However, still searching for profiling information, we regressed grades on learning outcomes and demographics to identify the regression correlates of student grades. The largest correlate was GPA (standardized beta = 0.487, t = 3.27). Next was the outcome “identifying marketing problems” (standardized beta = 0.657, t = 3.06), followed by “determining resources to implement marketing plans” (standardized beta = 0.328, t = 2.17), and gender (standardized beta = 0.283, t = 2.00). Similarly, a regression of marketing grades on demographics to identify drivers of marketing grades produced a single driver, GPA with a standardized beta = 0.594 (t = 5.06), a large correlation (see Cohen 1977). In summary, since results of case clustering are sensitive to the variables involved, and data splits are sensitive to where the split is taken, the regression results suggested males were slightly likely to obtain lower marketing grades, and the best predictor of marketing grades in this venue was likely to be GPA.

However, it is well known that GPA is not the best predictor for all students. In addition, marketing grades are also included in GPA. Nevertheless, because marketing courses are a comparatively small percentage of total GPA, it should be a reasonable predictor.

Turning to RQ1, good students under-assessing themselves and weaker students over-assess themselves, the above results suggested they did. In the two-group segmentation of the learning objectives and demographics just described, low-marketing-grade students had higher assessments, and higher-marketing-grade students had lower assessments. An additional segmentation with GPA produced the same results: low GPA students over-assessed themselves, and higher GPA students underestimated themselves.

However, regressing the average of assessments on demographics, the significant regression correlates of assessment were gender (= -0.236, t = -2.30), and GPA (= -0.193, t = -2.01), suggesting that as GPA increased assessments were slightly likely to decline and females were slightly likely to assess themselves lower.

Several comments may be of interest. The negative correlation between the average of assessments and GPA was moderately weak, suggesting that there may have been many individual exceptions to the theoretical predictions of impression management and ingratiation in the present context. However, these exceptions may have been concentrated in the high assessments. In a mean split of GPA, the regression correlation between the average of assessments and GPA within the low assessments was -0.550 (t = -3.05), suggesting that in the low assessing students the average of assessments and GPA were strongly associated (in the high assessments the correlation was -0.054, t = -0.44).

As discussed earlier, Falchikov and Boud (1989) concluded that over-rating was more common than under-rating. However, it was not possible to determine the frequency of over-assessment versus under-assessment because the present data provided no absolute reference point for assessment.

RQ2 involved the possible existence of gender or other demographic differences in over- and under-assessing in this venue. In Boud and Falchikov’s (1989) summary of the student self-rating literature, the existence of gender differences in under- and over-rating were inconclusive. However, in the present study the overall correlation between gender and average assessment was -0.256 (t-value = -2.56). This suggested that females were slightly more likely to under-assess themselves in this venue. This also was more likely among good (high GPA) students where the correlation between gender and self-assessment was -0.327 (t = -2.37) (among the weaker students correlation between gender and self-assessment was -0.185, t = -1.24).

In addition, older students were slightly likely to over-assess themselves. The overall correlation between age and self-assessment was 0.226 (t = 2.24), which suggested that as age increased over-assessment was slightly more likely. Again this was more likely among students who assessed themselves highly, the correlation between age and average self-assessment was 0.447 (t = 3.43) (among students who rated themselves lower, the correlation was 0.046, t = 0.31).

These results were supported in a regression of the average of the self-assessments on demographics. There the “drivers” of self-assessment (without overall learning, marketing grade, or GPA) were gender (standardized beta = -0.209, t = -2.02), and age (standardized beta = 0.245, t = 2.00).

In summary, good students were slightly likely to under-assess themselves, and weaker students were slightly likely to over-assess themselves (r_{GPA,AVG} = -0.193, where r_{GPA,AVG} denotes the correlation between GPA and AVG, the average of the outcome assessments). However, among weaker students, the likelihood of over-assessment was comparatively high (r_{weaker,GPA,AVG} = -0.550, where r_{weaker,GPA,AVG} denotes the correlation between GPA and AVG among weaker students). In addition, males and older students were slightly likely to over-assess themselves (r_{Gender,AVG} = -0.256, r_{Age,AVG} = -0.226). However, the gender correlation was stronger among better students (r_{better,Gender,AVG} = -0.327), while the age correlation was stronger among the weaker students (r_{weaker,Age,AVG} = 0.447). The profile of the low marketing attainment (grades) students was that they had considerably lower GPA’s (r_{Mktng Grades,GPA} = 0.594).
INTERVENTION ISSUES REVISITED

In detecting the effect of an intervention we employed bootstrapping (see Endnote 2). Because each administration of the exit survey produces a small data set, the power of a test to detect the effect of an intervention by comparing means is low. Stated differently, a “successful” intervention might not be detected using the small number of cases produced in an administration of the exit survey. Pooling successive administrations to increase the power of the test risks confounding uncontrolled changes with assessment. Thus, we elected to Bootstrap the first several successive post intervention administrations to detect a successful intervention.

An obvious question is the “trustworthiness” of the exit surveys given student over- and under-assessment. Specially, did good students have one set of “bottom-tail” (lowest) outcome means, while the weaker students had a different set of lowest outcome means? If so, what were the implications for interventions designed for “bottom-tail” means produced by the full samples? Comparing the ranking of the outcome means from the good students (high GPA’s) and those from the weaker students (low GPA’s) to the rankings from the full sample, the set of bottom-tail means for the high GPA students who under-assessed, the lower GPA students who over-assessed and the full sample were the same. While exact rankings within the set of bottom-tail means changed, bootstrapping produced the same results. Curiously, the rankings of all the means changed little between high and low GPA, and the overall sample. This result was confirmed by comparing ranks between the high assessing cluster and the low assessing cluster in a two-group segmentation (clustering) of the cases. Again, comparing rankings among the high assessing cluster, the low assessing cluster and the full sample, the set of bottom-tail means were the same for all three sets of cases. While this suggests that using the full sample’s bottom-tail means was appropriate, these results may have been an artifact of the assessment. The exit surveys were all administered by the same instructor who was judged to be approximately neutral on authoritarianism and accessibility. Stated differently, for higher or lower authoritarianism/accessibility, the bottom-tail means may have been different between students who over- and under-assessed themselves. If that is case, bottom-tail means, those targeted for intervention, may depend on who gives the exit survey.

FUTURE INVESTIGATIONS

A matter not considered until after the analysis, was, did students over- and under-report their overall learning, their marketing grades or their GPA? The results hint that they were likely to under- or over-report their overall learning. Specifically, the correlation between average self-assessment and GPA was -0.183 (t = -2.01), which is consistent with theoretical predictions from Impression Management (Schlenker 1980) and Ingratiation Theories (Jones 1965; Jones and Wortman 1973), and previous results, that good students tend to under-report. However, the correlation between the average self-assessment and marketing grade was -0.072 (t = -0.81), and the correlation between overall learning and the average self-assessment was 0.340 (t = 4.04), which are not consistent with theoretical predictions. Together this suggested there may have been no consistent pattern to marketing grade self-reports, and overall learning may have been over-reported. This overall learning result may have implications for student evaluations of a course. There, it is assumed that student evaluations reflect their affect, not impression management or ingratiation. Thus, it would be interesting to explore this implicit affect-impression management/ingratiation boundary.

As just discussed, under- and over-assessing did not appear to affect the “bottom-tail” means in the present research, but that this result may have been an artifact of instructor authoritarianism or accessibility, and thus on who gave the exit survey. Thus, it would be interesting to investigate the possibility that bottom-tail means could be different between over- and under-assessing students for higher or lower authoritarianism/accessibility instructors.

We were surprised that GPA was the only predictor of marketing attainment (grades) in this venue. While the correlation between GPA and marketing grades was comparatively large (0.487) and it explained 35 percent of the variance in marketing grades, this suggests that 65 percent of the variance in marketing grades may be due to other variables that might be efficaciously used for profiling. Thus, it would be interesting to investigate other variables that might be related to attainment. It is well known that motivation is positively associated with effort and outcomes (e.g., Vroom 1964 – see Walker, Churchill, and Ford 1977). There has also been considerable investigation of learning styles and student approaches to learning (see Curry 1983; Hunt, Eagle, and Kitchen 2004 for summaries). Finally, there is an emergent literature on adult student “success” in distance learning programs (e.g., Coggins 1988) that suggests motivation, expectancy of success, locus of control, and self-regulation, among other factors, may determine student “success” there. While distance learning is not a characteristic of most marketing programs, the thorough consideration of the “factors that might matter” there might be useful.

IMPLICATIONS

It is always tempting to generalize from an investigation, as is usually done in marketing literatures besides marketing education, and to provide suggestions and
recommendations, or “implications,” based on the study’s results. However, this is risky for a single study, especially one involving action research, which is aimed more at informing rather than generalizing (see Cherns 1973). Nevertheless, because assessments at the departmental level are now required for accreditation reaffirmation, and there is little specific guidance for intervention, it is likely there is, or will be, a “market” for any information on intervention at the departmental level. In addition, the results, experiences and comments in the present research may trigger additional thinking and writing in what is currently an undeveloped venue.

Profiling also involved a three-group clustering. There, the two-group cluster Group 1, the high GPA students, splintered into two clusters, high GPA’s and medium GPA’s, producing three clusters, high, medium, and low GPA’s, with the high GPA’s under-assessing themselves and the low GPA’s over-assessing themselves. However, the correlation between GPA and average assessments in the medium GPA’s was -0.184, suggesting this medium-GPA group may have only weakly distorted their assessments. Thus, we speculate that if “accurate” assessments are desired for “the” bottom tail means and “the” means-below-4, for example, a medium GPA group from a three-group clustering may be more appropriate than the overall means that include more aggressive over- and under-assessing.

**SUMMARY AND CONCLUSION**

Regional university-wide accreditation bodies such as the NCA now require interventions based on indirect assessments of student outcomes as a result of a departmental program. Yet we could find no guidance for interventions based on indirect assessment at the departmental level. Thus, this research described the implementation of a survey-based exit “interview” at the departmental level. This research also described several analyses involving student self-assessment that attends an exit survey.

Summarizing the results from the research questions involving student self-assessment in the present research, good students were slightly likely to under-assess themselves, and weaker students were slightly likely to over-assess themselves, as predicted by Ingratiation and Impression Management theories and previous studies. However, among weaker students, the likelihood of over-rating was higher. In addition, males and older students were likely to over-rate themselves, with a stronger gender effect among the better students, and a stronger age effect among the weaker students. However, these over- and under-assessments did not appear to affect the set of lowest outcome means selected for intervention.

The present research provided theoretical explanations for these students’ tendency to over- or under-rate themselves in the self-assessments required in exit surveys, and it suggested an explanation for Boud and Falchikov’s (1989) conclusion of no consistent trend of student over- or under-rating across studies. Other matters, such as the extent of gender, or other demographic, differences in student over- and under-rating in the present venue were investigated, with results that included over-rating was more likely with age among weaker undergraduates.

**ENDNOTES**

1. The other five regional accreditation bodies in higher education are the New England Association of Schools and Colleges (NEASC), the Middle States Association of Colleges and Schools (MSA), the Southern Association of Schools and Colleges (SACS), the Northwest Commission on Colleges and Universities (NWCCU) and the Western Association of Schools and Colleges (WASC).

2. A Bootstrap (see Efron 1981) involves randomly removing cases (10–20%) from a data set and analyzing the remaining cases as a sample. Then, the removed cases are replaced, a second set of cases is randomly removed, and the remaining cases are analyzed. This process is repeated and the analyses are examined across the resulting set of sub-samples. We judged this approach to provide a statistical equivalent of additional administrations to the target population as it currently existed, unaffected by changes from sources of variation.

3. Some individual means in the post-intervention administration 1 sample had “moved around” (changed their ranking) when compared to the pooled pre-intervention data. Specifically, the rank of several of the target means changed, and a new mean had taken the place of the highest mean in the five target means.

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ONLINE VISIBILITY: A NOVEL METHOD TO RANK MARKETING JOURNALS

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SUMMARY

An ongoing debate in, and among, academia, universities, and government funding bodies is journal rankings. Using Google Scholar (GS) (scholar.google.com), an emerging free tool for scholarly research (Hall 2006; Pauly and Stergiou 2005), this paper introduces online visibility, a complementary method to rank marketing journals and accelerate scientific progress. Rather than links to journal websites or GS cited by counts, online visibility is the presence of a journal’s articles in the GS database. While traditional citation rates measure a journal’s impact within the immediate research community, online visibility may gauge a journal’s impact in a wider constituency including practitioners and students (Vaughan and Thelwall 2003).

The study began with a master list of journals from six studies on journal ranking. Hult et al. (1997), perhaps the most cited study on journal ranking in GS, served as the frame of reference along with five out of six journal ranking studies in this century. Of the five studies, three citation-based studies drew on syllabi in AACSB doctoral programs (Bauerly and Johnson 2005), 49 leading marketing journals (Baumgartner and Pieters 2003) and six top marketing journals (Guidry et al. 2004). The remaining two studies were perceptions of marketing academics worldwide (Theoharakis and Hirst 2002) and senior marketing academics in Australia and New Zealand (Mort et al. 2004). Removing journals that appeared in just one study yielded a final sample of 57 journals. This final sample included 16 non-marketing journals, such as The Harvard Business Review and The Journal of International Business Studies, but including them highlights how online visibility can compare journals across disciplines.

The results of a one-tailed Spearman rank-order correlation supported the first hypothesis of a positive relationship between the online visibility of a journal and that journal’s ISI impact factor. The 31 journals with both an online visibility and ISI rank showed a significant positive correlation ($\rho = .481, p = .003$). The results of a Mann-Whitney test ($U = 95.5, p < .001$) supported the second hypothesis – ISI journals have a higher online visibility than non-ISI journals – whereby the 34 ISI journals had a significantly lower online visibility rank than the 21 non ISI ones. The third hypothesis suggested that the online visibility rankings would correlate with the rankings in the six other studies. The results of six separate one-tailed Spearman rank-order correlations supported the third hypothesis: Baumgartner and Pieters ($\rho = .852, p < .001, n = 46$); Bauerly et al. ($\rho = .621, p < .001, n = 26$); Guidry et al. ($\rho = .528, p = .001, n = 35$); Hult et al. ($\rho = .569, p < .001, n = 39$); Mort et al. ($\rho = .781, p < .001, n = 38$); Theoharakis and Hirst ($\rho = .575, p < .001, n = 38$). The final hypothesis proposed that offline visibility, in this case a journal’s appearance in the six studies, correlated with online visibility rankings. The results of a one-tailed Spearman rank-order correlation supported this hypothesis; there was a significant relationship ($\rho = .484, p < .001, n = 55$) between a journal’s offline and online visibility.

Despite limitations such as GS being a beta product still in development, the lack of information on Google’s proprietary search algorithm, and the challenge of extracting valid GS counts for each journal, online visibility seems a valid way to gauge the academic quality of marketing journals. The results of six analyses showed significant positive correlations with the online visibility of articles in a journal and that journal’s ranking in studies of marketing journals. While there is no best method to measure journal quality, GS provides a complementary method to existing measures. Further, the GS results seem to reflect a global and cross-disciplinary measure of journals, which helps compare journals across disciplines and across continents. Finally, GS provides a free avenue for scholars in less developed countries or at less funded universities to begin their literature review.

There are several applied implications. GS, free and simple to use, offers a transparent avenue for tenure reviews, funding and other policy issues (Pauly and Stergiou 2005). In addition to and complementing existing methods, governmental funding bodies, universities, departments, and academics can draw upon GS results to measure research performance. GS seems particularly valuable for evaluating research output in disciplines with low ISI representation or with newer journals. Although there is no documented causal relationship between online visibility and academic quality, increas-
ing online visibility may be a competitive advantage. All other things equal, authors should consider submitting their manuscript to a journal with high, rather than low, online visibility. Finally, given the strong relationship between online visibility of articles and citation rates, as well as to accelerate scientific research, authors and universities should self-archive published work.

Future research could expand the universe of journals such as adding more disciplines. Another extension would be to repeat this study over time and track the evolving online visibility of journals. Future research could use multivariate statistical techniques to predict the influence of other factors – such as journal age, publisher, and host university – on a journal’s online visibility. The results of such research could help develop more comprehensive, commonly acceptable, and complementary ways of evaluating journals. Future studies could investigate GS’s cited by feature as a valid citation count, albeit given the enormity of possible results, scholars would have to limit the study to specific journals or journal issues, or develop automated tools to simplify the process. References available upon request.

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THE IMPACT OF STRATEGIC AND TACTICAL MARKET INFORMATION

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SUMMARY

Introduction

Market information is essential to the firm, and consequently, organizational acquisition and processing of market information is a fundamental research area in marketing (Moorman 1995).

Previous research has viewed market information as a homogeneous entity failing to distinguish whether it is used for strategic or tactical decisions. The common view is that all elements of market information are generally, universally, and equally important (Day 1994; Kohli and Jaworski 1990). The notion that market information consists of different components which may be used differently and differ in their value across conditions has not been emphasized. We posit that market information is a heterogeneous entity consisting of components that can be used for strategic and tactical purposes. In this research we study how each type of market information, strategic and tactical, affects organizational behaviors and performance.

Each of the two market information components is typically generated by different mechanisms and affects organizational activities and consequences differently. Managers, overwhelmed with large quantities of information need to allocate better the resources invested in information generation and processing, and utilize information more effectively. Consequently, a deeper understanding of the differential impact of the two market information components on internal operations and market success is expected to help firms in these endeavors. Specifically, strategic market information is used mostly by top managers in strategic decision-making and impacts the firm’s long-term behavior. Higher level management is often involved in its collection and interpretation. On the other hand, tactical market information which is mostly operational-related, impacts the firm’s short-term, daily activities, and is often collected and interpreted by lower level managers and employees. Thus, while market information in general is a critical organizational resource, given the differences between strategic and tactical market information we believe each should be treated as a separate resource.

Background and Hypotheses

We base our conceptualization of strategic and tactical market information and their impact on the organization on the resource-based view (RBV) of the firm (e.g., Barney 2001), especially on Day and Wensley’s (1988) source-positional advantage-performance framework. We also use recent research in marketing (e.g., Hurley and Hult 1998; Im and Workman 2004) analyzing relevant organizational mediator constructs linking market information to organizational outcomes. Accordingly, a firm’s resources (in our case market information) are not automatically converted into market success (in our case customer outcomes). Their impact is likely to be mediated by a set of organizational behaviors and consequences. In this study we focus on three: innovation, cost, and employee consequences.

To demonstrate the superiority of debundling the holistic market information construct into its strategic and tactical components we first suggest to test whether the model involving strategic and tactical market information performs better than the alternative model involving the holistic market information construct. Based on the expected finding that the model involving the holistic information construct yields poor results we focus on the two-component model. We then argue that strategic and tactical market information impact on customer outcomes is indirect. We next discuss the reasons why each market information component influences each of the selected organizational consequences distinctively and suggest specific hypotheses for innovation, cost, and employee consequences. We finally discuss the relations organizational consequences-customer outcomes, proposing that the organizational consequences have differential effects on customer outcomes. Overall, we expect the three internal organizational consequences to simultaneously mediate the linkages from strategic and tactical market information to the external customer outcomes.

Methodology and Findings

The sample consisted of 97 B2B firms (64% response rate). We tested and found that non-response bias was not a concern. We used face-to-face structured interviews, based on a questionnaire, with one executive
in each of the sampled firms. When possible we used existing measures. All measures were validated using exploratory and confirmatory factor analysis. The analyses are based on structural equation modeling using EQS (Bentler 1995).

We first find that the model with a single, holistic market information construct performs poorly compared to the two-component model, involving strategic and tactical market information (i.e., it has lower CFI and NNFI and a higher RMSEA, AIC, and CAIC). This suggests that the holistic market information model, commonly used in the literature, should be replaced with a model explicitly using the two market information constructs involving the strategic and tactical components.

We then find that the direct effect of strategic and tactical market information on customer outcomes is not direct as the direct paths are non-significant while the indirect effects are significant. This suggests that mediators exist.

Our findings also suggest that strategic market information is positively related to innovation and employee consequences, and negatively to cost consequences; and that tactical market information is positively related to innovation while not affecting employee or cost consequences. Finally, we find that customer outcomes are positively influenced by innovation and employee consequences, and negatively by cost consequences.

Discussion

This study contributes to the marketing literature by demonstrating that unbundling the market information construct into the two components improves our understanding of the impact of market information on organizational decision-making and resource allocation. By taking into consideration the differential impacts of each type of market information resources (strategic and tactical) on organizational activities and consequences, firms may improve their information collection and utilization efforts, and maximize customer value. Managers, often overwhelmed with abundance of market information, could now allocate the market information gathering efforts as well as their attention more effectively. Thus, in the case of innovation consequences, efforts should focus on both strategic and tactical market information. In contrast, in the case of cost or employee consequences efforts to collect tactical market information should be minimal.

Drawing upon RBV and the source-positional advantage-performance framework, we propose that market information does not convert into market advantages directly. We indeed find that strategic and tactical market information do not directly influence customer outcomes; their effects are exerted only indirectly. Specifically, market information types are converted through their contribution to three internal organizational consequences: innovation, costs, and employee consequences. Hence, we contribute to the literature by identifying mediator constructs linking market information to organizational success. Further, while previous research studies one mediator at a time (e.g., Han, Kim, and Srivastava 1998; Im and Workman 2004) in this study we simultaneously examine the mediating effects of three factors.

We find that strategic market information positively influences both innovation and employee consequences, but is negatively related to cost consequences. Our finding that strategic market information promotes firms' innovation outcomes, i.e., its innovativeness and the number of new products commercialized, is consistent with the new product development (NPD) literature, which holds that customer input to NPD enhances both the uniqueness of the products developed and the benefits they offer. Strategic customer information provides firms with a clear understanding of customers' preferences and helps in identifying gaps in competitors' offerings. This increases the effectiveness of NPD decision-making especially in regard to new product concepts and ideas (e.g., Song and Parry 1997). As to employee consequences, it seems that managers can benefit from a focus on customers and the strategic information on their preferences as these provide the cultural norms for the organization that guide employees' marketing activities and, in turn, positively impacts employees' attitudes. We also find that employee consequences account for the largest portion of the overall indirect effect of strategic market information on customer outcomes. This finding supports previous research that highlights the importance of employees' job satisfaction to the firm's market outcomes, particularly in customer-oriented organizations (e.g., Homburg and Stock 2004; Jaworski and Kohli 1993). The negative relationship found between strategic market information and cost consequences reflects the underlying process in which strategic market information that entails the involvement and commitment of senior management often leads to costly strategic undertakings.

Tactical market information was also found to be positively related to innovation consequences. This finding suggests that tactical market information collected by lower organizational levels may also yield innovative insights. Note however that this finding is true in the specific study context of B2B firms. The finding that innovation operates as a mediator for both strategic and tactical market information while the other mediators were found to have a more limited effect emphasizes the role of innovation as a key mediator (Han, Kim, and Srivastava 1998; Hult, Hurley, and Knight 2004). The
finding that tactical market information is not related to cost consequences suggests that, at least in the study context, cost-driven programs are viewed as a strategic, not a tactical, undertaking. This finding supports previous research in marketing which regards a cost focus as a strategic orientation (Olson, Slater, and Hult 2005).

Finally, we find that tactical market information is not related to employee consequences. While we expected a negative effect, the neutral result might suggest that other forces mitigate the negative impact of tactical market information on employees. One such plausible factor is the effect of a corporate culture which is driven by the market and by market information. In firms characterized by such a culture employees at all organizational levels may possess positive attitudes and high motivation (Deshpandé, Farley, and Webster 1993).

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CONTEMPORARY MARKETING PRACTICES AND TECHNOLOGY ALIGNMENT: INFLUENCES ON FIRM PERFORMANCE

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SUMMARY

There is a growing consensus in marketing and management circles that technology and the ability to adapt to technological advancements will be critical to the success of tomorrow’s organizations (Coviello et al. 2001). Organizational leaders are facing new challenges and opportunities from the rapid development and availability of new technologies. Information technology (IT) is transforming the role of marketing within business enterprises because it both enables and drives change. With the rise in technology, many firms adopted new strategic approaches that varied from database marketing surging in the 1980s to the most recent customer relationship management (CRM) strategy (Zhu et al. 2004). IT was declared the remedy for a multitude of company problems in sales and marketing and, as such, promoted changes in business strategies. However, these dramatic changes in the business landscape did not always have the intended effect. The failure of IT to deliver on its broad promise of value resulted in a renewed interest in a firm’s strategic focus and the alignment of IT over the past decade (Tan and Gallupe 2006).

Within this research, we combine research in marketing strategy and technology alignment to determine (1) if different marketing practices influence the selection of technology tools, (2) the value achieved by the use of those tools, and (3) if the alignment of specific strategies and technology tools has a differential effect on performance.

A random sample of 800 Belgian organizations representing a broad spectrum of industries was contacted to complete a survey targeting members of the top management team. Completed surveys were collected from 299 firms with 95 percent of the respondents identifying themselves as the chief executive officer of the organization (or an equivalent position) or a business unit or operational vice-president who worked as a chief decision maker and is in close proximity to the CEO.

Our findings suggest that firms are clustered into three primary areas on the transactional-relational strategy continuum. Firms can be characterized as lying on either end or the middle (hybrid) depending on their marketing practices. We also find a relationship between the type of technologies implemented by firms and the marketing practices used by firms. Firms using a relational strategy appear to use technology for developing customer relationships, cross-selling, and after-sales service and follow-up. Whereas, firms that engage in a transactional strategy use technology more for database development, taking orders on-line and generating leads for future sales. Finally, findings provide support that the value derived from certain technologies is affected by a firm’s marketing strategy, however, technology is shown to benefit all firms.

The results of this study introduce implications for both marketing and IT management. First, while there is evidence to suggest that technology implementation has an overall positive effect on performance, firms that have transitioned to relationship marketing practices seem to leverage these technological tools better than firms that maintain a transactional marketing approach. This implies that any decision to implement technology within the marketing domain should consider where the firm exists on the transactional-relational continuum to ensure proper technology alignment. For firms that have embraced relationship marketing strategies, more value may be extracted from CRM, sales force automation, and extranet implementations and these firms may experience better returns on these investments.

Conversely, there is evidence to suggest that the implementation of technology that is not aligned with a firms’ marketing strategy can have a negative impact on performance. The implementation of technology intended to support relationship-building activities in firms that are more transactional-oriented may not only provide less than expected returns on the IT investment, but it may also have an overall negative effect on firm performance. Similarly, failure to align business strategy with IT can result in what has been labeled as the strategy-execution gap. Based on practitioner literature (Tapscott 2002), this gap has been found to result in an (1) inability to invest IT dollars wisely and to create mechanisms for investment and funding, (2) inability to gain credibility with customers and provide proactive rather than reactive services, (3) inability to attract, retain, and resource the appropriate skills (4) inability to communicate strategy to employees and link strategy to budgets, and (5) a waste of resources which could be used more strategically to
support corporate strategy and invest in more appropriate tools.

There is a large body of research in Information Systems that addresses the importance of aligning IT with business strategy. Most of this literature, however, presents generalized frameworks for discussing alignment within the context of overall business strategy and organization-wide IT investments. To date, no research has focused on firm marketing practices and the alignment of technological tools that typically fall within the marketing domain. The findings from this study provide further support for the argument that technology investments should be made with careful consideration of business strategy and practices, particularly within the marketing organization. Furthermore, these results suggest that existing IT alignment frameworks may serve as a solid foundation for further exploring the dynamics of marketing strategy and technology implementation outcomes.

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AMBIDEXTROUS ORGANIZATIONS AND STAKEHOLDER VALUE CREATION

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SUMMARY

What are the consequences of balancing exploration and exploitation in inter-firm relationships? In strategy and organization studies such balancing activity is often referred to as the ambidexterity hypothesis (Tushman and O’Reilly 1996; Gibson and Birkinshaw 2004; He and Wong 2004). Ambidextrous firms have capabilities to compete both in mature markets and develop new products and services for emerging markets, thus, securing their superior performance in the long run (Koza and Lewin 1998; Rothaermel 2001; Park et al. 2002; Beckman et al. 2004). Despite the increasing volume of recent research in this field, empirical evidence for the ambidexterity hypothesis has been largely anecdotal and inconclusive (He and Wong 2004). From the marketing management point of view, research lacks rigorous systematic evidence documenting the success of ambidextrous firms (Gibson and Birkinshaw 2004). Literature is relatively silent on the contingency perspective of organizational ambidexterity that underscores the value creating ability of exploitation and exploration under different contextual conditions (Auh and Menguc 2005) and inter-firm relationships (Gupta et al. 2006). Moreover, little is known of the organizational mechanisms that drive firms’ tendencies to engage in exploration and exploitation activities or how to balance between them (Lavie and Rosenkopf 2006).

Our study addresses this research gap by examining the impact of organizational ambidexterity to stakeholder value representing overall firm performance. We draw on He and Wong (2004) in framing the ambidexterity hypothesis in terms of a model consisting of explorative versus exploitative innovation strategy and product versus process innovation on the one hand, and, firm performance on the other. Our view of organizational ambidexterity includes the interplay of resource balancing (i.e., exploration and exploitation activities), innovation search (i.e., technological and managerial innovation), and firm performance. We define overall firm performance broadly as stakeholder value consisting of perceived customer, employee, shareholder, and societal satisfaction (Payne et al. 2001; Gibson and Birkinshaw 2004). Hence, our study aims to discover the consequences of organizational ambidexterity across firms operating in developed markets and representing manufacturers, intermediaries, and retailers in the field of both consumer and business products and services.

Drawing on the above, we construct a conceptual model of organizational ambidexterity. According to our model, organizational ambidexterity consists of (1) resource balancing manifested in exploration and exploitation, and (2) innovation search manifested in technological and managerial innovation (He and Wong 2004). We share the view of Katila and Ahuja (2002), who argue that heterogeneity in resources can be seen as a response to innovation search. Exploitation is associated with mechanistic structures, path dependence, and stable markets and technologies (Ancona et al. 2001). Conversely, exploration is related to organic structures, path breaking and emerging markets, and technologies (Brown and Eisenhardt 1998; Lewin et al. 1999). It can be argued that firms need to achieve balance between the two to achieve competitive superiority (Tushman and O’Reilly 1996). We forward the premises that both resource balancing and innovation search play a positive and significant role in increasing stakeholder value, and managerial innovation is positively related to stakeholder value.

Our empirical study (survey) was carried out in three countries (Finland, New Zealand, United Kingdom) during 2002 covering firms from business products, consumer products, business services, and consumer services sectors. In total, 1286 usable responses were received (response rate over 20%). The seminal questionnaire consisted of six items reflecting the resource balance that organizations need to develop for dual arrangements (e.g., Duncan 1976). In this respect, we conceptualized resource balance as a multi-dimensional construct based on the taxonomy of March and Simon (1958): one set for exploration and one set for exploitation. The questionnaire consisted of seven innovation-related items, hypothesized as two separate factors in line with the typology supplied by several scholars (e.g., Damanpour
one set for technological innovation and one set for managerial innovation. Stakeholder value was captured unidimensionally deploying a scale composed of four items following the guidelines suggested by Emerson (2003) and Payne et al. (2001).

Confirmatory factor analysis was deployed for scale construction and validation. Overall, the fit indexes for the measurement model (χ² = 735.36; df = 109; p = 0.000; RMSEA = 0.067; GFI = 0.937; NNFI = 0.912; CFI = 0.930) indicate that the scale structures fit the data acceptably and the developed proxies perform well in the context concerned. Composite reliability values (ρc) and values of average variance extracted (ρv) were also calculated. Most of them exceeded the recommended levels (ρc > 0.60; ρv > 0.50) thus indicating reliable and valid metrics for the constructs. Our hypotheses were tested simultaneously with LISREL 8.51 (Jöreskog and Sörbom 1996). The fit indexes for the structural model (χ² = 4.25; df = 2; p = 0.120; RMSEA = 0.030; GFI = 0.999; NNFI = 0.991; CFI = 0.998) indicate that the model fit is good.

The empirical test provided a strong confirmation to our conceptual model of organizational ambidexterity and stakeholder value. The results suggest that both resource balancing and innovation search play a positive and significant role in increasing stakeholder value. The importance of managerial innovation was also emphasized. The explanatory power of the model was examined by deploying R² statistics. Accordingly, resource balance and innovation search were able to explain 21 percent of the variances observed in stakeholder value; resource balance and technological innovation explained 28 percent of the variances observed in managerial innovation; exploration explained 30 percent, and 2 percent of the variances observed in technological innovation and exploitation.

To summarize, it seems to be reasonable to divide the concept of organizational ambidexterity into resource balancing and innovation search. Resource balancing represents the “meta-level” of organizational ambidexterity. This interpretation is supported by the fact that in our study the effects of resource balancing on stakeholder value were strongly mediated by innovation search activities, especially through managerial innovations. Thus, it seems that the more profound resource balancing activities need to be complemented by the more operational innovation search activities embodied in a carefully selected set of organizational systems and processes. Moreover, managers need to turn novel technology into feasible business models exerting innovative ways of management, as mere technological innovation is not enough, and sufficient investments have to be made in managerial innovation as well. References available upon request.

ENDNOTE

The following scholars have contributed to this study by providing empirical data:

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ONE-TO-ONE VERSUS ONE-TO-MANY RELATIONSHIP MARKETING

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SUMMARY

A review of the literature on relationship marketing reveals that in spite of the tremendous interest in the area, relational variables such as trust and commitment are still inconsistently operationalized, with most of the papers not discriminating with respect to the social target: individual vs. group. The few academics that did discriminate among the two targets found differences in effects when the relationship was measured at the individual vs. group level but fell short on explaining them.

Using the social psychology theory of impression formation as a framework the paper differentiates between the two levels a relationship can develop at and explains the results found in the marketing literature.

Judgments on the relationships with individual and group targets are influenced by the information processing model the consumer uses when forming an impression. By default, impressions on the individual are based on on-line inferences rooted in the early perceptions as information was acquired over time. In contrast, the memory-based impressions on the group reflect judgments on most recent information received. People form on-line spontaneous judgments on their individual counterparts without making any effort to retrieve information stored in the long-term memory, but by using shortcuts and making inferences based on previous judgments. These judgments are easier to retrieve, more powerful, consistent over time and resistant to persuasion than the memory-based judgments that are characteristic of group evaluation.

The theory suggests that individual (vs. group) level relationships show stronger outcomes and less sensitivity to expectancy-violating events but an identified set of moderators can disrupt the process. The type and consistency of the encounters, as well as the relationship age, purchase frequency, and customer side characteristics (e.g., processing goals, need to evaluate, perceived power of, and similarity with, the salesperson) will impact in different degrees the effectiveness of interpersonal and group relationships on firm performance.

The paper suggests that the firm should carefully choose to focus on the development of individual-to-individual relationships, as they have a bigger impact on consumer responses, but also increase the risk to the firm if the employee decides to leave. Managerially relevant guidelines on the most efficient ways to control for such risk through specific relationship strategies are also discussed.

First, a highly cohesive firm behavior reduces the risk of losing the customer in case the salesperson leaves. In a highly consistent group, the behavior of the individuals is subordinated to that of the group and obeys the norms of the group. When the consistency of the salesperson behavior is attributed to the need to conform to group values, a confounding effect may raise doubts to the consumer. This doubt is non-existent in firms with inconsistent behaviors.

Second, the individual-to-group selling strategy is more appropriate for low frequency purchases. In a low frequency purchase context, the higher risk associated with it will make customers develop a more thorough information encoding. When judgments are required, the easy-to-retrieve information makes judgments very similar to those used for individual targets.

Third, the reputation of the company reduces the probability a salesperson will leave. The literature suggests that strong interpersonal relationships benefit the firm by a transfer of the successful salesperson’s attributes to the firm. We suggested in the paper that the causal effect may also be reversed under the moderating effect of a strong firm reputation. A salesperson will also benefit from the positive associations with a group and act more convincingly.

Fourth, involving the customer in the acquisition process facilitates team selling. From a sales strategy perspective, involving your customer in interactions helps the firm keep him in an evaluative mode and thus develop stronger on-line judgments. Highly involved customers process the information similarly for both individual and group targets, and thus a team selling strategy would work well. However, over the time the interest or involvement in the purchasing process may decline quicker when the relationship is with a group (vs. individual). In this case, additional spending may be needed to keep interest and involvement at higher levels. References are available upon request.
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EMOTIONAL EXHAUSTION AMONG SALESPERSONS: THE POTENTIAL MODERATING EFFECT OF COPING RESOURCES

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SUMMARY

Job-related burnout has reached critical levels in today’s workforce (Leiter and Maslach 2001), especially among workers in people-oriented professions such as social services, healthcare, education, and sales. In the United States alone the costs associated with job-related stress and burnout are estimated to exceed $300 billion annually (Chapman 2005). The consequences of burnout include (1) withdrawal from clients, the job, and the organization, (2) diminished self-esteem, depression, and insomnia, (3), decreases in the quality and quantity of job performance, and (4) increases in tobacco, alcohol, and drug use (cf., Kahill 1988).

The early work in burnout focused primarily on the “helping professions” (e.g., social services, teaching, healthcare). However, it is now believed that burnout is applicable to a wider variety of occupational contexts including organizational boundary-spanners (Cordes and Dougherty 1993) and marketing service and support personnel (Singh, Goolsby, and Rhoads 1994). Salespeople, who must meet the needs of their clients and their organization and who are accountable to the demands of both, are at exceptional risk of burning out (Babakus et al. 1999).

Surprisingly, with a few notable exceptions (cf., Singh, Goolsby, and Rhoads 1994; Babakus et al. 1999; Low et al. 2001), work examining burnout in the marketing and sales literature is sparse. Further, notwithstanding the contributions of these earlier works, none has examined the moderating effects of coping resources on the relationship between salesperson’s emotional exhaustion and its suggested cause-related antecedents. The purpose of this work, therefore, is to begin to fill this gap by examining the potential moderating effects of coping resources on several of the recognized antecedents of burnout among salespeople.

Discussion of Findings

In this work a model is proposed positioning problem-focused coping, emotion-focused coping, and sales manager support as moderating the influence of role conflict, ambiguity, and overload, and job tension and low self-efficacy on salespersons’ emotional exhaustion. The proposed model is tested using data obtained from a sample of field salespeople working in a business-to-business setting. In some cases the findings are as expected and consistent with current thinking. In other cases results are unexpected, and raise important questions for future research efforts.

For example, consistent with prior works, the main effects of each of the five modeled antecedent job-related stressors were significantly and positively related to salespersons’ emotional exhaustion. Among the modeled coping constructs, only the main effect of sales manager support was significantly and negatively related to emotional exhaustion. This result also is as expected and suggests that sales managers, who provided (in) tangible support, can help reduce potential emotional exhaustion among the salespeople they manage. Neither problem-focused nor emotion-focused coping demonstrated significant main effects on emotional exhaustion. The absence of these latter main effects is at odds with prior research within the sales and marketing literatures (cf., Singh, Goolsby, and Rhoades 1994; Nonis and Sager 2003).

One possible explanation for this discrepancy is that this work represents the first attempt within a sales context to investigate the main effects of both job-related stressors and coping resources on emotional exhaustion simultaneously. All other prior studies have examined either job-related stressors (Boles, Johnston, and Hair 1997; Babakus et al. 1999) or coping strategies (Sand and Miyazaki 2000; Nonis and Sager 2003) independent of the other respective group. It may be the case that the relative strength of these job-related stressors attenuates the main effects of these two coping strategies. Within that possibility, it is interesting to note that the Pearson correlation between problem-focused coping and emotional exhaustion is negative and significant and the correlation between emotion-focused coping and emotional exhaustion is positive and significant. Both of these relationships are consistent with findings from other studies.

Given this, a post-hoc simplified regression model was estimated using only problem-focused coping, emotion-focused coping, and sales manager support as predictors of emotional exhaustion. Consistent with prior
statements, the overall simplified regression model is significant ($p < .000$), each of the three predictor variables are significant ($p < .000$) and in the expected direction, and combined they predict 23 percent of the variance in emotional exhaustion. Thus, the proposed alternative explanation of attenuation of the impact of the coping constructs by the stress-related constructs seems plausible, even likely.

Only four of the interaction effects examined in this work demonstrated statistical significance, but the direction of these four relationships were opposite of predictions as follows. Problem-focused coping amplified the influence of (1) role ambiguity and (2) low self-efficacy on emotional exhaustion. Most recent work suggests that problem-focused coping should help diminish the impact of both role ambiguity and low self-efficacy on emotional exhaustion (cf., De Rijk et al. 1998; Porter, Kraft, and Claycomb 2003). However, in their seminal work Lazarus and Folkman (1984) argue that the use of problem-focused coping strategies may lead to increased stress levels when either no possible solutions exists or potential solutions are unavailable to the individual. This likely could apply to the sales setting examined here.

In contrast, emotion-focused coping diminished the influence of (1) role ambiguity and (2) low self-efficacy on emotional exhaustion. Here too, most prior work suggests that the use of emotion-focused coping strategies to handle job-related stressors should lead to greater deleterious effects, including increased emotional exhaustion (cf., Etzion and Pines 1986; Leiter 1991). However, there is some limited support in the literature that is consistent with the current findings. For instance, Lazarus and Folkman (1984) proposed that there may be potential virtues in the escapist activities associated with emotion-focused coping when individuals are faced with stressful situations which they perceive as unsolvable. In these types of irreconcilable, high-stress situations escapist activities may well serve to reduce felt-stress levels. References are available upon request.

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INDIVIDUAL VALUES AND WORK CONTEXT FACTORS: DIRECT AND MODERATING EFFECTS ON CUSTOMER ORIENTATION

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SUMMARY

Customer orientation (CO) is a fundamental vehicle to guarantee the survival and growth of organizations. In most service organizations, the production, adaptation, communication, and delivery of the service lies primarily at the ends of frontline employees. Therefore, they participate directly in the implementation of the marketing concept (Brown et al. 2002). Consequently, managing the behavior of frontline employees has become a major concern. Employees that are customer oriented direct their efforts towards serving the long-term needs of their customers (Brown et al. 2002; Saxe and Weitz 1982). Research indicates that customer oriented behaviors are positively associated with customer satisfaction (Goff et al. 1997), salesperson performance (e.g., Boles et al. 2001; Brown et al. 2002), and customer relationships (Williams and Attaway 1996). Not surprisingly therefore, research has been investigating the factors that drive employees to adopt customer oriented behaviors. Research into this area is primarily focused on the organizational drivers of the CO of employees. In this paper, however, we focus on the personal determinants of customer oriented behaviors. In particular, we look at how an employee’s individual values might influence her/his approach to address customers’ needs, and this has not been investigated before.

Schwartz (1992) derives ten value types that are organized into four higher-order value domains: self-enhancement, openness to change, self-transcendence, and conservation. This values theory has been tested in more than 200 samples from more than 60 countries (Roccas et al. 2002), increasing thereby the confidence and validity of this individual values theory. To explain the relationship between individual values and CO, the roles of conservation and self-transcendence are particularly important. The values that comprise these two domains are postulated to emphasize mainly collective interests (Schwartz 1992), thus matching quite closely the domain of CO, which implies a high concern for others (Saxe and Weitz 1982, p. 344). Consistent with previous studies researching the influence of individual values on employee behaviors (e.g., Rice 2006), this study investigates the direct effects of individual values on the CO of employees. However, it is not likely that the relationship between values and CO hold across situations. In fact, Hurley (1998) claims that situational factors might influence the magnitude of the effects of personal variables on employee behaviors. Employee evaluations of the work context is one of the situational factors influencing employee behaviors (e.g., Oldham and Cummings 1996; Thakor and Joshi 2005). Thus, this model considers that the influence of individual values over the CO of employees is moderated by work satisfaction and autonomy. Work satisfaction motivates the employee to carry out job duties, whereas autonomy is an indication of the extent to which the employee is given the flexibility to serve customer needs. Thus, the following hypotheses are proposed:

H1: Conservation is positively related with the CO of frontline service employees.
H2: Self-transcendence is positively related with the CO of frontline service employees.
H3: Work satisfaction is positively related with the CO of frontline service employees.
H4: Autonomy is positively related with the CO of frontline service employees.
H5: Work satisfaction enhances the positive relationship between conservation and the CO of frontline service employees.
H6: Work satisfaction enhances the positive relationship between self-transcendence and the CO of frontline service employees.
H7: Autonomy enhances the positive relationship between conservation and the CO of frontline service employees.
H8: Autonomy enhances the positive relationship between self-transcendence and the CO of frontline service employees.

Research Design, Methods, and Conclusions

Data was collected with the collaboration of a major Portuguese bank. One thousand frontline service employees working at the branch level received a pack containing a cover letter, a questionnaire and a return envelope. These employees occupy different positions...
and all have selling responsibilities, though in different
degrees. We obtained 185 usable questionnaires, giving
an 18.5 percent net response rate.

The items used to operationalize each construct were
developed on the basis of existing literature. Discrimi-
nant validity, convergent validity, and scale reliability
were assessed by confirmatory factor analysis. This study
used multiple regression analysis to investigate the main
and moderating effects. The overall model explains a
significant amount of variance ($R^2 = 24.6\%$), and the
contribution of the interaction terms, which is statisti-
cally significant, amounts to a 5.3 percent increase in the
$R^2$. The main effect for conservation is not significant,
and therefore does not support H1. Self transcendence
and work satisfaction are positively related with $CO$, and
this is in accordance with H2 and H3, respectively.
Autonomy, however, does not have a significant main
effect on $CO$ and, therefore, appears as a pure moderator.

This result does not support H4. The positive sign of the
interaction between conservation and work satisfaction
supports H5. The coefficient for the moderating effect of
work satisfaction over self transcendence is negative, and
this contradicts H6. Self transcendence only positively
relates to $CO$ when work satisfaction is low. When work
satisfaction is high, the $CO$ of employees is high and self-
transcendence is not much relevant. The interaction be-
 tween conservation and autonomy is negative, thus con-
tradicting H7. When autonomy is low, conservation is
positively related to $CO$. However, in the presence of
high autonomy, conservation becomes negatively related
to $CO$. The sign for the self-transcendence-autonomy
interaction is positive, and this conforms to H8. In sum-
mary, values are important in explaining the $CO$ of
frontline service employees. However, the role of values
is not universal, and in fact it is context dependent, as
values interact with the work context in a complex way.
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THE INFLUENCE OF SERVICE CONTACT EMPLOYEES’ PERCEPTION OF CUSTOMER INJUSTICE ON THEIR PERCEIVED PSYCHOLOGICAL CONTRACT VIOLATION

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SUMMARY

Service contact employees, who span the boundary between the firm and its customers, play a very important role in service delivery because service firms have to rely on them to sell the service, deliver the promise, and create a favorable company image to customers (Bitner et al. 1990; Bowen and Schneider 1985). There is considerable previous research investigating the spillover effect of the relationship or exchange quality of the employee-organization interface on that of the customer-organization interface. For example, Bettencourt and Brown (1997) noted that employees’ workplace fairness perceptions positively influence their prosocial service behavior, which, in turn, has a positive modest correlation with customer satisfaction. However, can this relationship work in an opposite way? In other words, will employees’ judgment of how firms treat customers shape employees’ perceptions of their relationship with the firm?

Bowen, Gilliland, and Folger (1999) argued that treating customers unfairly will indirectly reduce employees’ motivation for work. Furthermore, utilizing a third-party justice perception framework, Evans and Gilliland (2005) demonstrated that employees’ judgments of interpersonal and organizational customer justice significantly affected their attitude toward management and organization respectively. Those studies do indeed advance our understanding in this reversed relationship that the customer treatment by organizations may impact employees’ evaluations of the organization. However, it is still not clear why and how customer injustice will serve as one of the information sources for employees to formulate their evaluation of their relationship with the organization.

Applying the social information processing approach (Salancik and Pfeffer 1978) as well as the third-party justice perception framework (Evans and Gilliland 2005), this paper attempts to shed some light on those questions and examine how employees’ perceptions of customer justice may influence their perceived psychological contract violation by firms. It is argued in this paper that the social information of customer injustice is both salient and relevant for service contact employees to make the judgment of the psychological contract violation by the firms. This is not only because of the boundary spanning role that service contact employees play in service delivery but also due to the idiosyncratic nature of the psychological contract violation (Salancik and Pfeffer 1978; Griffin and Ross 1991). In addition, this paper proposed that the service contact employees’ perceptions of customer injustice may have a spillover effect on their perceived psychological contract violation by firms through two mediating mechanisms. First, the perceptions of customer injustice will result in employees’ vigilance of search for the information of psychological contract breach, whereby employees who perceive the customer treatment to be unfair will be more likely to experience psychological contract violation than those who do not (Morrison and Robinson 1997; Berger 1979). Second, in cases when employees already notice a discrepancy between what is promised and delivered to them by their employer, their perceived customer injustice will make employees attribute their psychological contract breach as intentional by the organization, whereby employees will experience a stronger feeling of violation and betrayal by the employer (Chaiken, Liberman, and Eagly 1989; Nisbett and Ross 1980). Finally, the buffering effect of perceived supervisor support on the relationship between service contact employees’ customer injustice perception and their perceived psychological contract violation is also proposed. References available upon request.

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THE USE OF STORE PORTFOLIOS BY SUPERMARKET CUSTOMERS: AN EMPIRICAL STUDY

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SUMMARY

This paper is concerned with the use of multiple stores by supermarket customers. A stylized fact about supermarket patronage is that customers divide shopping activity among stores in an asymmetric fashion. Evidently, perfectly loyal consumers shop exclusively at their favorite supermarket. Evidently, too, many consumers purchase on a portfolio basis and use secondary stores, apart from a primary supermarket that captures the relative majority of their purchases. In addition, the extent to which secondary stores are used varies across customers. This paper relates the number of stores patronized to a set of consumer characteristics under a unifying cost-benefit framework, in which patronage behavior involves tradeoffs between heterogeneous costs and benefits. The proposed theoretical framework provides a means of studying the incentives that consumers have for using multiple stores and offers insights into differences in patronage behavior among supermarket customers.

The data were collected through a telephone survey of a random sample from the population of a large metropolitan area. We set a target sample size of two thousand households. Of the 2000 completed interviews, 112 were subsequently excluded from the analysis because they did not provide complete data for all variables, reducing thus the number of usable responses to 1888. The dependent variable is the number of stores patronized and takes only integer values. Therefore, we use a Poisson regression model that deals explicitly with the discrete and nonnegative character of the endogenous variable. The independent variables correspond to ten research hypotheses about the effects of customer characteristics that are suggestive of heterogeneous cost-benefit tradeoffs and opportunity costs of time, i.e., shopping frequency, expenditure, income, family size, age, gender, employment, satisfaction with main store, satisfaction with private labels of main store, and store brand proneness. Most hypotheses are supported by the data. More specifically, there is a positive effect of grocery expenditure. Heavy spenders anticipate greater benefits of interstore mobility and therefore tend to use more stores. Income has a negative effect on the use of store portfolios. From a cost-benefit viewpoint, customers with greater income have less need to shop around for the best value of money. Customers with greater income are also likely to have elevated opportunity cost of time. The impact of family size is negative, implying that limited time availability leads to simplified, localized patronage patterns. Age has also a negative effect. The negative effects of age-related difficulties may offset lower opportunity cost of time. The latter however does explain the negative effect of employment on multiple store patronage. Satisfaction with the main store and satisfaction with its store brands are negatively related to size of store portfolio, as both variables reduce anticipated benefits of using secondary stores. Finally, store brand proneness has a positive effect. Considered more generally, store brand proneness is suggestive of value-seeking and greater anticipated benefits of using multiple stores.

In conclusion, the study demonstrates that specific consumer characteristics are related to dispersion of patronage among more stores. The effects of such characteristics derive from a behavioral process, in which cost-benefit tradeoffs and opportunity costs of time have an explicit role. Such customer factors can assist segmentation efforts and precise targeting of customers with loyalty potential. This is particularly relevant for retailers who wish to design and implement communication and loyalty programs to defend their customer base, since the responsiveness of targeted customers determines the efficiency of these policies. It should be realized that customers are, to a certain extent, intrinsically different in the predisposition to being loyal. The difference arises because perceptions of costs and benefits vary among customers. The success of communication and loyalty programs depends partially on targeting customers who are prone to concentrate shopping in a single or a few stores. For example, such customers are more likely to respond to loyalty incentives, because of cost-benefit tradeoffs that favor concentration of patronage. It appears, in the light of entire discussion, that supermarket patronage is best viewed as a continuum between single store loyalty and use of several different stores, on which customers vary depending on idiosyncratic preferences. References available upon request.
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SUMMARY

Introduction

One of the most challenging tasks for marketing managers is to price their products. Regardless of the firm’s objectives or the price setting strategies, the effect of price on market acceptance of a product depends on how consumers react to the price. While economists use price elasticity to describe how the aggregate market responds to price, price sensitivity represents the psychological reaction of individual consumers to price levels and price changes within a specific product category (Goldsmith 1996). Studying price sensitivity can be useful to understanding how consumers respond to prices, price changes, and the interactions of price with other variables with both applied and theoretical applications. It is simple and easy to measure without conducting expensive market experiments. The price sensitivity measure can also be used in testing hypotheses and models in theoretical research. For example, several studies suggest that consumer innovativeness is negatively related to price sensitivity, i.e., consumer innovators are relatively more price insensitive to the prices of new products than are later adopters (Goldsmith 1996, 1999).

The present study seeks to make contributions by identifying status consumption and brand loyalty as antecedents of price sensitivity. Status consumption, which has not been studied previously in this context, is likely related to consumer price sensitivity. Consumers motivated to buy products partially for the status they confer should be more willing to pay higher prices if they see the value of doing so. We also propose that brand loyalty is negatively related to price sensitivity. While price sensitivity, brand loyalty, and innovativeness are conceptualized and modeled at the same domain level of specificity, status consumption is conceptualized at a higher level of abstraction as a general marketplace construct. Consequently, we contend that the influence of status consumption on clothing price sensitivity is mediated by clothing brand loyalty and by clothing innovativeness. In sum, the current study is expected to enhance our theoretical understanding of consumer price sensitivity by locating this construct in a model with several of its antecedents and of how consumers react to price differently, validating the price sensitivity scale methodologically.

Hypotheses

To accomplish these objectives, this study offers the following hypotheses:

H1: Clothing price sensitivity is negatively associated with clothing brand loyalty.
H2: Clothing price sensitivity is negatively associated with clothing innovativeness.
H3: Clothing brand loyalty is positively associated with clothing innovativeness.
H4: Clothing innovativeness is positively associated with clothing involvement.
H4a: Clothing price sensitivity is negatively associated with clothing involvement.
H4b: The relationship between clothing price sensitivity and clothing involvement is mediated by clothing innovativeness.
H5: Clothing brand loyalty is positively associated with status consumption.
H6: Clothing innovativeness is positively associated with status consumption.
H7: Clothing involvement is positively associated with status consumption.
H8: Clothing price sensitivity is negatively associated with status consumption.
H8a: The relationship between clothing price sensitivity and status consumption is mediated by clothing brand loyalty, clothing innovativeness, and clothing involvement.

Method and Results

The data (n = 409) came from a survey of college students at a large Southeastern U.S. university. The involved constructs in the conceptual model were operationalized with multi-item scales that have been used by other researchers. Recognizing the sensitive
nature of the study topic, we assessed social desirability bias on responses to the questionnaire items (King and Bruner 2000). The result indicates that social desirability played little role in responses to the questionnaire items. To assess construct validity, we ran a confirmatory factor analysis (CFA) using EQS for Windows 5.7b. The measurement purification process left at least three items for each construct. The results revealed a $\chi^2$ of 244.077 on 125 degrees of freedom, non-normed fit index (NNFI) = .966, comparative fit index (CFI) = .972, standardized root mean-square residual (SRMR) = .038, and root mean-square error of approximation (RMSEA) = .049. The CFA suggests that the measurement model fits very well with the empirical covariances provided by the sample (Hu and Bentler 1999), and that all involved constructs are adequately measured with better than acceptable levels of convergent validity, discriminant validity, and construct reliabilities.

For hypotheses testing, we estimated the proposed model with all measurement items from the CFA. The results revealed very good fit indices of the model with the empirical covariances: $\chi^2 = 247.132$ on 126 df, NNFI = .965, CFI = .971, SRMR = .038, and RMSEA = .049 (Hu and Bentler 1999). The results support H1, H2, H4, H4b, H5, H6, H7, H8, and H8a. However, H3 and H4a are not supported.

Discussion

There are several findings that deserve our attention. First, the findings provide important insights for marketers and contribute to the psychometric evaluation of the price sensitivity scale. As the focus of marketing moves increasingly from large market segments and toward micro marketing and specific fragments of the market (Assael 2004, pp. 246–247), it will be even more important to measure price sensitivity at the individual consumer level. Furthermore, all hypotheses regarding the direct antecedents of price sensitivity explored in this study were supported, revealing the significance of our study in understanding price sensitivity at the individual consumer level. Second, status consumption plays an important role in the study framework. That is, its direct effects on price sensitivity, clothing brand loyalty, and clothing innovativeness, and clothing involvement are all significant. Furthermore, the magnitude of its total effects on such variables is quite substantial. While the construct received nearly negligible attention in the literature, the role of status consumption this study found is quite promising for marketers. The results further reveal that in the eyes of status conscious consumers the purchase price buys more than quality and functionality. Status consumers get the benefit of the prestige conferred by the brand along with other benefits provided by the purchase. Therefore status consumers get a bigger bang for the same buck when they perceive the status value of the product. Third, against our expectation, clothing innovativeness does not affect brand loyalty directly in this study, which suggests that being an innovative consumer does not automatically result in high brand loyalty. Finally, clothing involvement alone may not induce a consumer’s price insensitivity. Involvement may originate in different motives; some consumers are involved because they seek the newest fashion trends, while others are involved because they like to find a good deal. Clothing involvement’s relationship with clothing price sensitivity is totally mediated by clothing innovativeness. These results suggest that involved consumers would not turn price insensitive unless innovative product designs further attract them. References available upon request.

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BAD NEWS FIRST: THE ROLE OF PRICE INFORMATION IN NEW PRODUCT PREANNOUNCEMENTS

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SUMMARY

The deliberate communication of information about a new product before it is physically available is common practice in many industries. One aim of these new product preannouncements is to make the market susceptible for the new product and to reduce the time to market acceptance. Whereas previous research in this area has mainly focused on context factors favoring new product preannouncements, the timing of new product preannouncements, and the consequences, the question what kinds of information such a preannouncement should contain in order to advance consumers’ adoption decisions remains largely unaddressed.

One key factor influencing consumers’ product evaluations and subsequently the decision whether to adopt a new product or not is the price. Research has shown that price is one of the most important attributes determining the attractiveness of a new product category and that price exerts a negative influence on the overall evaluation of a new product. Although managers considering a new product preannouncement have to decide whether or not to communicate price information, until now no empirical research has addressed this issue. In practice, different formats of price communication as part of a new product preannouncement can be observed. Whereas some companies preannounce new products but do not mention any price information until the product is launched, others communicate the introductory price in advance. Furthermore, preannouncements containing the communication of vague price information like a maximum price that is higher than the later introductory price and, rather rarely, of a price range can be observed.

Against this background, we investigate how different price communication formats influence individual adoption decisions. Therefore, we compare a preannouncement that does not contain any price information with the three above mentioned price communication formats. We hypothesize that the different preannouncements affect the intention to adopt a new product via their influence on perceived price attractiveness and perceived product attractiveness (i.e., the overall evaluation of the new product based on the available information, including price) at the time of market launch.

According to Information Integration Theory and Construal Level Theory, communicating the precise introductory price in advance (vs. not communicating any price information in the preannouncement) should decrease the importance of the price information when the product is finally launched by making it a less salient counterargument, and thus lead to higher product attractiveness ratings and adoption intentions. Furthermore, behavioral pricing research suggests that the communication of vague price information establishes a reference price that serves as a comparison standard for the later introductory price. Therefore, we expect that the communication of a maximum price that is higher than the later introductory price leads to higher price attractiveness ratings of the introductory price (compared to a preannouncement without any price information) and subsequently higher product attractiveness ratings and adoption intentions at the time of market launch. However, communicating a minimum price in addition to the maximum price (i.e., communicating a price range) should decrease this effect. We tested our hypotheses empirically in an experimental study where we simulated different new product preannouncements that were followed by the launch of the preannounced product where all participants were finally exposed to the precise introductory price.

Results indicate that the communication of price information before a new product is available for purchase can increase perceived product attractiveness and subsequently adoption intentions at the time of market launch either by decreasing the importance of the negative price information at the time of market launch when the precise introductory price is mentioned or by establishing a higher reference price when a maximum price is communicated. In the latter case, the influence of the price communication format (no price/maximum price) on product attractiveness is mediated by perceived price attractiveness, whereas for the precise introductory price vs. no price condition, no mediating effect of price attractiveness was found. Additionally, communicating a minimum price in addition to the maximum price (i.e., the communication of a price range) decreases the positive effect of the maximum price format on consumers’ product evaluations.
Our findings are of particular interest for managers considering the preannouncement of a new product in order to shorten market penetration cycle times. Specifically, we were able to show that the communication of price information before a new product is available for purchase can significantly enhance consumers’ adoption intentions when the product is launched. Especially in times of increasing time competition, recouping R&D costs as close to the new product introduction as possible becomes critical in order to capitalize on the temporary monopoly situation arising from a new product launch. We furthermore have shown that depending on the communication format, the influence of price information on perceived product attractiveness and adoption intentions at the time of market launch is either direct, by decreasing the importance of the negative price information, or indirect, by increasing perceived attractiveness of the introductory price.

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TESTING ONLINE STRATEGIES FOR RESPONDING TO A COMMERCIAL RUMOR

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ABSTRACT

Commercial rumors are an increasingly prevalent feature of the business environment, and the Web has changed how far and quickly they spread. As a negative rumor begins to spread, sales often fall. This study used a field experiment to measure the effects of an e-mail rumor, and four Web responses for the management of the rumor that were based on previous research in Information Processing. Analyses of the data found that the retrieval and storage strategies were the most effective responses to an e-mail rumor. A refutation response (deny the rumor) was effective in modifying the respondents’ salient beliefs, but not their reported intention and purchase behavior after receiving the rumor. The implications of these findings for rumor management are discussed.

COMMERCIAL RUMOR AND THE WORLD WIDE WEB

Knapp (1944) defined a rumor as “a proposition for belief of topical reference disseminated without official verification” (p. 22). As such, rumors can lead to unpredictable events and the manner in which an organization responds to a rumor can alter its reputation, affect its profitability, and ultimately its survival. Commercial rumors are now a prominent feature of the business environment (Kimmel 2004) and as typically either about a conspiracy or contamination event. These rumors may have the effect of lowering morale and undermining productivity (DiFonzo and Bordia 2000; DiFonzo, Bordia, and Rosnow 1994; Michelson and Mouly 2002).

Conspiracy rumors usually target those organizational practices or policies which are identified as undesirable by the stakeholders. This form of rumor is often precipitated by situations where people do not have all of the information about a situation, for example the rumor about Proctor & Gamble being run by the Moonies (Koenig 1985). Contamination rumors are wide-ranging and typically have a revulsion theme, such as McDonald’s “worms in the burger” (Tybout, Calder, and Sernththal 1981). Dery (1999) suggests that the persistence of contamination rumors may be due to society’s increasingly anonymous and mass-produced consumer culture.

In the consumer behavior literature, computer-mediated communication is widely used for informal communication, and is now recognized as a conduit for rumors. This relatively new communication medium creates new challenges for an organization when it is subject to commercial rumors (Jo 2002). The Web ensures that information about commercial rumors is almost instantly available and able to be spread to vast audiences (Henry 2000; Kimmel 2004; Neil 2002; Rosnow 2001). However, this technology can also be used to quickly disseminate rebuttals, corrections, clarifications, and evidence.

RESEARCH ON COMMERCIAL RUMOR

Interest in rumor processes is evident in a number of disciplines, including anthropology (e.g., Gluckman 1963), psychology (e.g., Bordia and DiFonzo 2004; Jaeger, Anthony, and Rosnow 2000; Rosnow 1991; Rosnow and Fine 1976), sociology (e.g., Bergmann 1993), and communication (e.g., Kimmel 2004; Neill 2000; Suls 1991). Marketing research, however, has only a limited number of studies on the subject (Rosnow 1991, 2001). This dearth in the field is surprising given the potentially harmful nature of commercial rumors to organizations through their transmission of inaccurate information. Furthermore, simple innuendo can undermine customers’ and stakeholders’ salient beliefs in the organization.

Using primarily experimental research, Tybout et al. (1981), Koenig (1985), and Koller (1992) investigated the effects of how rumors are treated in an information processing context. Kamins, Folkes, and Perner (1997) researched rumor transmission, while Bordia and Rosnow (1998) developed a general framework to track rumor transmission processes using computer-mediated communication networks. DiFonzo and Bordia (2002) developed and tested an integrated model of the belief in and accuracy of workplace rumor activity; their study confirmed Kamins et al.’s (1997) findings in relation to the role played by uncertainty, anxiety, and belief in rumor activity. Bordia and DiFonzo (2004) investigated rumors that appear on the Web from a social psychology perspective, seeking to categorize rumor discussion by using a Rumor Interaction Analysis System which identified the differences between dread and wish rumors. Wish rumors are those invoking hoped-for outcomes and dread
rumors are those invoking feared or disappointing consequences. Most recently, Braun-LaTour et al. (2006) reported on a study using reconstructive memory to address the Wendy’s fast food restaurant chain’s “finger in the chili” incident. Their findings showed that using “auto-biographical-referencing advertising,” or advertising that links to the audience’s past with “emotionally connecting” communications, could increase their attitude toward the brand.

With the emergence of the Web, rumors are spreading much more quickly (Kimmel 2004). Although the research cited so far has studied rumors and their spread through traditional media or word-of-mouth, none of them have explored how to manage commercial rumors in this new communication medium. This calls for the need to expand rumor research within the marketing discipline. This study focuses on the unexplored area of rumor response effect for commercial e-mail rumors.

Information Processing Strategies for Responding to Commercial Rumor

The information processing paradigm attempts to map the thinking process and the manner in which people use the information they receive from the situation and previous experience (Kimmel 2004). Using this paradigm in rumor management would assist marketers in developing a credible and persuasive communication strategy to address a rumor. The paradigm also seeks to explain an individual’s cognitive process when exposed to some form of communication (Bettman 1979). This process includes the way information is evaluated, used and stored in memory (Markin 1974). When an individual is exposed to information, it stimulates the retrieval of memories relevant to the issue (Bettman 1979). Bettman further proposed that individuals have a limited capacity for processing information, and it is necessary for thoughts to be actively associated with objects for long-term memory storage. Hence, when these associations are reinforced, they become more accessible in the memory. As the storage of information is considered to be systematic, Bettman (1979) suggested that information about a product would be stored as associations with the product in one or more memory locations. Therefore, the storage response to a rumor requires that another item of information is introduced at the time of the rumor. The second issue creates an association between the rumor attribute and itself, taking away the negative associations from the product initially identified in the rumor. Further, as the second issue may be positively evaluated by the individual receiving the rumor, the rumor should have less impact (Tybout et al. 1981). So even if the individual still associates the rumor with the product, the effect would be less than if the storage strategy had not been applied. The Braun-LaTour et al. (2006) study, although discussed as reconstructive memory, would appear to be a form of information processing usually defined as a retrieval strategy, where the sender of a message does so to have the audience retrieve specific memory of an object or idea.

HYPOTHESES

Effect of an E-Mail Rumor

H1: Individuals exposed only to the e-mail message containing an unfavorable commercial rumor about a target product, will tend to believe the rumor more than those who are not exposed to the e-mail rumor message.

Effect of the Refutation Response

Information processing theorists imply that in undertaking no action relating to the rumor, the company has assumed that any publicity regarding the rumor or the company may increase the likelihood that individuals will make the association between the rumor and the organization (Tybout et al. 1981). Rumors have a limited lifecycle (Bordia and DiFonzo 2004), therefore, if an organization ignores the rumor its relevance will diminish more quickly (Koller 1992). Kapferer (1990) asserts that remaining silent is considered the correct reaction for the organization when considering the right time to commence a massive denial campaign. In terms of information processing theory, Bettman (1979) suggests that the do-nothing response may be more effective than a refutation response as the do-nothing treatment does not reinforce the association whereas the refutation response would.

Refutation or rebuttal of the rumor is considered the simplest of responses as it involves naming and then discrediting the rumor (Kapferer 1990; Koller 1992). The rebuttal strategy typically involves a range of marketing tactics including; advertising, news releases, press conferences, web page links to specifically designed “rumor response sites” updates and postings, as well as e-mail messages to customers (Coombs 1999; Kimmel 2004).

Koenig (1985) suggests that this form of rumor response is only suitable when the rumor is not widespread and the knowledge of the rumor is low. Goggin’s (1978) study supports this suggestion. This research evaluated the effectiveness of McDonald’s strategy for the “worms-in-the-burger” and found that 35 percent of those surveyed had only heard about the rumor from McDonald’s anti rumor communication tactics rather than hearing the original rumor. A number of laboratory studies have investigated respondents’ evaluation of a refutation response. Three variables were found to be crucial in moderating the effect of refutation; the con-
consumers knowledge about the existence of the rumor prior to the rebuttal, the credibility of the source of the rumor, and the time lag between the rumor circulating and the refutation of the rumor (Koller 1992).

Tybout’s et al. (1981) study demonstrated that a refutation response was ineffective in managing rumor, as it appeared to strengthen the association between the target (McDonalds) and the rumor allegation (“worms-in-the-burger”). Bettman (1979) proposed that in terms of information processing theory, when an individual is exposed to the rumor [information] the retrieval of issue-relevant thoughts from memory can be stimulated. Refutation has been expected to effect beliefs. Therefore, it is expected that the refutation response may have a greater negative effect on an individual’s reported beliefs and reported intention than a retrieval response.

H2a: Individuals exposed to an e-mail message containing an unfavorable commercial rumor about a target product, will tend to report more favorable beliefs about the product, than those who are exposed to the e-mail rumor message and the refutation response.

H2b: Individuals exposed to only an e-mail message containing an unfavorable commercial rumor about a target product, will tend to report a higher intention to purchase the product, targeted by the rumor, than those who are exposed to the e-mail rumor message and the refutation response.

H2c: Individuals exposed to an e-mail message containing an unfavorable commercial rumor about a target product and then a retrieval response to the rumor would have less impact (Tybout et al. 1981). If the individual still associates the rumor with the product, compared to those who have been exposed to the rumor and the refutation response and those exposed to the e-mail rumor message with no response.

Retrieval Response

When an individual is exposed to information (rumor), the retrieval of issue-relevant thoughts from memory can be stimulated (Bettman 1979). Therefore, drawing from the information processing paradigm, the selection of stimuli will direct retrieval of thoughts in memory away from the rumor-motivated associations (Bettman 1979). Further, Bettman suggests that an information processing paradigm implies that even if the retrieval response does not completely remove or negate the retrieval of the object-rumor attribute associations, it weakens these associations with other thoughts in active memory. Braun-LaTour et al.’s (2006) study using reconstructive memory would be an example of using advertising to remember or retrieve favorable nostalgic thoughts, instead of negative memories, about the target of the rumor or negative information. Therefore, a retrieval response will be more effective than either a do-nothing response or a refutation response as it is expected to diminish the effect of the rumor on the individual’s beliefs and intentions. Therefore, it would be expected that an individual’s reported beliefs, reported intention to purchase and actual reported purchase of the product targeted by the rumor will be affected.

H3a: Individuals exposed to an e-mail message containing an unfavorable commercial rumor about a target product and then a retrieval response to the rumor will tend to report more favorable beliefs about the product than those who are exposed to the rumor and then a refutation response, or those exposed to the e-mail message and no rumor response.

H3b: Individuals exposed to an e-mail message containing an unfavorable commercial rumor about a target product and then a retrieval response to the rumor, will report a higher intention to consume the product than those who are exposed to the e-mail rumor message and the refutation response, or those exposed to the e-mail message and no rumor response.

H3c: Individuals exposed to an e-mail message containing an unfavorable commercial rumor about a target product, and then exposed a retrieval response about the rumor, will tend to report greater purchase of the product targeted by the rumor, compared to those who have been exposed to the rumor and the refutation response and those exposed to the e-mail rumor message with no response.

Storage Response

Researchers have found no difference between retrieval and storage as the preferred method of responding to rumor. Bettman (1979) proposes that information processing paradigm explains how the cognitive processes of storage can influence what and how the individual thinks about a rumor. As the storage of information is considered systematic, Bettman (1979) suggests that information about a product will be stored as associations with the product in one or more memory locations. The storage response requires that an additional issue be introduced at the time of the rumor. This second issue is intended to create an association between the rumor and the issue rather than the product initially identified in the rumor. Further, as the second issue may be positively evaluated by the individual receiving the rumor, the rumor would have less impact (Tybout et al. 1981). If the individual still associates the rumor with the product, their beliefs, reported intentions and purchase will be less effective the absence of the storage strategy. As individuals have a limited capacity for processing information and the active association of thoughts with objects is required for long-term memory storage. When associations are reinforced, they should become more accessible in the memory.

H4a: Individuals exposed to an e-mail message containing an unfavorable commercial rumor about a
target product and the storage response to the rumor will tend to report more favorable beliefs about the product than those who are exposed to the e-mail rumor message and the refutation response, and those exposed to the e-mail rumor message and no rumor response.

H4b: Individuals exposed to an e-mail message containing an unfavorable commercial rumor about a target product and the storage response will tend to report a higher intention to consume the product than those who have been exposed to the e-mail rumor message and then a refutation response and those exposed to the e-mail rumor message and no rumor response.

H4c: Individuals exposed to an e-mail message containing an unfavorable commercial rumor about a target product and then exposed to a storage response about the rumor, will tend to report greater purchase of the product targeted by the rumor, than those who have been exposed to the e-mail rumor message and refutation response and those exposed to e-mail rumor message and no rumor response.

**METHODOLOGY**

**The Rumor**

In early 2005, the American quick service restaurant chain Wendy’s experienced the “finger-in-the-chili incident,” where a woman in California initially claimed she bit into a piece of a human finger while eating a meal of chili at Wendy’s. This event received extensive media coverage in the United States and was a good example of a commercial contamination rumor. The event had an effective revulsion theme (“finger-in-the-chili”) that helped spread information about the incident. The rumor message focus had a clear target (Wendy’s) that would be expected to appeal to fast food consumers. Fast food companies such as Wendy’s are typically the target of contamination rumors (Kimmel 2004; Koenig 1985) so the object (Wendy’s) was a suitable selection. The story appeared on various rumor Web sites (cf., urbanlegends.com; truthorfiction.com) and an e-rumor relating to the incident commenced circulation on the Web during April 2005 (truthorfiction.com 2005). However, very limited coverage of the incident appeared in the Australian media although Wendy’s restaurants are located in Australia.

**Responses to the Rumor**

Using Tybout et al.’s (1981) experiment as a benchmark, each of the rumor responses were selected from a pool of Web pages produced by Wendy’s and various media outlets. Several senior academics with knowledge of the rumor literature were invited to judge each of the rumor responses for suitability. The refutation response was a Wendy’s media release that refuted the story claiming the store was the real victim and rebutting Wendy’s responsibility for the incident. The retrieval response used the entry page of the general Wendy’s Web site presenting positive features about Wendy’s restaurants, and it promoted the company’s new, “healthy” Mediterranean chicken salad. Finally, the storage response was a CBS 5 news story whose focus was the ingredients of the chili “tomatoes, beef and beans” not the human finger. The restrictions imposed by the Ethics Committee required that only the actual information used in the incident could be contained in the e-mail message and in the Web page responses. To facilitate rumor response exposure, links to the Web response pages were embedded in an e-mail message for three treatment response groups (refutation, retrieval, and storage).

**Sample**

The experiment employed a convenience sample that is considered suitable for an exploratory study (Malhotra, Hall et al. 2002). The sample frame for the experiment was drawn from undergraduate students attending a university in Sydney, Australia where several Wendy’s outlets are located. This sample was suitable for this study because previous research indicates that university students are heavily reliant on the Web as a key information source (Lubans 1998; Metzger, Flanagin et al. 2003; Shackleford, Thompson et al. 1999). This specific population would also be identified as “heavy” users of e-mail (Euromonitor International 2004). Further, Brunvand (1981) asserts that “groups of age-mates . . . are an important rumor channel” (p. 17).

**Procedure**

Without the knowledge of the students, a confederate technique was used to induce the rumor. In the present study, the confederate (a student in the class) used an e-mail message to circulate the rumor to the subjects in the sample. The study’s e-mail message incorporated information about the incident and presented it in such a way that it appeared to be an e-mail message between fellow students. Tybout et al. (1981) also used a confederate to induce the “worms-in-the-burger” rumor for their experiment. The use of a confederate simulated a natural environment wherein rumors are normally transmitted (Bordia and DiFonzo 2004; Koenig 1985). A Solomon four-group design, with random assignment to the control and treatment groups, was used to evaluate the effect of the rumor responses. Data was collected in both pre-treatment and post-treatment observation sessions.
Dependent Measures

The self-administered pre-treatment observation questionnaire had four sections consisting of 15 questions. The first series of questions measured reported consumption and purchase behavior for quick service restaurants. The second section measured the effect of the rumor on the object (chili), while the third section measured respondents’ reported beliefs and intentions on the purchase of Wendy’s products. The fourth section measured the respondents reported belief of the rumor, subject demographics, and self-reported e-mail and Web usage. The questionnaire was disguised as a survey investigating the fast food consumption habits of university students.

The final post-treatment questionnaires consisted of 19 questions. Ten different food contamination rumors were developed/sourced from a rumor Web site, www.urbanlegends.com. Respondents were asked to rate each rumor statement, for example Hungry Jack’s uses red worms in its burgers, on the seven-point Likert scale. The scale ranged from “very unlikely (1) to very likely (7).”

Tybout et al. (1981) used seven-point Likert scales for their three dependent measures. Two questions measured their salient beliefs where respondents rated eating at McDonald’s with respect to “good quality food/bad quality food,” and “completely fits with my needs/does not fit with my needs at all.” They combined these two measures to represent average salient beliefs about the fast food restaurant. They also asked their intention to eat with, “certain to eat at McDonald’s/certain not to eat at McDonald’s” (p. 76). These three questions were replicated in the present study by asking, “What do you think about eating at Wendy’s?” “Bad Quality Food (1) to Good Quality Food (7);” “Does not completely fit my needs (1) to Does completely fit my needs at all (7)” and “Certain not to eat at Wendy’s (1) to Certain to eat at Wendy’s (7).” To limit potential demand effects, two other quick service restaurants were included in the study. Since McDonald’s and Hungry Jack’s were ranked as the first and second most popular quick service restaurants in Australia (AC Neilsen 2004), and both had outlets located geographically close to the university, these two quick service restaurant chains were selected. Also, both chains have been subjected to a range of contamination rumors in recent years (Kimmel 2004).

While there are software programs available to track and monitor when and where an e-mail is opened and by whom, the Ethics Committee would not allow this facility to be used due to the national ethics regulations of Australia. Because of this constraint, the researcher employed a range of questions relating to e-mail message recall in an attempt to capture whether the respondents had received the e-mail rumor message from the confederate employed, and also whether they had opened the links.

Respondents were asked if they recalled receiving the e-mail message from Kate Jones (the confederate). If so, did they recall if the message had also contained a Web page link? Finally, did they visit the Web page link provided, and could they recall the content of the additional Web page? This was to test for possible treatment contamination within the sample population where respondents may have forwarded the e-mail onto another respondent in a different treatment group. The experiment design allowed for a testing of this effect.

RESULTS

The final sample size for the study, n = 293, was considered adequate for exploratory analyses (Alreck and Settle 1995). Sixty-six percent (66%) of subjects were female, and the majority was in the second year of their undergraduate degree. Most (91%) of the subjects were 18 to 24 years old.

To test the first hypothesis, that an email that the Wendy’s finger in the chili rumor was true, the treatment groups’ mean likelihood of the rumor being true (5.5 on a seven-point scale), was compared to the control group’s mean response (1.5). The treatment group response (see Table 1) was a significantly different (t = -13.4, 95df, p < 0.01). However, there were no significant differences between the treatment response groups’ ratings of the other (not Wendy’s) rumors and the control group’s ratings. This supports the hypothesis that the e-mail rumor message was successful in inducing a believable rumor that was apparently specific to Wendy’s.

The second group of hypotheses proposed that the refutation response would provide the poorest performance in terms of the subjects’ salient beliefs, response on their intention to purchase and greater purchase of the brand. The refutation is further hypothesized to perform worse than the group that received only the rumor. The third series of hypotheses proposed that the retrieval response to the rumor would provide the best response in terms of their average salient belief, their intention to eat at Wendy’s and their reported purchase from Wendy’s.

The results of the experiment (see Table 1) show that compared to the other response groups, the refutation response group has the least favorable belief (average of the two beliefs as Tybout et al. used). The only group that was lower was the do-nothing group. This relationship in performance was also found for their stated intention to eat at Wendy’s. The group’s reported purchases appeared higher compared to the rumor only and control groups, but lower than the other response groups.
A MANOVA applied to the data revealed that the reported mean salient belief scores were significantly different as a function of the rumor response exposure \( (F = 26.1, \text{df} = 2, p < 0.01) \). Further post-hoc tests were conducted to ascertain which rumor response produced the best result in terms of positive beliefs. The retrieval response and storage responses produced the best outcome for reported beliefs about Wendy’s, while the retrieval response mean (3.4) and the storage response mean (3.7) and the controls (3.9) were found to be not significantly different \( (p < 0.05) \) from each other.

A MANOVA applied to the intention to purchase scores found significant differences as a function of the rumor response exposure \( (F = 36.8, \text{df} = 2, p < .001) \). As the MANOVA indicated there were significant differences between groups, multiple range tests were conducted post-hoc to ascertain which rumor response produced the best result in terms of positive intention to purchase. The storage response (3.8) produced the most favorable intention to purchase Wendy’s products \( (p < 0.05) \), and was not significantly different from the control mean (3.8) intention.

The proportion of subjects in each group that reported eating at Wendy’s is shown in Table 1. There appeared to be a greater proportion of buyers with the three responses (refutation, retrieval, and storage), compared to the do-nothing group, but the proportions were not significant from one another or the control group \( (F = 2.8, 3\text{df}, \ p > 0.1) \).

The reported average spend for the respondents that received the rumor at any quick service restaurant in the seven days prior the circulation of the e-mail rumor was $9.29. The reported spend over the last seven days from the second survey and after the rumor was $8.72. This suggests the Wendy’s rumor had category-wide effects in reported purchase at quick service restaurants with an overall reported reduction in spending of $0.57.

**SUMMARY AND CONCLUSIONS**

The planting of the “finger-in-the-chili” rumor via e-mail was successful in obtaining general acceptance of the rumor by respondents. The evaluation of Wendy’s was more negative for the groups that received the e-mail rumor message exposure, than those that did not. The analysis of the groups’ answers found that both the retrieval and storage Web responses have similar positive effect on the subjects’ reported average beliefs. However, for the subjects’ reported intention to purchase Wendy’s products, the storage Web page response was the most effective response to the e-mail rumor message. There was no effect on reported actual purchase of Wendy’s products. There was also an effect of total amount spent on Fast food restaurants, compared to the control group. The results from the study also indicate that the refutation response had a positive effect in addressing the e-mail rumor message when compared with the do-nothing response. This result does not support the findings of the Tybout et al. 1981 study.

**Limitations**

The experiment used only one rumor, so caution must be used for any generalization of the findings. The responses were limited by ethics requirements to the
actual responses used by Wendy’s, so differences due to the length and creativity of content could not be accounted for and should be investigated in future research.

Tybout et al.’s (1981) classic study of rumor and information processing theory did not account for the confounding effects of using different media in that experiment. This potential confounding effect has been accounted for in this experiment by presenting all three rumor responses as Web pages, thereby using only one form of media.

A key consideration is whether the rumor is believed or rejected by the recipient. While theorists purport that there is no “one size fits all” approach in rumor management, this study suggests that the retrieval and storage responses may be useful in a broad range of situations. This study supports the application of the information processing paradigm in developing marketing communication strategies to control commercial rumor. The principal aim of this study was to measure the most effective message for rumor management, and this was achieved. However, the issue of the generalized effect of the rumor on the category of fast food purchase implies a more pervasive problem for organizations operating within an industry beset by ongoing rumors circulating on the Web.

As identified by this study the Web can play an integral role in rumor management. To be able to respond to Web-based rumors, it is important that organizations identify and monitor Web sites which could take an interest in the company’s products and services. The ultimate goal of marketing communication is to influence behavior, which can range from changing opinions about the adoption of products or services to switching brands (Cutlip et al. 2000; East 1997; Johnston and Zawawi 2004). This study has shown that the information processing paradigm is beneficial to improving marketing communication practice, by providing an understanding of the psychological processes that effect consumer behavior. Through the extension of Tybout et al.’s (1981) study to an on-line environment, this study has illustrated that the suggested retrieval and storage responses would be widely applicable and effective as an e-mail rumor response. When an organization is faced with a negative rumor, the best method to implement these responses on the Web appears to be through the use of generic company Web pages and targeted information.

The Web enables customers and stakeholders to be active and selective in their exposure to marketing communication messages. Ghouse and Dou (1998) assert that the Web site represents the future of marketing communications on the Internet. The key implication of this study for organizations is when faced with a negative rumor, specific and selected Web pages can be used to manage company’s stakeholders recall the rumor and organizational stakeholders can be persuaded by the company’s rumor response strategies.

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WHY THE BAD (OR GOOD) ATTITUDE? EXPLORING BANNER ADVERTISING ATTENTION AND BRAND ATTITUDE

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SUMMARY

Internet advertising is growing rapidly, with revenues up 30 percent to $12.5 billion in 2005 (IAB 2006). However, average click-through rates for standard image banner ads are only between .1 percent and .2 percent (DoubleClick 2007). Despite weak perceived banner ad performance (rated “highly effective” by less than 10 percent of executives; Forrester 2006), online advertising is expected to be used by 90 percent of companies in 2008 (Richard 2006), perhaps due to positive “branding” effects (Briggs and Hollis 1997). This study examines effects of banner ad type, positioning and page background on attitude, extending theories of hemispheric processing (Janiszewski 1988, 1990), and dual attitudes (Wilson et al. 2000) to the Web environment and addressing an important knowledge gap about Internet advertising effects (Dahlen, Rasch, and Rosengren 2003).

Evidence for implicit advertising effects, at least under certain conditions, now appears to be well-documented (Johar, Maheswaran, and Peracchio 2006). A major remaining research issue is the extent and circumstances under which subconscious processes impact advertising effects (Stijn et al. 2005). Hemispheric processing ad research (Janiszewski 1988) combined theories of mere exposure (attitudinal changes without stimulus recognition) and hemispheric processing (right side of the brain more compatible with pictorial stimuli, left side better represents verbal stimuli), showing more favorable advertising effects when a stimulus (e.g., photo) is directed toward the optimal side of the brain (e.g., left placement, toward right hemisphere). However, prior research (Janiszewski 1990) also found that brand names are liked better when placed to the right of a pictorial representation, but to the left of a verbal representation, consistent with the matching activation hypothesis (Friedman and Polson 1981), which predicts differential hemispheric activation depending on the type of attended material (e.g., activating the left hemisphere with textual attended material “primes” the less activated right hemisphere to prefer leftward (vs. rightward) nonattended stimuli.

Therefore, “optimal” hemispheric ad placement (e.g., left placement of photos, directed to the right hemisphere) and matching activation (e.g., rightward ad placement on an image-intensive page) lead to a conflicting set of predictions. While the “poles” are clearly defined (e.g., for a text-intensive page, left placement of photo ads is optimal), the “middle” is less clear (e.g., for a text-intensive page and a textual ad, hemispheric placement favors rightward ad placement but matching activation supports leftward placement). Furthermore, hemispheric processing effects might differ depending upon attention to the ad.

This study’s attention hypotheses accounted for superiority of pictorial stimuli (Pieters and Wedel 2004) and the relative importance of context (matching activation) vs. placement in exploratory search (Janiszewski 1993, 1998). Attitude hypotheses tied closely with prior research (Janiszewski 1988, 1990), but favored context (matching activation) over “optimal” ad placement when the two compete. It was hypothesized that attention would be negatively associated with attitude (Herr and Page 2004; Chow and Luk 2006; Bornstein 1989).

Methodology, Results, and Conclusion

The 2 x 2 x 2 between-subjects factorial designs included type of banner (pictorial or verbal), ad placement (left or right of Web page), and type of Web page (text or image-oriented) for eight stimuli groups. At least 100 participants were randomly assigned to each treatment group in an online environment (total n = 884). Ad attention was measured with tracking technology that directly measured fixations by clicks on the banner region, divided by the total number of clicks. Empirical evidence indicates that this methodology provides a valid and reliable measure of visuo-spatial attention (Scheier 2006). Brand attitude was measured using the same five attitude items measured by Janiszewski (1988, 1990).

ANOVA results indicated that pictorial ads attracted significantly higher attention than did text ads (Pieters and Wedel 2004) and supported matching activation (page context) over hemispheric ad placement (photo ads left and text right) as predicted. Although the predicted stimuli interaction effects on attitude were not significant, there was a significant 3-way interaction between ad placement (right-left), page type (text-image) and attention (high-low) on attitude, support the matching activation hypothesis (Janiszewski 1990). Mediation analysis (Baron and Kenny 1986; Hastak and Olson 1989; Grewal et al. 1998; Campbell and Keller 2003) indicated that attention completely mediates the influence of ad type on attitude.
The study’s findings suggest that, in a Web environment, (1) ad type has a significant effect on attention (pictorial ads highest), (2) there is an inverse relationship between attention and brand attitude, (3) the effect of ad type on attitude is mediated by attention, and (4) page context (e.g., ad location and page type) appears to be more important than hemispheric ad placement (e.g., photo ads on the left and text ads on the right). Among the management implications are that pictorial ads generate high attention and click-through, but that text ads can improve brand attitudes. Furthermore under low ad attention, attitudes might be more favorable with leftward ad placement on a textual Web page, contrary to today’s typical rightward placement. These implications might seem contradictory to a goal of high attention and direct response for banner ads. However, the results suggest that banner ads that generate poor attention can still have a positive branding effect. Potential positive impacts of banner ad attention on recall and purchase intention, especially for strong brands (Dahlen and Lange 2005), were not the focus of this study but would be an interesting area for future research. References: available upon request.

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RELATIONSHIP MARKETING AND INTERNATIONAL PERFORMANCE AN EMPIRICAL ANALYSIS IN THE INDUSTRIAL SERVICES SECTOR

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SUMMARY

For differentiation purposes, manufacturing firms increasingly offer services that are affiliated with products like, e.g., repair services for a machine (Homburg and Garbe 1999). As they are acting more and more globally, the internationalization of these product-associated services is an important issue. Against this background, practitioners in B2B markets often view relationships as the decisive variable when asking them about drivers of the international performance of product-associated services. However, this influence is based on anecdotal evidence only.

This study examines the influence of relationship marketing and relationship quality on international performance in the context of product-associated industrial services. Following Zou et al. (1998), international performance is understood as comprising three success dimensions: strategic and financial performance as well as the satisfaction with an internationalization venture. Based on Diamantopoulos (1999), a modified version of the Zou et al. (1998) operationalization is used with financial performance (as a formative measure) and strategic performance influencing the satisfaction with an internationalization project.

Following the relational view, relationships help (1) to build an elaborate mechanism to reduce transaction costs, (2) to enhance the readiness of the partner to transact business in the future, and/or (3) to recommend the firm. Therefore, we assume that relationship quality (RQ) has a positive impact on satisfaction. Further, we assume RQ to be directly affected by relationship focused marketing activities (RFMA). These activities correspond to the knowledge-sharing routines defined as “institutionalized interfirm processes that are purposefully designed to facilitate knowledge exchange” (Dyer and Singh 1998). The RFMA generate frequent and intensive interactions between the relationship partners which influence trust and therefore relationship quality positively (Styles and Ambler 1994). RFMA are also an important factor for the financial and strategic performance of internationalized product-associated services due to continuous knowledge exchange and contact intensity that leads to higher willingness-to-pay, the acceptance of higher prices, and development of new ideas, innovations and knowledge of the foreign market.

To be able to compare the role of relationship marketing to other marketing activities, the hypothesized relationships are embedded into the well-acknowledged Cavusgil and Zou (1994) model. They identify the following direct drivers of international performance: Product and promotion adaptation, international competence, commitment to export venture, and support to foreign distributor/subsidiary (in this study: support of foreign service employees). All these factors are supposed to positively influence international performance.

Research Design, Results, and Conclusions

The data was collected via an online survey (with personal invitation) in Germany in a survey among managers responsible for internationalization projects. Three hundred one firms offering industrial products and services completed the questionnaire (response rate 25%) from which 83 offered product-associated services. The questionnaire was developed using existing scales when possible. Convergent validity as well as discriminant validity is confirmed.

For data analysis, the partial least squares approach (PLS) was employed. The variance explained for satisfaction is good (54.9%) while it is moderate for financial performance (28.3%), and low for strategic performance (16.5%) and relationship quality (4.1%). Also, the results show only partial confirmation of the hypotheses. In fact, satisfaction is influenced positively by financial and strategic performance of an internationalization venture. Furthermore, relationship quality has a positive but only moderate influence on satisfaction. Relationship focused marketing activities, product adaptation, and support of service employees have no direct impact on financial and strategic performance. Financial performance is positively related to promotion adaptation and a firm’s commitment to the venture (most important driver) but negatively influenced by a firm’s international competence. The strategic performance of internationalized product-associated services is influenced positively by a firm’s
commitment and its international competence. Finally, commitment of an internationalization venture leads to a higher support of service employees. International competence only influences promotion adaptation positively while the data does not show a statistically significant impact on product adaptation.

From a practitioner’s perspective, the study shows that relationship management is in fact a driver of international performance of product-associated services. However, firms going international with their product-associated services are advised not to rely on their relationship management only, but also to consider other factors that may influence the international success of the services. One of these factors may be the cultural adaptation of their promotion activities. Also, firms should only go international with their product-associated services if they are whole-heartedly committed. More international competent firms are less successful in terms of the project’s financial performance. They may have greater expectations relating to its financial objectives which may not be achieved suggesting that the profit supposed to be made with product-associated services may be overestimated. Interestingly, the hypotheses confirmed by Cavusgil and Zou (1994) could only partially be confirmed in our study. This may have two causes which need to be studied in more detail in further analyses. First, we used a three-dimensional performance measure. Second, the drivers of international performance identified in the Cavusgil and Zou (1994) study may not apply for product-associated services. Another important insight of the study is the relationship between the international performance dimensions. The study supports Diamantopoulos’ (1999) notion that satisfaction with an internationalization venture is a function of its financial and strategic performance.

Limitations of the study are that only limited drivers of international performance based on the Cavusgil and Zou (1994) study were used. However, meta-analyses show that there are several other factors that may influence international performance (e.g., Aaby and Slater 1989; Zou and Stan 1998). Also, future studies should consider interaction effects of relationship focused marketing activities and relationship quality with other constructs included in the model, e.g., promotion adaptation. References available upon request.

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SHIFTING PRIORITIES: THE CONSUMER/VENDOR RELATIONSHIP IN JAPAN

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SUMMARY

In the United States customer service is in secular decline, a trend that is being accelerated by new technological tools that are supposed to improve service to customers (Woodcock, Stone, and Foss 2002). In their quest for higher productivity and lower costs American companies have often relied on software and automation to solve problems posed by constantly evolving customer service situations. This has radically changed the way American companies interact with consumers and vice versa, but, as a by-product, it also has damaged their relationship with customers (Grossberg 2006; Hindo 2006). In Japan, the consumer-vendor relationship is also being transformed, but not the same way as in the United States, nor can one easily call it a decline. And instead of what one would expect from a process so deeply connected to “globalization,” convergence of practice is not taking place in Japan.

Using empirical and anthropological evidence, this paper examines cultural and behavioral aspects of the customer-vendor relationship in Japan vs. that in the U.S., with particular reference to the endless tug-of-war between productivity and customer satisfaction. We explore our hypothesis that, although the American and Japanese customer-vendor relationships are both changing, they are not drawing any closer to each other in the substance of those changes which impact service to customers. Moreover, the reason convergence is not taking place resides with the Japanese consumer’s attitudes and behavior. These cultural components remain significantly different from those of the American consumer.

To meaningfully compare the situation in Japan and the United States, this study first compares productivity and competitiveness indicators for both countries to identify their business priorities and customer service objectives. Then, the concept of “good service” is analyzed to better elucidate how cultural differences and behavioral factors in each country – rather than technology – are the independent variables that define good service. With that foundation, we then address the implications of those differences for the future consumer-vendor relationship by comparing commonly held perspectives of people in both countries in the light of recent demographic and psychographic changes.

Research Design, Methods, and Conclusions

Based on ethnographic evidence and Hofstede (1980, 2005) and Trompenaars (1993) work, seven cultural dimensions that distinguish Japanese society from American and have relevant implications for the consumer-vendor relationships are identified. These include: individualism, formality, group orientation, risk orientation, culture context, receptivity to change, and cultural homogeneity. These variables provide a framework for understanding how those values underlie Japanese consumers’ attitudes toward service. Moreover, to demonstrate the structural relationship between those attitudes and the expectations of the Japanese, the authors utilize three phrases that epitomize Japanese fatalism and passivity: (1) “it can’t be helped” (shou ga nai), (2) “too much trouble” (mendokusai), (3) “it’s my job” (shigoto desu), which implicitly underscore how the consumer-vendor relationship is perceived in Japan.

Findings confirmed that Japan and American firms are responding to consumer demands differently and suggested the following implications for their consumer-vendor relationships. First, the mixed results of American companies’ quest for productivity and cost reduction (Rust, Moorman, and Dickson 2002) will continue until American firms understand that new technology can succeed only if it is less annoying than what it replaces. In Japan, efficiency and productivity will remain of secondary importance compared to quality of service. What adds value in Japan, white gloved service and politeness for example, although unproductive when compared to global standards of competitiveness and productivity, is the local way of delivering good service. Second, Japanese companies are not likely to stratify their service levels as radically as American companies are doing because in Japan saving the customer’s face is still important. However, Japanese customers will increasingly be treated individually in order to secure their loyalty. Third, although specific Japanese consumer needs and aspirations may be different from those of their American counterparts, both value good customer service to the extent that they give their loyalty to those who best satisfy them. But even the best customer service practices in the West do not necessarily work in Japan. For example, trying to increase productivity at call centers is difficult due to the Japanese language, which is
very polite and expresses ideas circuitously. A hybrid system where both traditional practices and modern technology are integrated can work better in satisfying the needs of the changing Japanese consumer.

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MARKET MATURATION AS REVEALED BY BRAND PERFORMANCE MEASURES IN CHINA

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SUMMARY

Analysis of brand purchasing in China reveals many familiar brand-buying patterns such as the dominance of market share in determining brand performance measures, and the duplication of purchase law. However, brand performance metrics (BPMs) such as repeat buying (loyalty) and duplication of purchase (switching) were very low and uneven. This was curious because it was so much against the norm as understood from more mature markets, but with additional years’ data, it became clear that the market was evolving and that the BPMs were becoming more like those of better-studied, more mature markets. This suggests that marketplace dynamics (mostly change in brand shares) could theoretically be incorporated into loyalty modeling.

As markets mature, brand performance measures become more regular (smaller deviations) and the BPMs for individual brands tend to converge toward the average for the category. Also, as brand shares stabilize, loyalty metrics rise. This is a new finding from this series of replications.

While the China TV market is maturing, the situation remains dynamic. But as technology evolves, and standards are set, brand performance measures are also likely to continue to even out and begin to appear more like those in more familiar markets. Whether the Chinese become more brand loyal as they make more purchases remains to be seen. The strategic implication is that new sales are unlikely to come from repeat purchases and therefore marketers should try to appeal to as many customers as possible. Sales growth will come mostly from new customers.

Market Dynamics

Since the 1980s, the Chinese have gone from buying tens of thousands of televisions per year, to tens of millions (Datamonitor 2006). While most of the 500m TVs in the country are CRT types, recent growth has come from new TV display technologies such as PDPs, and LCDs, making the Chinese TV market the biggest and most dynamic in the world. It also has fierce competition and frequent price wars (Euromonitor 2005) that depress profitability but promote the advantages of domestic producers in cost control, in turn squeezing out less competitive firms. This has led to increasing domination by a few Chinese high volume producers.

To examine the effects of market dynamics on BPMs surveys was conducted among Chinese TV buyers in 2004, 2005, and 2006. Each survey asked 400 TV buyers about the brand of television set they bought on their last two purchase occasions. The data were analyzed using a 2-Purchase technique that reliably generates brand performance measures such as duplication of purchase (switching), and repeat purchase (loyalty), (Bennett, Ehrenberg, and Goodhardt 2000).

With Increasing Market Stability, Come More Stable BPMs

It is well established that all brand performance measures tend to vary together from one brand to another. (Ehrenberg, Uncles, and Goodhardt 2004). Another major pattern is that repeat-buying and brand-switching are dominated by how big each brand is (its market share) and not by any other particular attributes or values of the different brands.

This can be seen in Table 1 showing the percentage of TV buyers who bought the same brand on their two most recent purchases. Compared to other categories, these repeat buying levels are low (consumer durables typically have 40–50 percent repeat rates, (Ehrenberg and Bound 1999; Terech 2004; Hsu 2002). In addition, the loyalty figures vary from brand to brand, especially in 2004.

Overall, purchase-to-purchase repeat rates more than doubled from 15 percent to 32 percent and also became more uniform (standard deviation fell from 11.1 to 7.5 over three years). Bigger brands had more stable loyalty than smaller ones, as did foreign brands despite them being much smaller (a similar partitioning effect is observed for luxury cars; Ehrenberg and Bound 1999).

The way consumers divide category purchases across brands is predictable using the Duplication of Purchase Law (DoP) (Ehrenberg and Uncles 2000) which states that brands share their customers with other brands in their market in line with the market share (penetration) of those other brands. The duplication law formula is written: $B_{xy} = D_b$, Here, the average D-value for all brands fell from .87 in 2004, to .75 in 2006, and switching levels decreased in line with D times penetrations – the correlation between observed and predicted duplication was $r = 0.97$. 


Conclusion

Chinese consumers are twice as likely to switch TV brands as they are to remain loyal. But when they switch, their choices are dominated by the market share of brands according to the Duplication of Purchase law. This is a substantive addition to our understanding of marketplace dynamics seen through brand performance measures (BPMs) that reveal the underlying structure of the Chinese TV market and its changes – largely the growing domination of big local brands. This change is reflected both in brand loyalty and brand switching figures which show Chinese consumers generally switch to larger, growing brands from smaller declining ones.

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THE BROAD EMBRACE OF LUXURY: LUXURY BRAND POSITIONING AND BRAND EXTENSION EVALUATIONS

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SUMMARY

Luxury is a topic of growing importance for marketing practitioners and academics. Indeed, the “new luxury” (Silverstein and Fiske 2003) market is not restricted to conventional luxury goods such as diamonds, furs, and expensive cars, but may include any products at the top of their category from sandwiches to body washes. “New luxury” products are premium goods that connect with consumers on an emotional level. With this conceptualization, a luxury brand concept may extend to a variety of product categories, thus posing new questions for research on luxury and the influence of a luxury brand concept on brand evaluation and brand extendibility.

Based on observations of marketplace trends, Reddy and Terblanche (2005) argue that symbolic brands appear to be more easily extendible than functional brands and can succeed in diverse categories when consistently promoting their core symbolic attributes. Park, Milberg, and Lawson’s (1991) final study also suggests that prestige brands are more extendible to product categories with low feature similarity than are functional brands. While these initial indications are relevant to the current research, the question of whether, when, and why a luxury brand concept is more extendible than a non-luxury (value) brand concept has not been systematically investigated and forms the focus of this research. In a set of four studies, we investigate the influence of a luxury (vs. value) brand concept on brand evaluation and brand extendibility.

Although little research has explicitly contrasted these two brand concepts, marketing practice indicates that both luxury and value are viable and successful brand concepts. Indeed, while there is a general trend toward luxury, there is a concurrent trend that consumers want better value for money (Silverstein and Fiske 2003). Both these propositions elicit positive connotations, and in the current studies they caused equally favorable brand evaluations. However, there are differences between the two brand concepts. A value proposition highlights the functional benefits a product delivers for the price paid, while luxury delivers psychological and sensory gratification and provides consumers with emotional or hedonic (Hirschman and Holbrook 1982) benefits. The current research proposes that a luxury brand is more easily extendible than a non-luxury brand because the symbolic, hedonic concept represented by luxury not only has favorable connotations, but is also broader and more easily transferable to diverse situations. We propose that the luxury concept results in an increase in hedonic perceptions that are applicable to a whole range of product categories.

Integrating the rich stream of branding research with the relatively nascent stream of research in luxury, we present a set of four studies that focus on the influence of a luxury (vs. value) brand concept on brand evaluation and brand extension evaluations. In Study 1, we compare the impact of luxury versus value brand concepts on brand evaluation and brand extension evaluations. The luxury and value brand concepts evoke equally favorable brand evaluations, but the hedonic perceptions associated with the luxury brand concept result in more favorable brand extension evaluations. In Study 2, we demonstrate that inconsistent brand-specific cues (such as a low price) diminish the influence of the luxury brand concept on both brand evaluation and brand extension evaluations. In Study 3, however, we show that the influence of luxury on brand extendibility remains robust when consumer goals (consummatory vs. instrumental) conflict with brand concept (luxury vs. value), even though the luxury brand itself may be evaluated unfavorably since it is inconsistent with the consumers’ immediate needs. Study 4 is a real-world demonstration of the phenomenon in which participants experienced the product and reported their brand evaluations and evaluations of brand extensions. In this ecologically valid environment, we find support for the central thesis that luxury and value propositions are considered equally favorable but that the luxury brand is perceived as significantly more extendible than the value brand, due to the hedonic perceptions of luxury.

The set of studies also reveals certain limitations for the luxury brand concept. Positioning a brand as luxury in promotions and advertisements may not be difficult to achieve. However, the need for cue consistency is a more complicated matter. For instance, high prices may inhibit widespread consumer adoption, and exclusive distribution may restrict availability. Hence, a luxury brand concept may not be optimal for products intended for the mass market.
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THE DIAGNOSTICITY OF BRAND EXTENSION INFORMATION ON FAMILY BRAND ENTITATIVITY

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SUMMARY

Leveraging brand equity with brand extensions has been the major strategy for building strong brands (Aaker 1996). The survival rate for a brand extension carrying a successful family brand name is significantly much higher than a stand alone brand with a new brand name. Reciprocally, family brand images may also be affected positively or negatively by successful and unsuccessful brand extensions respectively. The degree of reciprocal effects depends on the similarity of the brand extensions and the accessibility of brand extension information (Ahluwalia and Gurhan-Canli 2000). When brand extension information is highly accessible, family brand images are enhanced and diluted by positive and negative extension information respectively, regardless of the similarity of brand extensions. In contrast, when brand extension information is lowly accessible, family brand images are more influenced on family brand evaluations, whereas negative (vs. positive) information about dissimilar brand extensions is more detrimental to family brand evaluations. Therefore, the judgment of family brand quality is determined by the diagnosticity of extension information, which is a function of the accessibility of extension information and the categorical similarity of brand extensions.

The interaction between a family brand and its brand extensions involves three contextual factors, which are the nature of family brands, the nature of brand extensions, and the relationship between family brands and brand extensions. Previous research about reciprocal extension effects focuses on the nature of brand extensions (e.g., the accessibility and the valence of extension information) and the relationship between family brands and brand extensions (e.g., categorical similarity between family brands and brand extensions). The impact of the nature of family brands on family brand evaluations is important, but was not yet well discussed. In social cognition, perceived entitativity of social groups is an important determinant affecting the diagnosticity of individual group members on the impression formation of social groups (e.g., Crawford, Sherman, and Hamilton 2002; Lickel, Hamilton, Wiczorkowska, Lewis, Sherman, and Uhles 2000). The evaluations of social groups are determined by the diagnosticity of group members, which is moderated by the perceived entitativity of social groups. The information about group members affects the judgment of perceived entitativity, which mediates subsequent judgments about groups, where high (vs. low) entitative groups are more favorably evaluated (Hamilton and Sherman 1996; Sherman, Hamilton, and Lewis 1999; Thakkar 2001; Welbourne, Harasty, and Brewer 1997). As with social groups (e.g., Aaker 1997), the evaluations of family brands should also be determined by the diagnosticity of extension information valence, which is moderated by the perceived entitativity of family brands. Extension information valence may also affect the judgment of perceived entitativity, which mediates subsequent judgments about family brands, where high (vs. low) entitative family brands are more favorably evaluated.

Ninety-four undergraduates participated in this experiment. Results indicate that positive (vs. negative) brand extension information is diagnostic to the judgment of family brand entitativity, regardless of the categorical similarity of brand extensions. In particular, positive (vs. negative) information about similar brand extensions is indicative of high entitative family brands over low entitative ones. In contrast, positive (vs. negative) information about dissimilar brand extensions is indicative of low entitative family brands over high entitative family brands. References available upon request.

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EMOTIONAL ATTACHMENT TO OBJECTS:
PROPOSED ANTECEDENTS

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SUMMARY

Recent research has stressed the importance of emotional attachment (EA) in the marketing domain (e.g., Park, Whan, and MacInnis 2006; Ariely, Huber, and Wertenbroch 2005). Although the study of attachment is not new, interest in the study of the construct is re-emerging due to the speculation that EA is a probable driver of the endowment effect (Ariely, Huber, and Wertenbroch 2005). They also encourage the investigation of emotional attachment, its antecedents, and its psychological processes. This paper contributes to the study of the emotional attachment phenomenon by investigating some proposed antecedents of EA based on prior published research on the construct.

We study emotional attachment in the domain of objects. Emotional attachment to objects is defined in accordance to the general definition of emotional attachment by Park and MacInnis (2006) and Kleine and Baker (2004). That is, emotional attachment is a relationship-based construct that reflects the emotional bond connecting an individual with an object. The relationship can start before possession of the object and continues in a dynamic status over time. Emotional attachment to objects has the property of strength (Kleine and Baker 2004). Also, we contend that emotional attachment to objects is different from general trait materialism, category involvement, attitudes, evaluative affect, brand attachment, place attachment, experience attachment, and utility attachment.

In relation to the antecedents to emotional attachment, the most common approach has focused on the identity paradigm (e.g., Kleine and Baker 2004). However, we propose that additional antecedent factors will broaden our understanding of the EA phenomenon. To this end, we propose a conceptual model of five antecedents of an individual’s attachment to an object. In addition to identity, we suggest that emotional significance, proximity, anthropomorphism, and responsiveness are antecedents of emotional attachment. The resultant model may provide a base for further investigation of the marketing consequences of EA (e.g., over-valuation of possessions, willingness to pay for keeping, repair and maintenance intentions, product design, new product adoption, etc.). Additionally, we suggest time and gender as potential moderators to the antecedents → EA relationship.

Identity

In the study of EA, owned objects are viewed as extensions of an individual’s identity (Belk 1988). Identity research (e.g., Kleine and Baker 2004) proposes that the attachment to the object is due to the assignment of meaning as the extended self. If the object becomes part of the self, then the individual is more prone to attach to such objects in order to define his/her identity. Therefore, we expect that the strength of identification with an object is an antecedent of emotional attachment.

Emotional Significance

Emotional significance refers to important memories. Individuals assign more emotional significance to objects as time goes by when these objects remind the individual of important people, places, or experiences. Also, emotional significance is related to the source of acquisition. Some objects might start at a different level than others (e.g., gifts from a loved one). Because significance based on emotion and memories involve affect, it is natural to expect an increase in EA as emotional significance increases.

Proximity

Individuals will have a greater probability of becoming emotionally attached to objects physically or psychologically close to them. In other words, it is difficult to become emotionally attached to objects that seem distant or are distant. Extant research (e.g., Carmon, Wertenbroch, and Zeelenberg 2003) argues that proximity, even before the possession of the object, can increase the attachment to it. Thus, we expect that proximity is a driver of emotional attachment.

Anthropomorphism

Assigning human attributes to objects is not uncommon. Research in the realm of ergonomics has found that, when the product shows human characteristics, consumers perceive emotional content (Demirbilek and Sener 2003). Some examples are also found in the car industry where certain types of cars can represent certain “personalities.” Then too, it is not unusual to observe people who go so far as to give their vehicle human names. Thus, anthropomorphism should be associated with emotional bonds to the humanized object.
Responsiveness

The responsiveness of the object is based on its perceived availability, loyalty, and ability to satisfy. Based on the literature regarding attachment to people (Bowlby 1979; Hazan and Shaver 1994), how much satisfaction the object provides the individual should be an important antecedent of EA.

In sum, we propose five constructs as antecedents of emotional attachment: identity, emotional significance, proximity, anthropomorphism, and responsiveness. All the antecedents are expected to be positively associated with emotional attachment to objects. Additionally, we suggest two potential moderators, time and gender, of the antecedent to EA relationships. These relationships are proposed, but need to be tested empirically. References available upon request.

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CUSTOMERS’ RELATIONAL BEHAVIOR IN A PSEUDO-RELATIONSHIP CONTEXT

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ABSTRACT

Present study introduces the concept of “Customers’ Relational Behavior.” Defines and conceptualizes it. Identifies factors that influence relational behavior and provides a conceptual model to explain its formation in a pseudo-relationship context. Research propositions exploring inter-variable relationships are also provided with a suggestion to test them in future investigations.

INTRODUCTION

Zeithaml, Berry, and Parasuraman (1996), observe that customers often behave in a manner that indicates that they are developing an attachment or building a relationship with the firm or the organization. As per the authors, customers’ behaviors such as – praising the firm, expressing preference for the company over others, increasing the quantity of their purchases, willingness to pay a price premium for their purchases, are behavioral indications that they are building bonds or fostering ties with the organization. An important implication of such an observation is that, specific behaviors displayed by the customers can be treated as behavioral indications of the existence of customer-firm relationships. In a not so recent observation Hennig-Thurau, Gwinner, and Gremler (2000) assert that a relationship evidently exists between the customer and the firm if the customer behaves in a relational manner toward the firm. As per the authors, the customer may be said to be behaving in a relational manner if he/she purchases goods and services from the same firm repeatedly, and the repurchase behavior is a rational thought and intended behavior on the part of the customer. Observations made by Zeithaml et al. (1996) and Hennig-Thurau et al. (2000) are valuable in that they recognize customers’ relational behavior as an apparent indication of the existence of customer-firm relationships. In the light of the observations made by these scholars it is suggested that an understanding of customers’ relational behavior and the factors that encourage them to undertake such behavior would prove useful in nurturing long-term customer-firm relationships. A model explaining the formation of customers’ relational behavior would greatly facilitate such an understanding. However, despite the obvious merits of having such a model, comprehensive models explaining customers’ relational behavior seem non-existent in the available relationship marketing literature. With an intention of overcoming this failing in literature, a conceptual model is proposed in the present study that makes an attempt to explain the formation of customers’ relational behavior in a pseudo-relationship context.

Relational Behavior

Customers’ relational behavior in the present study is described as a set of volitional behaviors, comprising of all those behaviors undertaken by the customers that indicate that the customers are forging bonds or building relationships with the firms. Drawing inspiration from Zeithaml et al.’s (1996) work, we suggest that customers’ relational behavior comprise of – saying positive things about the service provider, recommending the service provider to others, encouraging friends and relatives to do business with the service provider, choosing the service provider over others, and doing more business with the service provider. It may be noted that relational behavior, as defined in the present study requires customers to do “more” business with their chosen service provider but not necessarily “all” their business with the preferred service provider. Making purchases from or availing the services of another service provider when the preferred service provider is not available; or when in an emergency it is more convenient to avail the services of another service provider located nearby; are not considered to be transgressions from customers’ relational behavior. Unlike customer loyalty that requires customers to make all their purchases from their preferred service provider exclusively, relational behavior does not expect customers to display exclusive patronage. It takes a more realistic view of customers’ behavior and improves for all such lapses that are often necessary and unavoidable, but do not in anyway reflect a lack of affinity or change in customers’ liking and preference for the service provider. In sum, a customer conducting most of his/her business with the preferred service provider may be said to be displaying relational behavior even though he/she may not be doing all the business with the favored service provider.

Further, customers normally have high volitional control over all such activities as – saying positive things about the service provider, recommending the service provider to others, encouraging friends and relatives to do business with the service provider, choosing the service provider over others and doing more business with the service provider. Since, these activities are high volitional activities and customers do not need knowl-
knowledge, skills, resources or cooperation from others for undertaking them; relational behavior that depends on the performance of these activities may be classified as customers’ volitional behavior. Volitional behaviors are all those behaviors that can be performed by an individual without seeking any assistance from others and are completely under his/her volitional control (Fishbein and Ajzen 1975).

**Factors Influencing Customers’ Relational Behavior**

Leading relationship marketing scholars – Sheth and Parvatiyar (1995, 2000), observe that customers frequently demonstrate a preference to consistently buy the same goods and services, patronize the same stores, use the same processes of purchase, and visit the same service providers again and again. As per an estimate quoted by the authors, as much as 90 percent of the time customers visit the same supermarkets or the same shopping malls to purchase the same goods and services. Detailed investigation of the theoretical propositions made by the two scholars reveals, that customers tendency to behave in a relational manner, i.e., doing more business with the same stores or choosing the same goods and services over and over again stems from their desire to achieve greater efficiency in decision making, and achieving more cognitive consistency in their decisions. Review of extant literature reveals that customers tend to behave in a relational manner due to their inherent relational tendencies (De Wulf et al. 2001), to obtain relational benefits (Gwinner et al. 1998), to reduce risks and costs (Hu and Hwang 2006; Jones et al. 2000; Sheth and Parvatiyar 1995, 2000), or because they feel more satisfied in their interactions with the employees of a particular firm than others (Czepiel 1990; Preis 2003).

In the light of these observations, present study proposes to investigate the impact of customers’ perceptions of relational benefits such as – confidence benefits and special treatment benefits, switching costs, interaction satisfaction and their inherent relational tendencies on customers’ relational behavior in a pseudo-relationship context. It may be mentioned that commercial interactions in today’s world are becoming more and more pseudo-relational in character (Gutek, Bhappu, Liao-Troth, and Cherry 1999), customers’ relational behavior are therefore investigated in a pseudo-relationship context. Pseudo-relationships may be understood as special kinds of service encounters where repeated interactions take place between the customer and the service provider but with different service workers each time. In such relationships, the customer does not get to know any individual service worker but identifies with the embedding service organization (Gutek et al. 1999). Such interactions though not a relationship in the true sense of the word, provide a semblance of a relationship to the customer.

**Model of Customers Relational Behavior**

Numerous theories and models may be found in available literature that explain customers’ purchase behaviors. These include – Theory of Reasoned Action (Fishbein and Ajzen 1975), Theory of Planned Behavior (Ajzen and Fishbein 1980), Theory of Trying (Bagozzi and Warshaw 1990), and Model of Goal Directed Behavior (Perugini and Bagozzi 2004). Of the various models mentioned above, Theory of Reason Action (TRA) proposed by Fishbein and Ajzen (1975) explains behaviors that are under the customers’ complete volitional control. Activities and behaviors that are in part determined by factors beyond an individual’s volition fall outside the boundary conditions of the model and are not explained by TRA. Since, relational behavior is concerned with those activities over which customers have high volitional control, like – saying positive things about the service provider, recommending the service provider to others, encouraging friends and relatives to do business with the service provider, choosing the service provider over others, and doing more business with the service provider; TRA as proposed by Fishbein and Ajzen (1975) is most suited for explaining customers’ relational behavior. It may be mentioned here again that relational behavior requires customers to do “more” business with their service provider and not “all” their business with the chosen service provider. While, doing all the business with the preferred store is not always under total volitional control of an individual (unforeseen events and factors beyond one’s control may intervene, making it difficult for the customer to exercise volitional control) customers may be expected to have relatively high volitional control over doing “more” business with the preferred service provider. Further, the Theory of Reasoned Action seeks to explain only behaviors (e.g., taking a diet pill, applying for a car loan, etc.) and not outcomes or events (e.g., losing weight and securing the loan) that result from such behavior. Since, relational behavior deals primarily with specific behaviors that indicate that the customer is forging links and/or building ties with the service provider, TRA framework is used in the present study for explaining customers’ relational behavior in a pseudo-relationship context, albeit with some modifications.

Theory of Reasoned Action posits that attitude directly leads to intention however; Bagozzi (1992) feels that attitude may not contain sufficient motivation to lead to intention. As per Perugini and Bagozzi (2004) – psychologists and behavior theorists have recently distinguished desire from intention. The authors (Perugini and Bagozzi 2004) define desire as the motivational commitment to undertake said behavior and propose it as the missing link in attitude-intention relationship. Given that sufficient motivation is required for undertaking relational behavior, we incorporate “desire” as a link
between attitude and intention in the proposed model of customers’ relational behavior. Further, Bagozzi, Baumgartner, and Yi (1992) observe that customers tend to act in consonance with their descriptive beliefs that are shaped by their direct experiences with individuals, goods and services, and processes. Relational behavior which involves repeated interaction with the service provider, offers numerous opportunities to the customers for developing their belief system and behaving accordingly. It is therefore suggested, that subjective norms that have been described as ones belief about the opinions of those whom one values, as to whether one should or should not act in a particular way (Fishbein and Ajzen 1975), should not be included in the model explaining customers’ relational behavior.

The two modifications discussed above have been incorporated in the TRA framework that forms the core of the proposed relational behavior model and explains the attitude-behavior link. All other factors such as – customers relational tendency, relational benefits (confidence and special treatment benefits), switching costs, and interaction satisfaction that affect customers’ relational behavior impact the attitude-behavior link at numerous places producing a direct and/or moderating influence on the intervening variables and relationships. Proposed model of customers’ relational behavior in a pseudo-relationship context is shown in Figure 1.

RESEARCH PROPOSITIONS

Desire to Undertake Relational Behavior

Perugini and Bagozzi (2001) state that positive attitude in itself does not provide sufficient motivation to form an intention. It is only when the evaluative appraisals of an action are accompanied by the desire to act that such an intention comes into existence (Bagozzi 1992). Desire provides the motivational thrust for the volitional decision-making process and serves to integrate the cognitive, emotional, social appraisals of the decision maker prior to intention formation (Bagozzi 1992). Desire which is a necessary antecedent of decision makers’ intentions (Bagozzi, Dholakia, and Basuroy 2003) would therefore, mediate the relationship between attitude toward relational behavior and the intention to undertake such behavior. In the light of these observations it is proposed that:

P1: Attitude toward relational behavior will have a positive, direct effect on the desire to undertake relational behavior.

Bagozzi (1992) has stated that an intention to act would come into existence only when there was a desire to perform the act. A strong direct impact of desire on intention was reported by Bagozzi and Kimmel (1995) and Perugini and Bagozzi (2001). It is therefore proposed that:

P2: Desire to undertake relational behavior will have a positive direct impact on intentions to undertake relational behavior.

Intention to Undertake Relational Behavior

Fishbein and Ajzen (1975) in their TRA model state that intentions are the immediate proximal antecedents of actual behavior. A strong influence of intentions on behavior (correlations ranging from 0.47 to 0.56) was reported in the meta-analyses of the Theory of Reasoned Action and Theory of Planned Behavior conducted by Armitage and Conner (2001) and Sheppard, Hartwick, and Warshaw (1988). It is therefore proposed that:

P3: Intention to undertake relational behavior will have a positive direct effect on customer’s relational behavior.

Relational Tendency

Gwinner et al. (1998) have claimed that the success of relationship marketing depends to a considerable extent on customers’ willingness to engage in relationships. Relational tendency that may be described as “relationship seeking behavior” (Ellis 1995) whereby customers display a relatively stable and conscious tendency to engage in relationships (De Wulf, Odekerken-Schröder, and Iacobucci 2001) may therefore be expected to impact customers’ desire to undertake relational behavior. While some customers show greater willingness to form relationships (Varki and Wong 2003) others may not be similarly inclined. A significant influence of customers’ relationship proneness on their intention to stay in a relationship was reported by De Wulf et al. (2001) and Vazquez-Carrasco and Foxall (2006). It is therefore, proposed that:

H4: Customers’ relational tendency will have a positive direct effect on their desire to undertake relational behavior.

Relational Benefits

Relational benefits are the benefits that the customers receive by pledging their allegiance to a particular provider and are essentially distinct from the benefits derived from core product or core service consumption (Gwinner, Gremler, and Bitner 1998). An investigation of the role of confidence benefits and special treatment benefits that are more relevant in a pseudo-relationship context is proposed in the present study.
FIGURE 1
Proposed Model of Customers' Relational Behavior in a Pseudo-Relationship Context

- Relational Benefits:
  - Confidence Benefits
  - Special Treatment

- Switching Costs

- Interaction Satisfaction
  - Emotional Tone of Interaction

- Service Behavior:
  - Congeniality
  - Responsiveness
  - Reliability
  - Social Respect
Confidence Benefits may be described as the sense of reduced anxiety, trust and confidence that is developed in a customer through repeated interaction and continued association with a firm (Gwinner et al. 1998). Since, customers invariably try to reduce risk and complexity in the buying situation (Sheth and Parvatiyar 1995, 2000), confidence benefits would provide them sufficient motivation to undertake relational behavior (do more business with the same service provider and consider it as their first choice). In a study undertaken by Yen and Gwinner (2003) it was found that customers in the U.S. feel that more confidence benefits would accrue to them if they maintain long-term association with the firm and remain loyal. Strong indirect effect of confidence benefits on customer retention and word-of-mouth was reported by Hennig-Thurau, Gwinner, and Gremler (2002). Confidence benefits may hence be expected to impact not only customers’ relational behavior but also their intention to undertake such behavior. It is therefore proposed that:

P5a: Customers perception of confidence benefits will have a positive, direct effect on their intention to undertake relational behavior.

P6a: Customers perception of confidence benefits will have a positive, direct effect on their relational behavior.

Special Treatment Benefits that include price breaks, discounts, priority service with minimum waiting, and best deals, are the special privileges, preferential treatment, or special favors (Gwinner et al. 1998) that are extended by a firm to its long-time customers for forsaking the opportunity of doing business with other competing firms (Patterson and Smith 2003). Gwinner et al. (1998) and Yen and Gwinner (2003) found that customers often feel that they can enjoy these special privileges only if they continue their association with their service provider. This suggests that customers would be motivated to continue their relationships to gain special treatment benefits. Special treatment benefits may hence be expected to have a significant impact on customers’ relational behavior and their intention to undertake relational behavior. It is therefore proposed that:

P5b: Customers perception of special treatment benefits will have a positive, direct effect on their intention to undertake relational behavior.

P6b: Customers perception of special treatment benefits will have a positive, direct effect on their relational behavior.

Switching Costs

Switching costs are the one-time costs that customers associate with the process of switching from one provider to another (Porter 1980). These costs are related to personal loss or sacrifice in time, effort, and money associated with moving from one service provider to another (Hellier, Guersen, Carr, and Rickard 2003). Customers’ weigh the benefits of switching service providers against the costs of switching (Jones, Mothersbaugh, and Beatty 2000) and may choose not to switch, if the cost of switching is perceived to be more than the benefits (Jones et al. 2000). Higher the perceived switching costs, stronger would be one’s motivation to continue doing business with the same provider (Hellier et al. 2003) increasing thereby their chance of undertaking relational behavior. It is therefore proposed that:

P7: Perceived switching costs will have a positive, direct effect on customers’ relational behavior.

Interaction Satisfaction

It is the feeling of overall satisfaction or dissatisfaction (Parasuraman, Zeithaml, and Berry 1994) experienced by the customer, based on all previous encounters and interactions with the firm. Interaction satisfaction as mentioned here is distinct from the satisfaction derived by the customers through product or service consumption. Strong correlation between gratification received by customers during interactions with the sales people and their intention to repurchase was reported by Preis (2003). Likewise, a significant impact of non-product satisfaction on customer patronage was reported by Tauber (1972). Czepiel (1990) too believes that customers experiences with the firms’ employees and the satisfaction felt by them during these interactions would play a crucial role in the formation and enhancement of exchange relationships. Given the criticality of the role played by the construct of interaction satisfaction in the creation and maintenance of exchange relationships; interaction satisfaction may be expected to have an especially significant impact on the processes involved in the formation of customers’ relational behavior. In view of these observations a pervasive impact of interaction satisfaction on customers’ relational behavior formation process is proposed:

H8: Interaction satisfaction will have a positive, direct effect on customers’ desire to undertake relational behavior.

H9: Interaction satisfaction will moderate the relationship between customers’ desire to undertake relational behavior and their intention to undertake such behavior such that, as the level of interaction satisfaction increases customers’ intention to undertake relational behavior will become stronger.

H10: Interaction satisfaction will have a positive, direct effect on customers’ intentions to undertake relational behavior.
H11: Interaction satisfaction will have a positive, direct effect on customers’ relational behavior.

Interaction satisfaction that has a significant influence on customers’ relational behavior is an outcome of the emotional tone of interactions and service behaviors displayed by service employees during customer-employee interactions. An investigation of the two factors is therefore proposed in the present study.

**Emotional Tone of Interactions**

Emotional Tone of Interactions refers to the overall emotion felt by an individual based on all previous experiences with the service provider. Barnes (1997) demonstrated that emotional tone was the best predictor of closeness, strength, and satisfaction in a relationship. Emotional tone of interactions may hence be expected to play a major role in determining customers’ interaction satisfaction. It is therefore proposed that:

P12: Emotional tone of interactions will have a positive, direct impact on customers’ interaction satisfaction.

**Service Behaviors**

Service Behaviors or the behaviors exhibited by firms’ employees during customer-employee interactions, influence customers perception of overall service quality (Parasuraman et al. 1994), and determine their satisfaction with and the extent of their relationship with the firm (Ghingold and Maier 1986). An investigation of the service behaviors of – congeniality, responsiveness, reliability, and social regard that are more suited to a pseudo-relationship context is proposed in the present study.

**Congeniality** requires service workers to be pleasant to their customers and/or clients, acknowledge their presence, and serve them with a smile (Butcher, Sparks, and O’Callaghan 2002). It includes all such behaviors that create a general feeling of warmth and joy (Winsted 2000). Soderlund and Rosengren (2004) state that customers’ assessment of the joyfulness of the service employee in the service delivery process influences their feelings of joy, which in turn affects the level of satisfaction experienced by them. It is therefore proposed that:

P13a: Service workers’ behaviors that reflect congeniality will have a positive, direct effect on customers’ interaction satisfaction.

**Responsiveness** essentially requires service employees to be prompt and display speed and efficiency while delivering services (Parasuraman et al. 1988). Lack of responsiveness causes considerable dissatisfaction (Johnston 1995). Avoiding unresponsive and disrespectful behavior not only satisfies customers but also helps in retaining them (Aaker 1991). It is therefore proposed that:

P13b: Service workers’ behaviors that reflect responsiveness will have a positive, direct effect on customers’ interaction satisfaction.

**Reliability** is concerned with the consistency of one’s performance and the ability of an individual to gain another person’s trust and confidence that he/she can be relied upon (Parasuraman et al. 1988). Customers have been found to attach considerable significance to the reliability of the service employees when buying goods and services from a store (Hawes 1993). It is therefore proposed that:

P13c: Service workers’ behaviors that reflect reliability will have a positive, direct effect on customers’ interaction satisfaction.

**Social Regard** is concerned with treating the customer in a respectful manner, showing deference and interest so that the customer feels valued and important in the service interaction (Butcher, Sparks, and O’Callaghan 2003). Social regard as per Butcher et al. (2003) is an important determinant of customer satisfaction next only to perceived core service quality. Customers apparently become close to those employees who exhibit genuine respect for them as customers (Beatty, Mayer, Coleman, Reynolds, and Lee 1996). It is therefore proposed that:

P13d: Service workers’ behaviors that display social regard will have a positive, direct effect on customers’ interaction satisfaction.

**CONCLUDING REMARKS AND FUTURE RESEARCH**

Primary concern of the present study was to conceptualize customers’ relational behavior and to provide a conceptual framework that would help in explaining customers’ relational behavior in a pseudo-relationship context. The study not only presents such a conceptual framework but also makes an effort toward developing a sound understanding of the concept of relational behavior by providing a definition, detailed explanation, and description of the concept of relational behavior. Such an understanding of customers’ relational behavior shall prove helpful in determining whether or not a relationship exists between the customers and the organizations, by observing customers’ overt behavior. Further, present study identifies various factors that may be expected to influence customers’ relational behavior in a pseudo-relationship context. Research propositions stating the possible impact of these constructs on customers’ rela-
tional behavior have been listed in the present study with due support from literature.

Empirical investigation of these propositions in future researches may provide valuable information regarding the significance of each of these factors in influencing customers' relational behavior in a pseudo-relation context. Such information shall facilitate the strategic use of relational benefits and switching costs in encouraging customers' relational behavior; and in formulating various alternative relationship marketing strategies that shall facilitate a more effective utilization of firms' resources. Findings from the study shall also provide guidelines for developing required skills and service behaviors in the contact employees through proper training and motivation that shall prove useful in enhancing customers' interaction satisfaction and thereby customers' relational behavior.

Finally, present study makes an attempt to establish customers' relational behavior as a distinct construct in relational marketing literature. Empirical testing of the construct shall provide the much needed validity to the construct and help in establishing it as an integral part of relationship marketing literature. Customers' relational behavior may then be used for identifying those customers who share a relationship with the firm or are favorably disposed toward forming a relationship with the same. Once such customers have been identified, marketers can concentrate their relationship marketing efforts on these relational customers, so that long-term positive and satisfying relationships may be developed between these customers and the firms. Such an enterprise would prevent the wastage of valuable firms' resources and cause an improvement in firms' performance and profitability. In the light of these advantages empirical investigation of the construct of relational behavior and the proposed conceptual framework is highly recommended.

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A LOGIC DEDUCTION TECHNIQUE OF CONSUMER COGNITION HIERARCHY

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SUMMARY

The conventional means-end chain (MEC) method uses product attributes (A), consequences (C) and values (V) to indicate consumer cognitive hierarchies regarding specific products. These hierarchies can help in elucidating consumer product knowledge and devising effective marketing strategies. In conventional MEC theory, the laddering scheme invented by Reynolds and Gutman (1988) is extensively adopted to analyze consumer product cognitions, leading to a tree diagram, termed a hierarchical value map (HVM). To construct the HVM, all interviewing data should be tabulated into the table of summary implication matrix (SIM). Upon completion of the SIM table, the researchers should predetermine a cutoff value for transforming the SIM data into the HVM via laddering (Reynolds and Whitlark 1995). Unfortunately, constructing the HVM requires subjective researcher judgments, possibly leading to the inclusion of biased information in marketing strategy development. To overcome the above limitations of MEC analysis, this study proposes an extended laddering-matrix analysis (LMA) technique based on the matrix algorithm by incorporating matrix analysis and laddering. Ultimately, this study develops a version of the LMA technique capable of exploring SIM information without bias.

Laddering and Matrix Algorithm (LMA)

This study represents the traditional SIM using a mathematical expression (see Formula 1).

\[ SIM = \begin{bmatrix} AC & AV \\ CC & CV \end{bmatrix} \] (1), where \(AC=[a_{ic}]_{n1 \times n2} ; AV=[a_{iv}]_{n1 \times n3} ; CC=[c_{jk}]_{n2 \times n2} ; CV=[c_{jk}]_{n2 \times n3} ; i=1, 2, 3..., n1 ; j=1, 2, 3..., n2 ; k=1, 2, 3..., n3 ; n1, n2, and n3 represent the number of attribute, consequence, and value variables, respectively.

Because the matrix CV is defined as a \(n_2 \times n_3\) matrix (see formula (1)), \(n_1\) rows of the CV matrix could be divided into a total of \(n_1(n_2 \times 1)\) column submatrices (vectors) as illustrated in formula (2). \(CV^T\) represents the transpose of \(CV\).

\[ CV_k = \begin{bmatrix} c_{1k} & c_{2k} & \cdots & c_{nk} \end{bmatrix} \] (2)

Use \(CV_1\) as an example. The transpose of \(CV_1\) is augmented to \(n_2\) rows while each comprising identical cells. The augmented transpose of \(CV_1\) is defined as \(ECV_1^T\) (see Formula 3).

\[ ECV_1^T = \begin{bmatrix} c_{11} & c_{12} & \cdots & c_{1n_1} \\ c_{21} & c_{22} & \cdots & c_{2n_1} \\ \vdots & \vdots & \ddots & \vdots \\ c_{n_21} & c_{n_22} & \cdots & c_{n_2n_1} \end{bmatrix} \] (3)

The negative infinity \((-\infty)\) is used to represent the linkage frequency in situations where any two of the A, C, or V variables are unconnected. The LMA computing procedure primarily involves calculating the total frequencies of A-C-V linkages. Consequently, it is essential to compare the A-C, C-V, and A-V linkage frequencies and select the largest. This study defines \((ECV_k^T)_t = ECV_k^T + CC\), where \(t\) represents the number of additions. During each addition, \((ECV_k^T)_t\) should select the column vector including values of positive and transpose this vector, in order to implement the next addition procedure. Restated, the addition procedure, \(ECV_t = E((ECV_k^T)_t) + CC\), is continued until all the cells of the \(ECV_t\) become negative-infinite \((-\infty)\) and the addition is completed. The column with the largest figure is selected from the results of \(ECV_t\) matrix during each addition step to create a matrix MW. This study defines MWAC = MW + AC. Because variables are recorded during each addition step, the figures of the cells of the MWAC and AV matrices are compared and the cell order is ranked to identify the variables with the highest linkage frequencies. Therefore, the important A-C-V linkages can be identified.

Conclusions

The LMA technique enables researchers to use the matrix algorithm to obtain the sum of A-C-V linkage frequencies and thus identify the important A-C-V linkages. Researchers do not predetermine the cutoff value during HVM construction. Consequently, applying the LMA technique as proposed here not only can avoid researcher subjectivity but can also help marketers improve their understanding of target consumer means-end hierarchies. References are available on request.

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ESTIMATING A LATENT VARIABLE CUBIC

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ABSTRACT

Because there is little guidance for estimating a latent variable cubic (e.g., \(X^3\) or \(XXX\)), this paper explores these variables, and proposes an accessible specification that reduces the frequently strong correlation between \(X\) and XXX which can complicate their estimation. An estimation example is also provided.

INTRODUCTION

Higher-order variables in survey-data models, for example interactions and quadratics such as \(XZ\) and \(XX\) in

\[
Y = \beta_1X + \beta_2Z + \beta_3XX + \beta_4XZ + \beta_5ZZ + \beta_6XXX + \beta_7ZZZ + \zeta_Y, \tag{1}
\]

where \(\beta_1\) through \(\beta_6\) are unstandardized structural coefficients, XXX and ZZZ are cubics, and \(\zeta_Y\) is the structural disturbance term, have been of theoretical interest in the Social Sciences (e.g., Blalock 1965; Bohrnstedt and Goldberger 1969; Cohen and Cohen 1975, 1983; Lubin 1961; see Aiken and West 1991). Recently, specifications for interactions and quadratics in unobserved or latent variables were proposed (see the citations below), and these latent variables now appear in substantive articles.

Cubics have been of interest since the 1500’s (see Kenney 1989) and they are routinely used, for example, in computer graphics and computer modeling (see Bartels, Beatty, and Barsky 1998). However, they have yet to appear in published survey model tests involving latent variable models. This may be for several reasons, including that as far as we know there is no guidance for specifying these variables in latent variable models, and experience suggests they can be difficult to successfully estimate in survey data. This paper sheds additional light on latent variable cubics.

QUADRATICS AND CUBICS SPECIFICATION

There have been several proposals for specifying latent variable quadratics including (1) Kenny and Judd (1984); (2) Bollen (1995); (3) Jöreskog and Yang (1996); (4) Ping (1995); (5) Ping (1996a); (6) Ping (1996b); (7) Jaccard and Wan (1995); (8) Jöreskog (2000); (9) Wall and Amemiya (2001); (10) Mathieu, Tannenbaum, and Salas (1992); (11) Algina and Moulder (2001); (12) Marsh, Wen, and Hau (2004); (13) Klein and Moosbrugger (2000); Schermelleh-Engle, Kein, and Moosbrugger (1998); Klein and Muthén (2002); and (14) Moulder and Algina (2002).

However, several of these proposals have not been evaluated for bias and inefficiency (i.e., proposals 8 and 10). Most of them are based on the Kenny and Judd product indicators (e.g., \(x_1z_1\), \(x_1z_2\), ..., \(x_1z_n\), \(x_2z_1\), \(x_2z_2\), ..., \(x_2z_m\), ..., \(x_nz_m\), where \(n\) and \(m\) are the number of indicators of \(X\) and \(Z\) respectively). However, in theoretical model (hypothesis) tests with survey data, specifying all the Kenny and Judd product indicators usually produces model-to-data fit problems (proposals 1 and 5).

To avoid these problems several proposals use subsets of the Kenny and Judd (1984) product indicators or indicator aggregation (proposals 3, 5, 7, 9, 11, 12, and 14). However, weeding the Kenny and Judd product indicators raises questions about the validity of the resulting interaction or quadratic in theoretical model testing. The face or content validity of the resulting interaction or quadratic is questionable (e.g., if all the indicators of \(X\) are not present in \(XX\), for example, is \(XX\) still the “product of \(X\) and \(X\)?”) (proposals 3, 7, 9, 11, 12, and 14). The reliability of a weeded \(XX\) is also unknown: the formula for the reliability of \(XX\) is a function of (unweeded) \(X\), and thus it assumes \(XX\) is operationally (unweeded) \(X\) times (unweeded) \(X\). Weeded Kenny and Judd product indicators also produce interpretation problems using factored coefficients (discussed below) because \(XX\) is no longer (unweeded) \(X\) times (unweeded) \(X\) operationally. Some of these proposals do not involve Maximum Likelihood estimation, or commercially available estimation software (proposals 2, 6, and 13). With rare exceptions these approaches are unknown outside of the methods literature (Cortina, Chen, and Dunlap 2001), and all they are tedious to use (Jöreskog and Yang 1996).

At the time this paper was written, a review of Social Science journal articles since Kenny and Judd’s (1984) seminal proposal for specifying latent variable interactions found that the most frequently encountered estimation approaches for interactions in substantive articles were due to Jaccard and Wan (1995) (which uses product indicator subsets – 46 citations); Mathieu, Tannenbaum, and Salas (1992) (see Cortina, Chen, and Dunlap 2001) (which is unevaluated for bias and inefficiency – 51 citations) and Ping (1995) (41 citations).
The following will rely on Ping’s (1995) specification proposal because it appears to have the fewest of the above drawbacks in theoretical model testing. Ping (1995) proposed that a quadratic could be specified with a single indicator, the product of the sum of the indicators of X (i.e., the indicator xx = (Σx)x) of (mean centered) X correlation or nonessential ill-conditioning (Marquardt 1980; see Aiken and West 1991), and xx, and measurement error variance, Θe, of xx were

\[ \lambda_x = \Lambda_x \lambda_x, \]  
\[ \Theta_{e_x} = 4 \Lambda_x^2 \text{Var}(X) \Theta_x + 2 \Theta_x^2, \]  
(2a)

where Θx = Σλx, λx is the loading of xi on X, Var(X) is the error disattenuated (measurement model) variance of X, Θe = ΣVar(εi), and Var(εi) is the measurement error variance of xi.1 The indicators x are usually zero- or mean-centered by subtracting the mean of x from xi in each case, and xx becomes x = [Σ(x - M(x))] [Σ(x - M(x))], where x is an uncentered indicator, M denotes a mean, and Σ is a sum taken before any multiplication. Specifying XX with this indicator reduces the strong correlation and the variance of x.1 The indicators x (i.e., the indicator xx = (Σx)x) were fewest of the above drawbacks in theoretical model specification of W using the indicator xx with the calculated loading λw = λxλw and the calculated measurement error variance Θw = λw2Var(X)Θx + λw2Var(W)Θw + λw2Var(W)Θw, if estimates of these parameters are available (e.g., Ping 1995).

To provide estimates of the parameters involving a specific W = (Xx) on W, Var(W) = Var((Xx)x) = 2E(WX) Var(Xx) + Var(εx) (Bohmnstedt and Goldberg 1969), where E(WX) denotes the square of the mean of X, and Var(W) is the variance of W. Thus, for W = (Xx)x, Var(W) in Equation 4a is a function of the mean of Σx and the variance of X:

Var(W) = 4E(WX) Var(Xx) + Var(εx),  
(4b)

where E(WX) is available from SAS, SPSS, etc. and Var(Xx) is available from the measurement model for X.

A cubic could be specified similarly, as the product of the sum of indicators such as xxx = (Σx)x. However, mean centering x does not reduce the strong correlation between X and XXX (Dunlap and Kemery 1987; Marquardt 1980; see Aiken and West 1991), and inefficient structural coefficient estimates usually obtain. An alternative specification that avoids this difficulty is the indicator

\[ x(x)x = \frac{\sum x_i - M(\sum x_i)}{(\sum x_i)(\sum x_i) - M(\sum x_i)(\sum x_i)}, \]  
\[ \text{For } (x), (xxx) = \frac{\sum x_i - M(\sum x_i)}{(\sum x_i)(\sum x_i) - M(\sum x_i)(\sum x_i)} \]

where Σx is the sum of uncentered x. The indicator x(x), the product of mean-centered x’s and mean-centered x, could be used as a single indicator of X (Xx) (i.e., with x(x)x = λwXuXu) because the covariances involving measurement errors are zero, and the expansions of Var(XuXu) and Var(εxu) contain zero E(εxu) terms.

The loading and error variance of x(x)x, is derived next. Under the above Kenny and Judd (1984) assumptions the variance of the product of x = (Σx) = [Σ (λx + εx)] and w = (Σw) = [Σ (λw + εw)] (where λx and εx are the loading and measurement error, respectively,

\[ \text{Var}(wx) = (\lambda_w \lambda_w) \text{Var}(XW) + \lambda_w^2 \text{Var}(X) \Theta_w + \lambda_w \text{Var}(W) \Theta_w + \lambda_w^2 \text{Var}(W) \Theta_w, \]  
(4a)

(e.g., Ping 1995, see Endnote 1) where Λw = Σλw, λw is the loading of w on W, Var(WX) is the error disattenuated variance of W, Θw = ΣVar(εw), Var(W) is the error disattenuated variance of W, and Θw is the measurement error variance of w. This would provide a specification of XX using the indicator xx with the calculated loading λ = λxλw and the calculated measurement error variance Θw = λw2Var(X)Θx + λw2Var(W)Θw, if estimates of these parameters are available (e.g., Ping 1995).
FACTORED COEFFICIENTS AND THEIR STANDARD ERRORS

Equation 1 can be factored to produce a coefficient of $X$ due to the (significant) quadratic $XX$, i.e.,

$$Y = (\beta_1 + \beta_3 X)X + \beta_2 Z + \beta_4 XZ + \beta_5 ZZ + \beta_6 XXX + \beta_7 ZZZ + \xi_v.$$  \hspace{1cm} (5)

These factored coefficients are important to interpreting quadratics in survey data, and later they will be used to interpret cubics. When the quadratic $XX$ in Equation 1 is significant (i.e., $\beta_3$ is significant) the factored coefficient of $X$ due to $XX$ is not constant over the range of $X$ in a study. Depending on the signs and magnitudes of $\beta_3$ and $\beta_7$, this factored coefficient of $X$, $(\beta_1 + \beta_3 X)$, could be large for some values of $X$ in the study, and small for others. This factored coefficient of $X$, $(\beta_1 + \beta_3 X)$, could also be positive for some values of $X$, or zero or negative for others.

The standard error of the factored coefficient of $X$ due to $XX$ also varies over the range of $X$ in the study. Determined by the square root of $\text{Var}(\beta_1 + \beta_3 X)$, the standard error of this factored coefficient of $X$ is

$$\text{Var}(\beta_1 + \beta_3 X) + 2\text{Cov}(\beta_1, \beta_3 X) \right)^{1/2} \hspace{1cm} (6)$$

(e.g., Jaccard, Turrisi and Wan 1990), where the exponent 1/2 denotes a square root. In different words, the standard error of the factored coefficient of $X$ due to $XX$, $(\beta_1 + \beta_3 X)$, is a function of the variances and covariances of $\beta_1$ and $\beta_3$ (which are constants), and the value of $X$ at which the factored coefficient is evaluated. Thus, this factored coefficient of $X$ can be significant for some values of $X$ in the study but nonsignificant for others.

Other factored coefficients are possible. For example, the factored coefficient of $X$ due to (significant) $XX$ and $XXX$ in Equation 1 is $(\beta_1 + \beta_3 X + \beta_6 XX)$, the factored coefficient of $X$ due to $XZ$ and $XXX$ is $(\beta_1 + \beta_7 Z + \beta_6 XX)$, and the coefficient of $X$ due to $XX$, $XX$, and $XXX$ is $(\beta_1 + \beta_7 E + \beta_3 X + \beta_6 XX)$. In addition, each of these factored coefficients has a (nonconstant) standard error that is a function of the variances and covariances of the coefficients (i.e., the $\beta_i$'s) and values of the variables (e.g., $X$, $Z$, etc.) that constitute it. For example, the standard error of the factored coefficient of $X$ due to $XX$, $XX$, and $XXX$ in Equation 1, $(\beta_1 + \beta_7 Z + \beta_3 X + \beta_6 XX)$ is the square root of its variance, $\text{Var}(\beta_1 + \beta_7 Z + \beta_3 X + \beta_6 XX)^{1/2}$.
postulated that S, A, I, and C (attitudes) were associated with Y (an intention); that I moderated the A–Y association, and that there were “satiation” behaviors in S, A, and I’s associations with Y (e.g., as S increased, Y increased but at a declining rate, etc.) (see Howard 1989; Jaccard, Turrisi, and Wan 1990; Kenny and Judd 1984) for accessible discussions and examples of quadratics). S, A, I, C, and Y were operationalized as latent variables with multiple indicators measured with Likert scales.

At first, quadratics in S, A, and I were specified in Equation 9 because the hypotheses did not stipulate the form of the satiation relationships between Y, and S, A, and I, and quadratics are slightly more familiar than cubics. In addition, cubics are difficult to jointly estimate with their related quadratics in real-world data because of nonessential ill-conditioning in X, XX, and XXX (strong intercorrelations) (Dunlap and Kemery 1987; Marquardt 1980; see Aiken and West 1991) that can usually be attenuated only in pairs of X, XX, and XXX (e.g., X and XX, X, and XXX, XX, and XXX).

Several intermediate steps in validating the model will be summarized next to discuss the reliability and validity of a latent variable cubic.

**CONSISTENCY, RELIABILITY, AND VALIDITY**

Before specifying the second-order variables (i.e., AI, II, SS, and AA), the consistency, reliability and validity of the first-order latent variables (i.e., S, A, I, C, and Y) were verified. These first-orders were judged to be internally and externally consistent (e.g., external consistency was judged to be adequate for these purposes using the model-to-data fit of the measurement model containing S, A, I, C, and Y: $\chi^2$/df/p-value/GFI/AGFI/CFI/RMSEA = 644/199/0/.890/.860/.947/.071). They were also judged to be reliable ($\rho_S = .9421$, $\rho_A = .9266$, $\rho_I = .9172$, $\rho_C = .8790$ and $\rho_Y = .8846$, where $\rho$ denotes reliability) and valid.

To specify the second-order variables (i.e., AI, II, SS, and AA), single indicators, and Endnote 1, and Equations 2 and 2a, were used. First, the indicators of all the first-order latent variables were mean centered to reduce the nonessential ill-conditioning in A, for example, and its related second-order variables (i.e., AI, and AA). Then the mean centered indicators of A were summed and multiplied by the mean centered and summed indicators of I in each case (i.e., to form the product indicator ai = ($\sum_a$)($\sum_i$) (i = 1 to 4, j = 1 to 4). Next, the single indicators of II, SS and AA were formed in a similar manner in each case.

Next, the consistency, reliability and validity of these second-orders were gauged. The reliability of an interaction XZ, $\rho_{xz}$, involving mean centered X and Z is

$$ \rho_{xz} = \frac{\text{Corr}^2_{x,z} + \rho_X \rho_Z}{\text{Corr}^2_{x,z} + 1} \quad (9a) $$

(Bohmstedt and Marwell 1978; see Busemeyer and Jones 1983), where $\text{Corr}^2_{x,z}$ is the square of the correlation between X and Z, and $\rho_x$ and $\rho_z$ are the reliabilities of X and Z.

Under the usual assumptions for a mean centered latent variable X, the reliability of the quadratic XX, $\rho_{xx}$, is

$$ \rho_{xx} = \frac{\text{Var}(X,X_i)}{\text{Var}(XX)} = 2\text{Var}(X_i) / 2\text{Var}(X) = (\rho_x)^2 \quad (10) $$

(Kendall and Stewart 1958), where $(\rho_x)^2$ is the square of the reliability of X, since XX is composed of true-score variance, Var($X_i$,$X_i$), and error variance, and Var($X_i$) = $\rho_x$ Var(X).

Using these results, the second-order latent variables were judged to be reliable ($\rho_{AI} = .8613$, $\rho_{II} = .8412$, $\rho_{SS} = .8875$, and $\rho_{AA} = .8585$) and valid (e.g., their AVE’s were above .5 – see Fornell and Larker 1981).

The second-orders were also trivially internally consistent, and to judge their external consistency, the Equation 9 measurement model was estimated using LISREL 8 and Maximum Likelihood estimation by fixing the loadings and measurement error variances for the single indicators of AI, II, SS, and AA at their Endnote 1, and Equations 2 and 2a, computed values.

Because the resulting measurement model was judged to fit the data ($\chi^2$/df/p-value/GFI/AGFI/CFI/RMSEA = 795/267/0/.887/.851/.941/.066), the second-orders were judged to be externally consistent.

Next, the Equation 9 structural model was estimated using LISREL and Maximum Likelihood with the fixed loadings and measurement error variances for AI, II, SS, and AA from their full measurement model just estimated. This structural model was judged to fit the data ($\chi^2$/df/p-value/GFI/AGFI/CFI/RMSEA = 794/267/0/.887/.851/.941/.066), and it suggested that AI, SS, and AA were significant (t-valueAI = 2.81, t-valueSS = -3.94, t-valueAA = 3.41) and that II was not significant (t-valueII = -1.44).

**A CUBIC IN I**

At this point the satiation hypothesis has been tested with a quadratic form (i.e., a quadratic specification of the hypothesized satiation), and this form was non significant (i.e., the structural coefficient of II, $b_2$, was nonsignificant). Because this test is insufficient to disconfirm the satiation hypothesis (because another specification form of satiation, such as III, could be significant) a split of the
sample at the median of I was tested. The results of comparing the structural coefficients of I, b_r, suggested satiation using the two halves of the split and structural equation estimates of Equation 9 with II removed. Specifically, the unstandardized coefficient difference test of I was judged to be (barely) significant (p = 0.11—see Cohen 1983). Because the exact form of the hypothesized satiation behavior in I was not hypothesized, and to probe another (obvious) form of the hypothesized satiation behavior, the nonsignificant II was replaced in the Equation 9 model with Ic(II) to produce the structural model

$$Y = b_S S + b_A A + b_I I + b_C C + b_{AI} AI + b_{II} I_{II} + b_{SS} SS + b_{AA} AA + \zeta$$ \hspace{1cm} (11)$$

The consistency, reliability and validity of the third-order Ic(II) were gauged next. The reliability of Ic(II) is

$$\rho_{\text{Ic}(II)} = \frac{(\text{Corr}^2(I_{c(II)})) + \rho_{ii}(I_{c(II)})}{(\text{Corr}^2(I_{c(II)})) + 1}$$ \hspace{1cm} (12)

(see Equation 9a) where \(\rho\) denotes reliability and Corr\(^2(I_{c(II)})\) is the square of the correlation between I and II (Bohrnstedt and Marwell 1978). However, estimates of Corr(Ic(II)) are difficult to obtain because they are nonessentially ill-conditioned (strongly correlated) and their measurement model usually produces correlations greater than one. Nevertheless, assuming Corr\(^2(I_{c(II)})\) = 1, and substituting the reliability of I (\(= \rho\)) and the reliability of (II) = IuIu – \(\mu^2\) into Equation 12,

$$\rho_{\text{Ic}(II)} = \frac{\mu^2 + \mu^2 \text{Corr}(I_{u},I_{u}) + \text{Corr}^2(I_{u},I_{u}) + \rho_{ii}(I_{c(II)})}{4(\mu^2 + 2)}$$ \hspace{1cm} (12a)

$$= (2\mu^2 + \mu^2 + 1 + \rho_{ii}(I_{c(II)}))/4(\mu^2 + 2)$$ \hspace{1cm} (12b)

(Bohrnstedt and Marwell 1978) \((\mu = M(\Sigma I)/SD(I),\) where \(M\) denotes mean and SD denotes standard deviation), produced a rough estimate of the reliability of Ic(II) \(\rho_{\text{Ic}(II)} = .939\). Another reliability estimate for Ic(II) was available from its squared multiple correlation in the measurement and structural models (estimated later) \(\rho_{\text{Ic}(II)} = .901\). A third reliability estimate was the calculated loading of \(i_{c(II)}\) on Ic(II) \(i_{c(II)} = .892\) (the correlation between an indicator and its latent variable is the square root of its reliability, see for example Bollen 1989). Using these roughly similar results, Ic(II) was judged to be reliable, and it was judged to be valid (e.g., its AVE was above .5).6

The latent variable Ic(II) was trivially internally consistent, but to judge its external consistency, several steps were required. To specify Ic(II) in the Equation 11 measurement model, the product indicator \(i_{c(II)} = [\Sigma i^u - M(\Sigma i^u)]/[(\Sigma i^u)(\Sigma i^u) - M((\Sigma i^u)^2)]\) was computed in each case, where \(i^u\) are the uncentered indicators of I, and \(M\) denotes a mean. Specifically, using the results from the measurement model that was used to gauge the external consistency of S, A, I, C, and Y, and Equations 4a through 4d, the loading and measurement error variance of \(i_{c(II)}\) was computed. Then, the Equation 11 measurement model was estimated using LISREL 8 and Maximum Likelihood estimation by fixing the loadings and measurement error variances for the single indicators of AI, Ic(II), SS, and AA at their computed values. Because the resulting measurement model fit the data \((\chi^2/df/p\text{-value}/GFI/AGFI/CFI/RMSEA = 795/267/0/.887/.851/.941/.066), I_{c(II)}\) was judged to be externally consistent.

Then, the Equation 11 structural model was estimated using LISREL 8 and Maximum Likelihood with the fixed the loading and measurement error variance for the single indicators of AI, Ic(II), SS, and AA used in their measurement model. This structural model was judged to fit the data \((\chi^2/df/p\text{-value}/GFI/AGFI/CFI/RMSEA = 794/267/0/.887/.852/.941/.066),\) and the results are shown in Table A. They suggested that AI, Ic(II), SS, and AA were significant, and the first-order variables were associated with Y as hypothesized, except for S. Comparing the estimated structural coefficients to their population values, the proposed specification of III adequately recovered the population value.

Because of the significant higher-order latent variables involving S, I, and A, the coefficients of S, I, and A in Equation 9 were interpreted using factored coefficients in Tables B through E. For example, since I moderated the A–Y association, an interpretation of this hypothesized relationship is shown in Table B, and an interpretation of the factored coefficient for S, \(b_r + b_S\), is shown in Table C. Similarly, an interpretation of the factored coefficient for A, \(b_r + b_I + b_A\), is shown in Table D. Finally, an interpretation of the factored coefficient for I, \(b_r + b_X + b_{II}\) is shown in Table E.

**CONCLUSION**

We speculate that cubics will be infrequently estimated in the substantive model testing literature. Because substantive theory is typically mute on the *form* of an association, and cubics may not be well understood outside the methods literature, it seems unlikely that they will be hypothesized – quadratics may be better understood by substantive researchers and quadratic estimation is comparatively more straightforward. In addition, the suggested “two step” approach of testing a satiation/diminishing returns hypothesis first with a quadratic, then with a cubic seems unscientific because it is not hypothesis-based.
Nevertheless, specifying an XZ interaction, for example, or quadratic XX may be similarly unscientific because it assumes, rather than hypothesizes, that a hypothesized association is of the form XZ or XX, for example. This is an important point because it seems unlikely that one could cogently argue for one form over another form, and other moderation forms include X/Z or XZ. (The number of higher order forms for moderation or satiation/diminishing returns is likely countably infinite—see Jaccard, Turrisi and Wan 1990). This also has an important implication: testing a form such as XX fails to adequately disconfirm a hypothesized satiation/diminishing return because other forms of satiation/diminishing returns are possible, including a cubic (see Endnote 3).

One approach to avoiding these difficulties, especially the appearance of “searching” for “the” form a significant satiation/diminishing returns, is to test a median split of the data on X, for example. If the difference in the X–Y associations between the two halves of the split is significant, this suggests there may be satiation/diminishing returns to X (see Ping 1996c; however, also see for example, Lubinski and Humphreys
### TABLE E

**Variable Y Associations with I Due to the AI Interaction and the III Cubic in Table A**

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<td>(8)</td>
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</tbody>
</table>

The table shows the unstandardized associations of I with Y produced jointly by the significant interaction AI and the cubic III in Table A (i.e., see Footnote d). In the upper right-hand part of the table, when the existing levels of A and I were high in Column 8, small changes in the existing level of I were negatively and significantly associated with Y (see the Row 3 t-value). Descending diagonally to the lower left hand part of the table, as the existing levels of A and I decreased in the study, I’s association with Y weakened and became non significant. Then, when A and I were below their mean values in the study, small changes in the existing level of A were positively and significantly associated with Y. In this case a “zone of nonsignificance” of I ran from near the upper left hand side of the table (i.e., low existing levels of I and A) to the lower right-hand side of the Table (i.e., high existing levels of I and A).

- A is determined by its “metric indicator,” the indicator with the loading of 1 on A (i.e., the indicator that provides the metric for A). This indicator of A ranged from 1 (= low A) to 5 in the study.
- Column 1 minus 2.54.
- The factored (unstandardized) coefficient of I was (-.168 + .167A – .013II) with A and II mean centered. E.g., when the existing levels of A and II were 1 the coefficient of A was -.168 + .167*(1 – 2.54) – .013*(1 – 15.01) - .240.
- The Standard Error of the I coefficient was:

\[
\sqrt{\text{Var}(\beta_i + \beta_{AI}A + \beta_{II}II)} = \sqrt{\text{Var}(\beta_i) + A^2\text{Var}(\beta_{AI}) + II^2\text{Var}(\beta_{II}) + 2II*ACov(\beta_i, \beta_{AI}) + 2ACov(\beta_i, \beta_{II}) + 2II*ACov(\beta_{AI}, \beta_{II})}
\]

\[
= \sqrt{\text{SE}(\beta_i)^2 + A^2\text{SE}(\beta_{AI})^2 + II^2\text{SE}(\beta_{II})^2 + 2II*ACov(\beta_i, \beta_{AI}) + 2ACov(\beta_i, \beta_{II}) + 2II*ACov(\beta_{AI}, \beta_{II})},
\]

where Var and Cov denote variance (= SE^2) and covariance, and \( \beta \) denotes the unstandardized structural coefficients shown in Table A.

- The mean value of the “metric indicator.”
- “I Level” minus 15.01, the mean of II.
4. Authors disagree on validity criteria (e.g., Bollen 1989; Nunnally 1978; Peter 1981). Nevertheless, a minimal demonstration of validity might include content or face validity (how well a latent variable’s indicators tap its conceptual definition), construct validity (its correlations with other latent variables are theoretically sound), convergent validity (e.g., its average extracted variance is greater than .5), and discriminant validity (e.g., its correlations with other measures are less than .7) (e.g., Bollen 1989; DeVellis 1991; Fornell and Larker 1981; Nunnally 1978). The validity of the study measures was qualitatively assessed considering their reliability and their performance over this minimal set of validity criteria.

5. For normally distributed $X = X_t + e_x$, where $X_t$ denotes $X$’s “true” score and $e_x$ is $X$’s measurement error, the expectation of the measurement error is assumed to be zero, and $X$ and $X_t$ are independent of the measurement error.

6. AI is content or face valid if $A$ and $I$ are content valid and the specification of AI includes all the indicators of $A$ and $I$. The formula for the Average Variance Extracted (AVE) of a quadratic is $\sum_{i=1}^{n} \lambda_{i}^2 \text{Var}(X_i) / \left[ \sum_{i=1}^{n} \lambda_{i}^2 \text{Var}(X_i) + \text{Var}(e_{x_i}) \right]$, where $\lambda_{i}$ is the sum of squares of $\lambda_{i,j}$, $i = 1$ to $n$, $j = 1$ to $n$, and $n$ is the number of indicators of $X$, and $\text{Var}(XX)$ is the error dissattenuated variance of $XX$. 

ENDNOTES

1. An interaction, $XZ$, is similar: $\lambda_{xz} = \Lambda_X \Lambda_Z$ and $\Theta_{xz} = \Lambda_X^2 \text{Var}(X) \Theta_Z + \Lambda_Z^2 \text{Var}(Z) \Theta_X + \Theta_X \Theta_Z$ (Ping 1995).

2. The data set of 200 cases was artificial. It was generated normally using EQS, with III instead of II. The loadings, measurement error variances, variances, covariances and structural coefficients duplicated those produced by real-world survey data used to test a hypothesized model using Equation 9. Variable names have been disguised and other study details have been omitted to skirt details that are of lesser importance to these purposes such as the theory behind the model, hypotheses, etc.

3. A cubic that is restricted to a positive domain has a “cubic-like” (diminishing returns/satiation) graph.

4. Authors disagree on validity criteria (e.g., Bollen 1989; Campbell 1960; DeVellis 1991; Heeler and Ray 1972; Nunnally 1978; Peter 1981). Nevertheless, a minimal demonstration of validity might include content or face validity (how well a latent variable’s indicators tap its conceptual definition), construct validity (its correlations with other latent variables are theoretically sound), convergent validity (e.g., its average extracted variance is greater than .5), and discriminant validity (e.g., its correlations with other measures are less than .7) (e.g., Bollen 1989; DeVellis 1991; Fornell and Larker 1981; Nunnally 1978). The validity of the study measures was qualitatively assessed considering their reliability and their performance over this minimal set of validity criteria.

5. For normally distributed $X = X_t + e_x$, where $X_t$ denotes $X$’s “true” score and $e_x$ is $X$’s measurement error, the expectation of the measurement error is assumed to be zero, and $X$ and $X_t$ are independent of the measurement error.

6. AI is content or face valid if $A$ and $I$ are content valid and the specification of AI includes all the indicators of $A$ and $I$. The formula for the Average Variance Extracted (AVE) of a quadratic is $\sum_{i=1}^{n} \lambda_{i}^2 \text{Var}(X_i) / \left[ \sum_{i=1}^{n} \lambda_{i}^2 \text{Var}(X_i) + \text{Var}(e_{x_i}) \right]$, where $\lambda_{i}$ is the sum of squares of $\lambda_{i,j}$, $i = 1$ to $n$, $j = 1$ to $n$, and $n$ is the number of indicators of $X$, and $\text{Var}(XX)$ is the error dissattenuated variance of $XX$. 

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(available in the structural model) (Fornell and Larker 1981) (see Equations 2 and 2a). However, the construct (correlational) validity of a second-order is usually impossible to judge.

7. The squared multiple correlation of Ic,(II)c is equivalent to Werts, Linn, and Jöreskog’s (1974) proposed formula for computing latent variable reliability, \((\Sigma \lambda_i^2 \text{Var}(X))/((\Sigma \lambda_i^2 \text{Var}(X) + \text{Var}(\Sigma \varepsilon_i)))\). Experience suggests that for second-order latent variables it is practically equivalent to Bohrnstedt and Marwell (1978) calculated results for unstandardized X in real-world data.

8. \(I_c,(II)c\) is content or face valid if I is content valid and the specification of \(I_c,(II)c\) includes all the indicators of I. The formula for the Average Variance Extracted (AVE) of a cubic in the proposed specification is \(\Sigma(\lambda_i^2 \lambda_j^2)/\text{Var}(X)/\Sigma(\lambda_i^2 \lambda_j^2)/\text{Var}(XW)\Theta_{XW}\). Experience suggests that for second-order latent variables it is practically equivalent to Bohrnstedt and Marwell (1978) calculated results for unstandardized X in real-world data.

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MODELING CUSTOMER GROWTH

Gewei Ye, Towson University, Baltimore

ABSTRACT

This article uses the MPT modeling technique (Batchelder 1998) and Bayes’ theorem to decompose the brand switching matrix of the RLZ model and create a new nonlinear retention-growth function for a brand (Rust, Lemon, and Zeithaml 2004; Rust, Lemon, and Narayandas 2005). It then offers novel insights that include predictions and implications to decisions. The market share (k) of a brand determines the shape of the nonlinear retention-growth curve and the availability and position of the peak of the curve.

INTRODUCTION

Customer retention (retaining repeat customers) and acquisition (acquiring really new customers) are two key roles of marketing because both contribute to maximizing the numbers (i.e., the size) of the customers of a brand (A). Brand A will be used in this article to indicate the brand of primary interest with which customers are retained. The number of the customers of brand A (N_A) is the building block of customer lifetime value (CLV) and customer equity (CE). Recently, several researchers have developed various means to assess the CLV and CE (e.g., Rust, Lemon, and Zeithaml 2004; Gupta, Lehmann, and Stuart 2004; Rust, Lemon, and Narayandas 2005).

This article uses a novel (to marketing research) multinomial processing tree (MPT) modeling technique (Batchelder 1998; Batchelder and Riefer 1990; Ye and Van Raaij submitted) to decompose the brand switching matrix of the CLV equation in the RLZ model (Rust, Lemon, and Zeithaml 2004). According to the RLZ model, the number of customers of brand A (N_A) contributes to both the CLV equation and the customer equity (CE) equation of the RLZ model.

The RLZ model uses the retention rate to represent the inertia driver to construct customer lifetime value (CLV). In the brand switching matrix (Rust, Lemon, and Narayandas 2005, p. 143), the retention rate is used to calculate the number of customers retained in a longitudinal spectrum. For example, customers who switched away and then switch back to the brand are included in the retained number of customers. The multinomial processing tree (MPT) modeling (Batchelder 1998; Batchelder and Riefer 1990; Ye and Van Raaij submitted) is natural to decompose the brand switching matrix into visual scenarios that capture various possibilities of customer switching.

Building on the RLZ model and the MPT modeling, Bayes’ theorem helps to solve the MPT equations so that the growth rate may be described as a function of the retention rate and market share (k, the percentage of brand A’s customers over all the customers). Sections 1 to 4 describes a step-by-step process to develop the retention-growth function.

1. Understand the CLV Equation and the CE Equation of the RLZ Model

In the CLV equation, the RLZ model uses a brand switching matrix to estimate the probabilities for repeat purchases that represent the retention rates of brand A (Rust, Lemon, and Narayandas 2005). In the CE equation, the number of customers is multiplied with the mean of CLV to produce the CE.

\[ CLV = \Sigma (1 + d_j)^{-t/f} v_j \pi_j B_{jt} \]

Equation 1 is part of the RLZ model. B_{jt} is the probability for customer Anna (a customer who has purchased brand j before) to buy brand j in a repeat purchase at time t (i.e., retention rates). According to the principle of probability, the retention rate (denoted as \( \pi_j \) in this article) is the probability of Anna’s repeat purchase and thus is the percentage of the number of customers who repeat the purchase of the total number of customers who purchased the brand before. \( d_j \) is the discount rate. \( v_j \) is the average purchase volume and \( \pi_j \) is the average contribution per unit. Equation (1)’ is also part of the RLZ model in which \( CE_A \) represents the customer equity for brand j.
Let $N_A^t$ be the POP (Rust, Lemon, and Narayandas 2005, p. 145) of brand $j$ (i.e., $A$). In the Equation 6 of Rust, Lemon, and Zeithaml (2004), $j$ indicates a firm. While in this analysis, $j$ is one of the brands of a firm that may own one or several brands.

For a customer to choose a brand, she/he has two options to choose from, brand $A$ or non-$A$ brands. In this article, all the non-$A$ brands are denoted as brand $B$. Thus, $P(A) + P(B) = 1$. $P(A)$ is the probability for the customer to choose brand $A$ and $P(B)$ is the probability to choose $B$, given that the customer has no previous purchase of brand $A$ or $B$.

The brand switching matrix of the RLZ model (Rust, Lemon, and Narayandas 2005) is represented as a set of conditional probabilities as follows (see Table 1). $P(A|A)$ indicates the probability for a customer to choose $A$ given that $A$ has been consumed in the previous purchase. $P(B|A)$ indicates the probability of choosing $B$ given that $A$ has been consumed in the previous purchase. $P(A|B)$ indicates the probability of choosing $A$ given that $B$ has been consumed in the previous purchase. $P(B|B)$ indicates the probability of choosing $B$ given that $B$ has been consumed in the previous purchase. Equation 3 shows the relationship of distributing the numbers of customers of the market in a longitudinal spectrum that includes two time intervals $t$ and $t+1$. The total number of customers in the market is assumed unchanged in these two close times in our analysis.

$$CE_A = \text{mean(CLV)} \times N_A$$

Using the similar rationale, the probability for Anna to choose $B$ after two times of choosing includes two possible outcomes, i.e., $P(B|A) = \theta_1 (1- \theta_2) + (1- \theta_1) \theta_2$. That is, one outcome is that Anna chooses brand $A$ first with the likelihood of $\theta_1$ and then chooses $B$ with the likelihood of $(1 - \theta_1)$. The other outcome is that Anna chooses brand $B$ first with $(1- \theta_1)$ followed by the likelihood $(1- \theta_2)$ of choosing $B$ for the second time. $\theta_1$ is the likelihood for Bill to choose $A$ at any time. Thus, after two times of choosing, the conditional probability for Anna to choose $A$ is $P(A|A) = \theta_1^2 + (1 - \theta_1) \theta_2$.

Further analysis will use the notations that are organized here. $A$’s retention rate is denoted as $\theta_1$, i.e., the probability for $A$’s repeat customer to stay with $A$ ($\theta_1 \leq 1$ as it is a probability). If the customer purchases $B$ before, then the probability for her to switch to $A$ is denoted as $\theta_2$. Thus, Equation 3 shows the relationship between the distributions of customer numbers over two close times. If $N_A^t$ is the number of $A$’s customers and $N_B^t$ is the number of $B$’s customers at $t$, then $N_A^{t+1}$ is the number of $A$’s customers and $N_B^{t+1}$ is the number of $B$’s customers at $t+1$.

$$N_A + N_B = N_A^t + N_B^t$$

Figure 1 shows an MPT model that is designed and developed for the brand switching matrix of the RLZ model. It describes the possible outcomes for three types of customers who consume (purchase) brand $A$ or $B$. Anna represents customers who have previously consumed brand $A$. Bill represents customers who have previously consumed non-$A$ brand ($B$). Nancy represents really new customers who have previously consumed neither brand $A$ nor brand $B$.

According to the brand switching matrix of the RLZ model (see p. 143 of Rust, Lemon, and Narayandas 2005), there are two possibilities for Anna to be brand $A$’s customer after two times of consumption choice. One possibility is that Anna chooses Brand $A$ for the first ($t+1$) and the second time ($t+2$), the likelihood of which is $\theta_1^2$. $\theta_1$ is the likelihood for Anna to choose $A$ at any time. The other possibility is that Anna first chooses $B$ at $t+1$ and then chooses $A$ at $t+2$, the probability of which is $(1-\theta_1)\theta_2$. $\theta_2$ is the likelihood for Bill to choose $A$ at any time. If Anna chooses $B$ first, she would act as $B$ (non-$A$ customers) to choose $A$ in the next time. Thus, after two times of choosing, the conditional probability for Anna to choose $A$ is $P(A|A) = \theta_1^2 + (1 - \theta_1)\theta_2$.
3. Develop the Nonlinear Retention-Growth Function with Bayes’ Theorem

Building on the MPT tree of the switching matrix (Figure 1), the retention-growth function may be developed with Bayes’ theorem (Papoulis 1984). In the retention-growth function, $\theta_1$ is the retention rate, and $\lambda$ is the growth rate of Brand A, namely ($N_\lambda' - N_\lambda$)/$N_\lambda$, that indicates the percentage of the changed number of customers ($N_\lambda'$) over the original number of customers ($N_\lambda$).

Bayes’ theorem (see Equation 4) describes an inverse relationship between conditional probabilities, $P(A|B)$ and $P(B|A)$, adjusted by prior probabilities $P(A)$ and $P(B)$.

$$P(A|B) = \frac{P(B | A) P(A)}{P(B)}$$

Equation 4

Two assumptions are used for the derivation of the retention-growth function. In Assumption I, A’s retention rate $\theta_1$ holds stable across very short (the closest two) time intervals, namely, $\theta_1 = \theta_1$ for t+1 and t+2. It may or may not fluctuate in the long run. The RLZ model and the GLS time-growth function (Gupta, Lehmann, and Stuart 2004) have assumed that $\theta_1$ holds stable not only in short time intervals but also in the long run.

In Assumption II, a new customer, Nancy who has not purchased brand A or B before, has 50 percent chance of choosing A or not-A (B), namely, $P(A) = P(B) = 0.50$. Assumption II may be corroborated with empirical data in that a new customer has equal chance of choosing two alternative brands.

Building on Assumption II and the Bayes’ theorem, it is derived that $P(A|B) = P(B|A)$. That is, the probability for Anna to switch to brand B equals the probability for Bill to switch to brand A.

The MPT tree on brand switching matrix provides equations for $P(A|B)$ and $P(B|A)$, namely, $P(A|B) = \theta_1$, and $P(B|A) = \theta_1(1-\theta_2) + (1-\theta_1)(1-\theta_2)$. Thus, $\theta_2 = \theta_1(1-\theta_2)/(1-\theta_1)$, and we have Equation 5.

$$\theta_2 = (1-\theta_1)/(2-\theta_1)$$

Equation 5

Equation 6 uses $U$ to indicate the number of all the customers for the product category who would choose brand A or B at two times. The total number of customers ($U$) for A and B will not change in these two times.

$$U = N_\lambda + N_B = N_\lambda' + N_B'$$

Equation 6

Therefore, the market share of A, represented with $k$, is the percentage of A’s number of customers of $U$, i.e., $k = N_\lambda'/U$, and $N_\lambda = k U$ and $N_B = (1 - k) U$. The ratio of $N_\lambda'/N_B' = k/(1 - k)$.

At time t+1, the number of customers ($N_\lambda'$) includes the number of customers retained in A from time t, plus the number of customers switched from brand B at t. Thus, we have $N_\lambda' = \theta_1 N_\lambda + \theta_2 N_B$.

Let $\lambda$ be A’s customer growth rate, namely, $\lambda = (N_\lambda' - N_\lambda)/N_\lambda$. After substituting $N_\lambda'$ with $\theta_1 N_\lambda + \theta_2 N_B$, we get

$$\lambda = \theta_1 + \theta_2 N_B/ N_\lambda - 1 = \theta_1 + \theta_2 N_B/ N_\lambda - 1$$

Equation 7, labeled as the retention-growth function, is the final form of the function that describes the relationship between the growth rate ($\lambda$) and the retention rate ($\theta_1$) and the market share ($k$). Equation 8 describes the function for the ratio of A’s number of customers at t+1 ($N_\lambda'$) over A’s number of customers at t ($N_\lambda$).

$$\lambda = (N_\lambda' - N_\lambda)/N_\lambda = (1 - \theta_1) [(1/k - 1)(1 + \theta_2)(2 - \theta_1) - 1]$$

Equation 7

$N_\lambda'/N_\lambda = 1 + \lambda = (1 - \theta_1) [(1/k - 1)(1 + \theta_2)(2 - \theta_1) - 1] + 1$.

Equation 8

4. Use MATLAB to Draw the Nonlinear Retention-Growth Function

MATLAB is a software program that has been frequently used in engineering and computing (Hanselman and Littlefield 2001). Figure 2 displays the MATLAB drawing for the retention-growth function (i.e., Equation 7) that describes the nonlinear relationship between the growth rate of A’s customer numbers and A’s retention rates. The dependent variable is ($N_\lambda' - N_\lambda$)/$N_\lambda$, and the independent variable is A’s retention rate ($\theta_1$). The function is moderated by the market share ($k$) of brand A in the overall market (i.e., the total number of customers for brand A and B).

The drawing shows three samples nonlinear curves between the growth rates and the retention rates. The three curves are distinguished from the market shares of the brand. If the $k$ of brand A is 0.20, the nonlinear curve indicates the behavior of a brand with a small market share.
TABLE 1
The MPT Tree for the Brand Switching Matrix

Anna, A’s customer

\[ P(A|A) = \theta_1^2 \]
\[ P(B|A) = \theta_1(1 - \theta_1) \]
\[ P(A|A) = (1 - \theta_1) \theta_2 \]
\[ P(B|A) = (1 - \theta_1)(1 - \theta_2) \]

Bill, B’s customer

\[ P(A|B) = \theta_2 \]
\[ P(B|B) = 1 - \theta_2 \]

Nancy, new customer

\[ P(A) \]
\[ P(B) \]
share, as opposed to the curves with k being 0.50 (a medium market share of brand A) and 0.80 (a large market share of brand A). Note that the peak points of the growth rates are not produced with the same retention rate for the different sample curves.

5. Predictions and Implications of the Retention-Growth Function

Different brands of a product or different products may have dissimilar numbers of customers. The market shares of the brands are represented with k, namely the percentage of the number of customers of the total number of customers. The size of the market share of brand A determines the shape of the nonlinear curves and the availability and the position of the peak points of the curves.

Some of these observations (see Table 2) on the retention-growth curve (Figure 2) are formulated as predictions in three hypotheses, namely H₁, H₂, and H₃.

H₁: If the market share of a brand is small, then the growth curve increases with smaller retention rates but decreases with larger retention rates.

H₂: If the market share of a brand is too large, then there may not be a peak growth point.

H₃: If the market share of a brand is medium, then the retention-growth curve skews to the right. The growth peak occurs within the range of 0.70–0.80 retention rate.

SUMMARY

Customer retention rate (θ₁) is the percentage of customers who stay with a previously consumed brand in a repeat consumption. It represents the driver of brand inertia in the brand switching matrix of the RLZ customer equity model. Building on the RLZ model, this article uses the multinomial processing tree (MPT) modeling (see Figure 1) and the Bayes’ theorem to decompose the
brand switching matrix. It then derives that the customer growth rate ($\lambda$) is a nonlinear function of the retention rates and the market shares (i.e., the retention-growth function, see Figure 2). The retention-growth function offers insights to unknown areas of customer growth from an alternative retention-based perspective to the time-based perspective of the classic growth models.

<table>
<thead>
<tr>
<th>Brand market share</th>
<th>Example of brands</th>
<th>Peak growth</th>
<th>Predictions on the retention-growth association</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small</td>
<td>Creative MP3 player (an iPod competitor), e.g., $k = 0.2$</td>
<td>Peak occurs within the range of 0.4–0.6 retention rate</td>
<td>Negative association after the peak</td>
</tr>
<tr>
<td>Medium</td>
<td>Cingular (a Verizon competitor), e.g., $k = 0.5$</td>
<td>Curve skews to the right. Peak occurs within the range of 0.7–0.8 retention rate ($H_2$)</td>
<td>Positive association before the peak but negative association after the peak</td>
</tr>
<tr>
<td>Large</td>
<td>AT&amp;T (prior to 1984), e.g., $k = 0.8$</td>
<td>No peak ($H_1$)</td>
<td>Negative growth rate for all retention rates but with positive associations</td>
</tr>
</tbody>
</table>

**REFERENCES**


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THE ROLE OF QUALITATIVE STUDIES WITHIN A MARKETING MANAGEMENT RESEARCH PROGRAM

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SUMMARY

Since the early 1980s, there has been a significant increase of the use of qualitative research methods for studying consumers, but not so much for studying marketing managers. While there have been dozens of articles based on qualitative research published over the past twenty years in the Journal of Consumer Research (cf., Table 1 of Thompson and Arnold 2005), there have been relatively few articles based on qualitative research in the Journal of Marketing (e.g., Drumwright 1996; Gilly and Wolfenbarger 1998) and only one we could identify in the Journal of Marketing Research (Workman 1993). Within consumer research, Simonson et al. (2001, p. 259) did a categorization of articles in the Journal of Consumer Research and found that the “proportion of post-modern research increased during the 1980s and represented approximately 20 percent of the published articles since 1990.”

There additionally has been significant use of qualitative research in the top management and strategy journals (e.g., Administrative Science Quarterly, Strategic Management Journal, Academy of Management Journal). Van Maanen (1998, Table 1.1) categorized all ASQ articles published from 1955 to 1995 and finds that qualitative articles account for 15 percent of the publications with a relatively steady presence per decade. A further indication of the significant presence of qualitative research within the management field is provided by Gephardt (2004) who indicates that three of the AMJ best paper awards since the mid 1980s were based on qualitative research and a fourth combined both qualitative and quantitative methods.

One potential reason for qualitative research’s limited use in marketing management may be the contentious nature of the philosophy of science debates within marketing. The divisive nature and tone of these debates may have led researchers and doctoral students to view qualitative research as risky and non-scientific within a more realist tradition bound discipline such as marketing management. Many qualitative researchers, particularly in the consumer research field, justified their research by using what Hunt (2002, pp. 75–80) refers to as the “standard argument.” As Hunt (1994, p. 21) notes, “Is it any wonder, then, that mainstream marketers have been reluctant to accept qualitative methods when their advocates have explicitly grounded them in relativism, constructionism, and subjectivism?” Similarly, Simonson et al. (2001, p. 260) note that “The combination of what was perceived as a different kind of science, which deviates from traditional methods of analyzing and interpreting data, with what was perceived as unusual topics, has evoked strong opposition from many positivist researchers.” They note that “there is rather limited ongoing communication between them” and argues that “with more openness and tolerance on both sides, there is significant room for collaboration and combining the advantages of both approaches.”

A second reason why qualitative research has been limited in marketing management may be a lack of recognized exemplars of how qualitative research can contribute to knowledge within a realist scientific research program. Hunt (2003, p. 218) argues there is an important role for qualitative research within the research process, but it is not necessary to discredit quantitative studies in order to justify the use of qualitative methods. He states “rather than rivals, qualitative studies complement quantitative research.” However, Hunt does not articulate a role of qualitative studies or the contributions they can make to a research program, a task we undertake in this article.

In this paper we articulate a role for qualitative studies within a realist research program in marketing management and provide examples of two research programs that have utilized qualitative studies as part of the knowledge development process. In so doing, we try to avoid the contentious language of prior discussions of qualitative vs. quantitative or interpretive vs. positivist but rather offer a pragmatic way to proceed. We critically review research on qualitative research methodology with a particular emphasis on the role of qualitative research within a realist philosophy of science. We then review prior research on knowledge development in marketing and develop the concept of a research program and provide examples of two highly cited qualitative studies that were followed-up with quantitative studies, both by the original authors of the qualitative study as well as numerous others. We then specify the contributions that qualitative research can make to a research program. We finally discuss contributions and future research directions with a particular emphasis on the role of qualitative research within a marketing management context. References available upon request.
AN ANALYSIS OF CONSUMERS' COGNITIVE OPERATIONS BY VARYING THE LEVEL OF INFORMATION CONTAINED IN A WEB SITE

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Salvador Ruiz, University of Murcia, Spain

SUMMARY

The Internet, a seemingly unlimited resource, enriches the information environment for consumers who view websites as sources of information (Ko et al. 2005; Peterman et al. 1999). Based on the notion of limited human processing capacity, if consumers are provided with too much information at a given time, such that it exceeds their processing limits, overload occurs (Lee and Lee 2004). Given the vast array of information available, information overload is very likely when surfing the Internet, which raises concerns about whether consumers have the capacity to process the large quantities of information contained in each website.

The information overload hypothesis was first published by Miller (1956). He concluded that human information processing performance increased with increasing information up to a threshold point, then decreased sharply and led to a breakdown of the information processing system. This idea was later represented with the “inverted U-curve” proposed by Schroder, Driver, and Streufert (1967), where decision quality, which initially increases as amount of information increases, on reaching a certain point decreases as the amount of information increases.

Marketers should understand what happens with information processing under different conditions of information load in a website. However, relatively little attention has been paid to the cognitive activities of those engaged in interactive behavior (Eveland and Dunwoody 2000; Mitchell and Papavassiliou 1999), and Hahn, Lawson, and Lee (1992) state that there is an optimal range of information in which the consumer will adequately process the information. This means that having either not enough or too much information will be inefficient. Within this optimal range of information, the consumer will adequately process the information. So far, there is no study in marketing that analyzes consumer cognitive responses under different conditions of information amount on a website. Therefore, the purpose of this study is to explain how consumers’ cognitive responses derived from information processing are affected by the amount of information contained in a website.

Three types of operations account for the information processing activity while navigating through the website: elaboration, orientation, and other operations. Thus, examining these operations will allow us to understand the effect of information load, not only on consumer processing itself, but also on the type of processing.

An experiment was conducted in which respondents visited a web site characterized by varying levels of information load (low, medium, and high information load). Results obtained provide empirical evidence of the “inverted U shape” relating information processing and information load on a website, providing empirical support to the argumentations about the existence of an optimal range of information offered through a communication message. Furthermore, in situations of both low and high information, subjects’ available cognitive resources are dedicated to thoughts other than those specifically associated with the website.

From a managerial point of view, this paper offers a detailed knowledge of what happens when the amount of information provided by the company is not optimal, as some companies may provide very low amounts of information while others may provide high amounts. A decision limiting the amount of information will reduce the possibilities for processing. On the other hand, since opportunities to add information to a website are practically unlimited (Hwang, McMillan, and Lee 2003), managers need to consider the possible consequences of adding too much. An excessive amount of information will decrease the ability of a consumer to analyze message claims. In addition, both the absence and the excess of information provoke a lack of attention toward the stimuli (manifested by an increase in non-relevant thoughts), thus restricting a consumer’s capacity to elaborate on the actual message. Furthermore, websites need not only to provide enough information to be used in consumer decisions, but simultaneously they have to include information management tools that facilitate navigation. As suggested by several researchers (Ariely 2000; Eveland and Dunwoody 2000; Huang 2000), we have observed that orientation operations are very frequent when navigating and require extensive cognitive effort. A website design composed of these two capabilities
(enough information and a comprehensive system for navigating the site) will enhance consumer analysis and comparison of the information, therefore increasing the performance of the website. References available upon request.

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SUMMARY

Previous studies on consumer catalogs have focused on print catalogs (i.e., multi-page paper catalogs delivered to consumers via postal mail). However, over the past decade, online catalogs (also referred to as electronic catalogs) have grown rapidly in popularity and have been used by individuals in different ways as compared to print versions (Turban, King, Lee, and Viehland 2004). Many individuals have found online catalogs to provide more information and wider ranging perceptual experiences than print catalogs. Although catalog retailers have provided different information and support for print- and online-catalog versions, there has been little academic research on perceptions of each medium’s unique appeals and inherent drawbacks. Recently researchers have called for studies on perceived risks (i.e., an individual’s perceptions of uncertainty, along with associated consequences, in contemplating a particular purchase) toward using catalogs to shop (e.g., Alreck and Settle 2002; Biswas and Biswas 2004; Fiore and Jin 2003; Huang, Schrank, and Dubinsky 2004). Some studies have found that perceived risk varies by certain shopping medium (e.g., in-store vs. online); however, no studies have directly examined whether it differs by print- and online-catalog versions (Chen and Dubinsky 2003; Stell and Paden 1999; Zhan and Dubinsky 2003).

Along with print- and online-catalogs, it is believed that perceived risk varies by individual discernment of other factors. Some factors relate to specific products or services offered, while other ones deal with shopping medium. An important factor that has not received much research consideration is affiliation with offline brick and mortar stores. Affiliated catalogs (e.g., Eddie Bauer) have high associations with brick and mortar stores, and offer individuals convenient physical stores that they can go to for product inspections, product returns, personal attention, etc. In contrast, unaffiliated or stand-alone catalogs (e.g., L.L. Bean in mid-western USA) have no or little associations with brick and mortar stores, and offer little opportunities for offline inspections or returns. Based on related research, it is believed that when individuals use unaffiliated catalogs, instead of affiliated ones, they perceive differences in risks (e.g., Fiore and Jin 2003).

Over the past four decades, a large amount of research attention has been devoted to the study of perceived risk. Bauer (1960) and others (e.g., Campbell and Goodstein 2001; Dowling and Staelin 1994; Lieberrmann and Stashevsky 2002; Oglethorpe and Monroe 1987) viewed perceived risk in terms of an individual’s perceptions of uncertainty regarding match between their choice of products or services and their buying goals. It has been shown to be affected by negative consequences should wrong choices occur and amounts at stake (Dowling and Staelin 1994; Chen and Dubinsky 2003; Oglethorpe and Monroe 1987). Perceived risk has been found to be context-dependent and to have an impact on a variety of behaviors, such as shopping medium preference and reliance on well-known product brands (Campbell and Goodstein 2001).

The current study explored some previously unaddressed research questions. Based on differences in catalog environments, it examined whether perceived risk varied by print- and online-catalog versions. Preliminary findings indicated that individuals experienced more risk using online catalogs as compared to print versions. Other findings suggested that individuals experienced more risk using unaffiliated catalogs (i.e., catalogs with no association with offline brick and mortar stores) than affiliated ones. References available upon request.

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**ELECTRONIC WORD OF MOUTH: EFFECTS OF ONLINE RECOMMENDATIONS ON SEARCH AND CONSIDERATION OF A RECOMMENDED PRODUCT**

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**SUMMARY**

Word-of-mouth (WOM) in traditional social contexts can have significant influence on consumers’ purchase decisions. Importantly, the sharing of WOM in social contexts typically occurs when the WOM seeker has preexisting trust and familiarity with the WOM provider (Duhan et al. 1997).

In online shopping environments, consumers are often exposed to electronic WOM (eWOM). For example, www.bizrate.com provides visitors with the opportunity to read and write reviews on over 30 million product offerings. A large number of online providers like www.amazon.com, www.citysearch.com and www.cnet.com provide for user reviews that potential buyers may read. Unlike traditional social contexts, eWOM is typically not from known or trusted sources. Although the online shopping medium now supports a large amount of eWOM from past users, relatively little is known about how it is used, to what extent and by whom.

This research reports a laboratory experiment to examine the effects of eWOM on potential buyers of a relatively high involvement product at an e-retailer website. The eWOM was presented in the form of online customer-to-customer recommendations of a product (laptop computers) at a hypothetical e-retailer website. In the interests of external validity, the hypothetical e-retailer was developed to reflect incumbent e-retailers selling electronics products. The site allowed subjects to search through extensive attribute information on ten different laptops computers. The task provided to them was to use the available information on the site to select a laptop computer that best suited their needs. They were informed that the e-retailer also provided eWOM from past purchasers, if available. The eWOM was placed as a clickable icon against one of the available laptops. The resulting window that opened up listed short recommendations from past users of that product. Respondents were not compelled to view the eWOM. They had a choice to make their own decision based on any or all of the available information on the website. The experiment was conducted in a dedicated computer laboratory and yielded a sample size of 194 participants.

The specific eWOM variables studied in this experiment were the consensus in the eWOM and the optimality of the specific product recommended. Consensus allowed the study of the impact of strength of eWOM recommendations on decision making and the optimality condition allowed a study of the impact of eWOM on decision quality. Further, an individual difference variable, need-for-cognition (NFC) (Cacioppo, Petty, and Kao 1985), was used to explore the impact of eWOM on consumers who were more or less motivated to process attribute information. Thus, the model was 2 (weak or strong eWOM) x 2 (optimal or suboptimal recommended product) x 2 (low or high need-for-cognition). A control condition with no eWOM provided was also used. The dependent variables measured were actual laptop choice made (indicative of decision quality as well), time spent on the site, time spent studying the recommended product and choice confidence.

Briefly, the results and insights on eWOM usage from the hypotheses testing are as follows. The evidence shows that in the presence of consensus eWOM, consumers higher in NFC are more likely to study all available information (including eWOM) and spend more time considering the recommended product compared to low NFC consumers (the time spent reading the eWOM itself was controlled for). Further, results also show that low NFC consumers, but not high NFC consumers, were willing to make a suboptimal decision based on the presence of eWOM recommendations. High NFC respondents were driven to choosing the recommended product only if it was an optimal offering. Interestingly, these results pertaining to these choices occurred even in the presence of a single incidence of eWOM, indicating that a single eWOM recommendation may be sufficient to lead to suboptimal choices for low NFC buyers and may steer choice for high (and low) NFC respondents toward a particular alternative.

Overall, the results contribute to our knowledge of how eWOM affects consumer search behavior and choice in the context of a high risk experience product. The results also provide a platform for further research into the boundary conditions of the impact of eWOM on online consumer behavior.
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FITTING GOVERNANCE STRATEGIES WITH DISTRIBUTORS’ RELATIONSHIP ROLES IN AN EMERGING MARKET

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SUMMARY

The issue of strategic fit is becoming increasingly important in international channel relationships as managers and academics examine the effectiveness of governance strategies across multiple inter-firm relationships (e.g., Griffith and Myers 2005; Heide and Wathne 2006). Drawing on the relationship role perspective from Heide and Wathne (2006), we try to provide new insights on the channel governance by studying the strategic fit between governance strategies and the distributor’s relationship role. According to their conceptualization, distributors may have two prototypical relationship roles, namely (1) a “friend,” who uses “logic of appropriateness,” and (2) a “businessperson,” whose decisions are guided by utility-maximizing considerations under “logic of consequences.”

In this study, we first examine the direct impacts of two governance mechanisms: (1) incentive designs as a representative of economic governance mechanisms; and (2) socialization efforts as a representative of relational governance mechanisms. Two forms of exchange outcomes are used in our model: one short-term economic outcome that is the distributor’s evaluation of performance, and one long-term relational outcome that is relationship satisfaction.

The focus of our study is to test the interaction between the manufacturer’s governance mechanisms and the distributor’s relationship role. We believe that our study can offer a new perspective to understand the current conflicting empirical results on the relationship between governance mechanisms and exchange outcomes.

We choose emerging markets as our research context for the following two reasons. First, from the contingency perspective, it is much more critical to match or align organizational resources with environmental opportunities and threats in an emerging market, due to the changing and diversified norms and heuristics in doing business caused by economic and cultural transitions. Second, extant researchers debate on whether relational norms and “guanxi” matter in the business activities (including distribution channel) in emerging markets. Actually, the effectiveness of both relational and economic governances may be contingent to the relationship role of the distributor.

Research Design, Methods, and Conclusions

The key informant in the study is the marketing manager or a senior executive from the independent distributors in four industries: electronics, architectural and fitment materials, lighting, and cosmetics. The distributors were selected randomly from the annual industry reports of the four selected industries in China. Data were collected using face-to-face interviews. Of the 400 distributors contacted, 191 distributor surveys were completed and returned, representing an effective response rate of 47.75 percent.

Exploratory and confirmatory factor analysis was used to ensure study measures exhibited acceptable reliability and validity. Ordinary least squares moderated, regressions were used to examine the hypothesized relationships. First, the results confirm that both incentives (an economic governance mechanism) and socialization (a relational governance mechanism) are beneficial to the channel relationship by increasing the distributor’s evaluation of exchange performance and relationship satisfaction. Further, the significant finding is the moderating role of the distributor’s role of businessperson on the linkage between incentives and exchange outcomes. However, the moderating role of the distributor’s role of businessperson is not significant on the linkage between socialization efforts and exchange outcomes. These findings reveal that, if the distributor is a businessperson type, the beneficial effect of incentives on the channel relationship is reinforced. However, for this type of distributors, the effect of socialization efforts is not significantly different.

The results are also supportive for the moderating role of distributor’s role of friend on the efficiency of manufacturer’s both incentives and socialization efforts. When the distributor is of a friend role, the beneficial effect of socialization efforts in enhancing exchange performance and relationship satisfaction is strengthened. For this type of distributors, the beneficial effect of incentives on the channel relationship is weakened.

The findings have significant managerial implications for channel managers. On the one hand, managers need to take the distributors’ relationship role into account when making systematic governance decisions. When the distributor is more friend type, the relational governances are more effective than economic gover-
nances; while when the distributor is more businessperson type, the economic governances are more effective than relational governances. On the other hand, it may be an efficient and cost-saving way for managers to select the distributors that can align better with the company’s existing governance style rather than to fit governance mechanisms with different types of distributors.

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MANUFACTURER’S STRATEGY AND TRUST IN MARKETING CHANNELS

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SUMMARY

Strategy theorists have long posited that an organization’s strategy has tremendous impact on organizational structures, processes, and performance in the marketplace (Miles and Snow 1978; Miller 1986; Porter 1980). The strategy research literature has documented a significant amount of empirical evidence supporting these claims (Dess and Davis 1984; White 1986; Birkinshaw 1995).

However, this stream of research has largely adopted an intra-organizational perspective, examining the effects of strategy within an organizational context. The effects of strategy in inter-organizational contexts, however, remain relatively unexplored. The lack of the inter-organizational perspective regarding the effects of strategy is particularly a concern in light of the current business practices of firms’ entering vertical and horizontal relationships to gain competitive advantages (Gulati et al. 2000; Lorenzoni and Lipparini 1999), and of strategists’ long assertion that an organization’s strategy determines its approaches toward external relationships with other firms (e.g., channel relationships) (Porter 1980).

Adopting the inter-organizational perspective, this study investigates whether and how a manufacturer’s strategy affects trust in manufacturer – distributor marketing relationships. The construct of trust has gained increasing attention in inter-firm marketing relationship research (Dwyer et al. 1987; Moorman et al. 1993; Smith and Barclay 1997). This is not surprising, given the fact that more organizations are entering and operating in vertical and/or horizontal marketing relationships to compete in today’s fierce marketplace (Smith and Barclay 1997; Weitz and Jap 1995), and that trust, along with commitment, has been proven to be a central construct in inter-firm exchange relationships, such as channels of distribution (Morgan and Hunt 1994).

Many marketing studies have theorized and tested a number of determinants for trust (Smith and Barclay 1997; Morgan and Hunt 1994; Moorman et al. 1993). Although this stream of research in marketing has shed light on a number of factors affecting trust, it has overlooked the effects of an organization’s strategy on trust in inter-firm exchange relationships.

Our research connects the strategy literature with the trust research in marketing, extending the strategy research into inter-organizational contexts and filling a void in the trust research of the marketing literature by investigating strategy as a potential determinant for trust in manufacturer-distributor relationships.

Our data shows that manufacturer’s strategy indeed impacts the level of trust in manufacturer – distributor relationships. Research and managerial implications were drawn from our findings.

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FORMAL CONTROL, TRUST, AND OPPORTUNISM: A ROLE-THEORETIC PERSPECTIVE

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SUMMARY

Formal Control and Trust are typical representatives of control mechanisms toward opportunism from economic perspective and sociological perspective. Formal control restricts the partner’s opportunistic behaviors by extrinsically motivating the partner to behave properly, whereas trust affects the partner’s appropriate behaviors by intrinsic motivations.

Besides studying formal control and trust independently, many studies explore the governance effects of combining formal control and trust, but come to different conclusions. A body of literatures proves that formal control and trust could be applied simultaneously to mitigate opportunism, while other studies argue that these two control mechanisms actually substitute each other.

Based on role theory, we identify two situations in which introducing formal control lead to contrasting consequences. It is suggested in role theory that different roles follow distinct decision “logics” therefore influence their decision-making mode as well as how they respond to a partner’s decisions. We focus on two particular roles or identities, namely friends and business friends. A friend role plays a game by following rules of cooperative moves, regardless of one party’s individual payoff. A role of “business friend” is defined as “Logic of Consequences Oriented Appropriateness” in this study. Just because the basic logic in “business friend” relationships is still consequence oriented, instead of true appropriateness, “business friends” are distinct from “friends” and could hardly develop into true “friends.”

For “friend role” dyads, since the mutual trust has been existing prior to a specific business transaction, it is coined as Ex Ante Trust in this study. For a “business friend role” dyad, however, since the focal firms gradually develop mutual trust after repeated interactions with satisfactory outcomes, the trust existing in such relationship is named as Ex Post Trust.

In the “friend role” scenario, each partner is not only supposed to behave appropriately but also expected to believe that the other will not do opportunism. Introducing formal control strategies by one party forces the other to face a new “situation” that signals “distrust” that is unexpected. Appropriate behaviors driven by intrinsic motivations could be undermined by such extrinsically motivating strategies, for the reason that extrinsically motivating strategies offend the partner’s “we” identity. In this sense, formal control and ex ante trust act as substitutes.

P1: In “friend role” dyads in which ex ante trust exists, introducing formal control by one partner promotes opportunism of the other partner.

In the “business friend” scenario, decision-making processes and behaviors of each partner are still oriented by maximizing individual benefits, and no common identity is expected or formed. Therefore, exterior motivation against opportunism, such as formal control strategies, is still considered acceptable and necessary, even when ex post trust is generated. Besides, in the absence of formal control mechanisms, ex post trust could lead to the partner’s opportunism because such ex post trust can hardly be associated only with non-egotistic sources of cooperation, it may also have to do with calculation and instrumental rationality. Hence, formal control basically secures the proper behaviors of each party, and at the same time, ex post trust facilitates detailed processes, as well as achieves less transaction costs. In such a scenario, formal control strategies and ex post trust are able to coexist, and complement each other in suppressing opportunism.

P2: Within a “business friend role” dyad, formal control, and ex post trust complement each other in suppressing opportunism.

In sum, by applying role theory and addressing two typical roles, namely friends and business friends, this study provides two situations in which the combining effects of formal control and trust are different in suppressing opportunism. The nature of trust in the two proposed scenarios determines how formal control is interpreted, so the combining effects of formal control and trust depend on which scenario a dyad stay in. References are available upon request.
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DOES INDIVIDUALIZATION PAY? MEASURING CUSTOMER BENEFIT OF INDIVIDUALIZED, SEGMENT-SPECIFIC, AND MASS MARKETING PRODUCTS IN THE NEWSPAPER MARKET

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SUMMARY

Introduction

Recently, the marketing strategy of individualization gained much attention. A key assumption of the literature is that individualized products create more benefit for customers than standard products (Dellaert and Stremersch 2005; Kotha 1995). Unless this is the case and benefits exceed costs, investments in individualization are hardly profitable (Squire et al. 2004). Some scholars have questioned the merits of individualization (e.g., Zipkin 2001) and spectacular failures of individualization like Levi Strauss’ “Original Spin” jeans and Mattel’s “MyDesign Barbie” (see Franke and Piller 2004) seem to support these doubts.

Empirical findings regarding the benefit of individualization are scarce, however, and yield mixed results. This calls for further systematic analyses of the benefits and costs of the individualization strategy relative to other strategies, namely segmentation and mass marketing. When possible, it appears useful to employ controlled experiments and concrete products as experimental stimuli. Our study attempts to extend this line of research. We empirically analyze the benefit side of individualization as compared to segmentation and mass marketing. The importance of the benefit component arises from the fact that individualization only makes sense if there is “money on the table.” Unless customers are willing to pay a price premium for individualized products, efforts in developing more cost-effective mass customization and individualization systems hardly make sense.

Method

As product field we selected newspapers. Here, the cost of delivery, marketing, etc. is almost independent from the degree of individualization (electronic newspaper) or at least increasingly independent from it (physical newspaper) as production costs for customized printing are decreasing rapidly (Pitta 1998). This allowed us to employ concrete and relatively realistic experimental stimuli, namely newspapers that were actually tailored to the subjects’ preferences (with a varied proximity). Also, newspapers constitute a market in which individualization is currently discussed (Schoder et al. 2006).

The rationale of this study is simple: we simulate the three strategies of individualization, segmentation, and mass marketing and measure the resulting benefits for the customers. As a first step, we obtained the preferences of subjects regarding their ideal newspaper. In the second step, we confronted subjects with the experimental stimuli, namely simulated “newspapers.” Then we measured the benefits these newspapers generated for them.

In total, we had ten different experimental groups, distinguished in two independent samples (total n = 1,279 obtained from an online representative panel). Both samples were differentiated in five sub-samples (Sample 1a–1e and 2a–2e) that received different experimental stimuli, namely (a) a mass marketing product, (b) a segment-specific product assuming 5 segments, (c) a segment-specific product assuming 10 segments, (d) an individualized product, and (e) all four products.

Preferences were operationalized using 90 real newspaper headlines. Each subject expressed her preferences for each headline on a 5-point-rating-scale with the anchors 1 “I would really like to read this article” to 5 “in no way I would read this article.”

Segmentation was carried out via latent class cluster analysis (LCA). To determine the number of segments, we used the Bayesian Information Criterion (BIC) to compare the models until model fit stopped improving (Schwarz 1978). The ten-segment model outperformed models from 5 to 15 segments. Additionally, we calculated a five-segment solution because in practical applications of market segmentation it seems that habitually only two to six segments are chosen (Babinec 2002; Franke and Reisinger 2006).

Customer benefit was measured via willingness to pay (WTP), purchase intention and attitude towards the product.

Generally, great effort was undertaken regarding experimental rigor (randomization, manipulation checks,
Pilot studies, between-subject and within-subject design, etc.

Findings

As a robust finding, we find that WTP, purchase intention and the attitude towards the product for the individualized newspaper are significantly higher than for the mass marketing product and the segment-specific products. The hypothesis, that segmentation yields higher benefits than mass marketing could be partly confirmed.

Implications

Altogether, our findings suggest that product individualization is a strategy superior to segmentation and mass marketing in markets where (1) technology facilitates low costs of individualization and (2) preferences are highly heterogeneous. In such instances, substantial benefit might be generated by giving customers products exactly tailored to their preferences. Here, segmentation strategy, although one of the essentials of the marketing body of knowledge and of invaluable benefit in other situations, comes along with a substantial loss of value relative to individualization.

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DOES FOREIGNNESS MATTER IN THE ACCEPTANCE OF NEW ENTERTAINMENT PRODUCTS?: A LONGITUDINAL STUDY

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SUMMARY

In marketing literature, there has been a continuous search for the identification of factors that lead to the success of innovations. One area that has recently attracted the attention of marketing scholars is the motion picture segment of the entertainment industry. There are several reasons to examine the performance of motion pictures as new products and identify causes leading to their success. First, they are characterized as having both product and service innovation characteristics and operate in highly competitive markets with relatively short market presence periods. Second, in recent years, sales of motion pictures released through traditional box office distributors have been experiencing a dramatic decline. Moul (2005) has put forward the interesting question of “Is a movie the primary product of Hollywood studios, or a ‘loss leader’ for a stream of products that produces more than half of the total revenue earned from each new Motion Picture Association of America (MPAA) release?” Finally, the success of movies are highly affected by the socio-demographic structure, and cultural, societal norms, and beliefs of the moviegoers (Hennig-Thurau et al. 2001).

The motion picture industry has been subject to attempts for modeling estimates of box-office performance, either in terms of moviegoers or box office revenues (Hennig-Thurau et al. 2001), and the application of new product forecasting studies or prerelease market evaluation models (Eliashberg et al. 2000; Eliashberg and Shugan 1997; Moul 2005; Radas and Shugan 1998; Ravid 1999). Based upon all these, the economic success of a movie is expected to be affected by several variables, such as market timing, the entry of competitors, release width, word-of-mouth, budgets, distributors, the intensity of advertising and promotion (Moul 2005). Hennig-Thurau et al. (2001) categorized these factors into movie traits and motion picture-related communication. The purpose of this research is to analyze the impact of a specific movie trait, foreign content, which we call foreignness, on the box office revenues of a movie. The expected contributions are three-fold. First, it evaluates the importance of foreignness, which is a well-distinguished quasi-search quality by the moviegoers, however, a comparatively under researched trait with respect to its importance in the current global economies, on the success of motion pictures. Second, utilizing a latent variable growth curve modeling technique, it explicates the impact of specific foreignness dimensions on the product sales curve that is expected to provide some dynamic insights. Finally, through foreignness dimensions, it examines whether there has been a change in the level of ethnocentrism revealed by U.S. consumers over time in the context of entertainment industry.

Based on an extensive literature search and availability of the data, five dimensions of the foreignness of a movie, which are title, language, location, distribution company, and the cast of a movie, are identified. Although, some previous research has been conducted on the distributor characteristics or the effect of language on the performance of a movie, to the best of our knowledge, this study aims to carry the analysis to a more comprehensive stage by including all five dimensions. The sample consists of the weekly box office receipts for the first five weeks after the launch of the 1,110 movies released in the U.S. domestic market during 1982, 1987, 1992, and 1997 and the information for the title, language, location, distribution company, and casts of these movies. The data is collected from a publicly available secondary source, Internet Movie Database (IMDB). The proposed hypotheses are analyzed by utilizing a Latent Variable Growth Curve Model (LVGCM). This method was first introduced by Rao (1958) and Tucker (1958) and extended to allow for the use of current standards in estimation and testing procedures used by structural equation modeling programs (Meredith and Tisak 1990). This method adopts a dynamic perspective for developmental change as a factor of repeated observations over time and also helps to analyze how this developmental change is influenced by time-invariant and time-varying features of the system (Duncan et al. 1999; Kaplan 2000).

First, a non-linear LVGCM is developed (Model 1) that considers the shape of growth of box office receipts of the movies without including any predictors, i.e., foreignness dimensions. We use the exponential trajectory approach based on the prior research (Krider and Weinberg 1998; Sawhney and Eliashberg 1996) indicating a negative exponential box office receipts function over time. Basically, two latent factors are included; the intercept and the slope, the loadings of which are fixed, and the weekly box office receipts are subject to a natural
logarithmic transformation. Then, another non-linear LVGCM is developed (Model 2) including five time-invariant covariates (TIC) including foreignness measures of a movie, which are supposed to predict the intercept and slope factors over time. A series of structural equations are tested simultaneously using a moment analysis in EQS 6.1. Finally, a multi-group analysis is conducted, where the effect of five foreignness measures on the box office receipts curve are constrained to be equal across four groups, which indicate the four years that the data is collected for. The constraints that turn out to be significant across groups are identified using Lagrange Multiplier test (Bentler 2004) and then released.

Based on the results, this study has some expected and noteworthy conclusions. First, consistent with the literature, the results demonstrate the highly innovative and competitive nature of entertainment industry through the striking amount of first week sales of a movie, followed by a huge decrease in sales afterward. Second, they indicate the negative impact of foreignness on initial product acceptance of a new entertainment product. Especially, the language, distribution company, and the cast of a motion picture have prominent roles in consumers’ attitudes toward the acceptance of the new product. Third, the inclusion of a time span covering two important decades suggests that the foreignness indicators with a significant negative impact of the box office performance of a movie have turned out to be less significant in affecting its acceptance level, and adoption rate supporting the unified effects of globalization, in the entertainment industry. References are available upon request.

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CUSTOMER LOYALTY AND PERFORMANCE: THE IMPORTANCE OF SUPPORTIVE CUSTOMER BEHAVIOR AND MODERATING EFFECTS OF DEVELOPMENTAL STAGE AND PRODUCT INNOVATIVENESS

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SUMMARY

Customer loyalty research has shifted its focus from solely analyzing the antecedents of customer loyalty, such as customer satisfaction, involvement, commitment, and trust (e.g., Bendapudi and Berry 1997; Ganesan 1994), to studying its potential consequences, particularly company performance (e.g., Edvardsson et al. 2000; Anderson et al. 2004; Reinartz et al. 2004). While most studies find a positive performance impact of customer loyalty, some also point to the risks involved in focusing on very close relationships with only a few customers, especially in innovation-intensive settings (Christensen and Bower 1996; Im and Workman 2004). The rationale for a positive performance effect of customer loyalty is usually based on an increased profitability resulting from repeat and intensified purchases as customer relationships deepen (Anderson and Mittal 2000). Therefore, customer loyalty has primarily been associated with the later stages of company development, whereas, thus far, a potential performance effect in the early stages has been widely neglected. Accordingly, the present study raises the question under which specific conditions a positive performance impact of customer loyalty holds true and analyzes the influence of two contingency variables on this relationship: product innovativeness and company development stage. Furthermore, we extend the concept of customer loyalty beyond purchasing behavior to include supportive customer activities, namely word-of-mouth (Verhoef 2003) and customer feedback. Taking a company perspective, we consider both behaviors to be important value generating aspects of committed customers. In summary, the present study addresses two research questions: (1) how does customer loyalty in terms of (a) repurchase, (b) word-of-mouth, and (c) customer feedback influence firm performance? And (2) how do these relationships change depending on (a) firm development stage, and (b) product innovativeness?

In order to model customer loyalty, we used (1) (re)purchase, and (2) word-of-mouth behavior from previous conceptualizations, and added (3) customer feedback as an additional behavioral dimension from the customer value literature. The latter has shown strong relevance for innovative products (Nambisan 2002) and for companies at an early developmental stage (Shaw 1997). Our hypotheses are grounded in social exchange theory (Homans 1961; Blau 1964). Applying this theory in a loyalty context, we argue that customers are able to extract inherent value from a close relationship to a company. This value is derived not only from economic benefits (utilitarian exchange), but also from social aspects of the interaction (symbolic exchange; Bagozzi 1975). Elaborating on the latter, social benefits may comprise the feeling of respect and trust or the acquisition of expert knowledge that receives social appreciation in the company or personal environment. The principle of reciprocity then results in the customer’s intent to, in turn, provide additional (symbolic) value that benefits the exchange partner (Houston and Gassenheimer 1978), e.g., by recommending a company or by providing information. Thus, firms with strong customer loyalty are likely to receive additional value from their customers, which is likely to enhance company performance. In order to derive the hypotheses concerning the moderating effects of product innovativeness and developmental stage, we applied contingency reasoning.

We generated a data set of 172 new technology-based ventures that were a maximum of 10 years old and active in innovation-intensive industries. The sample included companies at different development stages and with varying degrees of product innovativeness. Tests for informant, non-response, and common method bias did not reveal any substantial problems with the data. For data analysis, we used Partial Least Squares (PLS) as a variance-based structural equation modeling technique. We chose PLS over the more commonly used covariance-based approaches such as LISREL, because PLS proves more robust for smaller sample sizes. These resulted from the group comparisons applied to analyze the moderating effects (e.g., Tsang 2002).

Conducting reliability and validity assessment for PLS analysis (Chin 1998) produced acceptable results for all constructs. The R² value of 0.27 for firm performance indicates a satisfactory explanatory power of the structural model, considering the wide variety of factors influencing firm success. The corresponding Stone-Geisser test criterion Q² of 0.59 also suggests a fairly strong predictive relevance (Chin 1998). For the overall sample, the hypothesized positive performance impact of
the three loyalty dimensions, repurchase, word-of-mouth, and customer feedback, is supported by our data. The first effect turns out to be the weakest among the three, while word-of-mouth exerts the strongest influence. Our hypotheses on the moderating influence of developmental stage and innovativeness receive mixed support. As predicted, repurchase becomes more important with growing maturity of a firm. With regard to word-of-mouth and feedback, however, moderating effects of developmental stage do not show in the data. With regard to the second moderator variable, a stronger performance impact of customer feedback and word-of-mouth was expected with increasing product innovativeness. While this is confirmed for feedback, word-of-month turns out to exert a strong influence on performance, irrespective of the level of innovativeness.

Overall, our findings indicate that customer loyalty acts as an important driver of company performance. In the main effects model, all three dimensions of customer loyalty exert a significant positive effect on company performance. This supports our view that these aspects act as value creating behaviors. At a more detailed level, purchase loyalty seems to be primarily relevant in more established companies, while feedback becomes particularly important in firms with high product innovativeness. Word-of-mouth proves to be a robust success driver across all groups. These findings support our notion that the latter two aspects, as supportive customer activities, play a crucial role for young companies in innovative settings, because they address the specific needs and challenges of these firms. In view of the resource constraints of new ventures, their information needs resulting from a dynamic and complex environment, and their lack of reputation and credibility, customer feedback on the one hand, and word-of-mouth on the other, appear to act as a competitive advantage. References are available upon request.

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WORD-OF-MOUTH AS A SOURCE OF CUSTOMER LOYALTY: AN EXPERIMENTAL INVESTIGATION IN THE SERVICE SECTOR

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SUMMARY

Marketing researchers and practitioners agree that positive word-of-mouth (WOM) is one of the most effective and efficient marketing instruments (Haywood 1989; Kotler and Keller 2005). Particularly within the services industries, there is ample evidence for the impact of WOM on its recipients (Murray 1991; Bansal and Voyer 2000). Here, WOM is believed to play an even more important role than in goods (Zeithaml et al. 1985; Mangold et al. 1999). Due to higher risk perception of consumers prior to using a service (Haywood 1989; Bansal and Voyer 2000), they strongly rely on the opinions of other consumers when forming an expectation about the service, as well as when evaluating the service obtained.

Overall, there is ample evidence on the consequences of positive WOM which strongly influences consumer behavior (Arndt 1967). However, research has neglected potential consequences for the sender. In our paper, we focus on loyalty as one potential consequence WOM might have for the sender because consumer loyalty is one of the most important variables in services marketing (Gremler and Brown 1996; Caruana 2002). To research this impact, we measure loyalty in attitudinal as well as behavioral terms. Attitudinal loyalty is defined as a “deeply held commitment to rebuy or repatronize a preferred product or service consistently in the future” (Oliver 1997, p. 392). We distinguish between two kinds of commitment (i.e., attitudinal loyalty): affective commitment and continuance commitment. The paper focuses on the research question: Does articulating positive WOM have a positive effect on the loyalty of the sender?

Theoretical Background

A first explanation for the effect of WOM on loyalty can be derived from dissonance theory. The cognitions “I referred service provider X to my friend” and “I am loyal to service provider X” are relevant to each other and consonant because usually, a referral will only be articulated if the sender himself appreciates the relationship to the service supplier. The cognition “I referred service provider X” is rather resistant to change. Consequently, avoiding cognitive dissonance can lead to a strengthen-

ing of the cognition “I am loyal to service provider X.” The sender of positive WOM will experience high affective commitment to his provider as he tries to avoid inconsistency between recommendation and attitude.

Impression management theory may provide a second theoretical foundation. In some situations, individuals might only strive to produce an outwardly favorable impression of themselves (Leary and Kowalski 1990). Consistent behavior is generally regarded positively which induces individuals to act in a predictable manner. Recommending a service and then switching to a different supplier would be perceived as an inconsistent, and therefore, negative action. Hence, articulating positive WOM should increase the sender’s continuance commitment compared to an individual who has not voiced a recommendation.

Several authors (e.g., Dick and Basu 1994; Gruen et al. 2000) consider commitment as a key driver of behavioral loyalty. As noted above, we distinguish between two kinds of commitment: affective commitment and continuance commitment. We hypothesize that the effect of articulating WOM on behavioral loyalty is completely mediated by the two types of attitudinal loyalty.

Methodology

To test the hypothesized effects, we conducted an experimental study. We used a scenario approach for data collection. In total, 163 business students from a German public university participated in the study. We used a student sample to ensure homogeneity of participants. Within a scenario design, the sample population needs to be familiar with the product category which was one reason for choosing the mobile service industry as setting. To analyze the data, we employed Partial Least Squares (PLS) analysis. PLS is well suited for our research problem because it allows for incorporating binominal exogenous variables (“WOM” vs. “no WOM”).

Major Results and Discussion

From a scholarly point of view, this is the first study to confirm the sometimes claimed, but never tested, relationship between positive WOM and senders’ loyalty.
alty. More specifically, we found that articulating WOM does not only have an effect on affective and continuance commitment but also on behavioral loyalty. The effect of WOM on behavioral loyalty is completely mediated by attitudinal loyalty. As the direct path between WOM and behavioral loyalty is non-significant, behavioral loyalty only occurs if the articulation of WOM induces affective or continuance commitment on behalf of the sender. This finding highlights the importance of commitment as a mediator between WOM and behavioral loyalty.

The results obtained in this research have several important implications. First and foremost, we were able to demonstrate that the importance of WOM has hitherto been underestimated. In addition to gaining new customers, WOM is also an effective means for retaining existing customers. As WOM can lead to customer acquisition and retention, both aspects may be integrated into the calculation of customers’ value and lead to further insights for referral management, especially customer referral campaigns, and loyalty management. References available upon request.

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THE MODERATING INFLUENCE OF HEDONIC CONSUMPTION IN AN EXTENDED THEORY OF PLANNED BEHAVIOR

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SUMMARY

The theory of planned behavior (TPB) is well known for predicting behaviors and intentions in social psychology and marketing (Ajzen 2001; Armitage and Conner 2001). Despite considerable support for TPB’s predictive ability, subjective norm was often the weakest of the model’s three constructs – along with attitude and perceived behavioral control (Conner and Armitage 1998; Farley et al. 1981). Conjectures for subjective norm’s weakness included measurement issues (Armitage and Conner 2001), respondents’ attitudinal versus normative bias (Finlay et al. 1997), and the behaviors under study (Trafimow and Fishbein 1994a).

Some researchers contended that the crux of subjective norm’s poor predictive power was its conceptualization (Rivis and Sheeran 2003; Schofield et al. 2001; Terry and Hogg 1996). Drawing on Turner’s (1991) self-categorization theory, they argued that rather than a subjective norm from social pressure from what important others approve, the norm should be a group norm due to the overt behaviors of relevant reference groups. Moreover, group norm evolves from a social influence process, where people identify with relevant social groups, internalize group norms as their own, and tend to adopt group behaviors. Consequently, stronger group identity may lead to greater norm-intentions correlations (Johnston and White 2003; Terry and Hogg 1996).

This study applied a TPB model with group norm to examine youth’s behavioral intentions to stay with cellular phone operators. Given youth’s tendency to consume cellular services for hedonic reasons, the study examined if youth’s hedonic consumption moderated the relationships among the model’s constructs. Data collection yielded 415 records, 216 males and 199 females. Respondents ranged in age from 18 to 28 years (mean = 22 and median = 21), owned a mobile phone, and had an active cellular service account.

Structural equation modeling showed that all measurement models and the overall structural model fit indices met their generally accepted thresholds (all $\chi^2$ p-values $>.05$, Bollen-Stine $p > .05$, AGFI > .95, CFI > .95, RMSEA < .05. Group norm ($\beta = .287, p < .001$), attitude ($\beta = .583, p < .001$), and perceived behavioral control ($\beta = .126, p = .008$) explained 74 percent of the variance in youth’s intentions to stay with their cellular phone operators. Group norm was strong and significant and attitude was the strongest among the three constructs.

To test the moderating influence of hedonic consumption, the sample was divided into low and high tertiles according to hedonic consumption factor scores, with the middle tertile discarded. For low hedonic consumption, attitude ($\beta = .647, p < .001$) and perceived behavioral control ($\beta = .336, p < .001$) related to intentions, but group norm ($\beta = .118, p = .29$) did not. Conversely for high hedonic consumption, attitude ($\beta = .407, p = .003$) and group norm ($\beta = .486, p < .001$) related to intentions, but perceived behavioral control ($\beta = .097, p = .317$) was weak and insignificant. Group norm was insignificant for low hedonic consumption, but the strongest predictor for high hedonic consumption. The low and high hedonic consumption models explained 83 percent and 73 percent of variance in intentions, respectively. To test the attitude x group norm interaction on intentions, a hierarchical multiple regression entered the interaction term after the three key TPB constructs. The interaction term was, however, insignificant for the overall ($\beta = .042, p = .24$), low ($\beta = .004, p = .953$), and high ($\beta = .07, p = .172$) hedonic consumption models.

This study extends research of group norm in TPB to youth’s intentions to stay with cellular phone operators; TPB predicted youth’s intentions across the three hedonic consumption models. Attitude was the only significant predictor across all hedonic consumption levels, supporting the key underpinning of TPB. As expected for high hedonic consumption, group norm was the most salient construct. Unlike standalone products, cellular services require active and direct participations from all parties involved in the consumption. As hedonic consumption increases, youth’s interactions with peers intensify. Consequently, normative factors outweigh personal factors (attitude and perceived behavioral control) in predicting behavior.

In contrast to group norm, perceived behavioral control was insignificant in predicting intentions with high hedonic consumption. One possible explanation is that when hedonic consumption and peer interactions are high, youth are more concerned with maintaining a good
image and sense of belonging with peers than with perceived costs of switching cellular phone operators. Conversely, low hedonic consumption such as emergencies entail less peer interactions. As a result, personal factors (attitude and perceived behavioral control) rather than normative factor drive intentions.

Future Research should measure actual behaviors rather than intentions, determine how group identity and hedonic consumption may independently and collectively influence intentions, explore group norm’s underpinning psychological processes, and involve collectivist and individualistic cultural settings. References available upon request.

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CATEGORIZATION OF LOYALTY PROGRAM MEMBERSHIP:  
A LATENT CLASS ANALYSIS BASED ON HOTEL  
CUSTOMER INVOLVEMENT  

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SUMMARY

Perhaps the most pervasive artifact of marketing’s relational paradigm shift has been the wide diffusion of customer loyalty programs. Nonetheless, extant empirical research provides only mixed evidence of program effectiveness as a means of enhancing loyalty. In many cases, the uneven performance of such initiatives traces to program design and implementation inadequacies. However, scholars note this ambiguity may also relate in part to methodological limitations that hinder proper assessment of loyalty programs effects (e.g., Anderson and Mittal 2000; Kumar and Shah 2004; Leenheer et al. 2007). Collectively, these critiques converge upon one key point – there exists a decided lack of homogeneity in many program member populations. Thus, identifying sources of member heterogeneity is a critical step in properly managing customer assets and more efficiently allocating marketing resources.

In this paper, we introduce a segmentation scheme centered on the concept of product category involvement. Based on data from a sample of 1403 loyalty program members from two hotel chains, we develop a CFA mixture model (Muthén and Muthén 2006) that puts forth an empirical taxonomy of loyalty program member types. Guided by prior research, we believe loyalty programs should appeal, for different reasons, to both low-and high-involvement customers. For the low-involvement buyer, the loyalty program represents an easily accessible peripheral cue, often no further away than their purse or billfold. In such cases, the availability of price-based discounts and promotions obscures differences between offerings on non-price attributes and reinforces the limited search strategies and simplified decision-making processes favored by low-involvement consumers. On the other hand, when consumers face a more highly involving decision, cue accessibility is not as important as relevance. For the highly-involved customer, program membership often means more than simply a discount card – it’s emblematic of a deeper relationship with the service provider. Therefore, while loyalty programs are likely to attract mixtures of high-and low-involvement consumers, there is ample evidence to suggest corresponding attitudes and behaviors will differ across involvement levels.

Methods

Analysis of the CFA mixture model was conducted utilizing MPlus 4.2 software (Muthén and Muthén 2006). For each hotel model, factor loadings and residual variances for the latent involvement construct were held invariant while the mean was freed to vary across classes. In addition, the continuous latent variable representing involvement and the categorical latent variable representing class membership were regressed onto the behavioral loyalty covariates: share-of-customer, propensity to remain, positive word-of-mouth, marketing support participation, and ease-of-voice. In order to improve the likelihood of parameter estimation and recovery, composite indicators were constructed for each multi-item covariate.

Results

For each chain, results suggest similar four-class model structures as optimal. Interestingly, while behavioral loyalty tends to increase with customer involvement levels for the majority of program members (i.e., across low-, medium-, and high-involvement classes), we also identified a segment of high-involvement program customers who are markedly less satisfied than their counterparts and exhibit far less favorable behaviors. Further, our results suggest managers can identify these customer types on the basis of observable customer behaviors. In particular, results of the logistic regression of class membership upon the behavioral loyalty covariates show positive word of mouth to be the most consistent predictor of class membership.

Post hoc analysis confirms changes in loyalty behaviors across the four classes reflect changes in key components of attitudinal loyalty. Based upon the work of Bendapudi and Berry (1997), who suggest differences in relationship maintenance motivations may lead to different attitudinal loyalty outcomes, we use multi-group SEM to examine the relative strength of two key drivers of program member commitment, trust and attractiveness of alternatives. Based upon the significance of path differences across classes, it is clear that commitment for the low-involvement and the dissatisfied high-involvement classes is as much a matter of dependence as...
dedication. In contrast, the strength of the trust-commitment relationship in the medium- and satisfied high-involvement classes demonstrates a dedication-based motivation.

Discussion

This research provides additional insight into the role involvement plays in the relationship-building process. Specifically, the CFA mixture modeling with covariates approach enabled the identification of a class of customers (i.e., the dissatisfied, high-involvement class) that would have gone undetected using k-means clustering. The logistic regressions of class membership onto the covariates enable managers to discriminate between these customer segments by observable loyalty behaviors. As a result, program managers can improve their marketing resource allocation to more profitable customer types, improving their loyalty program return on investment. References available upon request.
TABOOS IN ADVERTISING: CONCEPTUALIZATION, SCALE DEVELOPMENT, AND ANALYSIS OF ITS COMMUNICATION EFFECTS

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SUMMARY

In an age when advertising competition is increasingly sharp, breaking through the clutter becomes a major stake for advertisers. Aware of this managerial reality, advertisers no longer hesitate to exploit societal taboos in order to attract consumers’ attention and to promote brand memory. Deliberate and well-established managerial practice in western countries, standardization of advertisements on a worldwide scale has also contributed inadvertently to the diffusion of taboo advertisements (Boddewyn 1991).

Although intensively transgressed by advertisers, next to nothing has been written on the subject of taboos in marketing. In order to fill this void, three objectives have been assigned to this research. Firstly, this article proposes a conceptualization of taboos based on a multi-field approach (anthropological, sociological, and psychoanalysis). Secondly, a reliable and valid measurement of the taboo construct in an advertising context is developed. Finally, the communication effects of using taboos in ads are investigated.

Conceptualization

The taboo, still little studied in marketing, has been the object of very in-depth investigations in anthropology, sociology, and psychoanalysis since the beginning of the twentieth century. From this literature review, the taboo is considered as a prohibition (Frazer 1911; Van Gennep 1904; Webster 1942) relying on two types of norms: conversational and/or behavioral norms. A conversational taboo restricted the freedom of speaking about some topics in public for reasons of decency, morality, or religiosity (Walter 1991; Wilson and West 1981). Talking about death or dead persons is an example of a taboo based on a conversational normative prohibition (Walter 1991). A behavioral taboo prevented the realization of a specific behavior such as proscriptions to eat an impure food or to kill totem animals (Frazer 1911). Accordingly, we define the taboo as “a cultural production enacting conversational and/or behavioral normative prohibitions.”

Consequently, we propose to develop a new scale to measure the perceived taboo degree of an ad. We suppose that this construct is composed of two dimensions representing the two types of norms transgressed by a taboo.

Methods

The methodology for the scale development has followed the recommendations of Churchill (1979) and Rossiter (2002). The scale development procedure was composed of four main steps.

The first step consisted in generating 20 items that tap each of the two dimensions of the perceived taboo degree of an advertisement as a result of the extensive literature review and 22 in-depth interviews. Eight expert judges were invited to examine their clarity and the extent to which they represent the construct. At the end of this stage, some items were rewritten or dropped and others were added. Fourteen items were finally retained.

During the second step, we pre-tested 16 taboo print advertisements among a convenience sample of 30 people, from which we finally selected four ads: two ads perceived slightly taboo and two ads perceived strongly taboo. Four questionnaires were then constructed including one taboo ad followed by the items of the construct we wanted to measure.

During the third step, the four questionnaires were administered to a convenience French sample of 180 people with an average age of 31. An exploratory factor analysis was conducted based on principal component analyses with Varimax rotation performed on the initial set of items.

Finally, a new set of data was collected on a sample of 213 people in order to confirm the factor structure identified at the end of the third step. A confirmatory factor analysis based on structural equation modeling was performed.

Major Results

Results from the exploratory and the confirmatory factor analyses stress the bi-dimensionality of the perceived taboo degree of an ad when exposed to “conversational and behavioral taboo ads.” As theoretically expected, taboo ads can violate two types of norms: behavioral and conversational norms. The analyses of the psychometric properties of the scale ascertain its reliability and validity.
As part of the analysis of the nomological validity of the scale, we have demonstrated that women are more reluctant to the use of taboos in ads than men. Moreover, we have shown that the age of the respondent has a significant negative effect on the perceived taboo degree of an ad. Finally, it has been proved that the use of taboos in ads leads to a more negative attitude toward the ad which carries over into negative attitude toward the brand and negative purchase intention. The relevance of “transfer processes” is to be outlined.

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THE HEDONIC AND UTILITARIAN CHOICES IN A PREMIUM PROMOTIONS CONTEXT

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SUMMARY

Marketing resources allocated to nonmonetary promotional tools represent a significant portion of the marketing communication budget for many firms, being premium promotions the tool where marketers spend more. Given its increasing relevance, it is surprising to see that it is an under-researched topic because most of the literature has focused on monetary incentives. To fill this gap three aspects of premium promotions are examined in this study: (1) whether the type of premium, hedonic or utilitarian, determines the sales promotions effectiveness, (2) what type of premium elicits more or less information processing on consumers' choices, and (3) the type of reactions, affective or cognitive, provoked by hedonic and utilitarian incentives.

The first aspect of this study addresses with the main question of what type of premium should be offered to reach a positive evaluation of the promotion. Based on the premise that the trade-offs between hedonic and utilitarian options are systematically affected by the characteristics of the choice task and the decision context (Dhar and Wetenbroch 2000), those contexts that increase the need for justification favor utilitarian options because the relatively more discretionary nature of the hedonic item increases the guilt associated with its choice. In a promotional context the hedonic premium is obtained for free, and therefore there is not a high need for justifying its choice. This implies that hedonic incentives will be more popular as prize and that they will be preferred to utilitarian premiums. Consequently, the intention to search further for a promotional option to buy will depend of the option preferred.

The second issue examined the manner in which consumers make these trade-offs between premiums (e.g., hedonic and utilitarian). Based on previous studies (Shiv and Fedorikhin 1999; Pham et al. 2001) that have analyzed the types of processes (affective and cognitive) engendered in a choice task, we propose that subjects will report more elaboration for utilitarian premiums than for hedonic ones. Related to this issue, the third aspect of this study focuses on the affective and cognitive reactions in the responses to premium-based promotional offers. Although in a gift-given experience, for example in a promotional context, the perceived value may be related with both hedonic and utilitarian dimensions; we are of the opinion that the predominance of one of these two dimensions depend on the nature of the premium offered. The affective components that deal with the sensations derived from the experience of using products will be most important in the formation of the attitude toward the hedonic premium promotion. However, for the utilitarian premiums cognitive responses that deal with the functions performed by products will be more predominant.

Research Design, Methods, and Conclusions

Following the methodology proposed by O’Curry and Strahilevitz (2001), we employed a single factor within-subjects design to test the hypotheses. The single factor had two conditions: hedonic and utilitarian premium. Based on the results obtained on previous pre-tests conducted to select the product category and the premiums, we designed two promotional scenarios for the same product. The product was a medium size pizza. In the hedonic condition the premium offered was sunglasses and in the utilitarian condition a thermo flask was offered. Both premiums did not differ in their attractiveness and monetary value as shown the results obtained on the ANOVA’s conducted.

Data for this study were collected from 105 students enrolled at a major university who participated for an economic reward. They were given a booklet with one copy of the two promotional stimuli. The order in which the two promotions were showed in the questionnaire was counterbalanced. The dependent variables of the study were measured with existing scales, and the instructions for reporting thought protocols were similar to those used in the literature. The protocols were coded by two independent judges for the total number of thoughts, interjudge agreement was 95 percent, and coding discrepancies were resolved through discussion. Previous to the hypotheses testing, manipulation checks were conducted to control that there were not differences in the credibility of each promotional scenario, in the perceived product-premium fit, and the monetary value of each premium.

The results indicated that hedonic premiums are preferred to utilitarian ones (hedonic premium: 65.7%, utilitarian premium: 34.3%; \( \chi^2 = 10.371, p < 0.01 \)), being equal other premium characteristics analyzed in the manipulation checks. Furthermore, the within subjects na-
ture of the experiment conducted allowed us to observe how the individuals outweigh the hedonic option over the utilitarian one. However, and contrary to our expectations, the preference for the hedonic premium promotion did not imply that people had a high intention to search further for other promotions when exposed to a utilitarian premium, and vice versa. A possible explanation of this finding is that the premiums offered in the study are good enough and consumers will not be prone to invest the effort required to find a better promotion.

From a consumer processing information approach we found that in a binary choice context, where one alternative (sunglasses) is superior on the affective dimension to another one (thermo flask), the choice of the hedonic premium is linked to a less elaboration than the choice of the utilitarian one ($X_{hed} = 2.13$, $X_{ut} = 2.72$, $F_{(1, 104)} = 5.234$, $p = 0.024$). Furthermore, the results also showed that affective reactions influence respondents’ choice more than cognitive reactions. Specifically, while cognitive reactions do not determine the choice of one type of premium over another, higher affective reactions elicited in the promotional context lead to a stronger preference for the hedonic premium. In other words, in the formation of attitudes toward the promotion, cognitive/utilitarian basis are important for both types of premiums, but there is a relative dominance of the affective/emotional basis in the responses to hedonic premiums.
EXPLAINING THE JOINT EFFECT OF SOURCE CREDIBILITY AND NEGATIVITY OF INFORMATION IN TWO-SIDED MESSAGES

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SUMMARY

While there is empirical support for a net effect of source credibility and the negativity of information in two-sided messages, previous research has not yet provided a profound theoretical explanation for this joint effect. In this study, the effect is explained using new insights from attribution theory. According to the idea that individuals can draw different inferences during an attribution process, the outcomes of the process can differ depending on an individual’s cognitive efforts. This becomes rather obvious in cases where the context provides additional information for drawing inferences on brand attributes; those inferences can undermine the primary inference on the source.

The deliberate inclusion of negative information leads an observer to conclude that the communicator is credible. If the disclosure is made involuntarily (e.g., identified as law prescription), source credibility perception does not differ from perceptions for one-sided messages. However, negative attributes of a brand may be regarded as less distinctive in case they are given involuntarily, but more similar to other brands, and the effect on brand attitudes may be less severe compared to voluntarily given negative disclosures. Hence, the effects of source credibility and distinctiveness may cancel each other out.

Furthermore, in case consumers are cognitively busy, they make fewer inferences that are based on context information compared to consumers who are not cognitively busy. Therefore, their perceptions of distinctiveness of inferior brand attributes, which are based on context information, are lower compared to consumers who are not cognitively busy. As a result, brand attitudes of cognitively busy consumers may differ more for voluntarily and involuntarily negative disclosures compared to consumers who are not cognitively busy.

A first experiment was performed with three treatments (two-sided featuring a voluntarily made disclosure of a negative attribute vs. two-sided featuring an involuntarily made disclosure of a negative attribute vs. one-sided control condition). Three versions of a target advertisement for a fictitious candy collection were developed. In all conditions, the ad featured the same set of positive claims. In each of the two-sided conditions, an additional paragraph containing information on the negative consequences of eating sweets was presented either given by the advertiser or given by an official source. Participants reported the perception of the advertiser’s credibility, attitude toward the brand, and the distinctiveness of the brand attributes as compared to other brands of the same product category.

The results show that in cases where negative information is identified as imposed by law, source credibility is lowered, but negative attributes of the brand are seen as less distinct and exceptional because they refer to all products of the same category. Those effects cancel each other out and brand attitude remains the same for both the voluntary and involuntary disclosure conditions. The results correspond to the idea of two different inferences during an attribution process.

A second experiment with a 2 (two-sided featuring a voluntary disclosure of a negative attribute vs. two-sided featuring an involuntary disclosure of a negative attribute) by 2 (low vs. high cognitive busyness) – design was performed in order to investigate the different inference stages. Two versions of a two-sided target advertisement for a well-known brand MP3-player were used. In the voluntary condition, this information was presented by the advertiser, whereas in the involuntary condition, the information was preceded by a notation referring to an official source. In order to manipulate cognitive busyness, participants were read a list of numbers and were instructed to count the number of times the experimenter said the word “five.” Participants in the non-busy condition did not undertake this task. Participants were asked to answer the same dependent variables as in Experiment 1. In addition, participants had to answer to an open question as to the reasons for the negative information in the ad.

The results suggest that consumers make dispositional attributions when receiving two-sided messages, but further inferences based on context information are made only when they engage in cognitive effortful inference making. In case of voluntary disclosures, participants who are not cognitively busy infer that the inferior brand attributes are distinctive, but they infer less distinctiveness in case of involuntary disclosures. This results in differences in attitude measures, such that attitudes of cognitively busy people are primarily impacted by source credibility evaluations, whereas non-busy people are impacted by source effects and effects of negative product attributes that depend on context-based attributions.
The results show how the idea of different inferences during an attribution process can explain two-sided message effects more thoroughly. The results correspond to results of previous attribution studies, which have shown that cognitively busy people often fail to use contextual information to correct impressions they form of others. When applying this reasoning to the non-personal context of advertising, contextual information primarily refers to inferences of the stimulus in the ad and is not used for a correction of the initial dispositional attribution. In case of two-sided messages the spontaneous attribution about the advertiser’s honesty is not incorrect and, hence, consumers must not correct their dispositional attribution. Rather they rely on the stimulus information in arriving at a judgment about the advertised brand that corrects the outcome of the initial dispositional attribution instead of the mere attribution. References available upon request.

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COSMETIC SURGERY AND GENERATION Y CONSUMERS: THE ROLE OF SELF-DISCREPANCY AND SOCIAL SUPPORT

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SUMMARY

Cosmetic plastic surgeries are becoming increasingly routine procedures in contemporary society, with breakthroughs, “cutting-edge” biotechnologies continually offering new solutions to individuals dissatisfied with their appearance. According to the American Society of Plastic Surgeons, over $10 billion was spent on 10.2 million cosmetic procedures performed in the U.S. in 2005, an 11 percent increase compared to 2004 (ASPS 2006). Increasingly, the standard advertising appeals emphasizing unrealistic body images are being linked to depression, loss of self-esteem, and unhealthy eating habits (Media Awareness Network 2006). Obviously, more socially responsible marketing approaches should be adopted by cosmetic professionals that take into consideration emotional vulnerability of the target market and socio-psychological processes underlying the consumption choice and experience of cosmetic surgeries. This, in turn, requires better understanding of the target segment’s motivation mechanisms leading to cosmetic surgeries. Twenty-seven percent of today’s cosmetic surgery patients are 19–34 years of age, representing the 72 million-strong generation Y market that is likely to be the major user of plastic surgery services in the coming years. Very little is known about this cohort’s attitudes to cosmetic body modifications.

Existing research on consumer motivations for invasive cosmetic procedures is scarce, and limited to qualitative existential accounts. It has been suggested that cosmetic surgery can be understood in terms of self-identity, self-determination, and self-esteem (Schouten 1991; Thompson and Hirschman 1995, 1998; Askegaard, Gertsen, and Langer 2002), which are reflexively constructed by individuals under the influence of the dominant culture (Morgan 1991; Davis 2002). However, no mechanism has been proposed that would explain how social environment and self-concept interact in influencing attitudes and motivations for cosmetic surgery in young adults. The reported study represents a multidisciplinary approach to investigating cosmetic plastic surgeries. It utilizes theories from social psychology and marketing (self-discrepancy theory and its motivational role for consumption), as well as from sociology (perceived social support and stress-coping behaviors) and anthropology (cultural views of human body) to explore the underlying motivational mechanism of this phenomenon.

The self-discrepancy theory proposes a systematic robust relationship between specific kinds of self-concept discrepancies and specific outcomes. It is based on the distinction between the actual self (the attributes the individual believes she/he actually possesses), the ideal self (the attributes the individual would ideally like to possess), and the ought self (the attributes the individual believes s/he ought to possess). The ideal and ought selves represent self-guides, defined as “motivationally significant internalized standards for behavior” (Strauman et al. 1991, p. 947). The theory proposes that people are motivated to reach a condition where their actual state matches their ideal and “ought” states, in other words, “their self-concept matches their self-guides” (Higgins et al. 1986, p. 6). To the extent that an individual’s self-concept does not match any of the self-guides, she/he will experience discomfort. The discrepancy between actual and ideal self would be associated with “vulnerability to dejection, e.g., dissatisfaction, disappointment, or shame,” while actual vs. ought discrepancy would be associated with “vulnerability to agitation, e.g., fear, worry, or guilt” (Strauman et al. 1991, p. 947). Social support is defined as “an exchange of resources between at least two individuals perceived by the provider or the recipient to be intended to enhance the well-being of the recipient” (Shumaker and Brownell 1984, p. 13). It operates as a coping resource that includes instrumental, informational, and emotional assistance provided to the individual by significant others to relieve stress and negative emotions (Thoits 1995). Perceived social support has been consistently associated with reduced impacts of major life events and chronic strains on physical and mental health (Cohen and Wills 1985). It has been suggested that reassurance provided by family members, friends, and significant others bolsters self esteem, improves the sense of identity, and sustains competence. On the contrary, negative interaction with family members, lack of close confiding relationship, and early loss of mother or early inadequate parenting were associated with lower self-esteem. Social support is believed to operate through encouragement, monitoring and regulation, setting a model, or co-participation in desirable behaviors (Thoits 1995).
Our results suggest that a perceived discrepancy between a person’s actual and ideal self-image can influence the choice of invasive cosmetic procedures as a coping mechanism to reduce the discomfort associated with lower self-esteem, while the perceived discrepancy between the actual and “ought” self does not appear to affect this choice. This finding may be instrumental for consumer protection organizations and women’s rights groups that rally against the use of overly thin models in advertising and marketing communications. It further emphasizes the fact that adopting unrealistic ideals of appearance may lead to increased actual-ideal discrepancy in vulnerable young populations, which in turn may facilitate the choice of objectively unnecessary invasive cosmetic surgeries that sometimes lead to health complications. The supported propositions of the study have implications for public policy regulations and media strategies. In particular, a mandatory test for depression/anxiety may be introduced for the patients who decide to undergo an invasive cosmetic surgery. It has been reported, for example, that women who undergo breast augmentation have higher rates of depression, anxiety, and low self-esteem, and are at a greater risk of suicide (Reuters 2006). It has also been found that the factors associated with unsatisfactory psychosocial outcomes for young individuals after cosmetic procedures are suffering from depression and anxiety and having a personality disorder (Castie, Honigman, and Phillips 2002). A consultation with a psychologist or a counselor may be recommended to all potential cosmetic surgery patients for the purpose of a social support audit. It may also help marketers of the plastic surgery services adopt specific approaches that would avoid using self-esteem appeals to prevent increasing self-discrepancies and negative emotions in vulnerable populations. Marketers may be required to disclose possible negative consequences and complications of invasive cosmetic procedures in their promotions. The finding that perceived social support by members of one’s family significantly reduces the appeal of invasive plastic procedures as a means to reduce actual-ideal discrepancy proves the hypothesized positive role of social support as a coping resource (Thoits 1995) and its effect on enhancing one’s self-esteem (Zimet et al. 1988). The absence in our findings of a direct influence of social support on the choice of plastic surgeries helps clarify the mechanism of its moderating influence on the stressor – coping behavior link. The fact that family-based social support is the only significant dimension that reduces the strength of the self-discrepancy – plastic surgery connection suggests that generation Y is more reliant for support on their parents than friends or significant others, which reflects the importance of family values for this cohort. The discovered role of social support also confirms the social character of consumption and testifies to “sociocultural complexities of exchange behaviors and relationships” (Arnould and Thompson 2005, p. 871) advanced by the Consumer Culture Theory. References are available upon request.

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BRAND PLACEMENTS AND ADVERTISING MATERIALS FOUND ACROSS TOP CIRCULATING AUSTRALIAN YOUNG CHILDREN’S MAGAZINES

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ABSTRACT

Reading magazines for pleasure by Australian children five to fourteen years old has been increasing, and is the second most popular activity. This study used a content analysis of the top four Australian magazines. The results have implications for considering the nature and extent of commercial material found in children’s magazines.

Key Words: advertising and brand placements to children, content analysis, commercial and non-commercial content, children’s magazine

INTRODUCTION

Unlike Television, children’s magazines are often viewed as a vehicle of education, and parents/care takers tend to support their children’s exposure of them (Browne 1999; Marsh and Millard 2000). Children under the age of 14 in Australia report an average of 16 minutes per day reading magazines which is an important activity that contributes to the development of reading performances (Leppanen, Aunola, and Nurmi 2005). A survey from the Australian Bureau of Statistics (2003) found that 75 percent of children aged five to fourteen years spent an average four hours in a week reading for pleasure (besides their home work). Print media has been perceived as the most trusted form of media (Durham 1998). With the interest in new media like the internet and its effect on children, it is easy to forget that reading for pleasure is the second-most popular leisure activity for children after watching TV or videos.

Children’s magazines use familiar characters and celebrities from television and movies to create interest and escape (Harding 2004). For example, some of the popular young girls’ magazines in Australia – Barbie Magazine, Total Girl, and Disney Girl are presumably using young women celebrities like Paris Hilton, Jessica Simpson, Lindsay Lohan, and the Veronica Sisters as promoters (Rush and Nauze 2006).

Children report re-reading the same materials found in the magazines seven to ten times in a week (Lehmkuhl 1992). The repeat exposure of a promotional material could increase preference and liking for the promoted product (Hetherington, Bell, and Rolls 2000; Atkin and Block 1984), and is one of the major purposes of advertising. In other words, more positive evaluations of brands may be a result of repeat exposure to the brand names, attractive symbols and rewarding benefits associated with the brand. These may be considered as attitudinal feeling of favorability toward the brand (Atkin and Block 1984). A study of second, third, and fourth grade children in The U.S. also revealed that children are likely to select an advertised brand over an unknown brand after being exposed repeatedly to that brand (Resnik and Stern 1977).

The practice of blending commercial and entertainment content through the use of product placements (Balasubramanian 1994) is also widespread in young children’s print media. For example:

♦ A Colgate Junior ad that looks like a board game appeared in 3-2-1-Contact and Kid City (popular children’s magazine in The U.S.). The game asks true or false questions about dental health and Colgate Junior toothpaste, including: “Colgate Junior foams a lot more than adult toothpaste. T or F?”

♦ A two page advertorial by Nintendo with promotions of Nintendo’s products in KRASH (one of the popular children’s magazine in Australia).

It has been argued that children are vulnerable to promoted materials because they lack the skills, knowledge, and cognitive ability to correctly interpret the marketing communications targeted at them (Chow 2000; Resnik and Stern 1977). Marketers, particularly those from the food categories, are said to exploit children’s emotional and irrational behavior (Arnas 2006; Neville, Thomas, and Bauman 2005; Lambert 2004; Young 1990). There has been much concern regarding food advertising during children’s television viewing hours, both in Australia and internationally. A survey of advertising to children in 13 countries reported that Australia has the highest number of television food advertisements per hour, i.e., 2–3 hours per day (Dibb 1996; AC Nielsen 2001). A number of studies reported that fast food and takeaways (e.g., McDonald’s, KFC, Red Rooster, Subway) was the most advertised food category, followed by chocolate and confectionery (cakes, biscuits), on Australian television during children’s programs or viewing...
These views and research were almost exclusively based on children’s processing of television commercials where there is normally a clear change from commercial to non-commercial content (John 1999). This difference in content is not so clear when product placements are used in television, Advergames (Mallinckrodt and Mizerski 2004) or magazines (Acharya and Mizerski 2005) are used. Children would appear to be even less able to accurately process these ‘hidden’ and more subtle forms of commercial messages like product placement.

**Children as Buyers and Purchase Influencers**

Children are viewed as important consumers by marketers because a significant amount of family purchasing decisions are influenced by children (Lindstorm 2004; McNeal 1992). The increase of one-parent families, parents having fewer children, and an increase in working mothers delaying childbirth are said to encourage children to become more independent and has increased the children’s power (through their money and requesting) in family purchasing (McNeal 1992). Children in the U.S. aged four to twelve are reported to have $51.8 billion of direct buying power, as well as influence $500 billion of family purchases (Lindstorm 2004). Marketers may not only want to influence children’s spending today, and they want to retain them as consumers for the future. Brand preferences that are developed at an early stage in childhood are thought to remain through to adulthood (McNeal 1992). According to the latest research done by Roy Morgan (2005) in Australia, children seven to twelve years old receive an average of $8.32 per week as pocket money. Approximately 34 percent of their allowance goes to buy magazines.

Children are surrounded by advertising and other promotional activities as marketers are becoming increasingly sophisticated in developing promotional strategies and techniques to influence consumers (Hasting et al. 2003). Some of these techniques are promotional materials found in children’s magazine in the forms of brand placements, sponsored editorials, comics, games, movie releases, and puzzles (Kraak and Pelletier 1998). Here are some of the examples:

- An editorial column in The Australian Geographic Publication targeted to children, DMag, tells children about “What is Cool for School” which covered ranges of branded products like “Hot Wheels” Lunch boxes, “Faber-Castell” Coloring Pencil, “Apple iMac G5,” etc. One of the sentences found in the editorial column of DMag magazine notes, “if your parents are thinking about getting a new computer then make sure you tell them about the new iMac G5 with flat panel display which is the world’s thinnest desktop computer. Make sure to tell your parents and teachers that they can buy online at www...”

- An editorial page in a magazine targeted to children six to twelve years old, “Potter Theories,” invites children’s opinion on what will happen to some of the characters the children’s book “Harry Potter.” The winning entries would get a “Harry Potter and Prisoner of Azkaban” Sticker Album and sticker sets.

From a marketing perspective, promotional materials placed in magazines have a number of advantages. Parents tend to look upon young children’s magazines as primarily educational material because reading as a skill is reinforced by parents. Reading invited involvement which contributes to a child’s personal and social development as well as his/her reading abilities (Sainsbury and Schagen 2004). One of the merits of print over television is the positive effects reading appears to have on children’s oral and written expression (Beagles-Ross and Gat 1983), reading ability and creative imagination (Greenfield and Beagles-Ross 1988).

It also gives children the advantage of sharing the reading experience with their parents. Therefore, children get the permission to buy it with minimal objections. Most subscriptions to these magazines are paid for by parents. Children tend to attribute greater credibility toward printed words. This might be because they become increasingly controlled by images and symbolic processes and begin to make judgments about products they might use later in the future (Mizerski 1995). It has been reported that by age three, children are connecting brand to their self image (Comiteau 2003).

There have been some studies done on the content of children’s television commercials (Neville et al. 2005; Chapman et al. 2006). Despite the importance of marketing to children though print media, there appears to be no coverage of the content of children’s magazines in the current literature. A study by Acharya and Mizerski in 2005 asked marketing experts’ opinion concerning the commercial content and intention of selected pages of children’s magazine. They found that a leading Australian children’s magazine did contain a significant amount of product placements. However, the extent of this technique and the products that tend to use this form of brand exposure in children’s magazines were not studied. As mentioned earlier, there is limited research in investigating the type of messages exposed to children across children’s magazines, and none concerning those targeted to very young readers (ages 6 on). Therefore, this study intends to address the above issue with the help of the following research questions.
RESEARCH QUESTIONS

1. What is the proportion of commercial and non-commercial content in Australian children’s magazines?

2. What is the proportion of advertising in children’s magazines compared to the proportion in television targeted to children?

3. What types of products are promoted in children’s magazines?

4. How are the proportions of advertisements and product placements distributed across the product categories promoted in Australian children’s magazines?

METHODOLOGY

In an effort to find out the prevalence of different forms of marketing communications in popular Australian children’s magazines, a content analysis (Kassarjian 1977; Kolbe 1991) of top children’s magazines that were targeted to early readers was conducted. Magazines targeted to children in Australia typically have 100 color pages in an 8.27” × 5.85” inch size. In Australia, this would be ½ of an A4 sheet of paper. Some of these magazines are gender specific (like Barbie Girl, Total Girl, Disney Girl) and are targeted to six to twelve-year-old girls. JSquad, Inside Cricket, AFL Records, and Alpha are targeted toward six to twelve-year-old boys. Other magazines like D-Mag, Simpsons, KZone, Disney Adventures, and KRASH are aimed at both gender.

The October 2005 issue of four top (in circulation) children’s magazines in Australia (K-Zone, Disney Adventures, D-Mag, and KRASH) were chosen for the study (see Table 1). All four magazines were the same page size and format (height and width), had same number of pages (n = 100) and were all aimed at six to twelve-year-old children of both gender. These top four magazines would reach about 70 percent of the magazine readership in the 6 to 12-year-old age group.

The development of a recording instrument for the content analysis was based on the previous literature on observing advertisements, product placements, and marketing to children (Byrd-Bredbenner and Grasso 2000; Barr 1989; Lohmann and Kant 1998; Hickman et al. 1993; Balasubramanian 1994; Kraak and Pelletier 1998). Two postgraduate students were trained for coding. A pre-test was conducted on select pages of the September 2005 issue of the four magazines to familiarize the coders with the task, to improve clarity of the codes and to check the reliability of coding. It led to minor formatting changes such as the wording and layout of coding sheet. A procedure recommended by Kolbe (1991) to increase reliability was used in the content analysis. Coders worked independently and were given a codebook containing the operational definitions of each variable. The coders then rated the entire issue of the four magazines (400 records) for the presence or absence of 13 variables (see Table 2). The reliability index proposed by Perreault and Leigh (1989) was used to calculate the agreement between the coders. The reliability was 98 percent across all variables. The coders worked together to solve the few disputes of code assignment. All advertisements and placements were one-page. No fractional sizes were detected.

RESULTS

Commercial vs. Non-Commercial Content

Relative to research question one, it was found that advertisements comprised 34 percent of the pages, while product placements made up 29 percent of the total. Only 37 percent of the pages were judged non-commercial. That is a far higher proportion of commercial to non-commercial content than is featured on children’s television (American Psychological Association 2004).

Australian Geographic’s D-Mag and Disney Adventures are the major Australian children’s magazines that are known for educational material, and enjoy substantial parental trust. Although both magazines had 35 percent of their pages judged non-commercial, they provided commercial communications in quite different ways. Disney Adventures had 60 percent more advertising pages (40% vs. 25%), while D-Mag had 60 percent more product placements (40% vs. 25%). The circulation leader, K-Zone, featured the most amount of non-commercial content (43% vs. 33% to 35%), with most of their commercial pages dedicated to advertising.

In order to get another perspective of the magazine, the content was weighted by the proportion of total circulation. The circulation figure of each magazine was multiplied by the number of commercial and non-commercial items featured in each magazine. However, the proportion of total exposures for advertisements, placements, and editorial content for this group of top magazines remained the same.

Australian Television vs. Magazine Commercial Content

Relative to question two, the findings from a study conducted at the NSW (New South Wales) Department of Health in 2005 was used for an estimate of Australian television content. This study revealed that, on average, 26.6 advertisements per hour were shown on Television through 15 stations in five major cities (Sydney, Melbourne, Adelaide, Perth, and Brisbane) in Australia.
The most advertised food categories in this study were confectionery (17%), fast food restaurants (13%), and dairy products (10%). The least advertised food group was the fruit and vegetable category (0.1%).

For the top four circulating children’s magazines, an average of 64 pages out of 100 pages was dedicated to commercial promotion. The most promoted food categories were confectionery (3%), fast food (1%), and savory snacks (3%). All categories were significantly smaller proportion than in television.

**Product Categories Featured**

Corresponding to research question three, the contents of the magazines were analyzed in order to determine the types of products promoted. The results are shown in Figure 1. Food items were rarely exposed (1 to 4%) in this issue of the magazines. Fast food was only featured twice, in the same issue of the circulation leader K-Zone.

**Type of Communication by Product Category**

Here are some of the brand names promoted in the magazines in food category – McDonald’s happy meal, Coco Pops, Nestle Chocolate, Tim tam Biscuit, Vegemite (bread spread), OT’s rice crisp. In videogames category – the following brands/titles were featured; The Hulk-videogame, Sonic-The Hedgehog, Poke Môn, Chronicles of Narnia, Shrek-The Show Down, Nintendo land. The movie category included the latest movie releases for

![FIGURE 1](image)
children such as The Incredible, Alexander the Great, Corpse Bride, etc. Television shows included – Disney’s Sky High show, Futurama, The Australian Idol, and The Rugrats. Brands in toys category included – Nintendo, Ninja Turtle, Cruise control (Toyota), Hot wheels, etc. Other branded publications feature included The Guinness Book of World Records, Car Racing Calendar, Wrestling Series book, Total Cricket, Harry Potter, behind the hills, etc. Clothes and accessories category include – The Survivor’s Jeweler Kit, Ravinea (children’s jeweler brand), and Target Children wear.

Corresponding to research question four, the magazine content was analyzed based on advertisements and product placements. Table 2 shows the non-food products by the commercial communication format (advertisement or placement). Overall, the use of advertisements was used slightly more often used than product placements (137 vs. 117). However, there were some differences by product type. For example, toys used more advertisements, while movies tend to be promoted through placements in the magazines. Perhaps the availability of using the celebrities in movies contributed to this difference in the use of placements.

**DISCUSSION AND FUTURE RESEARCH**

There has been increasing media interest in the regulation of advertising to children. Product placement is being alleged to be a powerful promotional tool that could clearly impact on children’s choice of branded products (Acharya and Mizerski 2005). The U.K. has severe restrictions on the use of Product Placement based on the assumption that it can mislead the audience with

**TABLE 1**

<table>
<thead>
<tr>
<th>Type of Products</th>
<th>D-Mag</th>
<th>K-Zone</th>
<th>Disney Adventures</th>
<th>KRASH</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advertisement</td>
<td>25</td>
<td>33</td>
<td>40</td>
<td>39</td>
</tr>
<tr>
<td>Blend of commercial and editorial content (product placement)</td>
<td>40</td>
<td>24</td>
<td>25</td>
<td>28</td>
</tr>
<tr>
<td>Non-Commercial Content</td>
<td>35</td>
<td>43</td>
<td>35</td>
<td>33</td>
</tr>
<tr>
<td>Food Category</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fast food</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>Confectionary</td>
<td>1</td>
<td>1</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Beverages</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Savoury Snacks</td>
<td>0</td>
<td>4</td>
<td>3</td>
<td>0</td>
</tr>
<tr>
<td>Non Food Category</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Toys</td>
<td>5</td>
<td>10</td>
<td>11</td>
<td>16</td>
</tr>
<tr>
<td>Movies</td>
<td>10</td>
<td>10</td>
<td>12</td>
<td>2</td>
</tr>
<tr>
<td>Clothes/Accessories</td>
<td>2</td>
<td>0</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Video Games/DVD</td>
<td>27</td>
<td>25</td>
<td>16</td>
<td>23</td>
</tr>
<tr>
<td>TV Shows</td>
<td>4</td>
<td>1</td>
<td>7</td>
<td>4</td>
</tr>
<tr>
<td>Other Publications</td>
<td>15</td>
<td>5</td>
<td>11</td>
<td>16</td>
</tr>
</tbody>
</table>

**TABLE 2**

<table>
<thead>
<tr>
<th>Type of Products</th>
<th>Advertisement</th>
<th>Product Placement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Toys</td>
<td>N = 26 (6.5%)</td>
<td>N = 16 (4.0%)</td>
</tr>
<tr>
<td>Movies</td>
<td>N = 10 (2.5%)</td>
<td>N = 24 (6.0%)</td>
</tr>
<tr>
<td>Clothes/Accessories</td>
<td>N = 3 (0.8%)</td>
<td>N = 0 (0.0%)</td>
</tr>
<tr>
<td>Video Games/DVD</td>
<td>N = 45 (11.3%)</td>
<td>N = 34 (8.5%)</td>
</tr>
<tr>
<td>TV Shows</td>
<td>N = 9 (2.3%)</td>
<td>N = 7 (1.8%)</td>
</tr>
<tr>
<td>Other Publications</td>
<td>N = 29 (7.3%)</td>
<td>N = 18 (7.3%)</td>
</tr>
</tbody>
</table>
the subtle embedded commercial message (OfCom 2005). The U.K. communications regulatory agency OfCom has signaled that product placements need to be removed from the print media for public interest because they violate the need for editorial independence, and because it is not clear whether viewers understood they were watching commercial content (BBC 2005). Also, a recent OfCom move is a total ban on junk-food advertising on television to all children under 16 (Advertising Age 2006). However, this rule applies to Television only. Despite the rules and regulations concerning product placement and advertising, this study shows that it may be prevalent in the pages in children’s magazines. Therefore there is a valid question about why print media is apparently unregulated in this area.

The data generated in this study shows that the exposure related to DVD and Video games were found to be the largest category (36%). The print media are used to advertise products related to DVD and Video games to reach children between eight to twelve years old because children are the decision makers or Influencers in decision making of DVD and Videogames purchases (Hansen and Hansen 2005). On the other hand, parents play a dominant role for clothing purchases for young children (Hansen and Hansen 2005) because most children do not have direct purchasing power of their clothing, this may be the reason for clothes and accessories being found promoted the least (1% of the total). The infrequent promotion of the brands from food category may be because parents play a major role in decision about children’s food choice (McNeal 1987). The recent increase in criticism of food marketing to children has also made food marketers sensitive to their targeting and strategies. Despite the concern over food advertising related to the obesity issue, this study suggests that the print medium seems yet to be targeted by food marketers.

The promotion of publications like children’s books and magazines were found to be the second most promoted (19%) category. One of the reasons behind it could be most of the magazine runs product tie-ins with other books and magazine publishers (McCarthy 2003).

These findings provide a first sample of the commercial material targeted to young children in perhaps the oldest medium. Given the concern of developing materialism in children and the over consumption of unhealthy food products, this study might make parents and public policy makers think about the potential influence of magazine promotion on children. Future research should focus on ascertaining what knowledge the end user has about the commercial messages in magazines aimed at them. Also a broader array of promotional activities such as card trading games, adver-games, stationeries should also be considered.

Product placements and advertorials may have great potential to mislead and deceive children as children are found to lack the persuasive knowledge (judgmental view about promotions) thus makes them vulnerable. The use of such techniques to advertise to children could be criticized as a failure of marketers to play fair, if the ability to differentiate the commercial vs. non commercial is effective on young children. This issue has invited regulators concern for television, but there has been little interest and emphasis given for magazines aimed at children. Given that much greater proportion of commercial content is found in young children’s magazine than that in TV, it appears that further investigation is warranted.

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SUMMARY

Brands play an important role in everyday life of consumers and there are a number of positive effects resulting from purchasing and consuming brands. Brands, for instance, help consumers to minimize purchase risks, provide the basis for status consumption, and build a source of social interactions among consumers (e.g., Muniz and O’Guinn 2001). Although brand consumption involves many positive effects, negative influences should not be denied. However, only few scholars (e.g., Aaker, Fournier, and Brasel 2004) have engaged in research on such “dark” sides of brands.

One negative effect can be seen in brand stress in the form that individuals feel pressured to purchase and consume branded products and services in order to be accepted by the peer group. Prior research found that adolescence is a period of heightened vulnerability to the influence through marketing and the media (Pechmann, Levine, Loughlin, and Leslie 2005). Branded products and services are part of this influence. We thus concentrate on adolescents’ perceived brand stress. In line with the understanding of brand stress by Hammann, Palupski, and Bofinger (1997), we refer to brand stress as strain caused by brand-centered communication and brand-centered behavior. Although the authors introduced the term brand stress into the literature, a solid understanding of the construct and a valid scale to measure brand stress is still missing. Thus, the main objective of this study is to conceptualize and operationalize the construct of adolescents’ perceived brand stress (APBS). Furthermore, we identify and empirically test possible antecedents and consequences of APBS.

In adolescence, the influence through peers, the media, and marketing is most likely to be experienced for publicly consumed goods such as branded clothing and fashion items (e.g., Childers and Rao 1992). Thus, by using clothing as a sample product category in our empirical research, we find that stress is manifested not only in emotions, but also in psychosomatic illnesses. In order to account for these two manifestations and distinguish them clearly, we call the former affective brand stress (APBS\textsubscript{aff}) and the latter psychosomatic brand stress (APBS\textsubscript{ps}). Both make up the concept of brand stress. The stress process framework proposes that negative emotional reactions precede psychosomatic illnesses (Cohen, Kessler, and Gordon 1995). We thus conclude that psychosomatic strain will not occur until affective brand stress has been experienced for quite some time.

Five major antecedents and two major dependent variables are identified as relevant in terms of their relationship to APBS\textsubscript{aff}. The selected antecedents are susceptibility to brand choice influences exerted by the peer group, the media, and the parents, inconsistencies, and product category involvement. The identified consequences of APBS\textsubscript{aff} are brand sensitivity and purchase intention. Moreover, susceptibility to brand choice influences and product category involvement have an influence on brand sensitivity that in turn also affects purchase intention.

By examining the model parameters using data of 1,049 ten to 19-year-old adolescents allows us to confirm all but two of the proposed hypotheses. The susceptibility to brand choice influences exerted by the parents does not influence APBS\textsubscript{aff}. Additionally, there is no significant relationship between APBS\textsubscript{aff} and purchase intention. By taking into consideration brand sensitivity as a mediator of this relationship, however, there is a total effect of APBS\textsubscript{aff} on purchase intention. This shows that adolescents’ perceived brand stress does have a significant influence on the intention to purchase branded clothing. Important implications for public policy and ethical marketing management can be derived.

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