2007 AMA Winter Educators’ Conference

Marketing Theory and Applications

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311 S. Wacker Dr.  •  Chicago, IL 60606
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Many people have dedicated substantial time and effort to ensure that the 2007 Winter Educators’ Conference is a success. Although we thank everyone for their help and support, we particularly acknowledge the outstanding contributions of the Conference track chairs. The chairs have shown leadership in ensuring an exceptional academic program. The Conference track chairs are as follows:

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The program also reflects the valuable contributions of the conference reviewers (listed on p. xvii). We thank everyone who submitted papers and/or special session proposals, the AMA Academic Council, our “Blue Ribbon” Award Selection Panel, and the AMA journal editors. We also appreciate the detailed implementation support provided by the AMA staff: Nicole Morris, Chris Leporini, and Pat Goodrich.

Finally, we want to single out Bill Cron, AMA Academic Council President, for providing us with excellent advice and support throughout the planning process.

Andrea L. Dixon
University of Cincinnati

Karen A. Machleit
University of Cincinnati
Best Papers by Track

Conference Best Paper
“Should Firms Prioritize Their Customers?”
Christian Homburg, University of Mannheim
Mathias Droll, University of Mannheim
Dirk Totzek, University of Mannheim

Track Best Papers

Brand Identity and Communications Track
“The Fit Between Brand Personality and Consumer’s Self: The Importance of Self-Congruence for Brand Performance”
Harley Krohmer, University of Berne
Lucia Malär, University of Berne
Bettina Nyffenegger, University of Berne

Consumer Behavior Track
“Customer Perspectives on Brand Mergers: The Role of Confidence, Loyalty, and Apparent Purpose”
Anil Thozhur, Columbia University
Mark Heitmann, University of St. Gallen
Donald Lehmann, Columbia University

Global Marketing Track
“Satisfaction in International Channel Relationships: A Local Channel Member Perspective”
Tillmann Wagner, Texas Tech University
Christian Schmitz, University of St. Gallen

Interorganizational Issues Track
Reham A. Eltantawy, University of North Florida

Marketing and Society Track
“What Am I Drinking? An Exploration of the Effects of Serving Facts Information on Alcoholic Beverage Containers”
My Bui, University of Arkansas
Scot Burton, University of Arkansas
Elizabeth Creyer, University of Arkansas
John Kozup, Villanova University

Marketing Strategy Track
“Should Firms Prioritize Their Customers?”
Christian Homburg, University of Mannheim
Mathias Droll, University of Mannheim
Dirk Totzek, University of Mannheim

Products and Services Track
“The Dark Side of Hierarchical Loyalty Programs: Testing Customer Reactions to Relationship Status Reductions”
Tillmann Wagner, Texas Tech University
Thorsten Hennig-Thurau, Bauhaus University Weimar

Research Methods Track
“Rethinking Readiness: Development and Validation of a Reduced Form of the Technology Readiness Index (TRI)”
Michelle Barnhart, University of Utah
Mark Ratchford, University of Colorado, Boulder

Sales Force and Relationships Track
“The Role of Brand-Specific Transformational Leadership for Employee Brand-Building Behavior”
Felicitas Morhart, University of St. Gallen
Walter Herzog, University of St. Gallen
Torsten Tomczak, University of St. Gallen

Sharing Marketing Knowledge Track
“Integrating the Technological Resources of the Online Learning Environment with the VAK Learning-Styles Model to Foster Student Learning”
T. Rick Whiteley, Calabash Educational Software

Technology and Innovation Track
“Discovering Value Perceptions of Mobile Services with Critical Incident Technique (CIT)”
Minna Pura, Swedish School of Economics and Business Administration
Johanna Gummerus, Swedish School of Economics and Business Administration
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INTEGRATING THE TECHNOLOGICAL RESOURCES OF THE ONLINE LEARNING ENVIRONMENT WITH THE VAK LEARNING-STYLE MODEL TO FOSTER STUDENT LEARNING

T. Rick Whiteley, Calabash Educational Software, Toronto

ABSTRACT

Addressing the differences in the preferred learning-styles of students in the world of online learning using the available technological resources to foster student learning provides educators with unique opportunities and challenges. The means by which to integrate these resources with the VAK (Visual, Auditory, Kinesthetic) learning-styles model is described.

INTRODUCTION

From its inception in the mid-1990s, the Internet has gradually assumed its place in the personal and corporate affairs of those who have adopted this new mode of communication. Institutions of higher learning also have decided to embrace this virtual world by offering only online courses (e.g., Capella University) or have decided to expand beyond the traditional class setting by offering hybrid (blended) classes, classes which incorporate the online feature as part of the traditional class (e.g., Southern New Hampshire University), or by adding classes that exist only in the virtual world (e.g., University of Maryland University College). For the latter schools, the online course most often serves as a substitute for rather than as a supplement to the traditional “chalk and talk,” in-class lecture format (see Marvel, in Vachris, Bredon, and Marvel 1999).

By the year 2008, it is predicted that one in 10 college students will be enrolled in an online degree program (Golden 2006). Demand of this nature requires an understanding of how best to design courses that meet the learning needs of all students and achieve the desired instructional objectives. This understanding relates to the nature of the technology, both hardware and software, used in a course and to the preferred learning-styles of students and course instructors. Learning style refers to the preferred and consistent way, in terms of behavior and approaches, one responds to and uses stimuli in an educational setting (Clark 2000; Litzinger and Osif 1993).

One of the major concerns related to online course enrollment is whether courses of this nature are appropriate for all students. Students who are independent, self-disciplined, and motivated are expected to adjust the best to a virtual class setting (Flood 2003; Pan 2003; Priluck 2004; cf., Raatikainen 2003). Pan (2003) believes that an online course is only appropriate for these students. Hallock, Satava, and LeSage (2003) believe that not all learning styles are appropriate for online learning and, in fact, believe that some styles may actually hinder learning. It also must be acknowledged that online teaching may not be appropriate for all instructors.

If all students in a class have the same preferred learning-style, and if this learning style is conducive to online learning and matches that of the course instructor, then there is no issue. Unfortunately, at least from the perspective of the course instructor, pedagogical insight and empirical research suggest a different environment. Specifically, research by Biberman and Buchanan (1982), Stewart and Felicetti (1992), and Wynd and Bozman (1996) all found that learning-style preferences varied across students and across business majors. Karuppan (2001) found learning-style differences among the students in a Principles of Marketing class.

The proposed approach to online course design is based on the belief that it is better to match the design of a course to the learning-style preferences of the students rather than present the students with an incompatible learning-environment. A review of the literature reveals that there are valid arguments for requiring students to adapt to the learning-style underlying a course (e.g., see Bacon 2004; Diaz and Carnal 1999; Gold and Johnson 1992; Hallock, Satava, and LeSage 2003; Moores, Change, and Smith 2004) and there are valid arguments for requiring the course instructor to adapt to the learning needs of the students (e.g., see Karuppan 2001; Morrison, Sweeney, and Heffernan 2003; Okanlawon 2006; Svinicki and Dixon 1987; Wynd and Bozman 1996). However, a major problem with the approach advocating student adaptation is that telling students that they may not do as well as expected until they learn how to learn would not create a very positive learning environment. Furthermore, research by LePine, LePine, and Jackson (2004) and LePine, Podsakoff, and LePine (2005) indicate that greater consistency between course design and student learning-styles leads to less stress in the learning environment, higher motivation to learn, and better performance. Preference for student-centered versus teacher-centered environments also favors course design based on student learning needs.
An interesting parallel issue to the need to address the learning styles of students in course design is the need to address the learning styles of course instructors. Like students, course instructors also need an environment that matches their learning styles to do well (Hallock, Satava, and LeSage 2003). In fact, research indicates that when teacher and student learning-styles match, learning is enhanced (Claxton and Murrell 1987). However, with the heterogeneity of student learning-styles in a typical class, the learning styles of only some of the students would match the preferred learning-style of the course instructor. Fortunately, the task of adapting to the needs of the students should be easier for an instructor in a virtual classroom setting (VCS) than in a traditional classroom setting (TCS), since there would be less instructor self-involvement in terms of situational involvement (i.e., with the teaching-learning environment) and enduring involvement (i.e., the subject matter and with the process of teaching) dealing with the man-machine interface of a VCS than with the didactic face-to-face interaction of a TCS.

Given that online courses should be designed to be compatible with the preferred learning-styles of all students, the task, then, is to determine how best to achieve this goal, whether dealing with a synchronous or an asynchronous environment, given the spatial, and most often, temporal, separation of the students and the course facilitator (i.e., instructor). One way to achieve this goal is to design courses that appropriately integrate the available technological resources of the man-machine interface of the online learning environment with the preferred learning-styles.

GENERAL ISSUES

As educators gain greater experience with the online delivery mode, it becomes clear that the teaching approaches used in a TCS cannot effectively serve as mirror-image templates for the learning environment of a pure VCS; changes are required. For any change that is considered, the identification of the theoretical constructs and relationships that are relevant to a VCS is necessary in order to develop courses that effectively achieve the course learning objectives (Piccoli, Ahmad, and Ives 2001). One area that can serve as an important theoretical foundation for the development of effective online courses is learning styles. The online course designer has a variety of stimuli that can be deployed and to which the learner can respond, however, the problem is to determine which stimuli best suit the preferred learning-style of each student.

Designing a course that accounts for all student learning-styles is appropriate whether the course follows the TCS or the VCS format. In fact, both course settings have been criticized for failing to address learning-style differences; the tendency is for the course instructor to design a course that is inherently consistent with the instructor’s preferred learning-style, regardless of the needs of the students (Hay, Peltier, and Drago 2004). However, the opportunity to design a course that meets the learning-style preferences of all students may be easier in a VCS than in a TCS because of the diverse nature of the technological options available in the online environment. The technological options selected depend on the learning-styles of the students, as determined by the learning-style model used as the theoretical foundation for the course design process.

The first task in designing a course that seeks to integrate the technological resources available in the online environment with the preferred learning-styles of students to foster student learning is to select an appropriate learning-style model to serve as the theoretical foundation. Once this selection is made, the next task is to determine ways of accommodating individual learning-styles in the online environment based on the selected learning-style model. These two areas are considered next, followed by a discussion of the stress that learners face when participating in a course that is structured using a multi-modal approach to learning-style accommodation and, finally, by a discussion of the concerns a course facilitator would have in this design process.

LEARNING STYLES

Not all students learn in the same way (Abraham 2002; Bose 2003) or have the same learning-style preference (Hallock, Satava, and LeSage 2003). A learning style reflects the preferred and consistent way, in terms of behavior and approaches, one responds to and uses stimuli in an educational setting (Clark 2000; Litzinger and Osif 1993); it refers to the way in which individuals acquire and use information (Karuppan 2001); it refers to “the attitudes and behaviors that determine the preferred way of learning” (Okanlawon 2006, p. 331); and it reflects the “characteristic cognitive, affective, and physiological behaviors that serve as relatively stable indicators of how learners perceive, interact with, and respond to the learning environment” (Ladd and Ruby 1999, p. 363). Since such learner characteristics are important in determining the level of student achievement and satisfaction in a VCS (Raatikainen 2003), online course content needs to be delivered in different ways in order to accommodate all learning-styles (Abraham 2002; Gregory 2003; Piccoli, Ahmad, and Ives 2001).

Gray and Palmer (2001) found that online classes tend to account for a single learning-style, even though class management systems, such as WebCT and Blackboard, allow for the use of text, audio, video, and graphic files to accommodate different learning-styles (Larson 2002). Despite the spatial and temporal separation of the
participants in an asynchronous online course and the spatial separation in the less common synchronous online course, the technological capabilities of the Internet and classroom management systems allow the online learning environment to approach the structural nature of a TCS in order to account for the different learning-styles.

While there is agreement that different learning-styles exist, there is no single theoretical framework to define this construct. Some of these frameworks include (1) the Neuro-Linguistic Programming (NLP)-VAK learning-styles framework, (2) the Left/Right Brain Cognitive Processing model, (3) Kolb’s learning-styles inventory and cycle of learning model, (4) Honey and Mumford’s learning-styles framework, (5) the Myers-Briggs Type Indicator (MBTI), (6) McCarthy’s 4MAT cycle of learning, and (7) Howard Gardner’s Multiple Intelligences. All of these frameworks recognize that learning-style differences exist across individuals. Clark (2000) and Litzinger and Osif (1993) also indicate that there is really a learning-style continuum, where an individual exhibits a point of preference without completely abandoning other learning styles. For this reason, Clark (2000) believes that all individuals are capable of learning under any style or intelligence. However, it is the preferred learning-style that directs one’s process of learning.

Since the technology in the man-machine interface of online learning deals with stimuli directed toward the sensory receptors of the individual learner, a learning-style model that is based on sensory stimulation would be an appropriate theoretical framework on which to base the design of an online course. Of the different learning-style models identified, the VAK (Visual, Auditory, Kinesthetic) model best meets this criterion. The nature of this model and how the course facilitator can accommodate the individual learning-styles of the online participants based on the VAK learning-styles model using the technology available in a VCS are explained next.

**ACCOMMODATING INDIVIDUAL LEARNING STYLES IN AN ONLINE COURSE BASED ON THE VAK LEARNING-STYLES MODEL**

The online environment is void of direct, face-to-face contact; all communication exists in the digital world. The nature of the evolving technology, however, provides the opportunity to design a virtual course to take advantage of the technological features available in order to accommodate the learning-style needs of all learners.

The most utilized approach to learning-style analysis is the VAK model (Visual, Auditory, Kinesthetic) (Clark 2000). The biologically-imposed learning modalities of this model involve visual, auditory, and kinesthetic perceptions that evolve within the individual over time (Dunn and Waggoner 1995). It is perhaps the intuitive and simplistic nature of this model that makes it the choice of instructional designers. The VAK model requires the course facilitator to structure the learning environment to meet the needs of the learner by incorporating appropriate external stimuli as part of this environment, stimuli that interact with the sensory receptors of the learner.

The importance and nature of the relationship between sensory receivers and external stimuli in the learning process is seen in the link between Neuro-Linguistic Programming (NLP) and the VAK model. According to the NLP perspective, there is a need for the individual to learn language so it can function as a filter to convey individual thoughts (Cotton 2004). Thoughts are based on the five primary senses of seeing (visual), hearing (auditory), feeling (kinesthetic), smelling (olfactory), and tasting. The VAK model is based on three sensory receivers: visual, auditory, and kinesthetic, where one or more of the receiving styles dominate one’s preferred approach to learning (Clark 2000; Dunn and Waggoner 1995; also see Claxton and Murrell 1987; Raisinghani et al. 2005). The preferred modality (i.e., the main channel for learning) develops with practice, eventually achieving modality strength (Dunn and Waggoner 1995). The less- or non-preferred modalities, while never achieving the strength of the preferred modality, can still serve as important secondary or tertiary modalities by reinforcing the modality strength of the preferred method (Clark 2000; Dunn and Waggoner 1995). This is one reason why instructional lessons should be delivered in a multi-modal fashion (cf., Dunn and Waggoner 1995).

Even though the individual brings a preferred learning-style to the learning environment, the nature of the task or situation can influence the learning style employed (Clark 2005). While some learning situations are best structured by focusing on a particular learning modality, an approach that combines different modalities (e.g., use of sound and visuals) can enhance learning and increase the likelihood that the preferred modality of the learner is considered. Thus, situational variability is another reason to present material using the balanced multi-modal approach, so that all learners, regardless of the preferred learning style, can be fully engaged in the learning process (Clark 2000; Cotton 2004). The task of the online course facilitator is to determine how best to achieve this enlightened pedagogical goal using the available technology. Suggestions on how to help auditory, visual, and kinesthetic learners in this way are discussed.

**Auditory Learners**

The statement, “I hear what you are saying” (Cotton 2004, p. 26), reflects the learning orientation of the auditory learning-style group. While Clark (2000) indicates a number of ways of integrating the auditory learning-style into the learning environment, four particular suggestions...
are most appropriate for the online environment. First, since auditory learners talk to themselves, move their lips, read aloud, and have difficulty with reading and writing tasks, incorporating online discussion in the course allows these students to express themselves by typing in what they speak, either in an asynchronous discussion area or through a synchronous chat option, if using WebCT, Blackboard, or some other classroom management system. Alternatively, using a sound recorder that allows messages (i.e., voice clips) to be recorded as .wav or similar files, like the one provided in Windows XP, and sending these files as attachments through the classroom management system allows for asynchronous auditory communication among the members of the class. Approaches external to the classroom management system that can be used to provide auditory communication among class members include the use of synchronous, interactive messenger programs, such as AOL’s AIM Triton, Microsoft’s Live Messenger, Google Talk, or Yahoo’s Messenger with Voice. While requiring all students to engage in some form of dialogue, whether text-based or oral-based, with the other members of the class is pedagogically sound for all students, Claxton and Murrell (1987) and Raisinghani et al. (2005) indicate that the requirement of an oral presentation best suits auditory learners.

The second suggestion by Clark (2000) is to have the course facilitator use the Socratic Method to engage students in a dialogue. This approach increases the learner’s involvement in the community of learners and allows for directed, higher-order learning. The third suggestion by Clark (2000) is to make use of brainstorming and auditory resources, such as an academically-based Jeopardy-like game with sound. The brainstorming sessions can be conducted using .wav files, text-based discussion entries, or chat rooms. Using sound tracks, text- and/or auditory-based lecture material, and other sound-based resources, including a text-to-speech voice synthesizer (e.g., Microsoft Sam), would also benefit this group. In fact, Cotton (2004) indicates that auditory-learners are even happy to “listen” to lectures, something not all students would cherish, so providing recordings of such material would be worthwhile. The fourth identified suggestion by Clark (2000) is for the course facilitator to engage in an internal dialogue with the learners by assuming an active role in the discussions beyond what has already been suggested.

The overall focus with respect to auditory learners is to find ways of engaging them in the course at a level that is most comfortable for them. The writing problems that these learners have (see Clark 2000) can be overcome as long as the focus is on writing what one speaks or thinks, not on formal writing. The reading problems that these learners have (see Clark 2000) can be overcome by engaging these students in short discussion entries and by the use of sound files, whether as stand-alone components or as files that accompany online text material. Under this learning-style mode, use of the Socratic Method via text dialogue should help the auditory learner the most, given the absence of face-to-face dialogue. In the case of text entries, the learner has to mentally listen to the word of the other without the sound by reading the text message and by engaging in a dialogue with the other members of the class via an internal conversation that is transmitted as text but processed at a cognitive level (i.e., internally). In this way, the text dialogue, in a sense, becomes “live.” Alternatively, using a voice synthesizer would give a voice to the text entry. However, an even better approach, and one that comes closest to a face-to-face interaction setting, is to use .wav (or similar) files, since such files would include an actual human voice with the characteristics of pitch, speed, and voice tone (see Cotton 2004), allowing the listener to assign greater meaning to the message received by picking up on the nuances conveyed in the message. Text-to-speech avatars and general voice synthesizers, like Microsoft Sam, generally lack the full capability of displaying these human voice characteristics.

Text-based communication, which lacks the cues of pitch, speed, voice tone, facial expression, and overall body language, makes it difficult for the receiver of the communication to decode the message accurately (Enemark 2006). Feelings and emotions are difficult to convey via text-based communications, and there is a tendency to assume that others experience stimuli in the same way as oneself (Enemark 2006). To overcome these problems and to develop rapport and trust among the parties, the use of voice-based communication is required (Enemark 2006). In a VCS, access to voice-based messaging among all members of the class would address the issue. Using a hybrid structure for course design is another way to accomplish this goal, unfortunately, this option is not realistic if the members of the class are geographically scattered.

One additional step that can be taken to help the auditory learner is to convert course material to an auditory format, a very time-consuming and, possibly, costly venture. This can be done by the course facilitator or by someone under contract. Another option is to use a commercial avatar service (e.g., SitePal). An avatar service provides text-to-speech conversion using a voice that is more “human-like” than the run-of-the-mill voice synthesizer, using the course facilitator’s own voice, or using professional voice talent. The service also includes an on-screen visual of a selected inanimate character that appears to communicate the message. Unfortunately, the avatar approach is a costly route if a lot of material is involved. Another problem with the approaches discussed so far is that these monologue approaches do not allow for any direct dialogue among the members of the class; such
discussion would have to occur within the normal discussion area. A final option to consider is to use Adobe’s Macromedia Breeze services (AMB), also a costly alternative. This service allows participant interaction at the visual (webcam, video, presentation slides, and text), auditory (sound/voice recordings, live voice), and kinesthetic (whiteboard, chat entry) levels. AMB approaches the reality of a TCS by providing a next-best-thing-to-being-there online environment, whether used in a synchronous or asynchronous manner.

**Visual Learners**

The statement, “I see what you are saying” (Cotton 2004, p. 26), reflects the learning orientation of the visual learning-style group. This group, which comprises a visual-linguistic (visual-verbal) subgroup and a visual-spatial (visual-nonverbal) subgroup (Clark 2000; also see Claxton and Murrell 1987; Raisinghani et al. 2005), learns best by interacting with visual and related stimuli (Cotton 2004). Visual-linguistic learners learn best when presented with pictorial and text material (Claxton and Murrell 1987; also see Raisinghani et al. 2005). Since these learners learn by reading and writing (Clark 2000), having them engage in online discussions and chats requiring text-entry and online posting of text-based assignments would be beneficial to them. Visual-spatial learners benefit most by using visual (i.e., pictorial) aids, such as charts, diagrams, and video clips (Clark 2000; Claxton and Murrell 1987; see also, Raisinghani et al. 2005). Slide presentations (e.g., PowerPoint) can be included in this list, as can the use of 3D monitors. Unfortunately, at the present time, the visual impact on learning of 3D monitors has yet to be determined, as this expensive technology is still in the early stages of product and market development (see Kanellos 2006), but such a resource would be compatible with the learning style of visual learners, particularly, visual-spatial learners. A wide variety of commercial software is available for the creation of visual resource material (e.g., Adobe Illustrator).

**Kinesthetic Learners**

The statement, “that feels right to me” (Cotton 2004, p. 26), reflects the learning orientation of the kinesthetic group. Kinesthetic learners process information through their physical and emotional feelings (Cotton 2004). These learners prefer an active learning environment involving touching (tactile activity) and motion (movement) (Clark 2000; also see Claxton and Murrell 1987; Raisinghani et al. 2005). In order to maintain concentration, kinesthetic learners require a learning environment that involves external stimulation or movement (Clark 2000).

This fact explains why these learners often use highlighters when reading course material (Clark 2000). Hallock, Satava, and LeSage (2003) indicate that being able to manipulate and handle learning materials best suits the tactile-kinesthetic learners but that other learning-style groups can benefit from such behavioral engagement as a way to reinforce their preferred modality.

For kinesthetic learners, Clark (2000) suggests designing a course that gives these learners something to do that will keep their hands busy, including the transfer of text material to another medium. Requiring these learners to engage in keyboard text-entry or mouse clicking, whether it is in an asynchronous discussion area or a synchronous chat area, will meet this need, as would the requirement to prepare and submit assignments using the same technology. Creating online sample or graded tests or on-screen assignments which require the student to click on the selected answer or section would also meet the needs of these learners. Using touch-sensitive computer monitors (i.e., 3D monitors) as a user-interface input-device would also appear to be useful for this group, once this option becomes economically viable.

When tactile learning is appropriate, requiring online learners to possess objects that actually require touching during the learning process (e.g., comparing different grades of sandpaper, comparing box labels of different brands of detergent) would enhance the learning opportunities for kinesthetic learners. Online instructions for object assessment would guide the learning process. Data and report entry via the keyboard or the creation and uploading of audio and image files would allow the students to report their findings. Auditory learners could also benefit by having to create and upload audio and image files into the discussion area, and visual learners could benefit by having the opportunity for visual interaction with such objects and images.

As it appears, movement for kinesthetic learners in an online environment is generally limited to hand movement during text entry, mouse clicking, or to the manipulation of a given object. Such limited movement may not be enough to engage these learners fully for long. Inactive or long online-sessions may cause them to become “fidgety” (Cotton 2004, p. 26) or to need a “stretch break” (Clark 2000). In an asynchronous course, the learner can unilaterally decide when to engage in and when to disembark from an online session. The course facilitator can increase the likelihood of sustained engagement by only requiring short periods of interaction or by including periods of activity, such as keyboard entry or mouse clicking, during an online session.

Examples of kinesthetic activities for a synchronous, online session are for students to analyze a case study collectively; to take a static or interactive, online test as a group; or to complete a static or interactive, crossword puzzle in a collaborative, online workspace that provides access to audio- and/or text-chat and a whiteboard or a
posting area. For an asynchronous, online course, students can take turns analyzing a case study using the highlighting and commenting capabilities of programs such as Microsoft Word or Adobe Acrobat, and then passing their analyses onto others to make additions or to respond directly in the discussion area. Other options for this group include completing static or interactive online tests or crossword puzzles on their own or requiring online search and keyboard entry for the discussion of search findings.

**STRESS IN THE LEARNING ENVIRONMENT**

When a course facilitator sets out to design a course to satisfy the needs of each learning-style group defined by the VAK framework, because of the heterogeneity of learning styles that exists within a class, the end result is a course that reflects a blended or balanced approach to learning (see Claxton and Murrell 1987; Cotton 2004; Raisinghani et al. 2005). By using this approach, each learner is afforded the opportunity to reinforce his or her preferred learning-style using the resources designed to meet the needs of the other positions along the continuum of learning styles, even though these incompatible resources may be a source of stress.

Research by LePine, LePine, and Jackson (2004) and LePine, Podsakoff, and LePine (2005) indicate that there is a direct, positive relationship between stress that is associated with challenges (i.e., good stress) in the learning environment and learning performance and that there is a direct, negative relationship between stress that is associated with hindrances (i.e., bad stress) in the learning environment and learning performance. An example of a hindrance stressor would be an element of a learning environment that is incompatible with a student’s preferred learning-style; an example of a challenge stressor would be one’s attempt to be the first to solve a case problem. The two cited studies specifically found that challenge stress is positively related to the motivation to learn, that hindrance stress is negatively related to the motivation to learn, that the motivation to learn is positively related to learning performance, and that the motivation to learn partially mediates the identified stress-performance relationship. Based on these findings, ensuring that the visual, auditory, and kinesthetic features of the learning environment are compatible with the preferred learning-styles of the students, as much as possible, through the use of the available technology should lead to a learning environment that generates a lower level of stress than would otherwise be the case. However, no class will consist of students who all have the same learning-style preference. As a result, using a balanced approach to address all learning styles will mean that there will be times when the course focuses on a non-preferred learning-style for any particular student, resulting in a certain amount of stress for each student.

**COURSE FACILITATOR CONCERNS**

It is one thing to contemplate designing an online course that integrates the technological resources of the online learning environment with the preferred VAK learning-styles of students to foster student learning; it is something else to carry out such an undertaking. While more and more faculty members in business are incorporating technology as part of their courses (e.g., e-mail, static, or dynamic online course material, PowerPoint slides) (Granitz and Hugstad 2004), the journey is not yet complete. The online instructor has no choice but to become a technological wizard, in both the hardware and software areas, and to recognize that his or her preferred teaching-style may have to take a backseat to the learning-style needs of the students.

Implementing a course of the nature described is not necessarily a difficult task. For those who do not wish to develop the skills and knowledge to develop their own courses, assistance may be available from the IT or teaching resource personnel on campus. For the adventurous type, enrolling in courses or engaging in the process of self-discovery to learn how to develop, integrate, and deploy the necessary resources are options to consider. Alternatively, a technology champion, one who values (Markham and Aiman-Smith 2001) and promotes (Howell and Higgins 1990) appropriate technology, can be appointed from within the department, using that individual’s course as a model for others to follow, if one exists. A final approach is for the faculty member to call on a colleague for assistance informally.

If the common goal of instructors and the administration is to find ways of enhancing online student performance, and if the technology and pedagogical approaches are capable of achieving this goal, then there should be no organizational or departmental inertia or resistance to new ideas and technology (Schon 1963), no scarcity of resources (Granitz and Hugstad 2004), and no resistance by faculty to commit the required time and effort to achieve this goal. Unfortunately, the history of the diffusion of technology within the marketing classroom indicates that it has not always been smooth sailing (see Cassady et al. 1938; Fisk 1971), and the literature on organizational learning indicates that not every organization or every individual within a firm is open to change (see Saban et al. 2000).

While having to learn how to use new technology may be difficult for some faculty, relinquishing control over the nature of the teaching style used may be more difficult. Course instructors, like students, also need an environment that matches their learning styles to do well (Hallock, Satava, and LeSage 2003). Because of the enduring involvement associated with the teaching process, requiring an instructor to deviate from his or her
preferred learning-style may create a stressful situation (i.e., hindrance stress) for that individual. However, on the positive side, a student-centered course may lead to higher course evaluations (Taylor et al. 2004) and better grades.

**CONCLUSION**

In today’s virtual world of learning, the man-machine interface has definitely changed the method of delivery, but it has not changed the ultimate goal of learning. In the mostly “non-tech” teaching environment of over half a century ago, Cowan (1948) recognized that visual aids were just as important to the learning process as the “sound of the teacher’s voice” (p. 502). The technology of today allows the course designer to develop a multi-modal learning environment that parallels those of the past by matching the digital elements of technology to the appropriate sensory receptors of the learner so that the learning-style needs of all students, as set out in the VAK model, are satisfied and so that all students are afforded the opportunity to do well.

A decision to implement the proposed approach requires a significant investment of time and effort. It is an approach that is closer to the high investment strategy advocated by Morrison, Sweeney, and Heffernan (2003) than it is to the middle-of-the-road strategy advocated by Karns (2006). When deciding on which approach to course design to use, one must also determine how many learning styles can be effectively implemented in an online course (Chonko 2004).

The proposed approach to online course design should only be viewed as a starting point. Future research can use this framework as a foundation and incorporate other learning-style models to fine-tune the course design process, with the goal of fostering student learning as much as possible. As for those who decide to enter the world of online teaching, the challenges of the area need to be acknowledged, including the question of whether course design should address the learning-style needs of all students. It also has to be recognized that, just as an online course may not be appropriate for all students, such courses also may not be appropriate for all teachers.

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ABSTRACT

Results of separating marketing majors from non-marketing majors in Principles of Marketing, without restricted registration, by offering it in multiple formats simultaneously are reported. Guided by similarity-attraction and student-approaches-to-learning, a Web class to attract on-campus non-marketing majors, and a lecture class to attract marketing majors, were offered simultaneously. Several research questions were investigated, and novel results obtained.

INTRODUCTION

There is a difference of opinion over the potential value of technology in education (see Peterson et al. 2002; Hunt et al. 2004 for summaries). The demonstrated value of the world-wide-web in marketing education, besides enabling distance education, also has been debated (e.g., Granitz and Greene 2003; Jones and Kelly 2003; Malhotra 2002; Malhotra et al. 2002). Because applications of the Web in marketing education still may be in their “take-off” period (Peterson et al. 2002), the primary applications of the Web in marketing education, besides distance education, have been web-augmentation of traditional lecture classes (see Jones and Kelly 2003; Close et al. 2005; Malhotra 2002 for summaries).

There is an emergent literature on web-augmented classes in Marketing (classes with a reduced number of class meetings) and comparisons between these classes and the traditional lecture class with a full number class meetings (see Close et al. 2005; Priluck 2004 for a summary). For example, Priluck (2004) compared a traditional lecture section of Principles of Marketing to a partially web-based section, and, overall, students rated the web-based section lower even though there was no difference in test scores. However, as Priluck seems to suggest, these results are consistent with previous studies in this venue: study results vary depending on research design and context.

With these mixed results and thus mixed attractiveness of web-based classes, and perhaps to avoid the Web becoming another instructional technology “solution looking for a problem” in marketing education (Hunt et al. 2004), authors have called for more attention to the benefits of the Web to marketing education, such as meeting student needs and presumably their wants (see for example Close et al. 2005; Taylor et al. 2004; Malhotra et al. 2002). This article reports a Web-based approach to meeting both student wants and their needs: using the Web to address a persistent issue in marketing education pedagogy, maintaining or improving rigor in Principles of Marketing classes that are composed primarily of non-marketing majors who may not all value this objective.

IMPROVED RIGOR

The introductory undergraduate marketing course, typically titled “Principles of Marketing” (Principles) typically presents a pedagogical challenge. The course is an essential part of the “core” in most marketing programs. However, it is also required of all business majors. This can produce sections of the course that are composed of both marketing majors and others who are interested in the course, and non-marketing majors who are typically less interested in the course. Because marketing majors usually are outnumbered in these classes, pedagogy may be compromised, as one colleague put it, “in favor of entertainment and student evaluations.” Stated differently, the Principles course can be insufficiently rigorous enough to prepare marketing majors adequately for their subsequent marketing courses. This in turn might place heavier teaching and learning burdens on marketing majors and subsequent core marketing courses.

We began considering a Principles class for marketing majors several years ago. The obvious approach would be to create two sections, one with restricted registration for marketing majors only, and one for non-marketing majors. However, this was ruled out for a variety of reasons, including that some non majors were interested in the course, and it was uncertain that termi-nally qualified faculty could consistently be assigned to the non-marketing-majors sections. Among other difficulties, this in turn might have produced increased reliance on adjuncts.

Informal focus groups with non-marketing majors consistently suggested that some of them wanted a Principles class with fewer or no lectures. These students wanted to spend their in-class time reading the textbook. This result is predicted by similarity-attraction theory (see Byrne 1969, 1971; Heider 1958; Thibaut and Kelly 1959): students who do not share the instructor’s attitude toward the course material should not be attracted to the instructor, and thus they should not be attracted to the (lecture) class. This result also appeared to be corroborated by various student behaviors, including students reading the
text in class during lectures, and students sitting outside the class reading the text while the class was in progress. As a result, we concluded there was an unknown but, based on the focus groups, not inconsequential number of non-marketing majors who would be attracted to a Principles course with few or no lectures. While it presented several obstacles, such an approach was interesting. Based on the student-approaches-to-learning literature (see Curry 1983; Hunt et al. 2004 for summaries), marketing majors should have a “deep” studying motive for the Principles course, and they should be intrinsically interested in the subject. Thus, a class without lectures should be unattractive to them, and the desired separation of marketing- and non-marketing majors should obtain.

However, courses with few class meetings were rare in the College and the University, except for distance learning, which offered an avenue for further investigation. The University encouraged such offerings, among other things, to increase utilization of their distance education platform (WebCT) and their campus PC network.

LITERATURE

We reviewed several literatures pertaining to the use of the Web in higher education. As suggested by Close et al.’s (2005) summary of the Web and marketing education, these literatures are diverse. However, other than providing a backdrop for this research, the articles we reviewed were judged to provide little guidance for separating marketing majors from non-majors using a web-based class. This result was due to several factors besides relevance, including, as previously noted, this literature is emergent and thus comparatively “thin.” We also noticed the previously discussed issue of variations in article quality, such as “scholarly” articles versus articles that were less-to-un-scholarly (see Close et al. 2005). We also noticed that within scholarly articles there was a general lack of theoretical grounding, and thus the research was largely exploratory, rather than confirmatory. Perhaps as a result, there were also matters of research designs, such as the heavy reliance on anecdotes, and convenience samples and surveys, versus “proper” experiments and longitudinal studies (see Hunt et al. 2004; Malhotra 2002).

This article reports the results of an investigation into an approach to improving rigor by offering an online Principles course to attract non-marketing majors who were on campus for other courses, the course was offered jointly in two formats beginning Fall 2003 (see Appendix A for details). In addition to being a medium-sized AACSB-accredited business school at a predominantly non-traditional and non-selective state university, with WebCT and excellent personal computer availability and training for students, the university was on a quarter system with ten-week sessions. Section 01 of the dual-format Principles course was a traditional ten-week lecture section expressly intended for, but not restricted to, marketing majors. Section 90 of the dual-format Principles course was expressly intended for, but not restricted to, on-campus non-marketing majors. Section 90 was conducted on the Web even though the target students were on campus for other courses. Specifically, it was intended to have no classroom meetings. Students were to apply the time that would have been spent in class to reading the text, completing and submitting homework, and preparing for tests.

RESEARCH QUESTIONS

Our primary research question was,

RQ1: Could marketing majors be separated from non-marketing majors in the Principles of Marketing classes with a web-based offering?

Because the student-approaches-to-learning literature (see Curry 1983; Hunt et al. 2004 for summaries) suggested that some non-marketing majors might not choose a Web class over a simultaneously available lecture class (e.g., those with “deep,” and possibly “achieving,” motivations), we suspected that any separation of students would be incomplete. Thus, a related research question was,

RQ1a: Would a class composed primarily of marketing majors result from this approach?

Other research questions included,

RQ2: Could rigor be improved in the class composed primarily of marketing majors?

RQ3: Would the requisite credit hours of student involvement in a class that did not meet obtain?

RQ4: Would the class that did meet produce lower student grades?
RQ5: How would affected students react to what amounted to canceling the lectures?

RQ6: How would faculty react to a no-lecture Principles class?

While some previous research on web-based classes suggested that few marketing majors would prefer an online class, given the generally mixed findings in that research (e.g., Priluck 2004 versus Clarke et al. 2001; Truell 2001), we speculated that an online section might contain a mixture of marketing majors and non-majors. We also were unsure what faculty attitudes toward an online course for on-campus students would be. The growth of distance learning (Lincoln 2001; also see for example Priluck 2004), suggested faculty attitudes toward an online course might be favorable. However, faculty attitudes toward technology in general and Web classes in particular have been generally negative (see for example the cites in Granitz and Greene 2003).

A SURVEY

Because the ramifications of offering Sections 01 and 90 together, then having it judged to be unsuccessful were unsettling, Principles of Marketing was offered Spring 2003 in the Section 90 format only. Students were not told of the format change beforehand, and the class was the usual mixture of marketing and non-marketing majors. The class enrollment was 59 students. Three students subsequently dropped the course, which is within our usual 10 percent drop rate for a traditional lecture-format marketing course. One student failed to complete the course, which is also approximately within our usual one percent incompletion rate for lecture classes.

In order to gauge the students’ self-reported learning and their attitude toward the online format, the class was surveyed using the questionnaire shown in Table A. The measures were judged to be sufficiently valid and reliable for these purposes (see Appendix B for details). In summary, nearly 60 percent of the students appeared to like the Web class, and slightly more than 60 percent believed they learned a lot in the Web course (see Table A and Appendix B for additional details and results).

In addition, student learning was (regression) correlated primarily with the course content being perceived as new and useful. Liking the online course was (regression) correlated with student learning, easy-to-find computers, tests that did not involve thinking and reasoning, and an easy text. Curiously, students’ self-reported attitude toward the online course was not (regression) correlated with their grades, and their attitude toward the online course was not (regression) correlated with the students self-reported learning in the course.

Most of these results were different from previous research using Principles of Marketing (e.g., Priluck 2004 and the cites therein; however see Hunt et al. 2004). For example, it is widely believed that grades should be positively correlated with attitude toward the course, and liking the course should be positively correlated with learning. However, this was not the case in this sample. Similarly, easy tests, instructor availability, fair tests, and fair grades were placed on the questionnaire because they are widely believed to affect attitude toward the course, and a motivating text should influence student learning. However, these variables had no correlation with course attitude in this sample. Explanations such as differences in contexts between the present and previous studies are plausible, and it is possible that students in the present study perceived the online course differently from traditional lecture courses where these “well-known” correlations are observed.

Heeding the marketing discipline’s canon that almost everything is segmented by benefits, a cluster analysis suggested there were three clusters of students in the Spring 2003 class. Based on the maximum and minimum means across clusters for each variable (see Table C), Cluster 2 (61%) could be described as liking the online format and not preferring a lecture class. Cluster 1 (28%) could be characterized as disliking the online format and preferring a lecture class, despite an average self-reported learning that was statistically equal to the cluster that preferred an online class, Cluster 2. Cluster 3 (11%) could be characterized as liking the online format but believing they learned little in the course.

In summary, the cluster analysis results suggested that about three-quarters of the Principles students might register for an online section if it were offered. Attempts at finer analyses based on marketing- and non-marketing majors were judged unreliable because of student concerns over their anonymity.

FALL 2003 TO SPRING 2005 RESULTS

Because the Spring 2003 survey results suggested there might be an appropriate “market” for the intended dual-format of Principles of Marketing, we scheduled the first joint offerings of both Section 01 and Section 90 beginning Fall term 2003, and continued this offering through Spring 2005. Combined enrollments varied from 130 to 220 students. Appendix C provides additional details of the 2003-2004 dual-format class offering.

There was considerable migration from Section 01 to Section 90 after students learned about Section 90. Typically the Section 01 class stared at 50, its cap, then half or more of these students drop-added to Section 90. There was little migration from Section 90 to Section 01; typi-
S\-1 would have been half or more of majors who may not have been interested in marketing but wanted a lecture class because they were interested in marketing, and non-marketing majors who may not have wanted a lecture class because they were interested in the course and there was a cluster of students in the spring 2003 survey (28\%). However, Section 90 was actively "promoted" to students in the first meeting of Section 01, and Section 01 required more work compared to Section 90. As a result, there may have been students who drop-added to Section 90 but later discovered they did not like the online class.

This appeared to be supported by subsequent cluster analyses of Section 90. Specifically, the Spring 2003 questionnaire was administered to Section 90 at the end of the course and there was a cluster of students in the Section 90 classes that would have preferred a lecture class. Their profile was similar to the Spring 2003 Cluster 1, and they reported that the course material was new, and they were not adept with the Web or e-mail.

Further, the focus groups and other results in Section 01 suggested the non-marketing majors in that section may have had two subsegments. While some Section 01 non-marketers voiced an interest in marketing, other non-marketers were silent, and some non-marketing majors objected to the additional work in Section 01 compared to Section 90. This hints there may have been three segments in Section 01: marketing majors who wanted a lecture class (about two thirds of Section 01), non-majors who also wanted a lecture class because they were interested in marketing, and non-marketing majors who may not have been interested in marketing but wanted a lecture class for other reasons.

We were unable to sort this out further. Nevertheless, we speculate that this subsegment of non-marketing majors who may not have been interested in marketing but wanted a lecture anyway could have been half or more of the non-marketers in Section 01. We also speculate that this subsegment was composed of students who were not attracted to the online class because they were not confident with computers and e-mail. Specifically, student grades and their attitude toward the online course were (regression) correlated with their familiarity with computers and e-mail.

Thus, there may have been four segments in the Principles of Marketing classes at the beginning of the term. Specifically, there may have been two segments in Section 01 predicted by similarity-attraction theory: marketing majors who wanted a lecture class (Segment 1), and non-majors who were interested in marketing and wanted a lecture class because of that interest (Segment 2). There may also have been a third segment in Section 01 composed of non-marketing majors who were not interested in marketing but chose the lecture class over the online class. In addition, cluster analysis suggested there were two more segments by the end of the Section 90 class, those who liked the online class (Segment 4) and those who did not (Segment 5).

**COMPARISONS**

There were differences that we judged unavoidable between Section 90 and Section 01 that could distort test grade comparisons between them. For example, although the Section 01 lectures did not “teach to the test” – the students were advised that the multiple choice test questions were randomly selected from the text’s test bank – the sections did use different texts with different test banks. The sections also had different study guides and different assigned cases. In addition, there were differences in sample sizes between the two sections, generally 150 or more in Section 90 versus 25 in Section 01, which can reduce statistical significance, and Section 01 had a term paper. While the numbers were not high (typically 10 out of 100), students in Section 90 came not only from the business college, but from several other colleges, and students in Section 01 may have been comparatively more highly motivated to learn the course material. Nevertheless, we compared test scores between Section 01 and those in Section 90 (see Washenberger 2001), and found no statistically significant differences in test scores between the Web- and lecture-classes for six quarters.

Although these results have been previously observed (e.g., Priluck 2004, however see Malhotra et al. 2002), they still seemed surprising. Informal depth interviews subsequently revealed a difference between Sections 01 and 90 that may have explained things: the difference in the relative weighting of the tests between the sections because of the lecture section’s term paper. It is plausible that without cases and a term paper, Section 01 may have outscored Section 90 because the tests would have had the same weight in both sections.
To investigate the assumption that homework was correlated with higher test scores (see Glasure 2002 for similar strategies), we compared test scores between students who submitted homework and those who did not in both sections. While this comparison suggested that homework had a weak correlation with higher test scores in Section 90 only, this correlation may have been spurious. For example, in other literatures motivation is well known to be positively correlated with effort and outcomes. In different words, higher student motivation may have produced both increased homework submission and higher test scores, which creates a spurious correlation between homework and test scores.

FALL 2005

Because of conflicting instructor obligations, beginning Fall 2005 Section 90 was not offered – others in the Department were insufficiently interested in conducting the Web class. While there are other plausible explanations, including faculty confidence levels or technical expertise (e.g., Close et al. 2005), informal interviews suggested that because many faculty enjoyed lecture classes (see for example Jones and Kelly 2003), the absence of lectures in Section 90 may have explained a comparatively low level of interest in conducting the Web class.

RESEARCH QUESTIONS REVISITED

The observed separation of marketing majors from non-marketing majors using Section 90 answered our research questions involving the separation of marketing majors from non-marketing majors. As the previous discussion of segments suggested, a percentage of the non-marketing majors preferred a lecture class, and very few marketing majors stayed in the online class. Thus, while the cohorts could be separated using a Web class, the observed separation was incomplete. However, the resulting lecture class attracted nearly all the marketing majors, and they were a large majority in that class.

Regarding improved rigor, the lecture class changed considerably with nearly all the non-marketing majors now in the online Section 90. Specifically, an “improved rigor” syllabus was used in the lecture class because Section 90 was available as an alternative, and Section 01 was taught as though it was a typical class of marketing majors.

However, complaints from non-marketing majors about evaluating marketing plans in Section 01 suggested improved rigor might be attended by lower student evaluations from these students. While comparisons of evaluations with previous (unseparated) Principles of Marketing classes suggested that Section 01 student evaluations were now higher, we were unable to untangle the effects of improved rigor and the makeup of the class.

Nevertheless, if non-marketing majors evaluated Section 01 the same or lower than in the past, in order for student evaluations to have been higher, marketing majors must have evaluated the class higher. However, if marketing majors evaluated the class lower, and non-marketing majors evaluated Section 01 higher, the reduced fraction of non-marketing majors must have evaluated the class considerably higher than in the past (which seems unlikely given the marketing plan complaints). Thus, it is plausible that marketing majors evaluated the Section 01 higher as a result of its “improved rigor.”

The Spring 2003 cluster analysis results suggested that three quarters of the respondents liked the Web class. However, the results of the migrations from Section 01 to Section 90 suggested that about 80 percent students preferred an online course. However, by the end of the course some Section 90 students may have preferred the lecture course, and the three-to-one split suggested by the Spring 2003 survey may have been closer to their actual preference by the end of the Section 90 class.

An answer to the question, “would a no-lecture format be accompanied by lower student grades?” was not clear from the investigation. While there were no differences in student test grades between the two sections, it is plausible that the higher weight assigned to tests in Section 90 may have affected test score comparisons.

Graded weekly homework was assigned in both Section 01 and Section 90. It was intended to maintain the weekly student “time on task” in Section 90 at approximately the level of the course credit hours, and secondarily to positively influence test scores. However, while on average it was judged to produce the desired “credit hours” of student involvement in Section 90, its effect on test scores was not clear. Specifically, while there appeared to be a weak correlation between homework and test grades, motivated students could have both scored well on tests and turned in homework, which would have created the appearance of a homework effect.

We elected not to formally study faculty reactions to a no-lecture class offering formally. Informal discussions with College faculty suggested that while they were generally interested in the approach, most had a low interest in offering a similar dual-format course themselves. In addition, most faculty in these discussions appeared not to accept the possibility that under the proper circumstances lectures might safely be omitted in an introductory class such as Principles of Marketing.
SUMMARY AND CONCLUSIONS

The article reported an investigation of separating marketing majors from non-majors in Principles of Marketing without restricted registration, by offering it in two sections simultaneously to on-campus students. One section was a traditional lecture class to attract marketing majors, so that rigor might be improved, and the other section was a Web class to attract non-marketing majors. The results confirmed similarity – attraction theory predictions that on-campus non-marketing majors should be attracted to the Web class, and student-learning-orientation literature results suggesting that marketing majors should not. However, the results also supported student-approaches-to-learning literature results that suggest some non-marketing majors would choose the lecture class over the Web alternative.

Student surveys in the online class suggested that students in these samples preferred the online section. In addition, students’ attitude toward the online class was not correlated with their grade, and their learning was not correlated with their attitude toward the online class. The results also suggested that instead of two segments of Principles of Marketing students, a segment that preferred lectures and a segment that preferred an online class, there may have been five student segments in the Principles of Marketing classes studied.

The investigation also revealed that Marketing Departmental faculty were disinclined to offer such a dual-format class. There also were suggestions of a conviction among faculty that lectures are required in introductory classes.

REFERENCES


APPENDICES

APPENDIX A

Design of the Dual-Format Course (Not reported – see http://home.att.net/~rpingir)

APPENDIX B

Spring 2003 Survey

In order to gauge student self-reported learning and attitude toward the online class, the Spring term 2003 Section-90-format-only class was surveyed using a questionnaire containing the Table A items. The survey produced 54 usable responses (a response rate of 98.2%).

A summated variable LRN, the students self-reported learning in the course, was constructed from LEARN (learned a lot in the class) and LRNMKT (learned a lot about Marketing) (see Table A). The items for another summated variable LIKE, the students attitude toward not having lectures, were MORE (want more online classes), NOCLASS (liked having no class), PREFLECT (prefer lectures – reflected), LRNCLASS (would have learned more with class meetings – reflected), and GRDIFCLA (grade would have been higher with class meetings – reflected). Although LRN was underdetermined, it was judged to be unidimensional based on its 65.4 percent-explained variance in maximum likelihood (ML) (common factor) exploratory factor analysis (CFEFA), and its item-to-total correlations with its items LEARN and LRNMKT (0.917 and 0.897, respectively). LIKE was unidimensional using ML CFEFA (66.5%-explained variance). These unobserved variables were judged to be reliable (the coefficient alpha of LRN was 0.783, and the coefficient alpha of LIKE was 0.907).

However, because there was no independent item judging, the content or face validity of the items in the questionnaire could be viewed as unknown. Nevertheless, the zero-order correlations of the items were in expected directions, which suggests their construct validity. The explained variances of LIKE and LEARN were above 0.5 which suggested their convergent validity, and the items exhibited evidence of discriminant validity (e.g., except for the items in LRN and LIKE which were aggregated, the Table B correlations were below 0.7). Thus, the items in Table A as a group were judged sufficiently valid and reliable for these purposes.

The summed variables LRN, the students self-reported learning in the course, and LIKE, the students attitude toward not having lectures (see Table A), were regressed on the Table A variables looking for their “drivers,” or largest (standardized) regression correlates. First, LIKE and the other Table A variables were (Stepwise OLS) regressed on the aggregated variable LRN using all the cases. The resulting drivers of LRN were NEW, learned completely new things (standardized beta (stdß) for NEW = 0.53, t-value = 4.58, R²= 0.597) and USEFUL, learned useful things (stdß = 0.33, t = 2.84). TXTINTR, interesting text, and DEFINED, student responsibilities were well defined, were also significant but their stdß’s were smaller. The other Table A variables’ (regression) correlations with LRN were nonsignificant, including LIKE, the students attitude toward not having lectures (stdß = 0.05, t = 0.38).

Then, we regressed LRN and the other Table A variables on LIKE again using all the cases and stepwise OLS regression. The drivers of LIKE, liking the online course, were COMPUTER, easy to find a computer (stdß = 0.48, t = 3.49, R²= 0.366), and TESTINV, tests involved thinking and reasoning (stdß = - 0.34, t = - 2.42). The other Table A variables’ (regression) correlations with LIKE were nonsignificant, including GRADE, anticipated grade in the course (stdß = 0.13, t = 0.91).

Repeating the above regressions for the union of Clusters 2 and 3, students liking the online format, the drivers of LRN were again NEW (stdß = 0.55, t = 5.08, R²= 0.784) and USEFUL (stdß = 0.46, t = 4.52), with COMPUTER significant but less important. Again LIKE was not (regression) correlated with LRN (stdß = 0.06, t = 0.58). There were no drivers of LIKE using these clusters, and again GRADE was not (regression) correlated with LIKE (stdß = -0.10, t = - 0.28). However, in Cluster 2 TEXTEASY, easy text, was the single driver of LIKE (stdß = 0.496, t = 2.56, R² = 0.246).

Out of curiosity, students’ anticipated GRADE in the course was regressed on the other questionnaire variables using the full sample. GRADE was “driven” by EMAIL, student uses e-mail all the time (stdß = 0.381, t = 2.57, R² = 0.282), and of course LEARN, learned a lot (stdß = 0.340, t = 2.30). Curiously GRADE was not (regression) correlated...
with GPA. Using this procedure on the Cluster 1 responses, those who disliked the online format, produced the same result, but for Cluster 2, those who liked the online format, GRADE was “driven” by GPA and COMPUTER (stdβ\text{GPA} = 0.519, t = 3.00, stdβ\text{COMPUTER} = 0.466, t = 2.69, R² = 0.436).

The Table A items were administered to subsequent Section 90 classes. Overall, learning was primarily “driven” by the course content being perceived as new and useful. The standardized regression coefficients were typically quite large, in the neighborhood of 0.8 for NEW and 0.4 for USEFUL. As before, students’ self-reported learning was not (regression) correlated with LIKE, how much they liked the course, although the standardized regression coefficients for LIKE were usually in the 0.2 range. Similarly, attitude toward the course was primarily “driven” by how much students believed they learned, the availability of computers, tests that did not involve thinking and reasoning, and an easy text. The standardized regression coefficients of these correlates of LIKE were also large, typically in the 0.5 or 0.6 range. In all cases the student attitude toward the course was not (regression) correlated with GRADE, their anticipated grade in the course.

APPENDIX C
Additional Results from the 2003–2004 Dual-Format Class Offering
(Not reported – see http://home.att.net/~rpingjr)

TABLE A
Questionnaire Results by Item, with Item Names
(Not reported – see http://home.att.net/~rpingjr)

TABLE B
Correlations Among the Survey Variables
(Not reported – see http://home.att.net/~rpingjr)

TABLE C
Cluster Analysis Results
(Not reported – see http://home.att.net/~rpingjr)

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AN EXPLORATORY INVESTIGATION OF THE IMPACT STUDY TIME AND STUDY HABITS HAVE ON ACADEMIC PERFORMANCE OF COLLEGE STUDENTS

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SUMMARY

At the present time our understanding of one of the most basic inputs in the education process, students’ study time and its relationship to academic performance, is limited at best. For example, empirical research studies have reported significant but both positive and also negative relationships between study time and academic performance (Lahmers and Zulauf 2000; Krohn and O’Connor 2005). Also, some studies have failed to report a significant relationship between the two variables (Nonis, Philhours, and Hudson 2005). Considering that it may be too simple to assume that the amount of time spent studying has a direct impact on academic performance without regard to study habits, in this study, we propose that study habits will moderate the relationship between study time and performance. Within this context, the study also investigates the bivariate relationships between study time and academic performance as well study habits of college students and their grade point average. The hypotheses tested are as follows:

H1: Study time will positively relate with academic performance.

H2: Good study habits will positively relate to academic performance.

H3: Study habits will moderate the relationship between study time and academic performance. The influence that study time has on performance will be higher for students with good study habits compared to students with poor study habits.

The three hypotheses were tested using a sample of 120 business students attending a medium-size state university in the south. In addition to demographic information, respondents also reported their student identification number that enabled the researchers to obtain pertinent information such as semester grade point average and academic load from university records. Students reported how much time they spent studying as well as using the computer for academic activities. These two variables were summated to derive the total time students spent on academic activities. Academic performance or the dependent variable was measured using two outcome variables, semester grade point average (SGPA) and performance perceptions. In the absence of a reliable measure of the construct effective study habits, a scale was developed. Six items measured study behaviors and three items measured the student’s ability to concentrate or pay attention and reliable as per Nunnally (1978).

Hierarchical multiple regression analysis was used to test all three hypotheses. All variables were standardized and centered to avoid the presence of multicollinearity when introducing interactive terms as suggested by Aiken and West (1991). To control for the effects of gender, race, age, and student motivation, these variables were entered first. Study time did not demonstrate any significant relationship with SGPA or performance perceptions (H1). Ability to concentrate showed a significant positive relationship with SGPA (slope = 0.26, p < 0.05) and performance perceptions (slope = 0.30, p < 0.05). However, study behaviors demonstrated a significant negative relationship with SGPA, in the opposite direction from what was hypothesized (slope = -0.21, p < 0.05). Study behavior did not show any significant relationship with performance perceptions. When testing hypothesis H3, results showed only the interaction between study time to course load and study behaviors demonstrated a significant influence on both SGPA (slope = -0.39, p < 0.05) and performance perceptions (slope = -0.23, p < 0.05) as indicated by significant slope coefficients and coefficients of determination R². References available upon request.
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A BELIEF UPDATING PERSPECTIVE OF COMBINING INFORMATION FROM SEQUENTIAL MULTIPLE SOURCES: DO PAST AGREEMENTS MATTER?

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SUMMARY

Prior literature makes contrasting predictions regarding how consumers are likely to update their beliefs or judgments when integrating sequential information from sources that provide similar ratings but have different past track records. For instance, the averaging model of information integration would suggest that people would give equal weights to each piece of information in a sequence, and hence average out the given information (Lopes 1985, 1987). In contrast, the primacy model would predict that the first piece of information would have the greatest weight in the consumer’s information integration process (Kruglanski and Freund 1983; Gürhan-Canli 2003), while the recency model would predict that consumers would be most influenced by the last piece of information in the sequence (Johar, Jedidi, and Jacoby 1997).

We are proposing that the primacy model will prevail when there is a strong focal hypothesis confirmation bias. Moreover, the focal hypothesis confirmation bias is likely to occur to a greater extent when the first piece of information is from a critic whose judgments have overlapped (vs. not overlapped) with those of the consumer, in the past. In Study 1, we examined the judgments of consumers who were asked to combine information from two sources with opposite levels of past agreements, but both giving similar (positive) ratings for a product. Our first hypothesis (H1) was that when the first piece of sequential information is from a source with whom the consumer has had a high (vs. low) level of agreement in the past, consumers will be prone to a greater degree of focal hypothesis bias. According to our second hypothesis (H2), when the high agreement source of information is presented first, there would be no downward revision of judgments after seeing the unfavorable low agreement second source of information. When the low agreement source of information is presented first, there would be an upward revision of judgments after seeing the unfavorable low agreement second source of information. Study 1 employed a 2 (past agreement levels: decreasing vs. increasing sequence) X 2 (product rating: positive vs. negative) X 2 (repeated judgments after first and second pieces of information) mixed factorial design. Participants were provided ratings of a movie by a critic (high/low past agreement). In the decreasing (increasing) sequence, participants first saw the information from the source with high (low) past agreement, and then the information from the source with low (high) past agreement. The results of Study 1 supported our first two hypotheses.

Study 2 examined the degree of confirmatory bias toward the focal hypothesis when consumers are 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” prior agreements), 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 had neutral rating across all conditions. H3 predicted that while combining sequential information from multiple sources with high levels of past agreements, there will be a greater degree of focal hypothesis confirmation bias for ambiguous (versus unambiguous) information. Study 2 employed a 2 (product rating by first source: positive vs. negative) X 2 (ambiguity in second piece of information: high vs. low) factorial design, and found empirical support for H3.

Study 3 examined how consumers might combine information from sources with varying levels of past agreements, but both positively valenced. Specifically, in Study 1, the source reliabilities were valenced as “high level of agreement in the past” or “low level of agreement in the past.” However, in Study 3, both the sources were positively valenced (that is, greater than 50% past accuracy), but differed in terms of relative levels of accuracy (one source was correct 85% of the time in the past, while the other source was correct 70% of the time in the past). Also, in Study 1, the source agreements or accuracies were manipulated in qualitative terms. In contrast, Study 3 had quantitative ratings (e.g., “85% correct in the past,” “70% correct in the past,” etc.), which in turn also allowed us to compare participant judgments to a normative model (e.g., Bayesian belief updating model) to check for accuracy levels. H4 predicted that when both the sources are positively valenced (that is, have greater than 50% past accuracy), there will be greater overall probability judgments when the information is presented in an increasing (than decreasing) sequence of strengths. H5 predicted that contrary to H1, there will be equal degree of focal hypoth-
esis bias when both the sources are positively valenced (that is, greater than 50% accuracy). H4 and H5 were tested in Study 3 by a 2 (sequence of source past accuracies: decreasing vs. increasing) X 2 (initial and updated final probability judgments) mixed factorial design. The first factor was manipulated between-subjects, and the second factor was a repeated measure, whereby participants stated their probability judgments, after each of the two pieces of information. The results of Study 3 showed that consistent with the predictions made by H4, overall probability judgments were higher for the increasing than for the decreasing sequence of reliabilities. Also, consistent with H5, there was equal degree of focal hypothesis bias in both the decreasing and increasing sequences.

To summarize, the results of our studies showed that there is greater tendency to stay close to the judgments associated with the first piece of information, and not to indulge in belief updating in spite of subsequent unfavorable information when there is strong focal hypothesis bias. We also found that the focal hypothesis bias takes on a stronger role when the first piece of information was consistent with the norm or prior expectations, or when it was relatively stronger. Moreover, the degree of confirmatory bias was higher with ambiguous information. Finally, when sequential pieces of information were all positively valenced, overall probability judgments were higher for the increasing than for the decreasing sequence of reliabilities. References available upon request.

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CATEGORIZING THE POTENTIAL AND VALUE OF WOM-REFERRALS: TOWARDS A COMPREHENSIVE TYPOLOGY OF SOCIAL INFLUENCERS

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SUMMARY

Introduction

Word-of-mouth (WOM) is recognized as a powerful market force—the importance of WOM referrals is widely explored. A better understanding and management of WOM referral behavior implies the in-depth analysis of its conditions and drivers, as well as the identification of those customers with the highest social influence potential and value. Nevertheless, a review of the existing literature shows that a structured understanding and categorization of different WOM referrer types and their underlying motivations is still lacking. Thus, by linking individual and social capital dimensions, this conceptual paper aims at developing a theoretically and empirically based typology of social influencers.

Literature Review

The significance of WOM communication in influencing market-place choices has consistently been emphasized in the consumer behavior literature (e.g., Gilly et al. 1998; Herr et al. 1991; Wilson 1991). WOM was recognized as an important determinant of consumer choice early on in the academic marketing literature (Butler 1923), its influence reported as greater than print ads, personal selling and radio advertising (Engel et al. 1969; Feldman and Spencer 1965; Katz and Lazarsfeld 1955). For decades, it has received extensive attention from both academics and practitioners, who demonstrated that WOM communications could not only influence consumers’ choices and purchase decisions (Arndt 1967b; Whyte 1954), but also shape consumers’ expectations (Zeithaml and Bitner 1996), pre-usage attitudes (Herr et al. 1991), and even post-usage perceptions of a product or service (Bone 1995; Burzynski and Bayer 1977). Factors such as extreme satisfaction or dissatisfaction (Dichter 1966; Richins 1983; Yale 1987), commitment to the firm (Dick and Basu 1994) and novelty of the product (Bone 1992) have been identified to drive consumers’ WOM referral behavior. Consumers seek the opinions of other individuals for product advice when they have little expertise in a product category (Furse et al. 1984; Gilly et al. 1998), perceive a high risk in decision-making (Bansal and Voyer 2000; Kiel and Layton 1981), or are deeply involved in the purchase decision (Beatty and Smith 1987). Concerning the question why certain personal sources of information have more influence than others to identify general market-place influencers and use them for more effective product and message diffusion, factors such as source expertise (Bansal and Voyer 2000; Gilly et al. 1998), tie strength (Brown and Reingen 1987; Frenzen and Nakamoto 1993), demographic similarity (Brown and Reingen 1987), reference group influence (Bearden and Etzel 1982) and perceptual affinity (Gilly et al. 1998) have been identified as important antecedents of WOM influence. Researchers have documented the existence of certain types of consumers, opinion leaders and market mavens, who have a personal predisposition to disseminate WOM to fellow consumers (Feick and Price 1987; Lazarsfeld et al. 1944).

Construct Definition

A comprehensive understanding and better management of WOM referral behavior implies the in-depth analysis of its conditions and drivers, as well as the identification of those customers with the highest social influence potential and value. According to the Columbia voting studies, social influence is related to “who one is,” “what one knows,” and “whom one knows” (Katz 1957). “Who one is” and “what one knows” affect the individual capital that results from several demographic, psychographic, and personality variables. The importance of “whom one knows” was subdivided into the idea of accessibility—addressing an influencer’s centrally location in the networks in which he is embedded—and the idea that an “...individual may be influential not only because people within his group look to him for advice but also because of whom he knows outside his group” (Katz 1957, pp. 74–75). Thus, for the purposes of this paper, the WOM behavior and referral style of customers is to be related to the customer’s individual and social capital attributes: A customer’s individual capital focuses a customer’s personality, knowledge, skills, and abilities. Relating to a profound understanding of WOM communications, a customer’s social capital requires the existence of and the effects resulting from specific and sustained social relationships between consumers. In terms of a customer’s reference value, social capital addresses his social resources and is related to effects of WOM
referral behavior such as the customer’s opportunity, motivation, and ability to disseminate WOM as well as the scope, the contents, and the influence of the referral flows. Figure 1 shows the proposed conceptual model to investigate the key drivers that distinguish social influencers from non-influencers and whether those differences are more closely tied to their set of individual characteristics and/or their position in the social environment.

Managerial and Research Implications

The identification and optimal use of these social influencers with a disproportionate amount of influence on the behavior of others depends on a reliable and valid measurement. Based upon our conceptual model as well as different case studies, exploratory studies in the financial services and the automotive sector are currently conducted to gain further scientific progress, regarding the development of a sophisticated causal model. The primary contribution of our paper therefore lies in developing and explaining a multidimensional framework of WOM referral behavior integrating the concept of individual and social capital as a basis for a structured understanding and categorization of general marketplace influencers and their use for more effective product and message diffusion. The potential managerial benefits of this conceptual paper are that any links between individual and social capital measures and (WOM) referral behavior as well as the typology of social influencers provide important insights to the underlying motivations of WOM behavior. In view of our propositions concerning the impact of social capital, marketers might discover the relevancy of data which are either already available or – compared to psychographic and personality variables – easily accessible (i.e., political and social participation, club memberships, holding a position, etc.). Overall, taking the interplay between individual and social capital into account, our framework already might lead to the opportunity of a better understanding of the conditions and drivers of WOM referral behavior. Each type of social influencers is characterized by a different underlying philosophy to giving or not giving WOM referrals, which helps marketing managers to understand the nature and extent of WOM communication and might serve as a theoretical base to efficiently generate and manage positive word-of-mouth referrals from existing clients. This knowledge will enlarge the efficiency of selecting different customer groups and of encouraging appropriate key consumers to leverage their WOM potentials. References available upon request.
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WHO IS SPREADING THE WORD? THE POSITIVE INFLUENCE OF EXTRAVERSION ON CONSUMER PASSION AND BRAND EVANGELISM

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ABSTRACT

This article seeks to enhance understanding of the relationship between personality, consumer passion and brand evangelism. A study was conducted among passionate car owners. Findings show that more extravert consumers are more likely to be passionate consumers and engage in brand evangelism.

INTRODUCTION

Reifnitz will be the most vibrant Austrian lake site for at least the next four days. Engines are roaring and wheels are squealing when brightly polished Golf GTI’s hit the road. The GTI-meeting is in its 25th year. Yet, enthusiasm has not declined at all. GTI fans from all over Europe gather together in order to celebrate and evangelize their most beloved object: the Volkswagen Golf GTI. Although they regularly meet in smaller car owners groups, they pilgrimage to this place every year in order to show how much they love their brand, and how beautiful a car they have made out of it. A mass of 200,000 passionate car owners is united in worshipping, adoration, and propagating their brand.

Consumer behavior literature provides ample evidence of enthusiastic and highly passionate forms of consumer-object relationships and forms of ludic activities. In an attempt to enchant their lives, consumers engage in motorcycle riding (Schouten and McAlexander 1995), in worshipping the Apple Newton Brand (Muniz and Schau 2005), or in communing with other passionate fans, as for instance reported by Kozinets (1997), or Pimentel and Reynolds (2004).

Wallendorf and Arnould (1988) contended that material objects play many important roles in the lives of consumers. They might become “favorite things” and serve important psychological functions in our lives. In particular, they situate an individual’s character or personality in a context (Goffman 1959; Levy 1959; Mick 1986), thus serve as markers for others to denote our personality. We also use objects to convey and extend our self-concept, as a sign of connection or differentiation from other members of society. Favorite or love objects (Wallendorf and Arnould 1988; Ahuvia 2005) reflect deep personal meaning and attachment. As such they are means for self-expression and are often accompanied by highly affective states. Belk (2003) has perfectly pinpointed what cars are and do for men. Cars are not only beloved objects, become part of one’s self; car enthusiasts identify their cars with their selves. Hence, passionate feelings for cars might be connected with the personality of their adorers.

It has also been contended that enthusiastic consumers are spreading positive word-of-mouth and engage in convincing other consumers (Pimentel and Reynolds 2004; Ahuvia 2006). Yet, having observed these enthusiastic consumers, we suggest that word-of-mouth as a measurement construct is likely to underestimate the evangelical forms of talking about favorite possessions and the tendency of passionate consumers to convince other consumers. Still, we are aware that not all consumers, not even all brand passionate consumers do try to evangelize others. Building on psychological theory about passion, we try to find out which passionate consumers have an inclination towards evangelism. Baumeister and Bratslavsky (1999) stated that personality has a strong influence on how passionate a person is. Especially extraversion was found to be “particularly associated with passionate aspects of love […] Thus, the evidence points to a view of extraversion as more passionate” (pp. 57–58). Therefore, we will look at the influence of extraversion as one personality trait, and of openness as a possible second influencing trait on passion.

This article intends to shed light on the relationship between consumers’ personality and its impact on consumer passion and the propensity to evangelize. To this end we will first elaborate passion as a psychological construct, as well as consumer passion, evangelism and personality from a theoretical standpoint. A study among enthusiastic car owners has been conducted to test our hypotheses.

PASSION AS RELATED TO LOVE

Passion is most often associated with love or sexual relationships (Djikic and Oatley 2004; Fromm 1956; Hassebrauck and Fehr 2002; Marston et al. 1998). Research on interpersonal love relationships has identified
passion as a main component of love (Sternberg 1997). In Sternberg’s Triangular Theory of Love (1997), passion is one of three components of love, besides intimacy and decision/commitment. The various possible combinations of these components make up different kinds of love, ranging from non-love to the most complete form of consummate love. According to Sternberg (1997), the term passion circumscribes the sum of drives that lead to romantic feelings as well as physical attraction and desire. Furthermore, the strong wish and urge for union with the partner is one aspect of passion (Hatfield and Walster 1981). Baumeister and Bratlislavsky’s (1999) definition of passion describes

“[. . .] passionate love as involving strong feelings of attraction for the other person. These feelings are typically characterized by physiological arousal and the desire to be united with the other person in multiple senses” (p. 52).

Passion can occur as a sole feeling towards another person or as one aspect of a more complex feeling of love (Fromm 1956; Sternberg 1997). If a person only triggers passion in another person, this refers to what Sternberg (1997) calls infatuated love. The passionate person thus experiences only passion in the absence of intimacy or commitment to the relationship. Other more complete kinds of love, especially consummate love, also contain passion. In this case, passion can be seen as the physical, sexual aspect of love, which emerges together with feelings of intimacy for the partner and a will to stay committed to the person and the mutual love relationship (Sternberg 1997).

In general, love as a comprehensive set of intimate, passionate and committed feelings, inspires many distinct actions aiming at the expression of what is felt most deeply. For example, adoration and idealization of the partner are central ways of living love (Djikic and Oatley 2004). In addition, each aspect of love can be expressed and witnessed in the form of distinct ways of behavior of the lovers. While intimacy, for instance, manifests itself through empathy and honest, self-disclosing conversations, passion is rather expressed physically. Gazing at each other, touching the partner and making love all convey the passion for each other (Sternberg 1997). Hatfield (1988) views passion as a combination of emotions, cognitions and behaviors, and thus seemingly approves of Sternberg’s view that passion leads to specific actions.

CONSUMER PASSION

In the context of consumption, passion has recently been noticed (Belk et al. 2003; Shimp and Madden 1988), particularly in an interpretive research context. Here, passionate feelings are not directed towards another person as in the case of interpersonal love relationships, but towards a product or a brand. Still, many aspects are very similar and therefore justify the use of the same term. Fournier’s (1998) concept of consumer-brand-relationships contains passion as one relevant factor for determining the brand relationship quality. Accordingly, if a consumer is passionate about a brand, he/she will engage in a much more emotional relationship with the brand and even miss the brand or feel loss when the brand is unavailable. Belk, Ger, and Askegaard (2003) show how passion in the form of desire inspires and motivates a big part of contemporary consumption. They also find evidence for the assumption that passion leads to certain behaviors and show that idealization of the object is an immediate consequence of passion.

Analogously to passion between two persons, passion for a brand also leads to certain behaviors. The positive, biased perception of the brand’s qualities as a partner in a consumer-brand-relationship was detected by Fournier (1998). She also states that the affective grounding of a consumer-brand relationship might account significantly for the loyalty of consumers to their brands. Whang et al. (2004) confirm the relationship between passion and loyalty as follows: “Only the passion component of interpersonal love had an impact on loyalty to their bikes.” Ahuvia (2005b) has worked on a conceptualization of brand love which does not only comprise passion for the brand, but also the positive evaluation of the brand, positive emotions towards the brand and declarations of love for the brand. In a next step, Carroll and Ahuvia (2006) have tested the relationship between brand love and loyalty as well as between brand love and positive word-of-mouth as possible outcomes of brand love. They have found positive effects of brand love on both behavioral variables.

BRAND EVANGELISM

Still, there are hints in theory as well as in real-life that passion for a brand can cause more intense and more extreme acts than just positive word-of-mouth. Pimentel and Reynolds (2004) have shown that truly devoted consumers not only spread positive word-of-mouth but eventually engage in recruiting in order to actively convince others of their beloved brand. Rozanski, Baum, and Woldsen (1999) portray the actions of brand zealots whose extreme loyalty and emotionality towards their favorite brand can inspire them to extreme acts.

“[. . .] some loyal consumers experience a relationship that goes well beyond the fulfillment of a functional need. They are militant in their commitment to their brand: creating positive word-of-mouth for the brand, experiencing the product to its fullest and, if defrauded, launching frontal attacks on the company. [. . .] These brand zealots have the potential to be-
come the brand’s biggest allies or, at the other extreme, a renegade army. [...] Their strong feelings result in attempts to convert others, ultimately causing changes in public opinion or legislation” (Rozanski et al. 1999).

Based on this evidence, we propose the term brand evangelism for describing a more active and committed way of spreading positive opinions and trying fervently to convince or persuade others to get engaged with the same brand. By having chosen the word evangelism we would like to emphasize the missionary component of this behavioral outcome of consumer passion. We assume that brand evangelism is an act of preaching the brand’s most loved aspects and all positive associations that come with it to people who have so far not acknowledged “the wonder of it.” Consumers who evangelize are passionate about their brand and feel the need to share their emotions with others. Therefore, we hypothesize:

H1: Brand passion is positively related to brand evangelism.

THE ROLE OF EXTRAVERSION AND OPENNESS

After decades of disparate theories and equivocal findings, in the last twenty years consensus has emerged that the most salient aspects of an individual’s personality can be described with a five-factor model (Big Five) consisting of Neuroticism, Extraversion, Agreeableness, Openness, and Consciousness (Goldberg 1993). These five domains have been identified in numerous empirical studies (Tuples and Christal 1992) constituting the pattern of traits across individuals and are considered the fundamental dimensions of personality (McCrae and John 1992). Numerous researchers from many traditions were able to replicate the findings, thereby sustaining the theory of five basic dimensions of personality. This structure was found across observers (e.g., self- and peer-reports), across methodologies (questionnaires and lexical inventories), across the lifespan, across languages and cultures (John and Srivastava 1999; McCrae 2004; Saucier and Ostendorf 1999).

This emerging consensus has led to a revitalization of personality scholarship (Funder 2001). In marketing research, personality traits have been adopted to study a variety of behaviors and emotional responses, such as emotions and customer satisfaction (e.g., Matzler et al. 2005; e.g., Mooradian and McCrae 1992), reliance on word-of-mouth (Mooradian and Swan 2006), hedonic and utilitarian shopping values (Guido 2006), and ad-evoked feelings (e.g., Mooradian 1996). In this study, the focus is on two personality traits that are expected to be positively related to brand passion and brand evangelism: Extraversion and Openness to experience.

Extraversion is distinguished by venturesomeness, affiliation, positive affectivity, energy, ascendance, and ambition. In psychology, a number of studies have aimed at correlating personality traits with affective states (e.g., Larsen and Katerlaar 1991; Rusting and Larsen 1997). It was found that individuals who score high on extraversion are predisposed toward positive affect and prefer interpersonal interaction (Mooradian and Swan 2006). Extraversion was found to be positively correlated to positive emotions in many studies (Costa and McCrae 1980; Watson and Clark 1992). In a marketing context, some studies related extraversion to positive emotions in consumption situations (Matzler et al. 2005; Mooradian and Olver 1997). Guido (2006) found that extraversion is positively related to hedonic shopping values. Moreover, as reported above, Baumeister and Bratslavsky (1999) contended that personality has a strong influence on how passionate a person is. Therefore, we hypothesize:

H2: Extraversion is positively related to brand passion.

Openness to experience (which often has been labeled as intellect) is related to active imagination, aesthetic sensitivity, attentiveness to inner feelings, preference for variety, intellectual curiosity, and independence of judgment (Costa and McCrae 1992). Individuals with high scores on openness have been described as being more curious about both inner and outer worlds. Open individuals are also more willing to entertain novel ideas and unconventional values, and they experience both positive and negative emotions more keenly than do closed individuals (Costa and McCrae 1992). Highly open people display intellectual curiosity, creativity, flexible thinking, and culture (Dingman 1990). The facets of openness are related to fantasy, aesthetics, feelings, actions, ideas, and values.

Due to the higher tendency of open individuals to be curious about both inner and outer worlds, to experience richer lives, to experience both negative and positive emotions more keenly than closed individuals, it can be assumed that they develop stronger passion for brands than people who score low on openness. Therefore, it is hypothesized that:

H3: Openness is positively related to brand passion.

However, due to the more intellectual character of open personalities and their tendency to value independence of judgment (Costa and McCrae 1992), they might be much less prone to evangelize, but rather engage in behavior that is more aesthetic and creative in nature.

In contrast to this, individuals with high scores on extraversion have been characterized as assertive, forceful and socially ascendant, speaking without hesitation. Furthermore, extraverts are cheerful and optimistic indi-
viduals hence have a tendency to experience more positive emotions. Low scores, on the other hand, prefer to keep in the background and tend to let others do the talking (Costa and McCrae 1992). Hence, we assume a slight positive direct relationship between extraversion and evangelism as a special form of positive social talk.

H4: Extraversion is positively related to brand evangelism.

**STUDY**

**Sample and Measures**

Data collection took place during the Volkswagen Golf GTI-meeting in Reifnitz, Lake Wörthersee, Austria May 25–28, 2006. The GTI-meeting is one of the largest car brand community meetings with more than 200,000 car enthusiasts attending. A self-administered questionnaire was developed and participants were asked to complete the questionnaire. As an incentive they received an energy drink. Two hundred forty-three usable questionnaires were collected. Missing data (less than 10%) have been imputed with the norm procedure (Schafer and Graham 2002).

Openness and Extraversion have been measured with Big Five Inventory, originally developed by John and Srivastava (1999) and translated and validated into the German language by Lang, Lüdtke, and Asendorpf (2001) using 5-point Likert scales (1 = strongly disagree, 5 = strongly agree). Brand Passion has been measured with statements taken from Sternberg’s Triangular love scale (1997), which have been adapted to the product context. The Brand Evangelism scale is partly based on Ahuvia (1997), which have been adapted to the more extreme brand enthusiasts language and emotional intensity. Furthermore, according to Schouten and McAlexander (1995), we additionally adapted the scale with regard to the missionary attitude of brand passionate individuals and their engagement in recruiting (see Table 1).

**Results**

The proposed relationships among the constructs have been tested using structural equation modeling with AMOS 5.0. Items with low reliability (< .4) have been removed. As a result of the scale purification, openness has been measured with six items, extraversion with five items, brand passion with six items, and brand evangelism with five items. Figure 1 shows the measurement model.

**Model Fit.** The chi-square value is 367.659 (df = 195, p = .000; Chi²/d.f. = 1.885). Chi-square, however, is only recommended with moderate samples (Hu and Bentler 1999), e.g., 100 to 200 (Tabachnik and Fidell 1996), as with larger sample sizes as in this case, trivial differences become significant. Hence, other global fit indices are used to test model fit which show very good model fit: The root mean square error of approximation (RMSEA) is .060, the goodness-of-fit index (GFI) is .877, the adjusted goodness-of-fit index (AGFI) is .840, the Tucker-Lewis index (TLI) is .954 and the comparative fit index (CFI) is .961. Thus, it can be concluded that the model fit is satisfactory.

**Reliability and Validity.** Table 2 reports the local fit indices. Indicator loadings, composite reliability, average variance extracted and the Fornell-Larcker-Ratio (Fornell and Larcker 1981) indicate satisfactory psychometric properties of the scales. The composite reliability is above the critical threshold of .6 for each construct, the average variance extracted exceeds the value of .50 in any case and the Fornell-Larcker-Ratio is below 1, indicating satisfactory discriminant validity.

**Regression Paths.** Figure 1 displays the results of the analysis. Hypothesis one predicts a positive relationship between brand passion and brand evangelism and is strongly supported by the data (β = .67, p = .000). Extraversion (β = .34, p = .000) positively influences brand passion, whereas there is no significant relationship between Openness (β = .04, n.s.) and passion (R² = .14).

Hence, hypothesis two is strongly supported but hypothesis three had to be rejected. Extraversion also positively influences brand evangelism (β = .34, p = .000), supporting hypothesis four.

**DISCUSSION**

Passionate consumers evangelize. However, passion is not inherent in the object (Belk et al. 2003) but rather a function of many influencing factors, among which is a consumer’s personality. Our findings contribute to this contention and have interesting implications for marketers and theory. First, we can support the view that extravert consumers are the most important and effective brand advocates when they feel passionate about a brand. Although loyalty might be expressed in various forms, brand advocacy additionally bears the advantage of credibility and the potential of building strong brand communities. However, as reported by Rozanski et al. (1999), passionate consumers might also be the most passionate opponents when they are disappointed by the brand. Hence, as Fournier (1998) has suggested, marketers must engage in active relationships with passionate consumers and regularly interact in an adequate and authentic way.

Second, our findings show that, although extraversion and openness as personality traits are strongly interconnected, openness nevertheless shows no significant effect on consumer passion. Although openness is a highly emotional facet of personality, open personalities seem to refrain from being passionate car owners. We
### TABLE 1
Psychometric Properties of the Scales

<table>
<thead>
<tr>
<th>Construct</th>
<th>Item</th>
<th>Indicator Reliabilities</th>
<th>Composite Reliability</th>
<th>Average Variance Extracted</th>
<th>Fornell-Larcker-Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Openness</td>
<td>I see Myself as someone who</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>1. is original, comes up with new ideas</td>
<td>.55</td>
<td>.87</td>
<td>.53</td>
<td>.82</td>
</tr>
<tr>
<td></td>
<td>2. values artistic, aesthetic experiences</td>
<td>.53</td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td>3. has an active imagination</td>
<td>.67</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>4. likes to reflect, play with ideas</td>
<td>.72</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>5. is ingenious, a deep thinker</td>
<td>.39</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>6. is inventive</td>
<td>.37</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Extraversion</td>
<td>I see Myself as someone who</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>1. is outgoing, sociable</td>
<td>.72</td>
<td>.94</td>
<td>.75</td>
<td>.58</td>
</tr>
<tr>
<td></td>
<td>2. talkative</td>
<td>.77</td>
<td></td>
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<td></td>
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<tr>
<td></td>
<td>3. is full of energy</td>
<td>.75</td>
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<td></td>
<td>4. generates a lot of enthusiasm</td>
<td>.74</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>5. has an assertive personality</td>
<td>.77</td>
<td></td>
<td></td>
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<tr>
<td>Consumer Passion</td>
<td>1. There is nothing as important as my GTI.</td>
<td>.76</td>
<td>.93</td>
<td>.69</td>
<td>.91</td>
</tr>
<tr>
<td></td>
<td>2. I find myself thinking about my GTI frequently during the day.</td>
<td>.64</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>3. I would rather spend time with my GTI than with anything else.</td>
<td>.79</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>4. My relationship with my GTI is passionate</td>
<td>.64</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>5. Just seeing my GTI is exciting for me</td>
<td>.63</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>6. I cannot pass by my GTI without touching it</td>
<td>.64</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Brand Evangelism</td>
<td>1. I would make a perfect GTI salesperson</td>
<td>.60</td>
<td>.92</td>
<td>.70</td>
<td>.89</td>
</tr>
<tr>
<td></td>
<td>2. I have proselytized several of my friends to the GTI brand</td>
<td>.70</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>3. I try to convince as many as possible of my GTI</td>
<td>.84</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>4. I feel the need to tell the world that the GTI is the most appealing car of the world</td>
<td>.73</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>5. If someone tries to decry a GTI, I will tell him off unmistakably</td>
<td>.66</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Assume that other, more aesthetic and luxury consumption contexts could reveal a positive relationship between openness and consumer passion. Hence, more research is needed in different, more luxurious, intellectually stimulating, and aesthetic consumption contexts.

Another interesting finding is that extravert consumers, in general, seem to engage more in evangelizing than others. This finding confirms the genuinely talkative character of extravert individuals. Hence, even if an extravert is not passionate, she/he will still engage in word-of-mouth communication. From that we can conclude that extravert consumers are important advocates for any brand. Hence, marketers should spend careful attention to extravert consumers, particularly as they might also be talkative brand opponents.

**LIMITATIONS AND FUTURE RESEARCH**

Notwithstanding these important findings, we must also be cautious with regard to generalizations of our findings. Passionate car owner might be a very peculiar group of people. Hence, our sample might represent a very specific target group of car buyers. Other car brands and different “objects of love” might attract different personalities and thus result in quite distinct behaviors. Further-
more, culture and nationality in general might also make a difference with regard to enthusiast’s behavior. Observing and comparing the behavioral patterns of Finnish and Italian Formula One enthusiasts, for instance, instantly reveals that there are different possible outcomes of consumer passion.

Further research is also needed with regard to the community aspects and the many social factors that influence individuals’ passionate feelings and behaviors with regard to brands. Evangelism is by far not the only outcome of brand enthusiasm. Belk (2003) has outlined that cars are also objects which lead enthusiasts to engage in various rituals and pilgrimages. Yet, there might be other objects, for which people might not want to publicly expose their passion. The object in question might be a guilty pleasure; or the passionate feelings might be unwanted or even conflicting with other interests.

There is also a lack of insight into the very private facet of consumer passion. As extraverts are likely to evangelize, more introvert individuals might be more likely to worship a brand in a very private manner. Furthermore, future research is needed with regard to individuals who score high on openness. Due to their intellectual aspiration, they might be more passionate about very different objects, like for instance music or artwork. To conclude, we can maintain that there is still much room for further theorizing and research on consumer personality and passion with regard to consumption objects.

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THE EMERGENT KNOWLEDGE SYSTEMS AND CO-SHAPING OF INNOVATIVE TOOLS FOR LIFE SCIENCE EXPLORATIONS: THE ANALYSIS ON THE FORMATION OF A RESEARCH TOOL KIT MARKET

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Damien Mcloughlin, University College Dublin, Ireland

SUMMARY

The notion of “market” has often been assumed as given in economic literatures and in marketing management analysis (Loasby 2000). As a result, little if any attention was paid to how it was formed or changed over time (Buzzell 1999).

Recently however, the phenomenon of new markets is of growing interest to researchers (Sarasvathy and Dew 2005). Scholars have approached new markets from a variety of different disciplines, offering a rich set of explanations. Scholarship in marketing, for example, has addressed the issue of how and when a market is created and how it is shaped (Rosa et al. 1999; Porac et al. 2001). These emerging literatures have centered on the sociocognitive nature of markets, raised important issues about knowledge creation and change in market context. To date, however, the sociocognitive theory on market evolution remains largely under-studied and extant empirical studies of this perspective focus on traditional product markets, e.g., the creation of the U.S. minivan market (Rosa et al. 1999), leaving many forms of market unattended, particularly salient are those in nascent industrial fields under “high-velocity environments” (Eisenhardt 1988, p. 816).

New markets for product innovations hold the promise of great rewards, but at the same time are fraught with risk and uncertainty. In the context of emerging technologies, transactions are equivocal, as producers and customers have imperfect knowledge of each other’s preferences and capabilities, leading to the misunderstandings as well as corrections that impact practically all markets. Consequently under such dynamic context, an understanding of the sociocognitive processes by which markets develop is important.

The research site is the emerging life science research tool kit market. In particular, this study focuses on the site directed mutagenesis (SDM) technology, a radical innovation that has fundamentally transformed the development of modern biochemistry and molecular biology.

Combining qualitative and quantitative perspectives in a longitudinal design, we examined the formation of SDM tool kit market over two decades, starting from the very first invention of SDM technology in 1975. Specifically, we used multiple sources and methods to elicit the changing knowledge structures of market actors and their collective agreements, revealed as stories about technologies, products, benefits, limitations, usage conditions, or market dynamics in published media. Main data were extracted from 24,310 scientific papers and patents between 1975 and 1998. Hypotheses concerning the knowledge application trajectories of the tool kits were tested. The results find some support for a social construction of high technology markets. In particular, our findings suggest that markets are formed through the interactions among networked actors, contingently instituted in sociocognitive systems along unfolding scientific and technological trajectories. In this process, collective agreements are reached in the knowledge structures of market actors, which help to stabilize and assimilate new product concepts, quality meanings and consumption norms. Furthermore, the role of demand during early stages of industry evolution has been shown in many previous studies to be relevant. In our study, scientists are both inventers and customers of new research tools, thus co-shaping the new products and having dual contributions to market formation. Finally the study also suggests that narratives in scientific media are a critical aspect of the social system driving innovation diffusion and adoption of emerging technologies. We discuss the implications of the findings in light of the unique characteristics of nascent industrial fields. References available upon request.
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DISCOVERING VALUE PERCEPTIONS OF MOBILE SERVICES WITH CRITICAL INCIDENT TECHNIQUE (CIT)

Minna Pura, Swedish School of Economics and Business Administration, Finland
Johanna Gummerus, Swedish School of Economics and Business Administration, Finland

ABSTRACT

CIT was used to discover user perceptions of mobile services. Recognizing the underlying reasons to use services facilitates the planning of services ahead of the market and developing customer-oriented mobile services. The findings indicate concrete value perceptions of mobile services, most of which have not been reported earlier in e-service contexts.

INTRODUCTION

Designing services that create value for customers is demanding especially in technology-related markets, where product and service life-cycles are short and customer needs are hard to anticipate. Attempts to initiate mobile content service innovations include engaging the potential customers (Alahuhta et al. 2006), and asking what type of services customers are interested in (Anckar and D’Incau 2002; Raijas and Tinnilä 2001). However, the challenge lies in allocating resources to developing services that users will use frequently. Perceived value theories give a solid background on why products and services are used and how the marketing communication can be differentiated according to different consumption preferences. Because consumers have difficulties in expressing future needs, studies of customers’ needs and desires need to be situation-specific, anticipating needs and motives to use the service in a certain context (Eriksson et al. 2001). So far, everyday life situations have received little attention in mobile service research (Hyvönen and Repo 2005).

Mobile services can be accessed via a mobile device (PDA, mobile or cellular phone, smart phone, GPS, etc.) where and whenever the need arises, and they are delivered in interaction between an organization and a customer. Current BtoC mobile services include, e.g., logos, ring tones, games, chat, dating, news, search services, route guidance, and mobile ticket payment. Recognizing the underlying value perceptions of these services facilitates planning services ahead of the market and developing customer-oriented, attractive, and profitable mobile services.

The purpose of this paper is to analyze users’ value perceptions of different types of mobile services in concrete use situations. The theoretical significance of the paper is high, since earlier one or two-dimensional conceptualizations of value have been criticized for being too simplistic (Dubé, Cervellon, and Jingyuan 2003; Sweeney and Soutar 2001). A broader view can reveal potential differences for positioning strategies that one-dimensional attitude measures do not capture (Voss, Spangenberg, and Grohmann 2003). The practical significance of the paper is considerable, because the resulting perceived value framework helps companies to anticipate situations where different types of mobile services create value to customers.

LITERATURE REVIEW

Customer perceived value takes into account what customers want and believe they get by using the service. Some of the most quoted definitions in marketing and management literature are illustrated in the Table 1.

A common aspect in the definitions of perceived value presented in Table I is that: Value is perceived by the customer based on his/her experiences and knowledge gained by using the product. In mobile services, the customer interacts with the service provider in a given context and evaluates the service based on previous experiences and underlying values. The outcome of this evaluation is a preference, i.e., a favorable assessment of the mobile service compared to other alternatives. In empirical studies, perceived value has long been measured as an overall construct with single-item or multi-item scales emphasizing price perceptions (Anderson and Srinivasan 2003; Chiou 2004; Dodds and Monroe 1991; Grewal, Monroe, and Krishnan 1998; Thaler 1985). In addition, value evaluations can include a cost aspect. For example, Zeithaml’s (1988) conceptualization of value as sacrifices vs. benefits is frequently used as a basis for measuring perceived value in marketing literature (Flint et al. 2002; Grönroos 2000; Monroe 1990). Differentiating between intrinsic and extrinsic value has also become a popular means of classifying consumption of products and services (Hirschman and Holbrook 1982; Holbrook 1994). Intrinsic means self-oriented, hedonic consumption mainly for fun, whereas extrinsic means other-oriented, utilitarian consumption that is more goal-oriented. Furthermore, Park et al. (1986) differentiate between functional, symbolic and experiential benefits in a branding context. Functional benefits are defined as those that motivate the search for products that solve consumption-related problems. Symbolic benefits mean desire for products that fulfill internally generated needs.
and which are associated with self-image or role. Experiential benefits are described as desire for sensory pleasure, variety, and cognitive stimulation. These types of categorizations are helpful for marketers, as they are expected to ease targeting the right customers.

However, a more elaborate, multidimensional view has been encouraged to better depict the different dimensions of perceived value in specific services (Childers et al. 2001; Dubé et al. 2003; Sweeney and Soutar 2001). In comparison to the previously mentioned conceptualizations of value, the categorization of Sheth et al. (1991) gives the widest variety of types of value: functional, emotional, social, epistemic, and conditional value. Functional value relates to monetary benefits or superiority compared with the alternatives. Emotional value is acquired when a product/service arouses feelings or affect, whereas social value often derives from the use of visible goods or services that are commonly shared with others. Epistemic value relates to experienced curiosity, novelty, or gained knowledge. Conditional value is temporary in nature (Sheth et al. 1991).

Earlier research shows that perceived value is best represented by a hierarchical structure that preserves the attribute-specific information and groups them at a higher level (Dubé et al. 2003). In previous literature, researchers have mostly either relied on broad conceptualizations of perceived value with several categories (based on Sheth et al. 1991) or narrow conceptualizations of value with utilitarian and hedonic categories (based on e.g., Hirschman and Holbrook 1982). The focal study creates a multilevel framework that also takes into account the context of mobile service use, which may change the perceived

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**TABLE 1**

**Definitions of Customer Perceived Value**

<table>
<thead>
<tr>
<th>Definitions of Customer Perceived Value</th>
<th>Authors</th>
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<tbody>
<tr>
<td>Customer perceived value is defined as the outcome of an evaluation made by a single customer, and it constitutes of three overlapping dimensions, namely the object that the customer evaluates, the context, and the underlying values that measure what is desirable for the customer.</td>
<td>(Rescher 1969)</td>
</tr>
<tr>
<td>Value is the consumer’s overall assessment of the utility of a product based on perceptions of what is received and what is given.</td>
<td>(Zeithaml 1988, p. 14)</td>
</tr>
<tr>
<td>Buyers’ perceptions of value represent a tradeoff between the quality or benefits they perceive in the product relative to the sacrifice they perceive by paying the price.</td>
<td>(Monroe 1990, p. 46)</td>
</tr>
<tr>
<td>Consumer choice is a function of multiple consumption values. These are functional, social, emotional, epistemic, and conditional value. The consumption values make differential contributions in any given choice situation. The consumption values are independent.</td>
<td>(Sheth, Newman, and Gross 1991, p. 160)</td>
</tr>
<tr>
<td>Value is an interactive relativistic preference experience . . . characterizing a subject’s experience of interacting with some object. The object may be any thing or event.</td>
<td>(Holbrook 1994)</td>
</tr>
<tr>
<td>Customer value is a customer’s perceived preference for and evaluation of those product attributes, attribute performances, and consequences arising from use that facilitate (or block) achieving the customer’s goals and purposes in use situations.</td>
<td>(Woodruff 1997, p. 142)</td>
</tr>
<tr>
<td>A value judgment is the customer’s assessment of the value that has been created for them by a supplier given the trade-offs between all relevant benefits and sacrifices in a specific use situation.</td>
<td>(Flint, Woodruff, and Gardial 2002, p. 171)</td>
</tr>
</tbody>
</table>

1 In the focal market, these services are typically ordered with the help of text message either via mobile portals or directly from the content provider.
value in certain situations (Chen and Dubinsky 2003; Flint et al. 2002; Mallat et al. 2006).

METHOD

In order to examine what customers value in mobile services, in-depth interviews were conducted with mobile service users. Critical Incident Technique (CIT) was used during the interviews in order to collect rich data that describes the use situation, perceptions of services and, to some extent, the consequences of use in the customer’s own language. CIT is considered well suited for discovering value-enhancing service components (Stauss 1993).

In this paper, critical incidents are defined as specific use situations in which the customer has perceived the mobile service especially valuable, and thereby the paper concentrates solely on positive incidents. The interviewees were asked to describe one situation when they perceived a mobile service to be especially valuable to them, and elaborate on why it was valuable, what happened in that specific situation, and whether they are going to use the service again. An incident is labeled critical if the customer is able to recall the incident when asked about memorable situations while interacting with the service provider (Roos 2002). Some respondents spontaneously also described situations where the mobile services would have been valuable, but were not available yet. These respondents were asked to elaborate on why, and to describe the situation in detail. Therefore, the method also revealed potential needs in everyday life situations.

The prerequisite for respondent recruitment was previous experience in using mobile services. In total, 31 persons were interviewed. The respondents all used mobile services regularly, but were not experts in the mobile field. The respondents had used mainly phone number and address inquiries, logos, ring tones, timetables, mobile payments, e-mail, and news. The categorization of value attributes was done based on themes that emerged from the 25 identified positive critical incidents related to concrete use situations, and from additional 19 potential positive situations where mobile services would have been perceived valuable, but were not available at the time of the study. The example quotes presented are all retrieved from the critical positive situations in which the respondents had personal experience of using a mobile service.

A qualitative, abductive research process was used in this study in order to understand customer perceived value in a mobile environment, where prior research is scarce. The abductive approach starts with real-life observations; it then continues with an attempt to find a matching framework and to extend the theory used prior to the observations. The approach is also used to suggest new theories by proposing hypotheses or propositions for further research (Dubois and Gadde 2002; Kovacs and Spens 2005). This approach enabled the researchers to expand their understanding of both theoretical and empirical phenomena (Dubois and Gadde 2002), and to create new categories describing and extending the meaning of the value concepts used in earlier literature.

Thus, the research process started by creating meanings from the data. First, emerging concepts were coded into free nodes describing the different aspects of perceived value in mobile service use situations. This phase can be called inductive categorization (Spiggle 1994). Second, comparisons for similarities and differences were made systematically by tabulating all the quotes for each label. If differences were found within one label, the coding was changed (Spiggle 1994). The coding made by one author was checked by another one, and the differences were resolved together. The classification scheme and the categories representing the quotes extracted from the interviews were also reviewed by an external coding judge. Next, the transcripts were reanalyzed to further develop thematic categories by abstracting the concepts into higher-order conceptual categories (Spiggle 1994). Thus, similar nodes were grouped to form dimensions and a classification scheme was developed. The categories at the lowest level of abstraction represent the concrete reasons to use mobile services that are marked with alphabetical bullet points in Figure 1 (e.g., 1.1.a Lack of Time).

Value dimensions of the value framework (conditional, epistemic, emotional, social, monetary, and convenience value) were based loosely on Sheth et al.’s (1991) categorization. The modifications that were made are twofold. Firstly, Sheth et al.’s (1991) functional value was in this study replaced by monetary value and convenience. This follows Sweeney and Soutar (2001), who suggest that functional value has sub-dimensions that should be measured separately. Secondly, it became evident that the value categories were interrelated (for similar views see Holbrook 1994; Sweeney and Soutar 2001), rather than independent as originally suggested by Sheth et al. (1991). In technological environments where even achieving a utilitarian goal can be an enjoyable service experience, overlapping value categories seem highly logical. Therefore, we suggest that value categories are interrelated and that several nodes representing value attributes could have been extracted from one service use situation. However, the distinctive value-adding aspect, that best described the specific service use situation was selected and assigned to a node.

ANALYSIS AND FINDINGS

Next, the findings are discussed in a circular manner presenting the emerged value attributes and value categories in the light of previous literature. The value percep-
Conditional Value

Conditional aspects of mobile service use derive from specific situational needs and include contextual elements. They are partially derived from the personal nature of mobile handheld devices that are carried along and which enable instant access to services. For example, access to a service via a mobile phone is perceived valuable in situations when other media are unavailable. The context of use has been acknowledged in earlier research, although it has not explicitly been conceptualized as an integral part of a value framework. Furthermore, the impact of contextual elements such as time constraints on choice behavior indicates that context-specific factors affect value perceptions (Mallat 2005). Balasubramanian, Peterson, and Järvenpää (2002) also acknowledge that mobile technologies are especially useful in situations where time and space are critical. The conditional category has sub-dimensions of value depicting time, location, access and uncertain conditions.

Time. The time attribute is twofold including aspects of either lack of time, or situations when persons are occupied and need to do several tasks simultaneously. When in a hurry, people see time as a scarce resource and may use mobile services in situations when instant access or information is crucial. Instant need in a hurry has also been recently acknowledged as a situational factor by Mallat (2005).

Lack of time: “I was in a terrible hurry, I had to rely on public transportation or walk, it was raining . . . and I had to get from one city to another . . .” [paying transport with mobile phone] (45 M).

Mobile services also offer a possibility to multitask and to order things with the mobile device while occupied.

Occupied: “Because you can send the text message to book movie tickets during the workday . . . because it is not very nice to make such bookings by phone . . . you can easily send it [text-message] and nobody notices when you do it” (29 F).

Location. The location attribute describes situations when the user is in an unfamiliar place or is lost. An essential part of the value of the location information is the automatically customized information according to the customer’s location. In emergency situations, in particular, mobile services offer a feeling of security by being able to locate oneself, others or service locations.

In an unfamiliar place: “I wanted to know if I have to refuel now or if I can do it later on, the service gave me the locations of the three nearest gas stations and it even told what chains the stations represented and where to get bonus points” (27 M).

Access. Access refers to the benefits of mobile services that can be used wherever and whenever the need arises, e.g., abroad, at the summer cottage, at sea, and at festivals when no other media are available.

No alternative access: “… if you don’t want to be at the [rock] festival area all the time, you don’t get any information, there are no other media available where you would get the information, so that [the rock festival mobile news service] is good. You get information if some band is delayed and such” (20 M).

Furthermore, mobile services enable people to use services without moving anywhere from their current location, e.g., reserving and buying tickets and searching for information. This is especially relevant if the service location is geographically far away.

Geographical distance: “I tried an electronic concert ticket, it is extremely handy. You don’t have to leave [your current location], you get it right there [a ticket to your phone]. You don’t have to go and buy the ticket and pick it up. Since I live almost 200 km in the countryside . . . it guarantees that I do not really have to go anywhere” (50 M).

Mobile phone is also often used as a payment method when no cash is available, e.g., while paying for parking, tram or subway tickets, or paying for products at vending machines.

No cash: “I was in a situation, when I was out of cash in a tram . . . It’s possible to pay [the tram ticket] even if you don’t have money or you have big notes only” (29 F).

Uncertain Conditions. Uncertain conditions entail situations where more information is needed to facilitate decision-making. Anticipating future conditions often requires location- or time-specific information. Among other things, the respondents mentioned need for information or forecasts of future weather, ice, snow, wind and pollen conditions that are location-specific; referring to conditions at a certain town, municipality, sea area or, e.g., ski resort.

Need for anticipating conditions: “We were sailing and were located at a small island at sea, when the wind was rising. We had to order the weather report instantly to know where the direction of the wind was changing to so that we knew which direction to take” (28 F).
Route guidance helps people to get from one location to another either by public transport, or by car, or giving directions to pedestrians in an unknown location. Route information is often sought in situations when there is a need to know the quickest way to get from one location to another, and how to get there.

Need for route guidance: “I was walking and did not find the place I was looking for, so I sent that message and... got the address back from the service” (25 F).

Furthermore, a need for real-time information may arise when accurate up-to-date information is crucial, e.g., regarding bus stop-specific timetables, flight delays, stock rates, or bank account balance.

Need for real-time information: “I found the bus stop specific timetable near my friend in the middle of nowhere, when I was in a hurry” (28 F).

Epistemic Value

Epistemic value relates to experienced curiosity, novelty or gained knowledge. According to earlier literature, the primary trigger for purchase may be curiosity about a new product, novelty or variety seeking (Hirschman 1980; Sheth et al. 1991). In one case, a respondent who bought a soft drink from a vending machine with mobile payment remembered the experience as positive and fun. At that time it was something new and exciting that she wanted to try to see how it functions, but she also verified that the novelty value vanishes after a few months.

“It was something new, something exciting, first of all I wanted to test if it functions and when it did, I was like wow, this is fun, the first time was extremely fun. All my colleagues giggled at the vending machine” [paying a soft drink with SMS] (25 F).

Emotional Value

Emotional value is gained through emotional communication. Therefore, emotional value has gained importance especially in entertainment services, e.g., gaming, mobile chat, picture messaging, and ring tones. The situations described in the interviews revealed aesthetic aspects and having fun, while using the service.

Fun: “Once I had an argument with my friend and I sent her a funny picture message with a teddy bear and text like I am so sorry, please forgive me. Usually you get a phone call back like it’s all right. It is fun” (16 F).

According to earlier literature emotional value is acquired when a product/service arouses feelings or affect (Sheth et al. 1991). Aesthetic pleasure and associations with earlier experiences as well as play or fun enjoyed for its own sake generate emotional value (Holbrook 1994; Sheth et al. 1991). Especially in the mobile contexts, Leung and Wei (2000) have reported enjoyment and fun seeking as customers’ motives to use services. Hirschman (1980) further suggests that feelings may be joy, jealousy, fear, or even rage. This study found that emotional value was also gained by teasing others. There are some mobile services specifically designed to meet the need for teasing or play a joke on friends and family, e.g., sending anonymous prank messages. In general the services are used for pleasing friends or oneself.

Teasing: “Teasing! ... I ordered a ring tone to another person. We wanted to play a joke on our father, changed his ring tone” (29 F).

Social Value

In earlier literature, social value associates users of the service with a social group and includes such aspects as social image, identification, social self-concept and expression of personality (Bearden and Etzel 1982; Bhat et al. 1998; Holbrook 1994; Sheth et al. 1991; Sweeney et al. 1998; Holbrook 1994; Sheth et al. 1991; Sweeney et al. 1998). The results of this study indicate similar aspects of social respect and appreciation of others gained by using mobile services.

Appreciation from others: “I didn’t want my friend to know that I forgot her address again and to be told that I have a terribly bad memory. I got the required information by mobile phone” (25 F).

Gratification theories also talk about fashion, status and sociability that relate to similar aspects as social value. This indicates that the use of mobile services may be a way to express personality, status, and image in a public context (Leung and Wei 2000). In contrast, self-respect in this study relates to embarrassing situations when mobile services enable people to maintain self-respect.

Self-respect: “I felt like a good citizen when I was able to pay the ticket [by the mobile phone] (45 M).

Recently, similar findings have been reported by Laukkanen and Lauronen (2005) in a mobile banking context. They report that mobile banking enables people to avoid feelings of shame and embarrassing situations of not being able to pay for products or services.

Monetary Value

This study indicates that mobile service prices may be perceived positively, since mobile services are often priced lower than similar services in alternative channels and therefore they are perceived as cheap. Thus, the price perceptions are relative to traditional ways of acquiring the information or making transactions.

Low Price: “It is like cheaper [the mobile ticket] than if you would buy it in a tram [the paper tram ticket].
The price is the same as in the self-service tellers” (20 M).

Kleijnen et al. (2004) also suggest that in mobile services the cost is of minor importance compared to the content. In contrast, market research results often state the high price of mobile services as a barrier for mobile service adoption (Hyvönen and Repo 2005). However, an important factor not explicitly mentioned in value literature is payment time. Since services ordered through the mobile channel are mostly invoiced monthly on the phone bill, customers also reported payment time as valuable. Similar results have been recently pointed out by Mallat (2005) who quotes mobile phone users that state that mobile payment would be advantageous in situations when out of cash, because it gives payment time and the bill can be paid later.

*Payment time:* “Sometimes when I haven’t had any money and you can just order the subway ticket by mobile phone. It’s convenient, because you get some payment time at the same time. It’s debited on your phone bill, it’s quite good if you’re broke” (20 M).

**Convenience Value**

Convenience has been reported as a major attractor for mobile technology use in addition to task fulfillment (Anckar and D’Incau 2002; Carroll et al. 2002; Mick and Fournier 1995). Furthermore, mobile services often seem to relate to efficiency, i.e., they require less effort or time spent. Thereby they streamline activities and make life easier. This study shows that convenience entails a wide range of aspects. Convenience is gained through ease and speed of use. Mobile services are instant and people appreciate the rapid access to services compared to the alternatives.

*Speed:* “...Things need to be dealt with urgently and then it is worth more than gold to get it right away” [the phone number from mobile yellow pages] (29 F).

According to the findings, the ease of use concept was extended to mean that mobile services ease life in general. Mobile services give easy access to services. The mobile users do not like to plan actions a lot in advance and mobile services give flexible access anytime and anywhere the need arises.

*Ease of use:* “When you need money urgently and are late out, it is easy to transfer money from one account to another” [with mobile banking] (26 M).

A further aspect that was unique to this study was the need to stay anonymous while using the services. This is an important aspect when one does not want to disturb others or wants to get some information anonymously, without being identified. People seem to use services very innovatively for personal reasons, e.g., searching numbers and addresses of a possible dating partner that they are interested in, or finding out who phoned them. In this respect, convenience can also mean the value generated from the fact that one’s intentions will not be revealed to anyone.

*Anonymity:* “When someone has called you ... it always bothers if you don’t know who tried to call. It is nice to get the name. For example I searched for a man’s phone number ... if you know someone and want to contact him ... you don’t need to ask anyone and won’t get revealed in any way” (26 F).

Moreover, a common phrase used by interviewees was “mobile services are handy,” meaning that it is a convenient way of using services, since the use of mobile services does not require personal contact or going to a service location. Spangenberg, Voss, and Crowley (1997) and Voss, Spangenberg, and Grohmann (2003) have previously used the scale handy/not handy to depict a utilitarian dimension of attitude.

*Handy:* “The ticket was sent to my phone electronically, it was extremely handy” (50 M).

**DISCUSSION**

In the previous value literature, the conditional and epistemic value categories have been explicitly mentioned only by Sheth et al. (1991), who conceptualized them as same level constructs as emotional, social, and functional value. More research has been encouraged to explore the relationships between conditional and epistemic value, and other value dimensions (Sweeney and Soutar 2001). In value and m-commerce literature some researchers have analyzed the temporal and spatial aspect of value perceptions (Heinonen 2006; Balasubramanian et al. 2002). However, in a mobile environment several other changing conditions ranging from other users influence to network availability influence service use (Järvenpää and Lang 2005; Toivonen, Kolari, and Laakko 2003).

Figure 1 describes the framework of this study and illustrates how the constructs discussed in this study are related to each other. Conditional and epistemic value are separated from the other perceived value categories and are proposed to trigger service use and enhance the emotional, social, monetary and convenience value. This proposition is based on the following findings. Respondents describing conditional value aspects talk about
situations in which they would normally use other service channels, but under certain conditions they perceive the mobile service option extremely valuable. These situations are often described with words “when” or “if,” relating to the pre-use conditions. The respondents’ stories then usually continue with consequent service in-use experiences, which are described with value terms such as “quick,” “easy,” “handy,” and “fun.” Therefore, these pre-use conditions seem to be antecedents to value perceptions triggering service use. Bobbitt and Dabholkar (2001) and Richard (2005) report similar conclusions and state that situational factors (e.g., changes in amount of time available or mobility) seem to trigger people’s use of self-service technologies (Bobbitt and Dabhokar 2001; Roos 2002). Furthermore, the results of this and of Sheth et al.’s (1991) research indicates that epistemic value dissolves soon after a trial period and is therefore temporal in nature, because epistemic value may trigger trial behavior without real motivation to use the service in the long run. Furthermore, explorative, novelty-seeking behavior seems to trigger behavior on the Internet (Richard 2005). Therefore, we propose that perceptions of both epistemic and conditional aspects of service use enhance the other value categories and trigger service use under certain conditions.

CONCLUSION AND IMPLICATIONS

This paper proposes a perceived value framework that helps to understand the multifaceted nature of perceived value from a customers’ point of view and to differentiate between service offerings based on different types of reasons to use mobile services. Furthermore, it conceptualizes the role of conditional and epistemic value as antecedents of other value dimensions. Conditional and epistemic value intensify the need to use a service in a certain situation. Most importantly, the study investigates the meaning of the use situations and illustrates how important conditional aspects are in triggering use of mobile services in addition to more permanent value perceptions and preferences of customers. This challenges previous value theories and helps conceptualization of the value of electronic services in the future.

However, this is exploratory research and further empirical studies are needed to analyze the relationships between the value categories, and how the value categories influence, e.g., behavior, commitment to service providers, and willingness to pay for services. On a practical note, this study increases understanding of when and how people use mobile services and what they find
valuable in them. The exploratory approach identified value perceptions of mobile services that have not been reported in earlier research; e.g., anonymous use, gained payment time, self-respect and teasing as well various conditional aspects that trigger the use of mobile services. CIT gives special attention to the most critical and memorable situations (Stauss 1993). Even though mobile services may be normally used in more mundane situations, these examples illustrate memorable situations when mobile services are especially valuable to customers. These value-creating aspects help to position the services compared to the competitors’ services, and give concrete implications for how to effectively communicate the value propositions of mobile services.

ACKNOWLEDGMENTS

The author would like to thank Clara Leung for acting as an external coding judge. The research was supported by grants from the Foundation for Economic Education.

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TECHNOLOGY MEDIATION IN SERVICE DELIVERY: A NEW TYPOLOGY AND AN AGENDA FOR MANAGERS AND ACADEMICS

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SUMMARY

The role of communications and information technology for economic growth has been emphasized repeatedly (e.g., Baily and Lawrence 2001). Modern communications and information technology has enabled the provision of traditionally local services over long distances, as well as given rise to new forms of services. Many such services have become part of our everyday lives. Using the Internet, we are able to check our bank accounts or make travel arrangements. We can check into airplanes via SMS on the way to the airport, and interact with students in online learning environments. Although these technology-mediated service encounters are qualitatively different from traditional service provision, the marketing literature has as of yet paid little attention to these technology-based service encounters. The present paper aims to fill this research gap. We discuss how new types of technology-mediated services fit into existing service typologies and provide an extension of existing frameworks to capture their unique characteristics. Based on this, we outline managerial implications and open research questions.

We define technology-mediated services according to Froehle and Roth (2004) as services, which are provided via a technological interface between provider and customer, which allows for an immediate exchange of information between customer and provider through modern communications and information technology. A comparison of technology-mediated services with the classical service delivery process indicates that the use of technology abolishes the necessity for a co-location of customer and provider in the service production process and enables the service delivery over long distances. Furthermore, as a consequence a number of new and enhanced possibilities for service providers with regard to customization, storability, and automation of service provision have emerged. Beyond these similarities though, technology-mediated services have very distinct characteristics, which lead to rather fundamentally different insights for the marketing and management of these services. These differences result from the way in which technology is applied in the service production process, who takes the active part in the service production, whether a simultaneity of provider and customer in the service production is needed, the complexity of the service, the degree of individualization of the services, the degree of customer participation and the degree in which customer and provider interact during the service encounter.

We differentiate technology-mediated services on a primary level into “self-services” and “delivered services.” We define technology-mediated self-services as services, in which the service provider provides the necessary (technological) infrastructure, which enables the customer to conduct the entire actual process of service production by himself. “Delivered services” generalize services such as “interactive consulting services” and remote services. Technology-mediated interactive consulting services are services, which allow for the provision of consulting services in a technology-mediated interaction process of provider and customer. In contrast to technology-mediated self-services or interactive consulting services, the term “remote services” describes a type of service, which we define as being provided in a technology-mediated production process, enabling the provider to actively access the service object. While self-services are produced by the customers for themselves, in delivered services the provider takes an active part in the service production process, e.g., in a remote repair of a machine. Another aspect that characterizes self-services is the fact that the provider’s representative and the customers do not need to be simultaneously present in the service production process. Delivered services, such as phone-based consulting, on the other hand usually still demand a simultaneity of customer and representatives of the service provider as the service provider is actively involved in the process of service production. Furthermore technology-mediated self-services by definition are automated. A consequence of the automation of self-services is the fact that they are standardized and that the customer cannot exert any influence on the service production process. In contrast, delivered services can be highly individual and be produced in an interactive process between customer and provider. Delivered services can be much more complex than self-services because they are individually tailored solutions to each customer’s
problems, such as the implementation of an IT-system. Self-services and remote services can be divided further into different subtypes, e.g., provider-based self services and customer-based self services, dependent on the location of the applied service-technology.

While the motivation for the application of technology-mediated services is collectively to be found in the reduction of costs, an increase in flexibility and availability, the differences in the distinct types of technology-mediated services lead to diverse managerial implications. For example, in self-services the customers play the active part in the service production. The service provider has to set incentives and motivate customers to actively seek, access and use the mediating technology. In view of the accelerating development of new technologies, it is important to explore the ability and willingness of customers to use self-service technologies. Interactive consulting services are produced in interaction of service provider and customer. The reduced social presence in the technology-mediation of the communication process makes it, e.g., harder for the customer to develop trust in the service-provider (Gefen and Straub 2003). These challenges are even exacerbated in an intercultural context (e.g., Grosse 2002; Jarvenpaa and Leidner 1999). Therefore it is of high importance to understand the factors, which influence the development of trust and satisfaction in technology-mediated service provision. Especially in remote service encounters, when customers cannot see their providers working on a project, they have a hard time evaluating the time, effort and quality of the work done as they lack of a sufficient “Evidence for Service” (Zeithaml et al. 2006). The provider has the task to make the service provision process and its quality noticeable for customers. References available upon request.

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THE IMPACT OF ARTICULATION AND AUDIENCE PARTICIPATION ON THE EVALUATION OF INCONGRUENT SPONSORSHIPS

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SUMMARY

One of the most frequently studied concepts in sponsorship research is the notion of congruence (also referred to as fit, match, or relatedness) between the sponsor and the institution or activity being sponsored (e.g., Gwinner and Eaton 1999; Rifon, Choi, Trimble, and Li 2004; Roy and Cornwell 2004; Johar and Pham 1999). Congruence between the sponsor and the sponsorsee has been shown to lead to more favorable consumer responses and greater sponsorship success, whereas a lack of congruence usually entails less positive consequences. However, it has also been pointed out that many companies may not have logical, native links to sports, events, and causes and may therefore end up sponsoring properties that are not a natural match (Cornwell, Humphreys, Maguire, Weeks, and Tellegen 2006; Simmons and Becker-Olson 2006). This raises the question whether incongruent sponsorships are necessarily doomed to fail or whether evaluations of incongruent sponsorships can be improved through adequate marketing activities. The purpose of this research is to investigate to what extent (1) the articulation of the sponsorship relationship and (2) the active participation of the audience in the sponsorship experience can lead to improved responses to incongruent sponsorships.

Congruence Effects in Sponsorship

Schema theory has been used to account for the positive effects of congruence in sponsorships. When consumers perceive a match between the schemas they hold about the event and the sponsoring brand, they are believed to transfer affect from the event to the brand and are likely to evaluate the sponsorship more favorably. When the incongruity between the event and the sponsoring brand is large, however, consumers will experience cognitive inconsistency and are unlikely to resolve this inconsistency. The resulting feelings of frustration and helplessness may spark negative affect that is transferred to the brand (Peracchio and Tybout 1996; Stangor and MacMillan 1992). Another explanation that may account for the negative effects of incongruence is based on the persuasion knowledge model (Friedstad and Wright 1994, 1995). When consumers are faced with an incongruent sponsorship, they may activate a persuasion schema and will infer that the company is sponsoring the event out of extrinsic and self-serving motives, such as profit or reputation improvement (Rifon et al. 2004).

We argue that the negative effects of low congruence can be attenuated through (1) articulation of the sponsorship relationship and (2) active participation of the event audience in the sponsorship experience. Firstly, congruence can be enhanced or even “created” through explicitly articulating the basis and the meaning of the sponsorship relationship. For example, when the beer company Carlsberg sponsored the ski world championships in Switzerland in 2003, it changed its advertising slogan from “Carlsberg, Probably the best beer in the world,” to “Carlsberg, Probably the best after-ski beer in the world.” As such, articulation can serve to create a link between the schemas held about the event and the brand and can imbue an otherwise incongruent sponsorship relationship with relevant meaning (Cornwell et al. 2006; Simmons and Becker-Olson 2006). Secondly, evaluations of incongruent sponsorship can be improved by providing on-site audiences with a memorable and exciting sponsorship experience. A sponsorship experience may serve to establish an additional associative link and may facilitate the transfer of affect and associations from the event’s schema to the brand’s schema. Furthermore, it seems likely that the positive affect generated by the sponsorship experience itself (e.g., fun and excitement) will get attached to the sponsoring brand. Hence, evaluations of an incongruent sponsorship should be improved when levels of audience participation are high.

Method, Results, and Discussion

To test our hypotheses, we conducted an experiment at a Swiss university. Participants were told that the researchers had been approached by the organizers of a cultural festival to help them in evaluating the program of one of their main sponsors. They were then exposed to a sponsorship program description where the level of articulation and the level of audience participation had been manipulated. In order to identify a brand that was incongruent with the image of the cultural festival and which could be used in the experiment, a number of pretests were performed.

The analyses support our hypotheses. As expected, participants who were provided with an articulation of the relationship exhibited more favorable evaluations of the sponsorship, more positive attitudes toward the sponsoring brand, and greater image transfer from the event to the sponsoring brand. Similarly, higher levels of audience
participation led to more favorable sponsorship evaluations, more positive sponsor attitudes, and enhanced image transfer. Our results may have valuable implications for marketing practitioners. Marketers that decide to sponsor low-fitting events (e.g., because the event is liked by the public) are well advised to explain the relationship to consumers and provide event visitors with a memorable and exciting sponsorship experience. Both instruments can help to improve responses to a sponsorship program that consumers would otherwise regard as incongruent and inappropriate. References available upon request.

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EFFECTIVENESS OF SPONSORSHIP COMMUNICATIONS: A CONCEPTUAL FRAMEWORK PREDICTING EXPLICIT AND IMPLICIT MEMORY

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SUMMARY

Sponsorship is of central importance in marketing due to its potential to influence critical outcomes such as brand awareness, attitudes, and purchase behavior. A growing body of literature and research has been dedicated to identifying the core outcomes of successful sponsorship, and exploring the determinants of sponsorship effectiveness. Specifically, research has considered the impacts of individual- and group-level factors, market factors, management factors, and the mechanisms by which sponsorship communications are processed by consumers. Cognitive (e.g., awareness), affective (e.g., liking, preference) and behavioral (e.g., purchase intentions and behavior) outcomes have been identified as focal consequences of successful sponsorship communications. Despite the breadth of research in the domain, however, current understanding of the factors influencing the success of sponsorship communications lacks sufficient depth.

One of the characteristics of sponsorship communications is a reliance on minimal stimuli such as logos or brand names, which are impoverished in nature and thus unable to convey the same depth of meaning as more complex communications. Due to its pervasiveness, communication based on these stimuli is of particular interest in sponsorship research. Despite this, however, few studies have directly examined the efficacy of such communications. Moreover, extant sponsorship research has focused almost exclusively on measuring explicit memory, considering cognitive outcomes such as recall or recognition of sponsor – event pairings. It can be argued, however, that consumer awareness of a company’s event sponsorship is not particularly meaningful if it does not result in affective or behavioral outcomes.

Stemming from these shortcomings in extant sponsorship literature and research, the broad aim of this paper is to develop a deeper understanding of the factors impacting on sponsorship efficacy. More specifically, this paper conceptualizes sponsorship effectiveness in terms of consumers’ explicit and implicit memory for sponsors resulting from incidental exposure to minimal sponsorship communications. To address its broad aim, this paper draws upon three streams of literature, synthesizing relevant theory and research from cognitive psychology, sponsorship, and advertising.

The distinction between explicit and implicit memory, the levels of processing framework, and fluency theory are then adapted to a sponsorship context to advance a framework of sponsorship effectiveness that is both theoretically grounded and practically meaningful. This conceptual framework and its underlying propositions explain cognitive and affective sponsorship outcomes – as measured by explicit and implicit memory respectively – in terms of incidental exposure and the type of sponsorship message, as well as considering brand familiarity and its differential moderating effects for explicit and implicit memory for sponsors. This framework has two fundamental premises: firstly, that sponsorship efficacy can be achieved even under conditions of incidental exposure to sponsorship communications, and secondly, that incidental exposure can result in not only explicit memory but also implicit memory for sponsors.

This paper contributes to and extends current marketing theory on a number of levels by using theories from cognitive psychology to bridge a significant gap in extant sponsorship literature. Moreover, the framework advanced in this paper also offers several substantive implications for marketing practitioners, firstly by incorporating both explicit and implicit memory to provide a more practical and comprehensive measure of sponsorship efficacy, and secondly by facilitating a more thorough understanding of the factors impacting on sponsorship effectiveness, thereby informing marketing decision making for current and potential sponsors. References available upon request.
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GLOBAL BRAND EQUITY MODEL: COMBINING CUSTOMER-BASED WITH PRODUCT-MARKET OUTCOMES APPROACHES

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SUMMARY

In the era of global marketing branding strategy, as a key element in the marketing mix, is increasingly viewed as a powerful tool to obtain sustainable competitive advantages (Lin and Kao 2004), as well as to fully utilize available resources, and to avoid bleeding price competitions (Aaker and Keller 1990). With increasing brand globalization, there is growing demand for the development of the model of global brand equity to assess a brand’s value relative to that of its global competitors. The aim of this paper is to explore the structural relationship between consumer-based brand equity and its product-market outcomes. Built on Keller’s (1993, 2003) theoretical structure, this article develops a conceptual framework of brand equity applied to Chinese consumers. A comprehensive brand equity model is created including dimensions such as corporate ability association, brand awareness, quality/value perception and brand resonance. In addition, this research developed the product-market outcome measures and placing them as criteria variables as recommended by previous researchers (e.g., Aaker 1998; Brown and Dacin 1997; Keller 1993, 1998).

Using both qualitative and quantitative survey data collected from China in early 2005, the proposed model was tested. Seven actual brand names were chosen for this study. The results suggest that consumer-based brand equity is composed of four facets: corporation ability association (CAA), brand awareness, quality perception and brand resonance. The results provide evidence that CAA cannot only influence quality perception, but also influence brand extendibility. Companies with strong ability association and awareness have more potential to succeed in introducing a new product or extensions to related areas. CAA also has great impact on price flexibility of a company. Moreover, brand resonance, i.e., the interactive relationship between customers and brand, can lead to repeat purchase, which can help produce more profits.

The research provides several managerial implications for both domestic and global marketers. The results provide significant implications for the theoretical development of global brand equity – an extension of the model proposed by Keller (2001).

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WHEN NOT TO SAY YOU’RE SORRY: AN EXAMINATION OF THE NEGATIVE OUTCOMES OF APOLOGIES

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SUMMARY

When offering an apology, transgressors expect that the effect of the apology will be positive. Apologies are intended to soothe the injured party and to restore balance in the social exchange (Walster, Berscheid, and Walster 1973). The general rule, or norm, associated with scholarly literature across business, social, medical, and legal disciplines is that an apology is always offered when a transgression has been committed. However, this general rule has been demonstrated to have moderators in the social psychology literature. Niedermeier, Horowitz, and Kerr (2001) found evidence that boundaries exist related to the effectiveness of apologies. Their study found that, in particular, the status and gender of the apologist impacted the perceived level of guilt associated with the transgressor. Of particular interest, they found that high-status offenders were better off not offering an apology.

While the boundaries of an apology’s effectiveness have been explored in other literatures, “always apologize” remains the rule in business. Smith, Bolton, and Wagner’s (1999) model of service recovery encourages companies to apologize following a service failure. Their service recovery model shows that apologies impact perceived levels of interactional justice, defined as the way in which consumers relate to the offending company, and ultimately customer satisfaction in a positive way. In addition, Wirtz and Mattila (2004) found that customer satisfaction is an antecedent to repatronage intentions. These findings together indicate that the ultimate outcome of an apology can be measured via repatronage intentions. We agree with these findings related to the benefits of an apology on perceptions of interactional justice, customer satisfaction, and ultimately repatronage intentions, but attempt to show that apologies also impact a second mediator, will expectations, which also impact repatronage intentions. Boulding and colleagues (1993) define will expectations as what the customer believes will happen during the next service encounter. It is via this second path that any negative information carried by an apology is conveyed onto a customer’s repatronage intentions following a service failure.

Employing Boulding et al.’s, (1993) theoretical explanation of how consumer’s service level expectations are updated between exposures to actual service encounters, we theorized that service failures and the admittance of guilt in an apology will be utilized by the consumer to update will expectations prior to the next service encounter. When will expectations are lowered for the next service encounter then behavioral intentions (i.e., repatronage intentions) are also lowered. Our study seeks to confirm that will expectations and repatronage intentions are negatively impacted by apologies under certain conditions. These conditions represent boundaries for the effectiveness of offering an apology during service recovery efforts.

We manipulate three conditions: apology, status, and magnitude of failure. A review of the apology literature (Goffman 1971; Tavuchis 1991 and Cohen 1999) reveals that an admission of guilt and responsibility is the defining aspect that distinguishes an apology from other forms of accounting for one’s behavior. We have defined apology as consisting of four elements: acknowledge the event, express sympathy, express remorse, and admit fault. When admission of fault is missing we label this condition a non-apology. In our experiments, status, and magnitude of failure may either be high or low based on the seniority of the offender and the size of loss associated with the failure.

We seek to demonstrate that when status is high or failures are large, non-apologies are more effective than apologies in increasing will expectations and repatronage intentions. In addition, when status is low or failures are small, apologies and non-apologies perform equally with respect to will expectations. However, when status is low and failures are small, apologies are more effective than non-apologies in increasing repatronage intentions. We also seek to demonstrate that when both status is high and failures are large, non-apologies are more effective than apologies and when both status is low and failures are small we hypothesize that apologies are more effective than partial-apologies.

These anticipated findings appear to follow the rule associated with counternormative theory. This theory suggests that when the service failure is normative, or expected, an apology results in the desired effect. In addition, the rule indicates that when a failure is counternormative, or unexpected, a non-apology results in the desired effect. In both normative and counternormative contexts, the positive impact of an apology on interactional justice is not in question. What
creates the differing outcomes is apology’s negative effect on will expectations when the service failure is counternormative.

Overall, this study seeks to demonstrate that boundaries exist with regard to the effectiveness of offering an apology in the service recovery context. Further, it offers a theoretical explanation of the expected results based on counternormative theory. In addition, our expected findings should indicate that will expectations and repatronage intentions are both impacted by apologies, which further expands our understanding of the service recovery process and consumer’s responses to service recovery efforts.

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CONSUMERS’ PERCEPTIONS OF FIRMS EMPLOYING COUNTER-STEREOTYPICAL SERVICE PROVIDERS: MAKING A CASE FOR A GENDER DIVERSE WORK FORCE

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SUMMARY

Achieving gender diversity in the workforce is a critical managerial and public policy issue. Jobs dominated by men earn on average more than those dominated by women and have more status than those dominated by women (Rantalaaho, Heiskanen, Korvajarvi, and Vehvilainen 1997; Fields and Wolff 1995), and managerial pay is lower for managers whose fellow employees are largely women (Ostroff and Atwater 2003).

Some research suggests that diverse firms are more profitable (Richard 2000), but it is unclear why that might be so. Recent research by Matta and Folkes (2005) may suggest a reason why diverse firms perform better. They found that information about a service provider whose gender was counter-stereotypical for an occupation (e.g., a female sports camp leader) enhanced beliefs about the individual’s firm. When the individual performed well in the job, the firm was perceived as superior to other firms to a greater extent than when an individual, whose gender was stereotypical for the occupation performed equally well. This empirical evidence about positive effects of hiring counter-stereotypical people is important, as employers sometimes use their assumptions about outsiders’ inferences to justify discrimination in hiring and promoting employees (Brief 1998).

The experiment presented here follows up on Matta and Folkes’ (2005) research by examining perceptions of the gender composition of a firm in a male dominated occupation. Matta and Folkes’ (2005) studies did not give respondents information about the gender composition of the firm’s other service providers, so it is unclear how respondents’ assumptions about that might have influenced their findings. We conducted an experiment that manipulated the number of women in an organization of seven employees. The organization was homogenously gender stereotypical (0% women), was homogenously gender counter-stereotypical (100% women), included a solo counter-stereotypical employee (14% women), or included a counter-stereotypical minority (43% women).

Participants read a description of a personal financial analyst who wrote a column for an Internet-based financial services firm. The individual analyst about whom information was provided was named Bill in the homogenously gender stereotypical condition (the all male condition). In the remaining conditions, the individual’s gender was counter-stereotypical for the occupation (identified as Barbara).

Results

Consistent with Matta and Folkes’ (2005) results, the individual employee’s gender influenced respondents’ ascriptions of communal traits (traits inconsistent with a male-dominated occupation). The presence of an excellent woman rather than the per cent of women influenced inferences. The male analyst (Bill) was less communal members and to the firm. To address this issue, our research investigated effects of information about a counter-stereotypical individual on judgments of a firm when the proportion of counter-stereotypical individuals employed by the firm varied. Hence, by varying the gender composition of a firm, the study investigates the effects of a firm’s gender diversity on consumer’s perceptions of the firm, its employees, and the service delivered by the firm.

Study

One hundred twenty-one respondents (54 females, 67 males) participated in the experiment that compared four conditions in which the firm’s gender composition varied. This was done by manipulating the number of women in an organization of seven employees. The organization was homogenously gender stereotypical (0% women), was homogenously gender counter-stereotypical (100% women), included a solo counter-stereotypical employee (14% women), or included a counter-stereotypical minority (43% women).
than the analyst in the three other conditions (Barbara). The woman’s communal traits did not differ depending on the number of female fellow employees.

The same pattern emerged for inferences about the extent to which fellow employees were perceived to be communal. When the organization employed all male analysts (including Bill), others in the organization were perceived to be less communal than when the organization employed Barbara. Note that including just one female analyst led to others in the organization being seen as more communal compared to others in the all male organization. Hence, inferences about others in Matta and Folkes’ (2005) studies cannot be explained by respondents’ assumptions that other employees were the same gender. Individuals and their fellow employees were rated no differently on communal traits. Employing any woman increased the perception of the firm’s superiority in communal traits.

Comparisons of the firm with other firms also suggest that respondents in Matta and Folkes’ (2005) studies did not assume that fellow employees were counter-stereotypical for the occupation. Diversity among employees suggested a superior organization more than gender-homogeneity among employees. Results showed that when the organization employed a single female analyst and when it employed a mix of male and female analysts, it was perceived to be more superior compared to other organizations that provide similar service, than when it hired all male or all female analysts.

Our results rule out an alternative explanation for Matta and Folkes’ findings. Matta and Folkes’ (2005) results showing effects of information about an excellent counter-stereotypical individual cannot be explained by assuming that respondents inferred that other group members shared the same gender and, by virtue of being the same gender, exhibited counter-stereotypical traits. References available upon request.

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JAYCUSTOMER BEHAVIOR AND ITS EFFECTS ON TARGET CUSTOMERS’ COGNITIVE AND EMOTIONAL RESPONSES

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SUMMARY

Academic researchers have extensively documented the importance of service encounters; however, customer-to-customer (C2C) interactions have received little attention in academia. Academicians and practitioners have proposed that interactions among customers could have a direct effect on other customers’ evaluations toward service and their repatronage intentions. Service organizations seek positive C2C interactions and avoid negative interactions. However, not every customer will behave properly in the service encounter. Jaycustomers (Lovelock 1994) and their dysfunctional behaviors (Harris and Reynolds 2003) are prevalent in daily life and create negative effects on other customers’ consumption experiences. The first objective of the current study is to investigate target customer’s cognitive and emotional responses by combining two theories – social impact theory (Latané 1981) and cognitive appraisal theory (Lazarus 1991). Some scholars have emphasized the role of frontline employees in jaycustomer situations, but no research has ever studied it empirically. Therefore, the second objective of this study is to understand the effect of employee intervention in jaycustomer situations.

The term “jaycustomer” refers to customers who deliberately act in a thoughtless or abusive manner, causing problems to the firm, employees, or other customers in the same service encounter (Lovelock 1994). Harris and Reynolds (2003, 2004) use the phrase “dysfunctional customer behavior” to describe customers’ detrimental manners. Researchers have done little to address this issue, even though customers’ misbehaviors are prevalent in daily life. The critical incident technique is the primary research design used in empirical studies about jaycustomer issues. A feasible theoretical framework is necessary to operationalize jaycustomer behavior, and social impact theory (SIT) proposed by Latane (1981) satisfies this need. Most of the time, jaycustomers can be treated as a social presence in a service encounter. The main point of SIT is that people are impacted by the real or imagined presence or action of a social presence. Three “social forces” decide the impact level of a social presence: number (i.e., the group size), proximity (i.e., the closeness in time or space), and strength (i.e., the importance or intensity). According to the first principle of SIT, the overall impact on a target individual will be a multiplicative function of these three factors. “Strength” and “number” forces are the most important in this study since most service encounters are restricted to a limited space.

Previous research indicates that dysfunctional customer behavior will spoil other customer’s consumption experience, creating emotional responses in target customers (Harris and Reynolds 2003). However, cognitive appraisal theory (Lazarus 1991) claims that emotions occur as a result of the cognitive appraisal of the person-environment situation. In other words, cognitive appraisal is the necessary and sufficient antecedent for the formation of emotions. In this study, the authors concentrated on the primary appraisal components. Goal relevance indicates the extent to which an event will facilitate or thwart personal welfare, or the degree to which an event is consistent with an individual’s desires and wants (Lazarus 1991; Nyer 1997; Bagozzi et al. 1999). Congruence levels are directly related to emotions. The higher the goal congruence, the higher the positive emotions will be. The authors believe that dysfunctional customer behavior will reduce a target customer’s goal congruence assessment.

Previous research suggests that service organizations should design a proper jaycustomer handling mechanism (Zemke and Anderson 1990; Grove et al. 2004; Johnson 2005). This mechanism requires frontline employees or managers to stop any misbehaviors or separate jaycustomers from other functional customers, and to properly compensate the target customers if necessary. Based on these literatures, frontline employee intervention could enhance target customers’ positive emotions and alleviate their negative emotions when confronted with jaycustomer behavior.

A 2×2×2 between-subject factorial design tested the impact of behavioral severity, social size, and frontline employee’s response on target customer’s cognitive and emotional responses. The results show that the severity of jaycustomer behaviors and their numbers have both the main effect and interaction effect on an individual’s goal congruence and goal relevance. A step-down MANOVA (Bagozzi and Yi 1989) indicated that cognitive responses are the antecedents of emotional responses. The authors
conducted two multiple regressions to examine the effects of goal congruence and goal relevance on an individual’s positive and negative emotions. As hypothesized, cognitive responses are significant predictors of an individual’s emotional responses. Calculation and analysis of emotional differences before and after frontline employee intervention verified that participant’s emotions changed significantly. The results show that frontline employee’s immediate intervention could enhance target customer’s positive emotion and mitigate negative emotion. In contrast, without appropriate employee intervention, participants would have a significant positive emotion decrease and negative emotion increase. Results of multiple regressions show that target customer’s after-intervention emotions have a significant effect on target customer’s satisfaction and word-of-mouth intentions.

In sum, this research makes several academic contributions. The first contribution is the empirical investigation of jaycustomer’s influences. Though previous researchers (Bitner et al. 1990; Harris and Reynolds 2003; Martin 1996) have shown many possible consequences and developed some useful typologies, no existing literature has ever moved beyond and tried to study jaycustomer phenomenon with an experimental design. Second, because a jaycustomer is by nature a noninteractive social presence in the service context, social impact theory provides a sound theoretical foundation to understanding their impact on target customers. Finally, while the cognitive appraisal process has been empirically demonstrated in a variety of contexts (Nyer 1997; Stephen and Gwinner 1998), its application to dysfunctional customer behavior has never been studied. Our research also has some implications for practitioners. Consistent with past research (Harris and Reynolds 2003), the authors argue that customer service encounters should be well “managed.” Service organizations must ensure that every aspect and moment of the service encounter is well-staged, controlled, and supervised. Although previous studies indicated that customer-to-customer interaction could produce positive effects on customer’s satisfaction and repatronage intentions, managers should never neglect the potential risk of enhancing the interaction levels of customers. Second, since jaycustomer behaviors have significant negative effects, service organizations should ask their employees to respond immediately no matter how serious the behavior is. If necessary, the frontline employee must be empowered to compensate target customers for their discomfort or physical loss. References available upon request.

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THE EFFECTS OF REGULATORY FOCUS ON ROMANTIC COUPLES’ GIFT GIVING BEHAVIORS

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SUMMARY

Gift giving is a custom that most Americans enjoy, every year approximately $100 billion is spent on gifts for people whom we care about (Ruth, Otnes, and Brunel 1999). Researchers have explored the social, personal, and economic exchange aspects of gifts (Belk and Coon 1991; Mattson 1982), social roles and relationships (Joy 2001; Otnes, Lowrey, and Kim 1993; Ruth et al. 1999), symbolism (Belk and Coon 1993; Wolfinbarger 1990), anxiety (Wooten 2000) as well as the personal value of gifts (Larsen and Watson 2001; Ruffle 1999). However, a more encompassing motivation-based paradigm for gift giving behaviors remains nonexistent in the literature. This paradigm provides a hedonic way to assess the gift giving motives that people share: do people buy gifts to make the recipients happy? Or do they buy gifts to stay out of trouble? We believe that this motivation-based approach represents a broad framework within which more specific works could be subsumed. We propose individuals’ regulatory focus orientations as the predictor variables to explore a host of gift giving behaviors such as how much effort people exert in the gift selection process, the motives for giving gifts, the levels of expectation of gratitude from the recipients, and the anxiety that people experience while searching for gifts.

Our approach is based on a hedonic principle: people approach pleasure and avoid pain (Crowe and Higgins 1997). Regulatory focus research has shown that people have two distinct self-regulatory foci. When the promotion focus is activated, people are motivated by growth and development needs in which they attempt to bring their actual selves in alignment with their ideal selves. In order to move forward and achieve a desired end state (attaining advancement and gain), people tend to be in a state of eagerness. Under prevention focus, people respond to security needs in which they attempt to match their actual selves to their ought selves. An excessive concern with avoiding mistakes causes people to move forward to achieve goals in a state of vigilance.

Regarding gift giving motives, we propose that people who are promotion-oriented will be more likely to buy gifts for their partners to make them happy (voluntary gift giving) whereas those under a prevention focus will be more likely to treat gift giving as an obligation in order to avoid embarrassment or simply just to “stay out of trouble.” The stronger one’s prevention focus, the less likely one will buy a gift voluntarily. We also argue that if the major gift giving motive is to avoid embarrassment or the unpleasant prospect of strained relations due to a failure to give gifts on important occasions, prevention-oriented individuals should feel a great amount of anxiety in the gift selection and giving process. On the other hand, because promotion-oriented individuals voluntarily buy gifts to satisfy their romantic partners and to feel better about themselves, they should not experience this anxiety. We also predict that the voluntary, “do good” nature of gift giving felt by people under a promotion focus will cause them to exert great efforts and time into the gift selection process. On the other hand, because prevention-oriented individuals might be more likely to see the gift as an obligation, they might choose a gift “just to get it over with” and therefore will not spend too much time or efforts looking for a perfect gift. Concerning expectations of gratitude, we argue that the motives of gift giving felt by promotion-oriented individuals (to make their partners happy, to feel better about themselves, and to enhance the quality of the relationship) and prevention-oriented individuals (to avoid embarrassment from failing to honor the gift giving tradition between themselves and their partners) should have a positive influence on the extent to which they expect acknowledgment or gratitude from the recipients. We predict that because of those above-mentioned motives, these individuals would not want their efforts go unnoticed and their gifts not acknowledged.

One hundred twenty-two-business students from a large Southwestern university participated in the survey for partial class credit. Participants were asked to think about gifts that they had given their relationship partners on occasions such as anniversaries, birthdays, Valentine’s, or Christmas and then answer the questions in the survey. Multiple regression analyses were run to investigate the relationships between regulatory foci (promotion and prevention) and gift giving behaviors. We tested the effects of other individual factors such as gender, age, ethnicity, marital status, or the duration of the relationship but found no significant effects on the dependent variables. Therefore, these factors were excluded from further analysis. We found that prevention focus was positively related to obligatory gift giving but not voluntary gift giving. Meanwhile, results suggested that promotion focus was positively related to voluntary gift giving and negatively related to obligatory gift giving, supporting
our hypotheses. Results also indicated that prevention focus was positively related to gift giving anxiety while promotion-oriented individuals did not experience gift-related anxiety. We also found that promotion-oriented individuals exert more time and efforts into the gift selection process. Meanwhile, results suggested that the more prevention-oriented people are, the less likely they are to spend much time and efforts looking for gifts. However, this relationship was only significant at the 0.1 level. Finally, results indicated that as predicted, both promotion and prevention focus are positively related to expectations of gratitude.

Our research provides a new way to explore gift giving behaviors among romantic couples by investigating the ways in which people solve a task: by approaching pleasurable outcomes or avoiding unpleasant consequences. Future research should test the effects of temporal regulatory foci (through manipulation) on gift giving behaviors as Higgins (1997, 1998) suggests that promotion and prevention goals can be temporarily enhanced or reduced. This effect of temporal regulatory foci should also be tested with other factors such as the immediacy of the gift giving (whether the gift will be given in the proximal or distant future). References available upon request.

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REASONS BEHIND BODY ART ADOPTION: WHAT MOTIVATES YOUNG ADULTS TO ACQUIRE TATTOOS

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SUMMARY

During the past several decades, the market for tattoo consumption has undergone a spectacular social status shift: from bikers, prisoners, gang members, and other traditionally marginalized members of the working class to the middle class enthusiasts, artists, and professionals (DeMello 2000). According to a 2004 Harris Interactive poll, 16 percent of American adults now have at least one tattoo compared to the 6 percent in 1936. Among 18-to-29-year-olds, the figure is 49 percent (Harris Interactive 2004). The increasing social acceptability of body art stimulates the tattoo industry that currently operates 15,000 tattoo parlors to open a new one every day of the year (U.S. News 2005). The interest of academic researchers in tattoo consumption is currently limited to qualitative inquiries and ethnographic descriptions of narrow tattoo communities (Sanders 1985; Velliquette, Murray, and Creyer 1998; Goulding et al. 2004; Kjeldgaard and Bengtsson 2005). Almost no research addresses tattoo adoption in the mainstream student and other subcultures beyond narrow tattoo communities.

This study is the first part of an ongoing project that utilizes symbolic interactionist approach to investigate the role of permanent body art in identity construction, negotiation, and management. It has been conducted to identify dominant motivations for obtaining or avoiding tattoos among the population of college students. Since the overwhelming majority of existing research has been done in tattoo communities, it was important to determine whether the motivations of heavy tattoo adopters can be extrapolated to the mainstream student population, and whether any additional motivations operate among the students. Additionally, the study focused on motivational differences between tattoo adopters and non-adopters. The data and interpretation were derived from 165 student essays written as a bonus assignment for a marketing class. Data analysis consisted of identifying emerging themes by noting instances and patterns of responses (LeCompte and Schensul 1999). Axial coding was employed to identify and arrange emerging themes (Miles and Huberman 1994). The authors discussed the emergent themes and reached consensus about their level of significance and/or recurrence.

Our results show that the motivations to acquire or reject tattoos among mainstream young adults can be graphically represented by a continuum that ranges from motivations to construct identity by creating meaningful designs, to motivations to express oneself through the act of tattoo purchasing. The motivations based on the significance of the meaning of a tattoo design for the individual (need for uniqueness and creativity, cultural symbolism, and memorializing people and events) contribute to the construction of self-identity by making each tattoo part of the personality. This finding confirms the view of possessions as “extended self” (Belk 1988), and the role of human body in constructing the social self (Turner 1980). Two of the identified meaning-based motivations (need for uniqueness and need for memorializing life events) closely parallel motivations identified earlier in subcultures of tattoo devotees (committed collectors and committed but concealed tattooeees identified by Goulding et al. 2004), and tattooing as a form of art approach identified by Kjeldgaard and Bengtsson 2005). The cultural symbolism motivation is a new motivation identified in our research. It appears to be unique to the mainstream population of tattoo enthusiasts (as opposed to narrow communities). It functions to satisfy the need for self-identity construction by adopting symbols with universally accepted meanings. More research is warranted to explore this motivation and to understand the preferences for universal cultural symbols in creating self-identities.

A new and interesting finding is the discovery of meaning-based motivations for tattoo non-consumption. Some of our respondents rejected tattoos exactly for the same reasons others chose to acquire this body art: they believed that tattoos take-away individuality and uniqueness, create stereotypes, and cannot keep up with the dynamic self. They thought that natural scars and changes of the body are more authentic memorializing instruments, and also exhibited the need for forgetting that explained their rejection of tattoos. Motivations based equally on the meaning and experience (act) of acquiring tattoos are more socially oriented and include signaling group identity, and following the fashion. These motivations also have counterparts in the devoted tattooeees subculture, and were discussed in previous research (Velliquette et al. 1998; Watson 1998). In the college student context, however, these motivations are less intense, depicting sorority and sports team membership, and the desire to belong and be like admired others. Getting tattoos because they are in style and because others have them is similar to the fashion and aesthetic tattooeees...
discussed by Goulding et al. (2004) and is mentioned by
Kjeldgaard and Bengtsson (2005) in their discussion of
art/fashion dichotomy. This is a more recent motivation
associated with the penetration of the formerly deviant
practice into the mainstream. The increased importance of
the experience of getting tattooed compared to the tattoo’s
meaning downplays the significance of acquired tattoos in
identity construction, and assigns them the role of identity
expression. Similar motivations are instrumental in the
choice of some respondents to avoid tattoos: stigmatized
group identity, conformity, and religion. Foregoing tat-
toos can make one feel accepted in a group that disapproves of these marks (church, family, work), and feel
disassociated from marginalized and stigmatized groups and subcultures. Body art is frequently rejected by those
who consider it to contradict the major behavioral reli-
gious canons. By refusing to get tattoos the respondents
express their conformity to and identification with their
social referents. Motivations emphasizing mostly, the
experience and the act of getting tattoos comprise ritualization, rebellion, and impulse. For some college
students it is common to give and receive tattoos as gifts
for birthdays and other occasions, thus assigning them the
status of a ritualized artifact. These rituals are distinct
from the “tattoo rituals” that originate and terminate in
tattoo parlors, and consist of the procedural steps of
acquiring a tattoo. Instead, gift-related rituals are im-
mersed in the everyday context, and are particular in-
stances of general culturally accepted phenomena. The
value of the tattoo-gifting procedure is mostly symbolic,
and the meaning of the design is shared among the
participants of gift exchange. This motivation has not
been mentioned in earlier research, and deserves closer
attention in the future. Rebellion and liberation from one’s
parents (or the culture in general) is another self-expres-
sive motivation. It has been discussed in previous re-
search, and is perceived as a temporary but unavoidable
phenomenon by mainstream young adults. Finally, the
impulse/spontaneity motivation is identified in this paper
for the first time. It is almost completely experience-
based, and generally leads to the largest number of regrets
and intentions to remove tattoos. Tattoo non-adopters also
mention experience-related reasons for avoiding tattoos:
they believe tattooing to be a fleeting fad and oppose the
pain and potential infection that may result from the
process of being tattooed. The discrepancy between the
permanent nature of tattoos and the perceived fleeting
character of the body art trend has been noted and cited as
one of the main reasons for not adopting tattoos. Refer-
cences are available upon request.

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THE ROLE OF FANTASY IN EXPERIENTIAL MARKETING: NEGOTIATING AND CO-CREATING THE RENAISSANCE FESTIVAL EXPERIENCE

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SUMMARY

As goods and services become more commoditized (Lenderman 2006; Pine and Gilmore 1999; Shaw and Ivens 2002), marketers are increasingly trying to add experiential aspects to their market offerings to differentiate themselves from the competition and gain a sustainable competitive advantage (Bryman 2004; Prahalad and Ramaswamy 2004). Although consumer research has explored various ways in which consumers engage marketing experiences, such as through stories (Deighton 1992), invented traditions (Belk and Costa 1998), play (Kozinets et al. 2004) and imagination (Martin 2004), as well as the structure and process of consumption experiences (Holt 1995; Peñaloza 2001), it generally ignores the role of fantasy in these experiences. This ethnographic research focuses on the mediating influence of collective fantasy in the consumer negotiation and co-creation of a complex and changing marketing experience.

To understand the role of collective fantasy in marketing experiences, we utilize symbolic convergence theory (SCT). SCT is a communication theory that explains the process of fantasy development, the three levels of fantasies, and the evolving nature of fantasy experiences (Bormann, Cragan, and Shields 2001). According to SCT, fantasies are creative and imaginative interpretations of lived experience that develop through collective sharing and elaboration. Fantasies begin as fantasy themes in which the group converts an experience into symbolic knowledge. These fantasy themes often evolve into more complex fantasy types that allow the group to make sense of new experiences. Well-developed fantasies often develop into broad rhetorical visions that combine diverse fantasy types into a form of archetypal fantasy. Lastly, these rhetorical visions are not static but grow, mature, and decline over time (Bormann, Cragan, and Shields 1996). They often follow five stages: creating, raising, sustaining, decline, and terminus. We extend SCT by examining how consumers use fantasy to negotiate and co-create the distinct aspects of a broad marketing experience.

This research is based on both depth interviews and participant observation at five U.S. Renaissance festivals. We chose this context because the festivals embody all four elements (i.e., entertainment, education, esthetic, and escapism) of a total marketing experience (Pine and Gilmore 1999), they are often consumed through a shared constructed fantasy, they are accessible to a wide range of participants, and they encourage co-creation of value and meaning. Data include interview transcripts, fieldnotes, photographs, video, and artifacts. Purposive and snowball sampling were utilized. Data were analyzed using analytical coding techniques and a constant comparative method (Glaser and Strauss 1967; Miles and Huberman 1984).

The findings indicate that Renaissance festivals are based on a broad rhetorical vision that allows for multiple fantasies types to be enacted within the experience. The rhetorical vision provides a thematic framework within which consumers can situate their own fantasies in order to engage the experience (Bryman 2004; Pine and Gilmore 1999). The different fantasies enacted within this marketing experience can be interpreted by consumers as compatible, competing, and oppositional, depending on the degree to which the fantasies fit a consumer’s overall interpretation of the rhetorical vision and the role of other participants in the consumer’s particular fantasy. Though most consumers welcome the presence of different fantasies at the festivals, often because they provide a richer experience by enhancing the overall theme and stimulating consumers’ imaginations, they also recognize that some fantasies and their enactors distract from, and even diminish, the enjoyment of the overall experience.

The data also suggest that fantasy influences how consumers negotiate the liminal boundaries of the Renaissance festival experience (Arnould and Price 1993; Belk and Costa 1998; Kozinets et al. 2004; O’Guinn and Belk 1989). Three factors that affect the fantasy negotiation of these boundaries include: (1) the interaction among participants, (2) the integrative and elaborative functions of the experience, and (3) the degree of connection to the fantasy. It is often the interaction among consumers who participate at different levels in the Renaissance festival experience that facilitates entry into the liminal space. The more experienced participants teach the less experienced participants about the overall rhetorical vision and the various ways that they can participate in the festival. The collective sharing of a particular fantasy allows consumers to negotiate the internal boundaries of the liminal space by being accepted into a particular group and learning how to interact with members of other fantasies. The integrative function of the festivals allows individuals to negotiate the external liminal boundaries by allow-
ing consumers to combine aspects of their lives with features of the festivals in order to construct a meaningful fantasy. The elaborative function allows consumers to utilize elements of the rhetorical vision to extend their interests and to apply this knowledge to areas of their lives outside the festivals. Consumers utilize different strategies and resources to manage their connection to the experience and their particular fantasy after they have exited the liminal space.

Lastly, the findings demonstrate that consumer participation in a Renaissance festival evolves through the five stages of a rhetorical vision, and that each phase of participation influences how consumers co-create value in this experience (Prahalad and Ramaswamy 2004). In the creating stage, consumers create fantasies by utilizing resources that require little investment and are predominantly producer controlled. In the raising stage, consumers share fantasies through resources that require moderate investment and are jointly generated and controlled. In the sustaining stage, consumers elaborate their own fantasies through resources that require heavy investment and are predominately consumer controlled. In the decline stage, producers begin to work with consumers to enhance the experience as resources begin to lose their ability to inspire and explain. In the terminus stage, consumers re-enchant their fantasies by becoming producers of the experience or by transferring them to other experiences. Thus, fantasy participation differs in each stage and requires different strategies and resources to enhance the overall experience. References available upon request.
LOOKING AHEAD TO GREENER PASTURES? AN EXAMINATION OF CONSUMER’S INTENTIONS TO ENGAGE IN FUNERAL PLANNING

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SUMMARY

Given the financial outlay involved in purchasing death care products (Fan and Zick 2004), as well as the cultural and psychological significance of the funeral ritual (Kastenbaum 1992), it would make sense for consumers to engage in more planning for the purchase of products in this category. However, research has suggested that while consumers express favorable attitudes about prearranging for a funeral, few of those consumers actually take steps to make such plans (Marks and Calder 1982; Wirthlin 2005). A lack of preparation for end of life may make consumers more susceptible to abuses in the purchase decision process when decisions may have to be made under severe time and emotional pressures (Federal Trade Commission 1975; Gentry et al. 1995).

Because of the significance and magnitude of making end of life decisions, a number of consumer protection and government groups have attempted to encourage consumers to consider preplanning and early decision making about death care alternatives. This paper develops and tests a model that examines some of the attitudinal and motivational constructs that lead to funeral planning behavior. The model helps to understand consumer behavior in this product category and provides some guidance for targeted social marketing efforts to address the issue of preplanning.

Overview of Model

Based on a review of the consumer research literature, we propose a model that predicts intentions to engage in funeral planning (illustrated in Figure 1). The model uses the Theory of Planned Behavior (TPB) as a theoretical framework (Ajzen 1991). The primary constructs of the TBP include attitudes toward a particular behavior (in this case, planning for a funeral), an individual’s perceived degree of control over one’s own behavior, and an individual’s perceptions of subjective norms with respect to the behavior. All of these variables are considered to be antecedent to intentions (in this case, intentions to plan for end of life). Because making end of life decisions is a unique task, other variables were included in order to contextualize the model. Age and an attitudinal construct called death avoidance are both expected to be related to attitude toward funeral planning.

It is predicted that there are direct relationships between an individual’s age and perceived behavioral control, as well as between an individual’s tendency toward death avoidance and perceived behavioral control. Additionally, it is predicted that age moderates the relationship between death avoidance and attitude toward funeral planning. An individual’s attitude toward funeral planning then has a direct effect on an individual’s intention to engage in funeral planning. Subjective norms and perceived behavioral control should also have direct effects on intention to engage in funeral planning.

Methodology

To test the model, data were gathered from two hundred nine non-student adults from a southern part of the United States. Respondents answered survey questions that asked about “planning,” which could include discussing plans, leaving instructions with family, or making decisions about funeral products and services. Demographic and attitudinal variables were also measured.

Because direct and mediated effects, as well as an interaction, were hypothesized in the model, hierarchical regression was used as an analytical approach (Aiken and West 1991; Baron and Kenny 1986; Muller, Judd, and Yzerbyt 2005) to estimate the relationships among the constructs. Demographics were entered into the model as covariates.

Results and Discussion

The results of the test of the model are provided in Figure 1. The original constructs proposed by Ajzen to predict intentions (attitude toward planning, perceived behavioral control over planning and subjective norms) explained 45 percent of the variance in intentions to engage in funeral planning. However, results suggest that perceived behavioral control is an antecedent to attitude toward funeral planning, which is a deviation from Ajzen’s TPB. Intentions to plan a funeral may be subject to factors that individuals regard as somewhat beyond their control. For example, time or money may be considered uncontrollable and consideration of this would negatively influence attitude toward planning.
Inclusion of the additional variables (death avoidance, age, and other demographic variables) provided further insight. There were negative relationships between death avoidance and perceived behavioral control as well as between death avoidance and attitude toward funeral planning. Perceived behavioral control partially mediated the relationship between death avoidance and attitude toward funeral planning. Individuals may believe they have little control or assurance about planning because of their inability to come to terms with their own mortality (Becker 1973). Avoiding the thought of death may increase the perceived difficulty in performing funeral planning.

Age had a positive, direct effect on an individual’s level of perceived behavioral control; the relationship between age and attitude toward planning was partially mediated by perceived behavioral control. There were positive relationships between age, perceived behavioral control, attitudes toward planning, and intentions to engage in planning. However, it appears that an individual’s age does not interact with an individual’s level of death avoidance to effect attitude toward planning. One explanation for this is that some older individuals do not feel “integrity,” or a sense that their life has been meaningful and worthwhile. A lack of integrity could mean that individuals find it uncomfortable contemplating their own mortality and thus uncomfortable planning for a funeral, regardless of their age.

The factors that lead to stronger intentions to plan for a funeral may be influenced by social marketing efforts. However, this model suggests that there are differences among consumers in terms of how a social marketing paradigm may be used most effectively. Different information and persuasive techniques may be used to persuade consumers (Knowles and Linn 2004) through the factors that impact planning. For example, marketing communications that would increase an individual’s sense of perceived behavioral control about the planning pro-

**FIGURE 1**
Model for Funeral Planning

Note: Straight lines denote direct effects and dotted lines indicate moderation.
cess might emphasize that planning may not necessarily mean paying in advance, but simply initiating dialogue about end of life preferences with “important others.” Further, because individuals may avoid thinking about death, marketing communications that mitigate the anxieties and resistance that individuals have about death may be useful in affecting their attitude toward and intention to plan. References provided upon request.

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INCREASING THE U.S. RETIREMENT SAVINGS RATE: THE INFLUENCE OF INDIVIDUAL TRAITS, SELF THEORY, AND PERCEPTUAL BIASES

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SUMMARY

Saving for retirement is one of many challenges faced by policy makers that require reducing current consumption for future benefits. According to the U.S. Department of Commerce, “personal saving as a percentage of disposable personal income was a negative 0.3 percent in March (2006), compared with a negative 0.6 percent in February. Negative personal saving reflects personal outlays that exceed disposable personal income.”

While there is substantial research on consumer choices between the short term (e.g., a new car) and the long term (e.g., a comfortable retirement), much of it focuses on the role of individual traits, which are largely uncontrollable. We extend this research by focusing on more controllable dimensions of the individual. Specifically, we consider self theory and implications of imagery processing and cognitive appraisal theory for activating certain “selves,” along with the impact of biases, such as self-positivity, and means by which such biases can be mediated.

Discounting of future rewards has been shown to arise from individual traits, such as conscientiousness (Hershey and Mowen 2000), impulsiveness or lack of self control (Thaler and Benartzi 2004), and time preferences, such as present or long-term orientation (Hershey and Mowen 2000) or internal rate of discounting. To extend this work, we focus on interactive as well as main effects. For example, conscientiousness should be associated with more retirement planning (Van Eerde 2003) and interactions of time orientations (i.e., long-term vs. present orientation) with other traits (i.e., impulsiveness/control and materialism orientation) could be expected to influence long-range financial planning.

In addition to individual traits, self theory may provide insight into consumer’s long term choices. This set of theories, that include self-concept and future possible selves (Cross and Markus 1991), help us understand how the different activated selves serve as “incentives for future behavior” (Markus and Nurius 1986, p. 955).

Self-concepts are views of one’s self (Marsh and Hattie 1996; Shavelson, Hubner, and Stanton 1976), such as somatic, material and social self. In a situation, the activated self, that may be current, projected (future), or even feared, affect choice. The somatic self is the projected physical aspects of a person’s body, health and activity level, the material self is the perception of one’s material and financial assets, and the social self deals with peer and family relationships (Berndt and Burgy 1996). For example, Cross and Markus (1991) identified a peer- and family-relevant future self concept, finding it evoked most often during discussions of a “feared self” with thoughts of being alone or outliving friends. When activated, a particular self concept biases product choice and consumer risk perceptions (Adker 1999; Mandel 2003). From literature on imagery processing, there is guidance on how a particular future self can be made more relevant to choice (Bone and Ellen 1992; MacInnis and Price 1987). Similarly, cognitive appraisal theory (cf., Lazarus 1991; Lerner and Keltner 2001; Smith and Ellsworth 1985) suggests that decisions are affected by the emotions present. Smith and Ellsworth (1985) demonstrated a strong relationship between the individual’s appraisal of their circumstances (i.e., as might be evoked by feared or aspirant selves) and an associated emotional state. The latter systematically affect decisions and behaviors based on appraisals as personal controllability, degree of effort and certainty of outcomes.

In addition to activated selves, decisions are affected by inherent biases such as self-positivity, which occurs when consumers feel that positive events are more likely to occur to them and negative events are less likely to occur to them as compared to others. In Cross and Markus (1991), individuals describing what they hoped to be like (positive self-image) had “no difficulty in generating hoped-for selves” (p. 237). “Generating feared selves [negative future self] gave a few respondents more difficulty, with 8 making no mention of feared selves” (p. 242).

Retirement planning as a function of individual traits, possible selves and self-positivity bias was examined using data from 238 adults from four cities across the U.S. The degree of current retirement preparation was measured by the Retirement Readiness Rating (Employee Benefit Research Institute, American Savings Education Council, and Mathew Greenwald & Associates 2006) and their likelihood of future investment (e.g., a two-item
measure about intentions to put an extra $10 into their retirement savings this week and from now on (α = 0.82)).

Regression results led us to several conclusions. Taking action in the past (i.e., Retirement Readiness scores) is driven by different consumer traits, self images and beliefs than taking action in the future (i.e., investing an additional $10). In terms of traits, retirement readiness appears to be a function of conscientiousness, time orientation, materialism, and impulsiveness/control while intentions to invest in the future were predicted by impulsiveness and present orientation and internal rate of discounting. These results suggest that changing behavior is not a simple matter of appealing to the same traits that encouraged prior planning.

Future self images revealed that more vivid and positive images of a financial future were associated with greater current savings for retirement as well as with less fear or anger (inhibiting emotions). However, willingness to invest more in the future was driven only by less positive imagery of a financial future. Thus current savings seems to reflect an approach behavior while willingness to invest in the future is driven by avoiding a more negative future. References available upon request.

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THE MODERATING IMPACT OF PRICE CONTROLS ON BUYERS’ USE OF REFERENCE PRICE IN SERVICE MARKETS

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SUMMARY

Past research suggests several reasons why service buyers experience difficulty forming and using a market-based reference price. First, the heterogeneous nature by which sellers’ price services often prevents buyers from making price comparison across sellers. Buyers’ also have little to work with in forming a reference price for services because of the general lack of publicly available pricing information in service markets. The customized way services are delivered also causes problems by supporting the emergence of different prices for similar services. Additionally, sellers are often unwilling to provide pre-purchase price information which leaves buyers without any advance price information for comparison purposes. Lastly, the lack of any assortment displays for services impedes acquisition and processing of price information for service products.

The objective in this paper is to investigate the role of public policy in improving service buyers’ decision-making by examining the impact of price controls on buyers’ usage of a market-based reference price in service markets. The public policy focused on in the paper is price controls involving the establishment of regulated price levels within service markets. Price controls are argued to create an environment conducive to the formation and usage of a market-based reference price in regard to evaluating service products. Analysis of data collected in a survey of buyers involved in the purchase of insurance across pricing environments characterized by competitive pricing and a price floor supports the hypothesized moderating effect of price controls on buyers’ usage of a market-based reference price.

Price controls are argued to alter the pricing environment in ways that affect buyers use of market-based reference prices. The first effect of a price control relative to a market-based reference price is to provide a visible source of price information for service products. The presence of the regulated price provides an important pre-purchase price cue which buyers can use in forming a market-based reference price. Secondly, price floors should reduce the complexity associated with using a market-based reference price. Third, a price control restricts sellers pricing latitude relative to both the degree and direction by which prices can vary in the regulated pricing market.

Empirical analysis reveals that price controls aid in the usage of a market-based reference price by reducing the level of price and service heterogeneity in the market. The findings suggest that a potential drawback to price deregulation in service industries is the negative impact price controls can have on buyers’ use of price information.

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INTERNATIONAL COUNTRY SEGMENTATION: COMPARATIVE CLUSTER ANALYSIS OVER THREE TIME PERIODS

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SUMMARY

International segmentation presents a major challenge for global companies seeking to screen foreign markets and identify homogeneous groups of customers. One established approach to international segmentation utilizes macro-level, secondary data to identify clusters of countries based on similarities in political, economic, geographic or cultural variables (e.g., Sethi 1971; Helsen et al. 1993; Kale 1995; Cavusgil 1990, 2004). However, a major limitation of this body of work is that traditional country segmentation research has used data from a single period of time or a limited time period without considering changes in global economic development and individual countries. Thus extant research provides little evidence as to whether country segments are stable over time.

To address this gap in the literature, the current study uses a longitudinal analysis to provide insight into whether changes in macro level country characteristics lead to changes in segment membership over time. To investigate the stability of segments, we perform a macro-level country segmentation analysis using World Bank data from three time periods of nine years each: 1975–1983, 1984–1992, and 1993–2001. These time periods differ in the general trend of world development as measured by changes in aggregate GNI. Analyses are conducted on data from 31 countries with different levels of economic development, representing all inhabited continents.

Factor Analysis

First we apply factor analysis to 11 macroeconomic variables in order to identify latent country-specific variables. We perform a principle component analysis with varimax rotation for each of the three time periods. Scree plots and the minimum eigenvalue of one rule suggested retaining three factors explaining over 90 percent of the variance in each time period. Each variable demonstrated high loadings on a single factor (> .7) and low loadings (< .4) on the other two factors. Three factors are retained and they generally agree with results of previous studies. Our first factor “Consumption” includes GNI/capita, number of telephones, TV sets/1000 people, energy use/capita, electric power consumption/capita, and the Consumer Price Index. This corresponds to a factor some researchers refer to as “Trade” (Sethi 1971; Helsen et al. 1993). Our third factor “Production and Transportation” includes three of Sethi’s (1971) “Aggregate Production and Transportation” variables and of Helsen et al.’s (1993) “Mobility” factor.

Cluster Analysis

Next we use cluster analysis to identify segments of countries homogeneous with regard to the variables of interest. A two-step cluster analysis identified a 4-segment solution in all three periods. However, as expected, results of our longitudinal analysis demonstrate instability of country segment membership over time. While some countries experienced sharp economic development and moved to join the group of more developed nations, other countries fall behind.

Cluster Dynamics

Generally, developed countries tend to cluster together as do developing countries. The first two time periods demonstrate segment stability as no countries change group membership. However, in the third period we see a trend related to global GNI movement. In Spain for example higher growth rates in GNI/capita and other economic variables create favorable conditions in period two. As a result of this overall growth, Spain joins the developed countries in the third period. In the first two periods, Belgium and the Netherlands are not clustered with other developed countries because they score considerably higher on the second factor (“International Trade”). In other words, they are engaged in more intensive international trade activities than other industrialized countries. As Jamaica moves to Segment 3 in the third time period, Malaysia and Ireland form a separate cluster with Belgium and the Netherlands. In all three periods the United States appeared to be a separate cluster, a result that is consistent with previous studies (e.g., Helsen et al. 1993; Johansson and Moinpour 1978; Sethi 1971; Cavusgil 2004).

Conclusion

The global imperative requires that companies expand their business to more countries in order to succeed. Identifying segments of countries helps companies apply a uniform set of marketing decisions to a group of countries (Sethi 1971) and transfer their previous experience in...
one country to other, similar markets. The purpose of this research was to investigate whether it is appropriate to base segmentation on country-specific variables for a single time period. Our results suggest that the merits of such a classification scheme are limited to applications in the near future. Country segment membership has to be reevaluated continuously. Managers concerned with international segmentation should consider this fact instead of relying on results obtained in a single year or single period of time. References available upon request.

**ENDNOTE**

The author wishes to thank Dr. Michael Mullen and Dr. Patricia M. Doney for their help and guidance during her work on this paper.

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SUMMARY

In recent decades, the effect of major changes in the global market environment, such as the emergence of rapidly integrating knowledge economy, demanding customers from all over the world, convergence and fragmentation of industries (Day and Montgomery 1999), has demonstrated itself as the “new reality of global competition” (Prahalad and Doz 1987) in international business. Together with the emergence of this new era, most of the multinational companies (MNCs) have experienced the tension between subunit autonomy and overall organizational integration in their global market strategy. However, it is widely observed that this tension favored the integration side more and the transformation explained above has shifted the interest to the integration of value-adding activities of MNCs on a worldwide scale to provide superior value to their customers compared to major competitors (Webster 2002). Having captured benefits from strengthening the competitiveness of each unit, companies have started to improve integration in order to achieve the benefits of better sharing and coordination across those units (Ghoshal and Gratton 2002).

One of the increasing trends in the integration process of MNCs is to adopt knowledge management (KM) philosophy and practices. An increasing number of firms have realized that knowledge is what differentiates them from others; hence managing it to deliver better business results (Tiwana 2002) remains as an important challenge. Depending upon the firm’s capabilities and the extent of expansion into world markets, the firm can choose to employ those competencies to serve the purpose of either partial integration of some operational branches, e.g., supply chain, procurement, human resources, or business units creating strategic importance for the whole firm or the purpose of full integration of operations and international branches. What is required in this setting is the infrastructure that enables MNCs to achieve integration through gathering, interpreting and distributing knowledge among their networks. In order to remain competitive, Benjamin et al. (1984) assert that firms should be increasingly employing information technology (IT) solutions to the deal with managerial challenges and opportunities of worldwide operations.

The purpose of this conceptual paper is to investigate and expand the understanding of the coordination and integration processes of MNCs as a sustainable global market strategy through KM practices built on IT-related infrastructures. To achieve that, this study addresses the following issues: (1) The major drivers of global integration process of MNCs in current business world, (2) The impact of KM practices based on IT applications on this integration process, and (3) Best practices of full integration and partial integration models of MNCs.

In the new era of globalization, companies have found themselves obliged to learn to operate as if the world were one large market (Levitt 1983). In this context, the major drivers can be categorized into three, namely; orchestration of organizational network, technological advancement, and emergence of global customer. These three drivers are due to the fragmentation and deficiencies occurring due to the separated headquarters and subsidiaries, which is a hamper on the internal harmony of the company; the constantly progressing technological innovations, which enable the coordination and configuration of companies expanding geographically and operationally, and the emergence of global customer awareness due to the increased access to information and resources from all over the world, respectively. Based on this architecture, knowledge processing can be segmented into two broad classes, namely; integrative applications exhibiting a sequential flow of explicit knowledge into and out of the repository and interactive applications, focusing primarily on supporting interaction among people holding tacit knowledge.

As an exploratory analysis some case studies based on best practices in particular companies are selected and examined. The main interest in these companies arise from the fact that they are supporting the value creating role of coordination and integration strategy of companies based on different models of integration, are examined. From best practices, processes that represent the most effective way of achieving a specific objective can be grasped. In terms of configuring and coordinating firm operations and knowledge base in MNCs, two types of integration processes are emphasized, namely; partial and full integration. In partial integration models, the company has a bottom-up approach, which means control and coordination starts at one or more functional units like supply-chain or human resources and then proceeds through the top including visionary and strategic aspects regarding the firm performance and challenges faced during the process. In full integration models, the company has a top-down approach and there is no functional
disparity in terms of the application of the model since it covers the whole organization. This model can be more costly, risky and more likely to confront inertia.

Best practices for partial models of integration are provided especially for the supply chain and procurement activities of companies such as British American Tobacco (BAT) with “Project Mercury,” Dana Corporation, and Rohm and Haas. Best practices for full integration models with top-down approach are Siemens with ShareNet and Nestlé. This study is a refined exploration in global business strategy field based on a knowledge management approach and constitutes a vigorous basis for further empirical investigation in this field. References are available upon request.

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CHALLENGING EXPLANATIONS OF CONSUMER LOYALTY IN ONGOING CROSS-BORDER SERVICE RELATIONSHIPS

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SUMMARY

Research on cross-border shopping has typically focused on consumers’ “one-time” visits to foreign countries (e.g., Guo, Vasquez-Parraga, and Wang 2006; Kwak, Jaju, and Larsen 2006; Piron 2006). It has ignored the increased development of consumers’ ongoing cross-border relationships with foreign service-providers and the evolution of consumer-foreign provider loyalty.

In the relationship marketing literature, it is stated that market exchanges in general, and customer loyalty to maintain an ongoing relationship with a firm in particular are governed by transactional, economic, and social exchange mechanisms (Bolton, Smith, and Wagner 2003; Gassenheimer, Houston, and Davis 1998). These mechanisms refer to transactional satisfaction, firm trust, and economic value of the market exchange, respectively. As in a domestic context, in an ongoing cross-border service relationship it is expected that relational variables such as satisfaction, trust, and value drive loyalty. Moreover, in a cross-border relationship, due to exchanges with a foreign provider, context related or international marketing factors are expected to affect loyalty. We include international marketing variables at three levels: tax benefits (government level), attitude towards foreign industry (industry level), and consumer ethnocentrism (individual level). The effects of these variables originate from different sources, i.e., no domestic alternatives available, foreign industry disposition, and in group-out group tendencies, respectively. Hypotheses are formulated for direct, as well as moderation effects between relational and international marketing variables.

The sample consists of 158 German customers to a Dutch bank located across the border in the Netherlands. The data were analyzed in two main stages. First, the internal consistency of the constructs was examined; all constructs proved to be reliable and met the criteria of convergent and discriminant validity. Second, the model was tested using nested regression analyses. The results show that the model including transaction satisfaction, firm trust, economic value, and loyalty model works well in an international outshopping setting. This is consistent with Pressey and Tzokas’s (2004) findings that demonstrated that satisfaction and trust plays a pivotal role in explaining customer loyalty in cross-national relationships.

Our specific contribution is that there are direct and moderating effects of the three international marketing variables on customers’ evaluations of customer loyalty. The findings increase the understanding of the nature of the influence of international marketing variables in ongoing transnational relationships. Consumer ethnocentrism was the strongest influence on customer loyalty. It had a direct negative effect on loyalty. This is consistent with the argument that consumers’ ethnocentric tendencies, like prejudice, will generally decrease consumer evaluations of the foreign service-provider. The most interesting, however, is the negative moderation of ethnocentrism on the trust-loyalty relationship. With relatively high levels of ethnocentrism the in-group-out-group disposition can shut-off the trust-loyalty linkage resulting in an absence of trust-based consumer loyalty.

In conclusion, our findings confirm the need to advance and move beyond the simple dichotomized conceptualization of domestic versus foreign products/services as a dependent variable (ethnocentrism literature) or on outshopping frequency and outshopping motivations. Rather than focusing on reluctance to purchase, researchers may adopt a relationship-marketing perspective, particularly in cases where systematic international outshopping is evolving.

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SALESPERSON STRESSOR, STRAIN, AND PERFORMANCE RELATIONSHIPS: MODERATING EFFECTS OF WORK SATISFACTION

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SUMMARY

Salespeople are especially susceptible to experience emotional exhaustion. Past research on the stressor-performance relationship has provided inconsistent findings which are probably due to the fact that the role of emotional exhaustion has not been considered. Recent research that distinguishes stressors into challenge-related and hindrance-related stressors (Cavanaugh et al. 2000) have advanced our knowledge on the differential relationships with job performance (LePine et al. 2005). Albeit the positive direct effect of challenge-related stressors on job performance, emotional exhaustion remains a harmful consequence that, in turn, detracts from an individual’s performance capabilities. Therefore, identifying the potential positive effects of challenge-related stressors that may reduce and/or offset emotional exhaustion is an important research initiative. In a recent review, Maslach et al. (2001) have called for more research on contextual factors to be integrated in the research on burnout. Specifically, research on contextual factors that may mitigate the positive effect of work stressors on emotional exhaustion has been scarce.

To fill this research gap, we follow the research propositions of Maslach et al. (2001) and incorporate in our conceptualization challenge-related stress as an antecedent of emotional exhaustion and job performance and test for possible contingency effects. The stressors and strains perspective offers a compelling supporting logic for examining potential antecedents to sales force performance, though the effects of challenge-related stressors have not received research attention in salesperson studies. Examining these relationships in sales organizations has been focused on the effects of work stressors. Two promising avenues expanding knowledge on the stressors and strains perspective are: (1) consideration of the effects of challenges, and (2) incorporating emotional exhaustion of salespeople into the stressor, strain, and performance relationships. Building on the framework of LePine et al. (2004, 2005) and extending it to the salesperson work environment, we investigate the relationship of emotional exhaustion with challenge-related stress and job performance. Second, we use the person-environment fit literature to propose that the relationship of certain stressors on emotional exhaustion is contingent on a number of individual and organizational factors.

To test the hypotheses, we draw on a sample of 203 field salespeople. After measurement purification and confirmation, we investigated the research hypotheses using a set of hierarchical (moderated) regression analyses. Employing a disaggregated stress construct, we find that emotional exhaustion moderately develops as response to challenge-related stress and, in turn, detracts from salespeople’s performance capabilities. In contrast, challenge-related stress positively predicts job performance. Investigating the work context, we find that perceived satisfaction with promotion possibilities moderates the challenge-related stress-emotional exhaustion relationship.

Based on the differential relationships of challenge-related stress with emotional exhaustion and job performance, we performed additional analysis to test whether emotional exhaustion partially mediates the stressor-performance relationship. Instead of mediation to occur, we find that the unstandardized beta weight of the direct effect of challenge-related stress on job performance is substantially stronger than its indirect effect through emotional exhaustion. Hence, these results imply that the positive stress responses may be a stronger direct predictor of performance than the negative stress responses that take place through emotional exhaustion. Employing a single measure stress construct, we find that challenge-related stress explained only a minuscule variance in emotional exhaustion. However, the majority of scholars usually report a very strong relationship between job demands and emotional exhaustion. While those studies primarily employ aggregated work stressor scales it is not only the accumulation of several stressors (Singh et al. 1994) but moreover the dysfunctional nature of hindrance-related stressors that account for the variance differences. Hence, contrary to the implications of the inverted U-curve perspective, which states that some stress is necessary for optimal performance up to an optimal point beyond which it becomes detrimental to performance (Muse et al. 2003), our results support the proposition of LePine et al. (2005) that challenge-related stress can be increased if the effects on strain are managed.
In this regard, we tested whether indicators of work satisfaction can prevent individuals facing high levels of challenge-related stress from becoming fatigued. Basically, people enter and stay in jobs primarily for the rewards provided in return for their investment in time and talent (Cable and DeRue 2002). Indeed, rewards are one form of feedback and, generally, are one of the most important factors to reduce strain (Cordes and Dougherty 1993). Work satisfaction is the outcome of an individual’s cognitive evaluation process with regard to his or her needs and the possible rewards he or she may receive in return for the additional contribution. As challenge-related stressors are considered by managers as obstacles to overcome for personal growth and gain (LePine et al. 2005), individuals are particularly motivated to take on the increased demands if pay offs in terms of career perspectives are existent (Cable and DeRue 2002). Accordingly, our results indicate that particularly the contextual factor that is directly related to the inherent purpose of the work stressor may account for the stress reducing effect. While the majority of stress studies has applied aggregated work stressor scales and therefore may have cancelled out the true effects (Cavanaugh et al. 2000), they primarily found general contingency variables to account for the effect. However, our research findings may stimulate researchers (1) to not only account for emotional exhaustion in work stress processes (2) but also to employ disaggregated work stressor scales when assessing contingency effects.

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ORGANIZATIONAL IDENTITY: MAXIMIZING A MEMBER’S VALUE TO THE ORGANIZATION

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SUMMARY

In non-profit organizations, managers often overlook the importance an individual’s social identity plays in how he/she chooses to allocate resources to the organization. I believe that as a member starts to identify with an organization and socialize into the community he/she increases behaviors that generate value to the firm. In other words, when an organization strengthens a member’s organizational identity, the member is more likely to stay with the organization, spend or donate more money, tell others about the organization, and have an increased tendency to participate more within the organization. It is crucial that nonprofit organizations have an understanding of how their actions can directly increase desirable behaviors that help achieve their goals, thereby creating value for the organization and its stakeholders. My research provides insights into the nature of organizational activities that will be effective in strengthening a member-organizational relationship and member behaviors.

The purchase of a membership is not only an acquisition that extends the self, but it is also a relationship that extends a person’s identity by enabling him/her to belong to an organization. Identification causes people to become psychologically attached to and care about an organization. This attachment motivates them to commit to the achievement of the organization’s goals, expend more voluntary effort on its behalf, and interact positively with others regarding the organization. Past research focused on antecedents of organizational identity that are harder for a manager to directly effect.

My research identifies two areas an organization can focus on directly to increase a member’s level of organizational identity and thus increase ideal behaviors. This study is interesting because there is a theoretical rational for opposite predictions. The first, which is based on the norms of reciprocity, states that if a member feels that the organization values and supports them they are likely to have stronger organizational identity and thus more likely to behave in ways that create value for the firm. By fulfilling socioemotional needs, this perceived organizational support will increase a member’s dedication to the organization. In the case of non-profit organizations, rewards may include social rewards such as emotional satisfaction, spiritual values, and the sharing of humanitarian ideas, and economic rewards such as tax breaks and gifts. When non-profits fulfill their end of the psychological contract (e.g., by acknowledging that the donor’s contributions are contributing to the success of the non-profit), members form a general perception that the organization values their contributions. The organization’s favorable treatment of their members engenders feelings of obligation to reciprocate or equalize the exchange process by demonstrating activities that benefit the organization. A manager must seek out opportunities to make their member’s feel that the organization supports them. Activities like a member appreciation day can become great tools for making members feel valued. Many organizations reward their members with exclusive seating at their events or even give their members VIP access to places the general public is never allowed to be. Members of the Metropolitan Museum of Art are offered the rare experience of dining in the ultra exclusive Trustees Dining Room overlooking Central Park. Other organizations allow their members backstage after a concert to meet the performers or allow them to feed the animals at the zoo. Some non-profits reward their members by offering them free admission to other partner organizations or events. Members at the Phoenix Zoo get reciprocal entrance at over 125 other zoos and aquariums all over the country.

Members may not only be looking for reciprocity but also to have their ideal identity affirmed by the organization and other members. Affirmation of a desired identity provides added incentive to identify with an organization and to remain committed to the organization. The underlying mechanism of ideal identity affirmation is behavior confirmation. In behavioral confirmation, people treat others in ways that conform to their own beliefs about the others’ characteristics. A member is likely to find an organization’s identity more attractive when it matches their own sense of who they are. A manager must focus on giving members the opportunity to express themselves. Social interaction with others plays a large part in identity formation and affirmation. Creating volunteer opportunities might be another way to allow the member to affirm their identity. Committees not only offer social interaction, but they provide the member a way to feel like their thoughts and opinions matter. Southwest Airline recognizes frequent fliers by inviting them to interview prospective flight attendants. Social recognition, like a member of the month, could also be a great tool in recognizing the contribution of their members. It may also be important to members that others recognize their member status. Badges or VIP name tags could be a great tool in allowing members to stand out and be recognized. Many organizations have special entrances or parking for the members to use, which allows them to stand out from non-members.

American Marketing Association / Winter 2007
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EXCESSIVE CUSTOMER-ORIENTED BEHAVIORS IN SALES

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SUMMARY

Withdrawal behaviors have been the most discussed consequence of role conflict in marketing literature. Drawing from social identity theory (Tajfel and Turner 1979; Ashforth and Johnson 2001; Dutton et al. 1994) and cybernetic role theory (Edwards 1992), the author proposes a new typology of salesperson’s role-conflict coping behaviors and shows that withdrawal behavior is only one of four possible coping strategies. A new construct, Excessive Customer-Oriented Behaviors (hereafter ECOBs), is proposed to describe behaviors that are beneficial to the customer but are suboptimal for or detrimental to the firm. Examples of ECOBs include providing lavish entertainment to customers, giving customers promotional items excessively, and misuse of discount privilege.

A salesperson has dual identifications, one with the company (Organizational Identification, hereafter OI), and one with the customer (Sales-Customer Identification, hereafter SCI). These identifications are complementary, yet at times they are incompatible, thereby creating conflicting demands on the salesperson. This role conflict functions as the contextual factor that evokes identity-congruent behaviors. It is proposed that when both SCI and OI of a salesperson are simultaneously salient, the salesperson who experiences high role conflict will engage in more proactive behaviors that are consistent with both identifications. However, a salesperson whose SCI is more salient than his/her OI will be more inclined to engage in ECOBs to cope with high role conflict. Furthermore, once the salesperson’s identification with the organization or with the customer becomes

| TABLE 1 |
| Classification of Salesperson Role-Conflict Coping Behaviors |
|-------------------|-------------------|
| To the Company    | To the Customer   |
| Beneficial (High OI) | Beneficial (High SCI) | Excessive Customer-Oriented Behaviors (ECOBs) |
| Proactive Behaviors | Preactive Behaviors (hard-selling behaviors, see Pasold 1975). |
| • Internal Influence Behaviors (Nonis et al. 1996; Bettencourt and Brown 2003). | • Withdrawal behaviors: turnover intentions, absenteeism, silence, lowering performance (e.g., Brown and Peterson 1993; Flaherty et al. 1999). |
| • Deviant Discretion Behaviors (Kelley et al. 1996). | • Negative behaviors: unethical selling behaviors (Hunt and Vasques-Parraga 1993; Schwepker and Hartline 2005), counter-productive behaviors (Bennett and Robinson 2000). |
| Suboptimal/Detrimental (Low OI) | Reactive Behaviors |
| | • Quit (MacKenzie et al. 1998). |
chronically salient compared with the other, the context of role conflict becomes less important.

A description of role-conflict coping behaviors that are consistent with the cybernetic theory of stress is proposed. Specifically, successful coping behaviors might be habit-forming. Unsuccessful enactment of a proactive coping strategy might be devastating in that the salesperson might progress from proactive coping behaviors to preactive, ECOBs, or reactive behaviors. At each stage, depending on the intensity and persistence of role conflict as well as the success of the coping strategy adopted, either identifications might get reinforced and grow more or less chronically salient than the other. This makes the reverse route (e.g., from reactive to more proactive behaviors) possible.

This conceptual paper has important managerial implications. On one hand, the existence of chronic ECOBs might be contagious within the sales force and harmful to the ethical climate. It might also reduce organizational commitment of both the excessively customer-oriented salesperson and those that do not engage in such behaviors. On the other hand, by assigning the right salespeople to the right customers, marketing and sales managers can head off or lower role conflict, which is an antecedent of ECOBs. It also appears that sales managers should allocate more demanding customers to committed salespeople to trigger innovative changes within the company. Finally, the new typology and the dynamics of the three-way company – salesperson – customer interface provide managers with a useful diagnostic tool to evaluate role conflict intensity by observing sales force behaviors. References are available upon request.

ENDNOTE

I thank James D. Hess, Steven P. Brown, Michael J. Ahearne, and two anonymous reviewers for providing helpful comments on earlier drafts.

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UNDERSTANDING CONSUMER ACCEPTANCE OF MOBILE TECHNOLOGY FOR FINANCIAL SERVICE DELIVERY

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SUMMARY

The delivery channel for retail banking services have gone through several innovative phases such as the availability of Automated Teller Machines (ATMs), telephone banking, and Internet banking. Recently, mobile banking service has emerged as a potentially industry transforming technology that may define how consumers interact with their financial service institutions in the future. Mobile banking enables subscribers to access their banking accounts and use financial services such as transaction history checking, money transfer or wiring, and bill payments via portable communication devices (Suoranta and Mattila 2004). If as is believed mobile banking is a future dominant technology we are at a good point in its lifecycle (infancy even prebirth) to investigate some of the issues related to its adoption and this knowledge could be very useful.

This study aimed to examine factors that influence consumers’ intention to adopt mobile banking services, by considering social and hedonic aspects as well as utilitarian beliefs. To achieve this goal, the following procedure was employed: a theoretical model was proposed based on previous study. An Internet survey was conducted in Korea because Korea has had an explosive growth of mobile banking services (Business Week 2004). A stratified nationally representative sample of consumers by age and region was employed. A total of 346 adults who had at least one personal banking account but who are not current mobile banking service users were included for the analysis.

Following the Anderson and Gerbing’s (1988) two-step approach, a confirmatory factor analysis (CFA) and a structural equation model (SEM) analysis technique was used in sequence. The result of CFA showed that the measurement model fit the data well. The reliability of each construct was also better than the recommended cutoff value. The model fit of the proposed structural equation model \( n = 346 \) was satisfactory: \( \chi^2_{(83)} = 176.300 \) (\( p < 0.001 \)), TLI = 0.968, CFI = 0.976, and RMSEA = 0.051. Although it is generally believed that individuals’ banking transactions are performed to meet instrumental needs, the result showed that hedonic (enjoyment) as well as utilitarian values (i.e., perceived usefulness and ease of use) were critical for attitude formation toward mobile banking services: enjoyment (\( \beta = 0.248 \)), usefulness (\( \beta = 0.228 \)), and ease of use (\( \beta = 0.247 \)) evenly influenced attitude. Enjoyment (\( \beta = 0.799 \)) was an important contributor for perceived usefulness. Subjective norms influenced behavioral intention directly as well as indirectly via attitude.

To better understand psychometric property of consumer attitudes toward mobile banking, a group comparison analysis was conducted after dividing the samples into two groups based on their primary banking service channel. The result showed that the factors influencing attitude toward mobile banking were not the same if people have different primary banking service channels. For the people who use Internet banking as their primary banking service channel \( n = 185 \), perceived ease of use and enjoyment were important contributors for attitudes toward using mobile banking while perceived usefulness was not. Assuming that both Internet and mobile banking channels can be compatible with each other, perceived usefulness seemed to be a less important factor in mobile banking adoption for them. Instead, perceived enjoyment seemed to be newly added value for them. It appears that for this group using mobile banking service would be fun since the service is delivered via a cell phone instead of a personal computer. In case of the other groups who use other channels (e.g., ATMs, banking branches, and phone banking) more frequently than Internet banking \( n = 161 \), perceived usefulness and ease of use significantly influenced their attitudes while enjoyment did not.

This study supported the view that subjective norms influence user attitude and behavioral intention. While subjective norm directly influenced behavioral intention for both groups, its indirect influence on intention via attitude was not significant for the people who use Internet banking primarily. The moderating effect of product category familiarity is important in understanding what is happening. Based on the notion that the mobile banking is an extended concept of Internet banking to the mobile environment, the people who currently use Internet banking primarily would feel more service familiarity with mobile banking than others. Since familiarity makes people more depend on their own beliefs in attitude formation rather than external factors (de Bont and Schoormans 1995; Park and Lessing 1981), the attenuated relationship between subjective norms and attitude is plausible for the current Internet banking users. Given that more people use cell phones than computers in some countries (e.g., Korea), mobile banking is expected to bring more impact on the financial market by attracting broader range of consumer segments.
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AN INTEGRATED MODEL OF CONSUMER INNOVATION ADOPTION

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SUMMARY

The introduction of an innovation into a society can be examined from two different perspectives. One is a macro view of the diffusion of the innovation. The second, micro view focuses on the individual adoption process. This is described by Rogers (2003) as “the process through which an individual passes from gaining initial knowledge of an innovation, to forming an attitude toward the innovation, to making a decision to adopt or reject, to implementation of the new idea, and to confirmation of this decision” (p. 168).

While strides have been made in the area of individual consumer adoption, a general model of consumer innovation adoption is lacking. The purpose of the present research is to attempt to fill this void by developing a general model of individual consumer adoption of an innovation while integrating multiple streams of research. Specifically, the model integrates the Theory of Planned Behavior (a variant of the Theory of Reasoned Action) with the Diffusion of Innovation literature. Such a model should allow one to gain a better understanding of the factors involved in the innovation adoption process.

The Theory of Reasoned Action (TRA) has demonstrated wide applicability over the years in predicting consumer behavior. Attitudes influence behavior by the mediating variable “intention” (Eagly and Chaiken 1993). Intention represents one’s motivation to perform a behavior. Also, salient to the model is subjective norms. Subjective norm is composed of one’s: (i) normative beliefs, which represents perceptions of significant others’ expectations regarding the behavior, and (ii) motivation to comply with these expectations (Eagly and Chaiken 1993).

The Theory of Planned Behavior (TPB) is a variant of the Theory of Reasoned Action to account for behaviors that are not completely under one’s volitional control (Ajzen 1991). The TPB differs from the TRA in its addition of the construct perceived behavioral control. Perceived behavioral control refers to “people’s perception of the ease or difficulty of performing the behavior of interest” (Ajzen 1991, p. 183).

The Technology Acceptance Model has been employed widely to illustrate the acceptance of information technology (IT). The TAM was originally proposed by Davis (1986) and is derived from the Theory of Reasoned Action (Ajzen and Fishbein 1980). Key constructs in the TAM model include perceived usefulness and perceived ease of use, both determinants of attitude toward acceptance of the technology.

The Diffusion of Innovation literature explores multiple topics, including stages of the innovation-decision process, diffusion networks, categories of adopters of innovations as well as factors affecting the rate of innovation adoption (Rogers 2003). While much of the literature has focused on individual differences amongst the various adopter categories, fewer efforts have been made to examine innovation differences, or how perceptions of innovations affect their rate of adoption.

Within the research on the attributes of innovations, Rogers and Shoemaker (1971) list five attributes of innovations that are thought to influence the rate of adoption of the innovation. These attributes are defined below:

♦ Relative advantage is the degree to which an innovation is perceived as being better than the idea it supercedes.

♦ Compatibility is the degree to which an innovation is perceived as consistent with the existing values, past experiences, and needs of potential adopters.

♦ Complexity is the degree to which an innovation is perceived as relatively difficult to understand and use.

♦ Trialability is the degree to which an innovation may be experimented with on a limited basis.

♦ Observability is the degree to which the results of an innovation are visible to others.

All of these attributes are expected to be positively related to the rate of adoption with the exception of complexity, which is expected to be negatively related to the rate of adoption.

The proposed model of consumer adoption combines the diffusion of innovation/innovation attribute literature with the Theory of Reasoned Action/Theory of Planned Behavior literature. The latter has already been employed in developing a model of information technology acceptance, TAM. In the consumer adoption model developed here, perceptions of the innovation’s attributes are believed to form one’s attitude toward the innovation.
The model of consumer adoption is similar to the Technology Acceptance Model. Consistent with TRA, both assume the following “general” link: attitude toward product $\Rightarrow$ attitude toward behavior (adoption) $\Rightarrow$ behavioral intention $\Rightarrow$ actual behavior. The consumer adoption model is, however, more general than the TAM. The model applies to the adoption of any innovative product. In this model, “Attitude Toward Product” represents a consumer’s perceptions regarding five attributes: relative advantage, compatibility, complexity, trialability, observability.

The present research combines the Theory of Planned Behavior (a variant from the Theory of Reasoned Action) with the Diffusion of Innovation literature to propose a general model of consumer innovation adoption. Such a model is currently lacking in the literature. The next step in this endeavor is testing and empirical validation of the model. Such research would further expand our knowledge in the area of consumer innovation adoption. It is hoped that the conceptualization offered here serves as a foundation for future research. References available upon request.

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FORCED ADOPTION OF SELF-SERVICE TECHNOLOGIES: AN EXPLORATION OF ANTECEDENTS AND CONSEQUENCES OF CONSUMERS’ PERCEIVED DECISIONAL CONTROL

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SUMMARY

Self-service technologies (SSTs) can be defined as “technological interfaces that enable customers to produce a service independent of direct service employee involvement” (Meuter et al. 2000, p. 50). Examples of these self-service technologies or technology-based self-services (TBSS) include “on-site” options such as automated teller machines (ATMs) and “off-site” options such as telephone and online banking (Dabholkar and Bagozzi 2002). As new technologies are continuously introduced, it is evident that these technological service innovations will increasingly be a critical component of customer-firm interactions. Previous research has not looked at consumers’ feelings when they are forced to use new service technologies. This aspect is an increasingly relevant issue for research on self-service technologies, especially as companies are trying to stimulate the use of self-service technologies by making traditional service encounters increasingly unattractive, for example, by charging extra fees.

In this study we take this aspect of forced choice into account by looking at the concept of perceived decisional control. Perceived decisional control can be defined as “the extent of choice in the selection of outcomes or goals” (Averill 1973, p. 289). In the context of new service technologies, decisional control indicates whether individuals are free to choose whether they want to make use of the technology or not. For example, users often have little or no control over the decision of, for instance, a bank replacing its stores with online banking, and may be forced to comply with limited options.

Antecedents of Perceived Decisional Control

Perceived decisional control is determined by the following antecedents. First, if a customer perceives that there are no or only a few alternatives, then he or she feels forced to use the available alternatives. Second, if consumers do not perceive the alternatives as any more attractive than the current alternative, then they are likely to stay with the current mode of service delivery, even when it is perceived as less than satisfactory (Patterson and Smith 2003). We therefore expect that the less attractive the alternatives are, the more people feel forced to use the self-service option (thus lowering their perceived decisional control). Finally, we propose that switching barriers have a negative effect on perceived decisional control, because consumers are forced to stay with the new service technology either because costs of switching are too high or the investment in the current relationship is too valuable.

Consequences of Perceived Decisional Control

Customers want and expect choices in the ways they reach and communicate with companies (Anselmsson 2001). They do not like to be trapped or forced into interacting with a company in only one way (Bitner et al. 2002). A lack of perceived decisional control has the following consequences. First, McKee et al. (2006) state that when customers feel that they are able to perform their role in a service encounter, they perceive a higher service value than customers who feel that they are not in control. This implies that a lack of freedom of choice directly influences perceived service value. Second, feeling in control is positively related to attitudes toward the service environment and lack of freedom of choice negatively affects attitude towards the service provider (Ward and Barnes 2001). Third, when subjects are provided a choice, they accept responsibility for both positive and negative outcomes. However, when they are not provided a choice, they accept responsibility only for the positive outcomes and not for the negative outcomes (Bendapudi and Leone 2003; Arkin et al. 1976). So, a customer who feels forced to co-produce may assign blame to the service provider for making them experience lack of freedom of choice. In addition, Chang (2006) states that when customers are provided with a choice of recovery options in case of service failure, the sense of control of the customer is partly restored. Instead, dissatisfaction is highest when customers are “forced” to stay inside an automated system with no option to communicate with a live person (Bitner et al. 2002). So, the availability of a recovery option or human back-up might reduce the negative effect of the lack of perceived freedom of choice on attitudinal outcomes.

Empirical Study

We are currently testing our conceptual framework empirically. Our plan is to test the effects of perceived decisional control in terms of its consequences (i.e.,
attitudes and behavior towards the service provider) and examine the relative importance of perceived decisional control related to other attributes of the self-service option. The study is developed in cooperation with a Dutch railway company. The main service is a train service from A to B. This service typically consists of two types of self-service options: transaction-related service options (buying a ticket via a machine or online relative to the traditional human alternative) and travel information (getting travel information by means of a machine or online relative to the traditional human alternative). The research design consists of a combined experimental and conjoint task. In the conjoint task respondents have to rate the importance of perceived decisional control relative to some other attributes. After respondents complete the conjoint task, they are given one of eight conditions, which are different choice options in order to manipulate perceived decisional control. Respondents are asked to indicate their intentions, attitudes, and preferences for the SST and the service provider. Relevant consumer traits are measured with existing measurement scales.

The results of the empirical study should allow us to understand how people react to differing levels of perceived decisional control in using a technology-based self-service option and under what conditions the obtained effects are enlarged or reduced. References are available upon request.

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IMAGE EFFECTS OF MARKETING EVENTS: THE IMPACT OF FLOW EXPERIENCES

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SUMMARY

Event-marketing is considered as a relatively novel marketing instrument which has not been subject to sophisticated empirical studies so far. In this paper, it is understood in the sense of a communication instrument with the purpose to disseminate a company’s marketing messages by involving the target groups in experience-oriented activities. This means the participants themselves are active during a so-called marketing event, e.g., by exercising sports or being creative. These events are organized by the companies themselves and can focus on different objects (e.g., brands, product lines, company). An example is the worldwide series of “Red Bull Flugtag” organized by the energy drink company Red Bull during which the participants jump in a self-crafted flying machine from a ramp into a lake. Thereby, the brand tries to express the advertising message “Red Bull vitalizes the body and mind.”

A literature review reveals that there are only few empirically-backed attempts to directly explain the effects of marketing events (Lasslop 2003; Mau, Silberer, and Weihe 2006). These studies exclusively concentrate on the influence on the attitude towards or the image of the event object (e.g., the brand or the company). In addition, a crucial particularity of event-marketing – the active participation of the target group in the communication of the marketing message – is neglected. Therefore, we included the construct flow experience in an explanatory model with the image of the brand organizing the event as the target variable and tested the model empirically applying PLS structural equation modeling.

Model Development and Hypotheses

Since image is understood as a multidimensional attitude construct, the attitude toward the ad research marks the starting point. Several studies and meta-analyses on this issue (Bagozzi, Gopinath, and Nyer 1999; Heath and Geath 1994; Muehling and McCann 1993) led to hypotheses H.1 to H.3 (Figure 1). Indicators for the event participants’ perceived emotions (5 items), event image (3 items), and brand image (5 items) resulted from a literature analysis (Aaker, Stayman, and Vezina 1988; Clore and Ortony 1988; Edell and Burke 1987).

According to Csikszentmihalyi (1975) flow is a highly enjoyable psychological state that refers to “the holistic sensation that people feel when they act with total involvement” in an activity (p. 36). During the flow experience the acting individuals are highly concentrated (a) and absent-minded (b) by losing all sense of time. (c) They also have the impression of their consciousness and action merging. (d) Additionally, they have the subjective impression of having their action under control (e) (Csikszentmihalyi 1988; Jackson 1992; Jackson and Ecklund 2004). Based on the literature (Csikszentmihalyi and LeFevre 1989; Karageorghis, Vlachopoulos, and Terry 2000) we expected positive effects of flow on positive emotions (H.4), event image (H.5) and brand image (H.6) (Figure 1). Starting out from the five characteristics (a) to (e), the conceptualization of flow leads to a three-dimensional approach similar to Stavrou and Zervas (2004). Those three dimensions are computed as indexes which have to be treated as formative indicators (Bagozzi 1994). They are called “concentration,” “absent-mindedness,” and “control of the (soccer) game.” The selection of items was based on existing scales (Jackson and Eklund 2004; Jackson and Marsh 1996).

Empirical Study and Results

The object of investigation consisted of a series of street-soccer tournaments organized by a large and well-known German chain of shopping centers. The members of the target group were 11 to 15-year-old children and youngsters. During the tournament, the brand name was communicated through perimeter advertising, a presenter frequently mentioning the name of the retail chain, and t-shirts with the logo of the event and the company. The questionnaires of 338 participants were accepted for the data analyses.

The PLS (partial least squares, Wold 1982) estimates show an acceptable model fit (e.g., all Q² > 0, R² between 0.20 and 0.41). All flow indexes have significant weights, the highest for “control of the game.” The nomological validity of flow is evaluated by assessing the relationship between this construct and “positive emotions” which is strong (0.45) as well as significant on the one percent level. It has to be noted that aspects like internal consistency or convergent validity are not applicable to forma-
The hypotheses H.1, H.3, and H.4 are supported by clear and significant positive relationships, while H.5 and H.6 have to be rejected and H.2 is supported with reservations. Most important is the result of a dominant path of effects leading from the flow experience during the soccer match to the perception of positive emotions that in turn has a high impact on the positive evaluation of the event image. Finally, the positive evaluation of the event image influences the brand image of the company organizing the event.

**Discussion**

In conclusion, the results reported here first indicate that findings from AAd research also apply to the communication instrument event-marketing, which has so far only been subject to limited empirical research. Second, and most important, the introduction of the flow construct allows to examine whether the active participation of the target group in the communication process during a marketing event actually has a favorable brand image effect. The findings suggest that this particular advantage of event-marketing can be used to successfully influence the brand image. References available upon request.

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EVALUATING THE EFFECTIVENESS OF BRAND POSITIONING STRATEGIES: A CONSUMER PERSPECTIVE

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SUMMARY

Brand positioning, which is an attempt to create a customer-focused value proposition that gives consumers a cogent reason to buy the focal brand, is regarded as one of the cornerstones of successful marketing strategy (Kotler 2003). Despite the importance of the positioning concept, however, limited attention has been paid to the question whether the use of certain positioning strategies (e.g., attribute positioning) results in superiorly positioned brands compared to the application of other strategies (e.g., user positioning) and, if so, under which circumstances.

We investigate these research questions by comparing the effectiveness of six distinct positioning strategies corresponding to six main types of positioning alternatives (Aaker and Shansby 1982; Crawford 1985; Wind 1982) from a consumer perspective. The latter perspective is chosen because positioning, by its nature, refers to how consumers perceive a brand/object in relation to competitor brands (Hooley, Saunders, and Piercy 1998). Specifically, consumers form their perceptions based on the positioning information actually presented to them (i.e., actual positioning), rather than on how marketers want the product to be positioned in the consumers’ minds (i.e., intended positioning). Since the actual positioning is reflected in advertising, which is considered as the main tool for building a brand’s position (e.g., Krishnan 1996; Park, Jaworski, and MacInnis 1986), we used real print advertisements of compact cars, each representing a different positioning strategy, as stimuli in our study. On the dependent variable side, we conceptualize positioning effectiveness in terms of consumers’ perceptions of (a) brand favorability, (b) differentiation, and (c) credibility which are considered as the key dimensions of a well-positioned brand (e.g., Erdem and Swait 2004; Keller 2003; Myers 1996; Schiffman and Kanuk 2004). We also control for several covariates, capturing brand-specific (attitude toward parent brand, brand familiarity), product class-specific (involvement and knowledge), advertisement-specific (ad creativity) and socio-demographic (age, sex, education) variables.

Our findings show that no positioning strategy is superior to the other strategies on all effectiveness dimensions, thus providing evidence that positioning strategies should be evaluated not on one single dimension only, because this may produce a biased picture of positioning effectiveness (Pham and Muthukrishnan 2004; Voss, Spangenberg, and Grohmann 2003). Furthermore, the importance of incorporating relevant covariates when evaluating positioning effectiveness is illustrated. Implications of the findings are discussed, along with limitations and avenues for future research. References available, upon request, from the authors.

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WHAT DO BRANDS SIGNAL?

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SUMMARY

Why do consumers purchase particular brands and show a sustained preference for those brands? This is a fundamental question, and not surprisingly, several streams of marketing literature converge on this point. Perhaps the most prominent explanation is based on signaling theory drawn from the information economics literature. Information economics focuses on the value associated with a brand due to the asymmetrical information present in the marketplace. Brand signaling theory explains brand preference based on the signals a brand sends to consumers (Erdem and Swait 1998). A brand signal is composed of a firm’s past and present marketing mix strategies and activities associated with that brand (Meyer and Sathi 1985). The information contained in these signals helps consumers to make judgments about the perceived quality of brands, decrease the perceived risks associated with the brand and reduce information or search costs (Erdem, Swait, and Valenzuela 2006). The reduction of perceived risks and information costs leads to higher brand equity, because it promotes consistent consideration and choice behaviors within and across consumers. The consistency of this behavior represents a sustained preference for the brand and implies a reduced consideration of alternative brands.

Another theoretical perspective that addresses this fundamental question draws from the literature in social psychology and sociology. Specifically, social identity theory suggests that individual’s hold knowledge regarding their membership in certain social groups, and that these memberships have emotional significance (Tajfel 1974). Individuals are seen to categorize their surroundings to define and locate themselves within their social environment. Social identification serves to enhance an individual’s self esteem through comparison with other social groups (Ashforth and Mael 1989). Importantly, for present purposes, the identification literature offers a differing view on the formation of brand preference. Identification manifests as an individual’s feeling of psychological attachment to a social entity (Bhattacharya and Sen 2003). This can include companies and brands. The personal meaning held for brands suggests a role for identification in the formation and strengthening of relationships between consumers and brands. The symbolic nature of brands allows them to be meaningful to consumers. Hence, consumers may purchase particular brands and show a sustained preference for these brands because the brands give meaning to their social classification and help to signal membership in desired social groupings to others.

Clearly, brands are recognized by marketers as valuable assets. This value is created through consumers being familiar with brands and holding favorable, strong, and unique brand associations in memory (Keller 1993). Yet, brand signaling theory and social identification theory put forward quite differing explanations for purchase consideration and choice, and these differing perspectives have not been integrated in the literature. Information economics emphasizes the reduction in uncertainty associated with purchasing familiar brands, whereas social identification highlights the importance of a brand serving a symbolic or self-expressive function. This paper attempts this integration of these diverse perspectives by briefly reviewing both theoretical viewpoints and offering a formal model that draws from both literatures. Hence, the framework is literature and theory based. Because the conceptual model attempts to be comprehensive, and draws on predictors from both literatures, it will subsequently allow for an implicit test of the rival theories. A rational for the constructs is offered and formal propositions are developed. Consideration is given to the empirical testing of the framework and specific suggestions for field survey research and experimentation is outlined. Clearly, there is much theorizing and research on the importance of brands in marketing. This paper sketches out two theoretical perspectives that attempt to explain how consumers develop a sustained preference for particular brands. References available upon request.
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AN EXPLORATORY STUDY OF THE EFFECTS OF EXTERNAL ANCHORS ON BIDDER BEHAVIOR IN NAME-YOUR-OWN-PRICE AUCTIONS

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SUMMARY

Over the years anchoring effects have been demonstrated in a number of contexts, such as the evaluation of gambles, the estimates of risk and uncertainty, the perceptions of self-efficacy, preference reversals, trait inferences (Chapman and Johnson 1999; Epley and Gilovich 2001). However, few studies to-date have explored the nature of this phenomenon in online market environments. With the development of the Internet and the increasing importance and popularity of online marketplaces for trade at the Business-to-Consumer (B2C) level or the Consumer-to-Consumer (C2C) level it is imperative for research to examine whether phenomena such as anchoring affect consumer behavior in such environments. This paper explores the effects of external anchors released by service providers on consumers’ bidding price in a Name-Your-Own-Price auction context.

Less is known about in these more interactive situations, how price anchors released by service providers’ play a role? Past research suggests that some arbitrary anchors released by service providers can have an important impact on how much a consumer is willing to bid (Simonson and Drolet 2004). In this study, we examine the impact of nonarbitrary anchors (in terms of high or low historical bidding price released by service providers) on consumers’ bidding price as this is a more realistic approach that may be adopted by service providers.

Traditionally, anchoring effects have been explained as the result of insufficient adjustment from an irrelevant value (Tversky and Kahneman 1974). However, some scholars argue that anchoring effects observed in the standard paradigm (Tversky and Kahneman 1974) appear to be produced by the increased accessibility of anchor-consistent information (Mussweiler and Strack 1999, 2000). Most extant research tends to utilize arbitrary anchors that are not related to the topic under study. Therefore, little is known about the effects of non-arbitrary anchors.

There are different opinions, however, on how anchoring occurs. Some authors have argued that anchoring is a knowledge accessibility effect and is therefore semantic in nature (Mussweiler and Strack 2001). Other scholars strictly abide by the original explanation of the anchoring and adjustment heuristic proposed by Tversky and Kahneman (1974). Although differing opinions exist about how anchoring occurs, anchoring effects have been demonstrated in numerous contexts. For the purpose of this paper, we only focus on whether anchoring effects play a role in a NYOP auction context. In particular, we attempt to explore whether anchors released by service provider have an impact on consumers’ bidding price. Anchoring is observed in many natural contexts and appears to be robust even with experts and important decisions (Wansink, Kent, and Hoch 1998). We argue that in a NYOP auction context, the same conclusion should hold. The presence of a high anchor should increase the average bidding price compared to when a low arbitrary anchor is a single price signal. Similarly, the presence of a low nonarbitrary anchor should decrease the average bidding price compared to when a high nonarbitrary anchor is a single price signal.

In total 130 subjects participated in the study. The subjects were drawn from a cross-section of undergraduate students across a range of study disciplines including, Accounting, Economics, Finance, Marketing and Management, and Information Systems at a large Public State University. A two-group before/after design was employed to test the hypotheses.

The results from this study indicate that price anchors released by service providers can have a significant impact on the bidders’ price decision-making. When a high price anchor rather than a low price anchor is provided, bidders tend to make upward adjustment on bidding price. In contrast, when a low price anchor as opposed to a high anchor is supplied, consumers are likely to make a downward adjustment on bidding price. The findings indicate that marketers who want to make use of anchoring related procedure should pay attention to the choice of different anchors in order to achieve their outcomes.
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THE POSITIVE AND NEGATIVE ROLE OF PRICE IN EXCESSIVE BUYING BEHAVIOR

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SUMMARY

One gap in the research on excessive buying is not considering consumers who buy frequently, spend above average amounts of money on products but do not necessarily experience financial problems. We call this group of consumers excessive buyers. A second gap in previous research on consumers who buy excessively is that no research to date has examined the role of price in purchase decisions and behaviors of these consumers. Do such buyers possess greater knowledge of store prices? Are they more likely to infer quality on the basis of price or brand name? Or, are they more price conscious? This paper addresses these issues.

The main objective of this research is to determine how excessive buyers perceive and react to prices and price promotions, and compare their responses to those of non-excessive buyers. Based on prior behavioral pricing research, several important constructs are identified and hypotheses developed. We then present two studies used to test the hypotheses. Finally, we present the findings, and discuss the contributions and implications of this research.

Excessive buying is defined as the extent to which consumers’ buying behaviors (1) represent a preoccupation in their lives, (2) tend to be impulsive in nature, (3) help them alleviate prior negative feelings, and (4) elicit positive feelings in them (Ridgway, Kukar-Kinney, and Monroe 2005).

Previous research has found a consistent relationship between excessive buying and other factors. For example, excessive buying appears to be related to other trait variables such as low self-esteem, materialism, impulsiveness, loneliness, and obsessive-compulsive disorder (Faber and O’Guinn 1992). It has also been found that excessive buyers are more likely to spend more than they can afford and experience credit card difficulties (Roberts and Jones 2001). Finally, excessive buyers are more likely to return recently purchased products back to stores than other buyers (Hassay and Smith 1996).

One important result of research on the role of price in influencing consumers’ perceptions and purchase behaviors is the recognition that price plays a dual role in the way it influences consumer behavior (Monroe 2003). In the traditional economic sense, price indicates the amount of money that buyers must give up (monetary sacrifice) to acquire the product or service (a negative role). However, when buyers are uncertain as to the quality or benefits they might receive from the acquisition, price may also be used to infer what they will gain when purchasing the product or service (a positive role). We use the negative and positive roles of price to develop hypotheses of how price may influence the behaviors of consumers with a tendency to buy excessively. Specifically, we focus on price-quality inferences, prestige sensitivity, and brand consciousness as responses related to price in its positive role, and on price consciousness, sale proneness, transaction value, and store price knowledge as responses associated with price in its negative role.

We conducted two surveys to test the hypotheses, one using a student sample and one using a national sample of Internet buyers. In Study 1, the proposed hypotheses about excessive buying and price relationships were all supported with an exception of the sale proneness hypothesis. In Study 2, the hypotheses about excessive buying and price relationships were all supported with the exception of price consciousness.

One possible reason for the lack of relationship between excessive buying and sale proneness in Study 1 may be the student sample. It is possible that given the young age of that sample, the excessive buyers were not (yet) any more sale prone than non-excessive buyers. Indeed, in Study 2, using a different, more heterogeneous national sample with a substantially higher average age and income, excessive buyers were more sale prone relative to non-excessive buyers.

The second difference between the results obtained in the two studies pertains to the relationship between excessive buying and price consciousness, which was negative in Study 1, but not significant in Study 2. An explanation for this outcome is that student respondents in Study 1 have a much more limited income than the respondents in Study 2, whose household income averaged over $80,000.

The rest of the hypotheses received consistent support across the two consumer samples. The finding that
excessive buyers are more likely to use price as an indica-
tor of quality indicates that these buyers may be more likely to choose higher-priced products relative to non-
excessive buyers, because they may not completely pro-
cess the available product and price information before making the purchase. Moreover, these consumers appear to focus their purchases more on products that provide
them with prestige and recognition, such as well-known and higher priced brands. While consumers with an ex-
cessive buying tendency may not be price conscious, and hence, may not intentionally seek out low prices, they do however derive pleasure from taking advantage of a price promotion, if they happen to encounter it. References available upon request.

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HOW MENTAL BUDGETING AFFECTS FUTURE SPENDING:  
THE ROLE OF INCOME AND FRAMING

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SUMMARY

Customers often engage in mental budgeting processes in order to control their spending behavior and to avoid financial debt. They spread their financial resources into different categories of expenses (e.g., expenses for clothing, food, entertainment) and track their expenses in these categories. Mental budgeting processes are important because they can alter customers’ purchase decisions. For example, customers often evaluate potential purchases against their available budget in the corresponding category and, as a result, tend to align their future purchases to this reference level.

However, prior research has not considered the interplay of two important variables that should affect the likelihood of a future purchase in a particular budget category: customer income and price increases. Both variables are closely related to the concept of mental budgeting. They should affect the process of setting and depleting financial budgets as well as the evaluation of potential future purchases against these budgets. When suffering a price increase, customers should reevaluate their potential future purchases in the budget category in which the price increase occurred. This reevaluation should depend on customer income: customers with low income should stick to their budgets and reevaluate their future purchases in this category whereas customers with a higher income might stick to their budgets to a lower extent.

Next, we examine whether firms can use price presentation tactics in order to attenuate customers’ negative reactions to price increases. However, prior research provides mixed results concerning the favorability of framing price increases in percentages (e.g., + 33%) versus absolute terms (e.g., + 15€). We address these opposite findings and empirically test the impact of different frames on the likelihood of a future purchase in the budget category. Furthermore, customer income might moderate the impact of framing of a price increase on customers’ subsequent category purchases as customer income might alter the effort customers invest in encoding different price framings.

In order to address these issues, we conducted an experimental study. In the experiment, participants were put into a mental budgeting scenario. They were told that they had allotted a fixed amount of money to a particular budget category (expenses for clothing) and intended to purchase two items out of this category (a pair of pants and a sweatshirt). The purchase of the first item was part of the scenario description. Notably, the price increase occurred on the purchase of the first item as well as the different framings of the price increase. As dependent variable of the experiment, participants had to decide whether they would purchase the second item in out of the category after having purchased the first item as described in the scenario.

The experimental study employed a 2 (low income/high income) x 2 (price increase/no price increase) x 3 (absolute frame/relative frame/no frame) between-subjects design. Two hundred nine students of an undergraduate marketing class participated in the experiment.

Results show that the likelihood of a future purchase in the category is higher when income is high than when income is low. Furthermore, the likelihood of a future purchase in the category is lower in the case of a price increase than when no price increase occurs. More importantly, when customers are confronted with a price increase in a particular category, they show a stronger decrease in their likelihood of a future purchase in the category when their income is low than when their income is high. Income thus weakens the negative effect of a price increase on the likelihood of a future purchase. Furthermore, when the price increase is framed in percentages or when no framing manipulation occurs, participants show a lower likelihood of a future purchase in the budget category than when the price increase is framed in absolute terms. However, results do not show a significant interaction effect between income and framing.

From a managerial viewpoint, our results highlight that low-income customers show a negative reaction to a price increase by cutting future purchases in the corresponding budget category whereas customers with a higher income do not. Thus, when implementing a price increase, notably companies with a large base of customers with low income (e.g., discount stores) have to consider these negative effects on future category purchase behavior. Furthermore, our research shows that a price increase can negatively affect the subsequent purchase of a product...
whose price remains unchanged. Thus, a potential cause of a decline in sales might be, besides other causes (e.g., a price decrease of a competitor), a price increase on a product that customers assign to the same category. Finally, the present study shows that managers can use price presentation tactics in order to attenuate customers’ negative behavioral reactions to a price increase. More precisely, this study indicates that a price increase should be presented in absolute terms (versus percentages) in order to attenuate the negative effect of the price increase on a future purchase in the same category.

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CONVEYING LEVEL OF SCIENCE TO CONSUMERS: WHEN A PICTURE ISN’T WORTH A 1000 WORDS

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SUMMARY

Supplement and food manufacturers are permitted to make certain health claims from emerging science on package labels, provided that a disclaimer is used indicating the level of scientific agreement regarding the claim. The FDA has proposed four levels of significant scientific agreement (SSA) disclaimers. However, the research to date has demonstrated that consumers cannot distinguish among these levels of science. The current study tests whether iconic displays and tabular representations are effective at conveying level of science.

Background

Qualified health claims have been studied by several academicians and government agencies, as well as a non-lobbying, not-for-profit organization. The existing studies illustrate the breadth and diversity of methods and populations used in the studies, and examine varied methods to communicate scientific certainty to consumers. The research consistently demonstrates that consumers have difficulty distinguishing between various levels of SSA disclaimers (Derby and Levy 2005; France and Bone 2005; Hooker and Teratanavat 2005; Murphy 2005; Murphy, Hoppock, and Rusk 1998).

Taken together, these studies suggest that the verbal qualified health claims are simply not effective. There is some evidence that the graphic report card helps consumers differentiate between levels of science, but the IFIC (2005) study shows that respondents differentiated between only two levels (not four), A/B and C/D. Hooker and Teratanavat (2005) find a distinction between only A and D and the FDA clearly shows that without including a benchmark for strong science (A-level), confusion is extensive. In addition to the inability of the report card to clearly delineate between the four levels of scientific certainty, there are also unintended and, from a manufacturer’s viewpoint, negative consequences that the level of science report card impacts consumers’ beliefs regarding quality and safety (IFIC 2005) and attitude toward the product (Hooker and Teratanavat 2005).

Design

Two studies were conducted. Study One addressed whether iconic displays could connote science and also varying levels of scientific certainty without side-by-side comparisons. A 3x3 design was used in which science was depicted by three icons and level of scientific certainty was portrayed by manipulating the amount of liquid in the container – a little, half, full. In this study, 95 undergraduate business students received one of the iconic displays, which they examined while answering a questionnaire. Study Two assessed whether a tabular display could be more effective in portraying scientific certainty. This display allowed side-by-side comparisons of information and also included the recommended FDA verbal disclaimer. Three levels of scientific certainty were indicated by a checked box next to word descriptors of “strong,” “moderate and promising,” or “weak.” Respondents viewed one of the tabular displays while answering the questionnaire. They evaluated the scientific certainty regarding a specific health claim, “Barley may reduce the risk of coronary heart disease.” One hundred sixty-two undergraduate business students participated in the study.

Results

Study One revealed that while iconic displays did convey science, respondents had difficulty distinguishing among levels of science. Consistent with previous research, respondents distinguished between only two levels of science. Study Two showed that tabular displays, however, offer promise in that respondents were able to distinguish varying levels of science. Additionally, those respondents who viewed the higher level disclaimers (A level) thought that barley would be more likely to reduce heart disease. However, a reduction in the perception of product quality was found as we moved from A to B to C/D level disclaimers.

Implications

Researchers should continue examining tabular displays. While they have the potential to effectively communicate science, manufacturers are likely to find it problematic that product quality perceptions are reduced with a C/D level disclaimer. The dimensionality of “quality” needs to be examined from the consumers’ perspective. “Quality” may be multidimensional for food products (e.g., taste, calories, fat content as well as its ability to meet the health claim – reduced risk of a particular disease) but may be unidimensional for supplements (e.g., reduced risk of a particular disease is possibly the only important factor). References available upon request.
SUMMARY

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 (EU), smoking is the largest single cause of preventable death and hence represents a major social and health issue. In 2005, the EU launched a large scale antismoking television advertising campaign across its 25 Member States. The HELP campaign 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. Data based on a telephone survey of more than 25,000 consumers (smokers, non-smokers, and ex-smokers) was analyzed. Our study focused on smokers and examined the potential for using segmentation and targeting in this type of campaign.

Perhaps surprisingly, 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). Accordingly, our research had several aims. First, to measure consumer reactions to social messages and counter-advertising, which remains an under-researched topic (e.g., Agostinelli et al. 2002). More specifically, we focus on consumers’ attitude toward the advertisement, understanding and conscious processing of the message, and their thinking about their smoking behavior. Second, we investigate the usefulness of those 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. Third, based on the review of the literature and the examined advertising-related variables three key propositions are suggested.

Telephone interviews were conducted with more than 25,000 consumers in 25 Member States of the EU. The telephone survey took no more than 10 minutes to complete. All data was collected in October 2005 after both campaign waves had been televised across all 25 EU nations. The items within each scale used for this study were adapted from previous studies. A small pilot of the survey was then undertaken. Respondents were screened to ensure that they were aware of at least one of the three campaign advertisements. 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.” 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 about smoking was measured with four items on a 4-point “yes, definitely” to “no not at all” response scale. Confirmatory factor analysis revealed three important factors: comprehension of and attitudes towards the campaign, and inclination to think more responsibly about your own behavior. These three factors were the input variables of the subsequent cluster analysis.

To segment the smokers according to their attitude toward the campaign, overall level of message comprehension, and their level of responsible thinking resulting from the advertisements, a hierarchical cluster analysis followed by a k-means analysis was performed. Cluster analyses identified three significant and distinct target groups who responded differentially to the advertising: Cluster 1: Message Indolents, (n = 493) Cluster 2: Message Involved (n = 642), Cluster 3: Message Distanced (n = 214).

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 neces-
sary to reach different groups of smokers. Also, we explored research propositions which were all supported by our results. The 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. It does suggest that customized messages based on audience needs are desirable and will produce more effective results.

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A SCALE TO MEASURE CONSUMER VULNERABILITY TO PERCEIVED PRODUCT SIMILARITY PROBLEMS: REPLICATION AND EXTENSION

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SUMMARY

The clutter in many product categories and increasing numbers of similar products, some of which are deliberate look-a-likes, make it more difficult for consumers to distinguish between brands which can lead to a loss of utility through mistaken and misinformed purchases. Indeed, consumer research shows that brand similarity communicates to consumers the high degree of overall sameness between two brands, usually the pioneer and follower brand (Walsh and Mitchell 2005; Kamins and Alpert 1997). From a consumer standpoint all emulations can cause a problem if consumers are not vigilant and have an orientation to see all brands as similar. In these contexts consumers often believe they are already familiar with the emulator brand and able to assess it with regard to its attributes and quality and are thus vulnerable to making mistakes (e.g., Loken et al. 1986). The ability to discriminate between brands has recently been discussed as an aspect of consumer’s “cognitive vulnerability” (Walsh and Mitchell 2005; Brenkert 1998), which they conceptualize as the consumer’s own cognitive limitations to effectively execute a marketing exchange. Walsh and Mitchell (2005, p. 143) define this perceived product similarity as “the consumer’s self-rated propensity to see products within the same category as similar.” Walsh and Mitchell (2005) developed and tested a perceived product similarity (PPS) scale in Germany which could point to a new direction in consumer vulnerability research.

In this paper we extend their research in several respects which results in this study having three main aims. First, although Walsh and Mitchell (2005) propose that the scale will be valid in all product categories, they did not examine this assumption in their research. The present study examines this assumption by encompassing three product categories representing high- to low-involvement products. Second, previous research has found that factors such as age and consumers’ limited economic power can cause consumers to be more vulnerable. Here we suggest that consumers may be more vulnerable to perceiving products as similar due to other personal characteristics such as age, gender, education, and physical and mental health. This poses the question of who is most vulnerable to perceiving products as similar. Third, Walsh and Mitchell (2005) acknowledge that the scale’s generalizability needs to be tested further by administering it to different populations in other countries. As a result, this study tests the PPS scale on a sample of 220 British consumers to see if the psychometric properties of the PPS scale vary considerably between samples.

The questionnaire used in this study was pre-tested and contained ten PPS items as well as items measuring consumers’ word of mouth. Subjects rated most items on a 5-point scale (1 = strongly disagree, 5 = strongly agree). Respondents completing the questionnaire in this research had to have the purchasing of one of these three products in mind, namely chocolate bars (low involvement), beauty products (moderate involvement) or mobile (cellular) telephones (high-involvement product). The survey was carried out in two major U.K. cities using a qualified convenience sample of male and female and different aged consumers. Students majoring in marketing were instructed to recruit four people to fill out the survey. A total of 220 people answered the questionnaire, representing approximately a 40 percent response rate of those individuals asked to respond.

Walsh and Mitchell (2005) initially proposed a ten-item scale with reasonable reliability. However, further validation procedures led to a more parsimonious six-item scale. The ten-item scale was subjected to a confirmatory factor analysis (maximum likelihood technique). The overall fit was acceptable and most fit indices met the recommended thresholds. However, the average variance explained was below the threshold of .5 and two indicators had coefficients of determination below .35, which led to their elimination from the scale. Following this, another confirmatory factor analysis was calculated for the remaining eight items and model identification was achieved. This eight-item scale included all six items from Walsh and Mitchell’s (2005) final PPS scale. The fit of the model was satisfying. The Cronbach alpha of the eight-item scale was .80. The Cronbach alpha for the six-item PPS scale proposed by Walsh and Mitchell (2005) was also calculated and was .78.

A major objective of the research was to examine to what extent PPS levels may vary across different products categories. The results showed that the different product categories varied considerably in their PPS means with
chocolate bars having a PPS mean of 2.92, compared to mobile telephones with a mean of 3.35. It was found that the PPS mean for chocolate bars differed significantly from beauty products ($p = .019$) and mobile telephones ($p = .001$). Only the mean difference between beauty products and cellular phones was not significant.

To gain a better understanding of those consumers who might be at most risk of PPS, PPS was examined in relation to demographic characteristics. **Gender.** The means of the male and female group were compared and found to be identical, hence no significant difference in PPS was found. **Age.** To examine the PPS-age relationship a correlation analysis was carried out. The results showed a relatively strong and significant relationship ($r = .19; p < .01$), indicating that age is strongly related to consumers’ ability to perceive products as similar. **Education.** Differences in PPS score for different education groups were assessed with an ANOVA followed by a Scheffe test. The means for the different groups ranged from 2.97 (High School Graduates) to 3.19 (College Graduates/Graduate School). The analysis yielded no significant results. **Income.** The results for annual salary showed some interesting findings. Significant differences between income groups were evident in the post hoc Scheffe tests. The results show that people within the middle group of salary £20,001 to £30,000 ($37,600–$56,400), have a greater tendency to have problems with PPS compared to the other salary categories, £10,000 and £10,001–£20,000 ($p < .05$).

This study attempts to contribute to the literature on consumer cognitive vulnerability by replicating and extending the study by Walsh and Mitchell (2005). The study had three objectives relating to; testing the PPS scale’s reliability and validity in the U.K., applying it to measure PPS in three different product categories and examine demographic differences. The most important finding is that there is an indication of generality for most of the scale items. Given this finding, there is reason to believe that the PPS scale has elements of construct validity and has potential use across international populations. The results have implications for marketing research as well as consumer policy and marketing practitioners on how to deal with these vulnerable consumers.
CONSUMER SKEPTICISM AND THEMATICALLY TIED ADVERTISING RESPONSE

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SUMMARY

Sponsorship spending is estimated to reach $35 billion in 2006 (IEG 2005), and consequently, more advertising is now being thematically tied to sponsorship investments. Despite widespread use, little is known about the effectiveness of thematically tied campaigns and how they are processed by consumers. Success of sponsorship, in terms of brand distinction and firm value, has been directly associated with the extent of sponsorship leverage through relevant advertising (Cornwell, Roy, and Steinard 2001). Tied advertisements are ads aimed at leveraging existing sponsorship, by communicating a sponsorship link and reasons for the association (Cornwell and Roy 2004). Often such ads are thematically wrapped with the sponsee, whether it is sports, arts or cause in abstract, creative or indirect ways, through visual or verbal cues, or both, in an effort to distinguish the link and circumvent advertising clutter. Thus, these campaigns can be termed Thematically Tied Advertising. The importance of examining thematically tied advertising is emphasized by Crimmons and Horn (1996), who note that stronger memory traces would be expected of collateral advertising, not only stating the sponsorship relationship, but strengthening the link creatively. Cornwell, Weeks, and Roy (2005) support extension of research on leveraging sponsorship to logically include thematically tied advertising, and call for theoretically based research into sponsorship processing mechanics.

According to Cornwell and Roy (2004), sponsorship is concerned with two activities: first, an exchange between sponsor and event property whereby the event property receives compensation and the sponsor obtains the right to associate itself with the event. Second, the sponsor leverages the association by developing marketing activities to communicate the sponsorship. While considerable research has been undertaken in relation to the former sponsorship activity, scant work has focused upon the latter. Thus, thematically tied advertising, aimed at leveraging sponsorship, is the focus of this paper. Critically, sponsorship advertising differs from traditional advertising, in that it seeks to indirectly influence consumer perceptions. Further, there is an increased burden to communicate a sponsorship link, and explain the sponsor-event connection (Cornwell and Roy 2004; Crimmons and Horn 1996). It follows that the abstract and creative tactics associated with thematically tied advertising are also an indirect appeal, aiming to circumvent advertising clutter and enhance distinction. Hence, it is expected that thematically tied advertising will elicit more favorable responses than traditional or more direct forms of advertising. As yet, this proposition has not been empirically tested.

In summary, the importance of leveraging sponsorship through advertising is critical to sponsorship effectiveness (Cornwell and Roy 2004; Crimmons and Horn 1996). To this end, thematically tied advertising has been increasingly adopted by firms seeking to exploit the commercial potential of the sponsorship association, once secured. However, there is scant theoretical explanation or empirical evidence regarding the nature of thematically tied advertising, effectiveness of specific tied advertising strategies, and processing mechanisms underlying consumers’ response to thematically tied advertising. Given that sponsorship is one of the fastest growing forms of marketing communication (Cornwell and Roy 2004), encompassing sports, causes and the arts or a combination of these, an examination of thematically tied advertising is therefore warranted. This paper addresses this research gap by developing a theoretical model of consumer based thematically tied advertising response, which is novel and positioned as a resistance model of persuasion. Growing research suggests that critical intervening processes, including consumer skepticism and motives attributed to firm behavior are important influences on the intended effects of persuasive communications, and whether they backfire by inducing resistance (Forehand and Grier 2003). Guided largely by attribution and schema theories, the proposed model posits that consumers not only resist advertising due to induced skepticism based upon existing tactical knowledge and beliefs, but also attribute motives to the sponsor, moderated by this situational or contextual skepticism. References available upon request.
HUMOR AND AD MEMORABILITY: ON THE CONTRIBUTIONS OF HUMOR EXPECTANCY, RELEVANCY, AND NEED FOR HUMOR

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SUMMARY

Humor is a popular message appeal designed to make ads more entertaining and memorable. There are circumstances, however, under which humor can impede the acquisition of information from ads. This study explores these circumstances by examining how the interplay of humor expectancy, humor relevancy, and individuals’ need for humor (NFH) influences message claims recall. Our experimentation crosses humor-expectancy (low vs. high), with humor-claims relevancy (low vs. high), and NFH (low vs. high) in a 2 X 2 X 2 between-subjects factorial design. Humor-expectancy and humor-claims relevancy are manipulated variables; NFH is measured. Recall of ad claims is the dependent variable. Results of experimentation show that recall is damaged when humor is expected – especially when expected humor is conceptually related to the message. Additionally, the deleterious impact of humor expectancy on recall is more pronounced among individuals characterized by low need for humor.

Advertisers spend millions of dollars on humorous ads. Apparently, they believe that unexpected-relevant humor is an attention-getter that may draw a viewer closer to the ad and brand. Recently, a number of brands have generated remarkable brand awareness with unexpected-relevant humor. Citibank looked at the serious topic of identity theft by placing the mismatched voices of the thieves into the bodies of their victims. Citibank uses unexpected-relevant humor to attract attention and communicate an important brand feature. Geico’s gecko lizard and AFLAC’s duck attempt to link the source of the humor with the brand name, and hence increase recall. Orbit gum recently featured Snoop Dog to link its “dirty mouth” humor with its primary attribute, clean tasting gum. Nike’s “More Go” advertising campaign features a streaker flashing an entire soccer stadium crowd (unexpected) and racing naked across the field and into the stands. Good thing he’s wearing his Nike Shox to outrun the cops (relevant). Classic successes like the VW Bug introductory print campaign (think small) and the Budweiser Frogs (Bud-Weis-ER) were designed to be both unexpected and relevant. In a print context, Absolut Vodka features the shape of its bottle in unusual (unexpected) mildly-humorous settings. Finally, sloppy milk-slurping celebrities are intended to attract attention via unexpected-relevant humor. Why is the rapper Nellie wearing a milk mustache? Because milk has nine essential nutrients, just what active rappers need. On the other hand, millions of dollars may be wasted on advertisements that make no connection between the humor and the claim, subsequently creating brand confusion and inhibiting recall. How does the tagline “People do stupid things” relate to Vonage Internet cable services? In fact, the 2006 Super bowl hosted dozens of ads featuring irrelevant humor (at approximately $2.5 million a spot). A secret fridge may be amusing, but was it Miller or Budweiser? Similarly, how does a streaking lamb relate to the attributes of a beer? And what was the brand?

The present research builds on Heckler and Childers’ (1992) “interactive” conception of congruity by demonstrating that the joint interplay of humor-expectancy with humor-claims relevancy may influence consumers’ memory for claims. Heckler and Childers (1992) found memory for unexpected-relevant information was generally, but not always, higher than expected-relevant information. Our results indicate that when humor-claims relevancy is high (vs. low) people recall fewer ad claims under conditions of high (vs. low) humor-expectancy. It appears that when consumers anticipate humor to be forthcoming, humor relevancy works against brand claims recall. We also find that individuals low (vs. high) in NFH recall more ad claims when humor-expectancy is low (vs. high). Further, under conditions of low (vs. high) humor-expectancy, people low in NFH recall more ad claims than those high in NFH.

A number of theoretical contributions emerge from this research. First, it brings into clearer relief the joint impact of expectancy and relevancy on responses to humorous stimuli, and thereby extends our current knowledge of congruity as a two-dimensional construct (Heckler and Childers 1992; Lee and Mason 1999). In support of Heckler and Childers (1992), results of the present research indicate that, with respect to recall, unexpected information is superior to expected information, relevant information outperforms irrelevant information, and expectancy and relevancy interact to produce differential effects on recall. Second, this study demonstrates that NFH, like other individual difference variables, explains an additional source of variation in advertising outcomes through its role as a moderator. Thus, the NFH construct broadens our knowledge of the sense of humor in general,
and under what conditions it influences responses to humorous communication.

This research also has practical implications. The results suggest that the effects of message-congruent humor may generalize to other attention-gaining appeals, such as animations, drama, sex appeal or music. Based on humor’s pervasiveness and universal appeal, NFH may be useful as a segmentation tool. Although advertisers are not likely to administer NFH scales to members of their target audiences, market research can identify media that draw groups of people with relatively higher levels of NFH (e.g., Cracked and Crazy Magazine readers, Comedy XM Radio listeners, and Saturday Night Live watchers). This information also can be used to determine which product categories or brands tend to be popular with specific media users (e.g., National Lampoon aficionados may be heavy users of internet services such as Netflix and Limewire or prefer whimsical brands such as Orbit and Jetblue). Here, NFH may be useful in both media-selection and in targeting audiences for specific products and brands.

The pervasiveness of humor in advertising attests to practitioners’ belief in its effectiveness. The present experimentation examines contingencies (humor expectancy and relevancy) that shape the effects of humorous appeals on an important advertising outcome – consumers’ recall of ad claims. In addition, we explore an important boundary condition (NFH). By this means, the research reported herein seeks to elucidate when and how humor contributes to remembering ads.

**SELECTED REFERENCE**


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WHO IS TRYING TO PERSUADE ME? EXPLORING CONSUMER INTERPRETATIONS OF ENDORSEMENT BASED ADVERTISING

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SUMMARY

This research explores consumer interpretations of advertisements featuring celebrity endorsers. Endorsement based advertising represents a unique form of marketing communication since consumers may recognize the company, the endorser or both as sources of the persuasive message. Determining the agent(s) responsible for the persuasive attempt is an important first step for consumers in their development of coping strategies.

The use of product endorsers in marketing communications has been widely accepted in practice and studied in theory as a viable strategy for firms seeking to build product awareness and brand relevance. Athletes, television and film actors/actresses, product experts such as physicians and corporate officers are continually tapped as possible persuasive agents in corporate communications campaigns and the use of endorsers in advertising continues to prosper (Stone, Joseph, and Jones 2003).

As observed by Shank (2002), the popularity of the endorsement strategy is grounded in the ability of endorsers “to persuade the target audience and move them toward purchase” (p. 367). The questions of interest in this research center on the role of endorsers as persuasive agents acting on behalf of a sponsoring company. More specifically, this research seeks to verify the assertion of Shank and others that endorsers, as well as the sponsoring company, are viewed as persuasive agents. Further, this research considers how information regarding the nature of the relationship between endorser and sponsor may influence consumers’ coping strategies. This research also examines several key variables that may influence the effectiveness of an endorser based message, such as the perceived credibility of the source, the perceived fit between the endorser and the product, and familiarity with the sponsoring company and the endorser.

We use the Persuasion Knowledge Model (Friestad and Wright 1994, 1995) as a framework for understanding the knowledge consumers may have at their disposal in an effort to cope with persuasive attempts of marketers. The PKM recognizes three forms of knowledge a consumer may have at their disposal for coping with a persuasive attempt: topic knowledge, persuasion knowledge, and agent knowledge. Of particular interest in this research is the influence of both persuasion and agent knowledge on the evaluation of product advertisements. Persuasion knowledge enables consumers to “recognize, analyze, interpret, evaluate, and remember persuasion attempts and to select and execute coping tactics believed to be effective and appropriate” (Friestad and Wright 1994, p. 3). Agent knowledge may be best described as the beliefs a consumer holds regarding the sponsor of a persuasive message.

Source credibility is generally defined as the expertise, trustworthiness and attractiveness of the endorser (Ohanian 1990). Expertise refers to the perception of an endorser as a source of valid assertions. An endorser may also be more likely to be viewed as an expert, and consequently more credible, if they endorse a product which matches their perceived field of expertise. The match-up hypothesis argues that endorsers are more effective when there is a fit with the endorsed product (Forkan 1980; Kahle and Homer 1985; Kamins 1990).

While these and other studies have considered the variables which may influence consumer evaluations of advertising featuring celebrity endorsers, there are several important gaps in this literature. The following four research questions seek to address these gaps:

RQ1: Do consumers believe that both the company and the endorser are responsible for the persuasive message or is the message more likely to be attributed to one of the two parties?

RQ2: Are source credibility and attitude toward the ad influenced by payment information regarding the relationship between the endorser and the product?

RQ3: Does the perceived fit between the endorser and the product and brand influence perceptions of source credibility and the attitude toward the ad?

RQ4: Does the familiarity consumers have with the company and the endorser influence source credibility and attitude toward the ad?

Participants were 189 undergraduate students. A 2 × 2 × 2 between-subjects design was used to test the effects of perceived fit (match/mismatch), level of endorser com-
pensation (paid/not paid), and familiarity (familiar/not familiar). The experimental stimuli used in this study were four print ads featuring four different endorsers and products.

Fit was operationalized based on the expertise that the endorser has relative to the product category. Endorser compensation was manipulated with one of two statements immediately preceding the ad which informed the respondent that the endorser was either paid or not paid to appear in the ad. Familiarity was based on pretests indicating that both the endorser and the company were either familiar or significantly less familiar.

The nature of the persuasive attempt was assessed individually for both the endorser and the company. Responsibility for the persuasive attempt was also assessed. Based on Lichtenstein and Bearden (1989), five semantic differential scales were used to assess credibility of the message source: insincere/sincere; honest/dishonest; dependable/not dependable; trustworthy/not trustworthy; credible/not credible. Three semantic differential scales were used to measure attitude toward each ad: unfavorable/favorable; bad/good; negative/positive.

The results of this exploratory research indicate that both the endorser and the company are responsible for the persuasive attempt. However, the company was significantly more likely to be viewed as the source of the persuasive attempt compared to the endorser. These findings indicate that although the company is viewed as the primary source of the persuasive attempt; there is evidence that the endorser is also important and partially responsible for the persuasive message.

Additional results indicate that knowledge of endorser compensation and perceived fit do not affect perceived source credibility or attitude toward the ad. Furthermore, familiarity was found to have a significant influence on both source credibility and attitude toward the ad. Endorsers who were more familiar were perceived as being significantly more credible than endorsers who were less familiar. Familiar endorsers also resulted in a significantly more favorable attitude toward the ad than endorsers who were less familiar.

Marketers are known persuasion agents and consumers hold beliefs about the nature and motives of marketers’ actions. The knowledge that consumers hold regarding these tactics shapes how they respond to marketers’ various persuasive attempts. In the context of endorsement based advertising, the current research supports the belief that consumers have, and use, agent knowledge to cope with persuasive attempts, where coping refers to an evaluation of source credibility and attitude toward the ad. Furthermore, although the company is viewed as the primary source of the persuasive attempt, there is evidence that the endorser is an important component of the persuasive message. Therefore, we considered several factors thought to influence endorsement based advertising: endorser compensation, perceived fit, and familiarity.

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RETHINKING READINESS: DEVELOPMENT AND VALIDATION OF A REDUCED FORM OF THE TECHNOLOGY READINESS INDEX (TRI)

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SUMMARY

The role that technology plays in consumers’ lives is rapidly expanding. Not only are consumers encountering a multitude of new products that employ sophisticated technology, but consumers are also interacting more with technologies used for service delivery (Parasuraman 2000). The Internet, automated telephone systems, and self-service supermarket check out lines are just a few examples of the many ways that companies now rely on technology to interface with their customers. While companies seem to be embracing technology at breakneck speed, research has shown that consumers may experience conflicting feelings, both positive and negative, about technology-based products and services (Mick and Fournier 1998).

Parasuraman (2000) captured consumers’ positive and negative feelings about technology in a multi-item scale that he called the Technology Readiness Index (TRI). He defines technology readiness as “a propensity to embrace and use new technologies for accomplishing goals in home life and at work” (p. 308). A consumer’s technology readiness is a combination of her positive and negative feelings towards technology. Parasuraman’s TRI scale is composed of 36 items measuring four dimensions: Optimism, Innovativeness, Discomfort, and Insecurity.

The TRI can serve as a useful tool for practitioners and academics. However, widespread adoption of the scale may be hindered by the large number of items in the current scale, which may present challenges to scale administration. In addition, the length of the current scale may result in decreased response accuracy due to response fatigue and acquiescence bias.

The main objective of the current study is to devise a more parsimonious yet equally predictive scale to measure consumers’ technology readiness. The present study uses data from a nationwide telephone survey that includes the 36 items of the TRI. Data was collected from 501 respondents over the age of 18 who were selected by random digit dialing.

The present research uses an exploratory factor analysis (EFA) scale development approach rather than a confirmatory analysis (CFA) approach for two reasons. First, some researchers consider EFA to be more appropriate than CFA in the early stages of scale development and when trimming a scale because CFA does not show how well items load on non-hypothesized factors (Kelloway 1995). Because one shortcoming of the original TRI scale is high factor cross-loadings, the present research is particularly concerned with creating a reduced scale that exhibits lower cross-loadings than the original scale. Second, the reduced scale is developed in conjunction with a new scale of a distinct construct that we call technology avoidance. Because we had no hypothesized factor structure for technology avoidance, EFA was the better choice.

By using more stringent item selection standards than were used in the development of the original TRI scale, we derive a technology readiness scale with three distinct factors rather than the four originally identified by Parasuraman. We also reduce the total number of scale items from 36 to 17. The three sub-constructs of the new Reduced TRI (RTRI) scale are Optimism, Innovativeness, and Apprehension. We define apprehension as distrust of technology and anxiety regarding its ability to perform properly. Apprehension is measured using six scale items: four from the original Insecurity sub-scale and two from the original Discomfort sub-scale.

In addition to the 36 items from the TRI, 17 new items were included in our dataset. These items had not been available during the construction of the original TRI scale. The 17 new items measure consumers’ behavior regarding technology usage, whereas the items of the TRI are measures of attitude or affect. EFA of these items combined with the TRI items resulted in a clean four factor structure including the three dimensions of the RTRI and a dimension that we call technology avoidance. The final technology avoidance scale is composed of six items.

The factor loadings for the 3-component RTRI scale show an improvement over those in the original 4-factor TRI scale. The original TRI contained many items that loaded onto a secondary factor almost as highly as they loaded onto the primary factor (loading difference of less than .2). Additionally, the original scale contained a number of items that loaded on a primary factor at less than .5. All of the loadings in the RTRI scale are above .565, with only one item showing loadings on two factors with a difference in loadings of less than .2.
The RTRI is a secondary formative construct composed of first order reflective constructs. As such, the three components of the RTRI should measure distinct sub-constructs that exhibit discriminant validity. The low cross loadings of the EFA suggest that this is the case. As an additional test of discriminant validity we regressed Optimism, Innovativeness, and Apprehension on Technology Avoidance. Each of the sub-constructs significantly predicted Technology Avoidance in the expected direction, even when controlling for the other two.

We performed two tests of the nomological validity of the RTRI. First, the overall RTRI score (the average the sub-construct scores, with Apprehension reverse coded) was found to reliably predict Technology Avoidance. Second, RTRI scores were shown to reliably predict individuals’ answers to a battery of yes/no questions regarding their past and present technology usage.

The results of this research indicate that technology readiness can be measured effectively using a 17-item scale, and that the reduced form can predict consumers’ technology usage. Reducing the scale from 36 to 17 items is a significant reduction, which may lead to more reliable and valid measurement of technology readiness by limiting respondent fatigue and acquiescence bias. In addition, the new reduced form of the scale measures three distinct sub-constructs which exhibit discriminant validity. Measures of these individual sub-constructs may be used in investigations aimed at advancing marketing theory. We hope that this new RTRI scale will prove to be a robust and useful scale for academics and practitioners alike. References available upon request.

ENDNOTES

1 The authors would like to thank Dr. A. Parasuraman, Charles Colby, Dr. Judy Frels, and Rockbridge Associates for generously providing us with the TRI dataset used in this analysis.

2 The 17 additional items were written by Dr. Judy Frels, University of Maryland.
3D VS. TRADITIONAL CONJOINT ANALYSIS: WHICH STIMULUS PERFORMS BEST?

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Bruno Horst, University of Applied Sciences Merseburg, Germany

ABSTRACT

Nowadays it is technically possible to integrate 3D-simulations into a Conjoint Analysis. To analyze the impact on market research, a comparative study was performed in three versions with the test objects being presented via computer-based 2D-pictures, a 3D-simulation and real physical stimuli. This comparison shows that 3D- and dummy-stimuli perform very well, while 2D-stimuli produce a serious bias.

INTRODUCTION

When deciding on conducting a Conjoint Analysis (CA) a lot of thinking goes into the methodology, the attributes and levels as well as the sample. In this context, one very crucial item should not be forgotten: the appropriate stimulus presentation. Some research has been done in the last two decades in terms of comparing different forms of stimulus presentations in Conjoint Analysis with respect to such criteria as reliability and validity of the test results. Most of the studies have concentrated on differences between verbal-descriptive and two-dimensional product presentations (e.g., Louviere et al. 1987; de Bont 1992; Huisman 1997; Vriens et al. 1998) or between verbal product descriptions and real product presentations (Anderson 1987; Weisenfeld 1989; Sattler 1994; Tscheulin 1996). Only very few studies have dealt with the inclusion of multi-medial stimuli in the CA (Ernst and Sattler 2000), a simple reason being that until the last couple of years, due to technical restrictions, it was barely possible to include multi-medial stimuli into a CA-study.

Nowadays it is not only feasible to include pictures or sounds in a Conjoint Analysis, it is even possible to integrate three-dimensional simulations into the test design (for details see the technical appendix). This approach should contain many advantages: The sometimes still very artificial and unrealistic CA-study can be designed in a more realistic manner. This should help to enhance the validity of test results. Furthermore, in studies that otherwise would include real products or prototypes “time to the market” – factors can be considered more effectively and test results can be obtained more quickly and in a cost reduced manner; the inclusion of expensive dummies or real products in a survey can be substituted by highly flexible virtual products.

Although including 3D-simulations in a CA-study can possibly offer an array of advantages, one has to validate this approach first in order to assure unbiased test results. To analyze the impact of 3D-technology on CA-studies and its usability in market research, a Choice Based Conjoint Analysis (CBC) was performed with three alternative stimulus presentations:

1. computer-based 2D-pictures,
2. a 3D-simulation, and
3. real physical stimuli (dummies).

The paper is structured as follows: After a brief literature review and the development of three fundamental hypotheses, a further section introduces the methods and the test design of the study. In a next step the results are being presented and discussed and finally their implications are being displayed. A summary section concludes the paper.

LITERATURE REVIEW

Conjoint Analysis is one of the most common used techniques in marketing research when dealing with the measurement of consumer preferences. It can be used in varying operational areas that range from specifying price-response-functions to measuring product preferences in an innovation process (e.g., Wittink and Cattin 1989; Wittink, Vriens, and Burhenne 1994). In practice it is not uncommon for Conjoint Analyses to still use verbal descriptions, although differences in the cognition and processing of verbal-descriptive versus visual impressions are well known (Paivio 1971, 1978; Hansen 1981; Kolb and Wishaw 1990). To enhance the degree of realism in a CA-study, the corpus of Conjoint studies nowadays include visual impressions such as pictorial descriptions of the stimulus. Some studies even deal with the inclusion of multi-medial stimuli to display the consumer’s buying decision with an even greater degree of realism (Ernst and Sattler 2000). The multi-medial simulation is supposed to create a situation as close as possible to the natural consumer’s buying environment (Loosschilder et al. 1995) and therewith to lead to an enhanced degree of predictive validity (Vriens 1995). Furthermore, multi-medial product presentations might fortify the test persons’ motivation as the study is more
interesting and less tiresome (Green and Srinivasan 1978). This, again, should lead to an increase in validity compared to more simple forms of stimulus presentation (Ernst 2001; Hartmann and Sattler 2004).

Adverse effects of multi-medial stimulus presentations, that allude the more demanding task for the test person (Anderson 1987; Vriens et al. 1998) due to the more challenging mission of isolating single product attributes from the integrated and therewith very complex product profiles in comparison to verbal-descriptive stimuli (Smead, Wilcox, and Wilkes 1981; de Bont 1992), seem to diminish when considering, that in real life consumers also have to deal with integrated concepts and whole product profiles when making a buying decision. Since a marketing research task should always come as close to reality as possible in order to assure a maximum validity, complex stimulus descriptions should hence not pose a threat to the quality of the test results.

Based on the aforementioned facts, some research has been done in the last two decades in terms of comparing different forms of stimulus presentations in Conjoint Analysis with respect to criteria as reliability and validity of the test results (for example see Louviere et al. 1987; de Bont 1992; Huisman 1997; Vriens et al. 1998 for verbal vs. visual stimulus presentations, Anderson 1987; Weisenfeld 1989; Sattler 1994; Tscheulin 1996 for verbal descriptions vs. real product presentations and prototypes and Ernst and Sattler 2000 for verbal vs. multi-medial stimulus presentations). While all of these studies showed comparable results for reliability, the same was not true for validity. Especially when looking at convergent validity (i.e., the approximation of the respective results) non-converging behavior in most of the studies was observable. Only Louviere (1987) and Anderson (1987) found convergent results in their comparisons of verbal vs. visual and verbal vs. real stimuli. Vriens et al. (1998) found varying results for their comparison of verbal vs. visual stimulus presentations as did Weisenfeld (1989) who looked at verbal vs. real stimuli.1

Overall, no obviously dominant stimulus presentation in a CA can be isolated: Further investigation is needed. This conclusion is strengthened by the fact, that up to now multi-medial stimuli still have been analyzed only very rarely and 3D-stimuli completely lack research.

**HYPOTHESES**

The primary focus of this study is to compare the test results of a 3D-Conjoint study with those of a 2D-survey. Both stimuli are being evaluated against a real physical stimulus, which acts as a benchmark since it is assumed that no artificial stimulus can ever beat the realistic impressions of a physical product. The authors hypothesize that the results of a survey using 3D-stimuli are comparable (in terms of utilities and conjoint importances) to the ones using physical stimuli and better than the ones only using 2D-stimuli:

**H1:** The CA-test results of the new 3D-technique are comparable to the CA-test results reached via a classical test involving physical stimuli.

**H2:** The CA-test results gained by using the new 3D-technique are better than the CA-test results reached via a test involving 2D-stimuli.

Additionally, the test person’s motivation should be compared as an entertaining and interesting survey should provide for an enhanced degree of internal validity.

**H3:** The 3D-study is more entertaining and less fatiguing for the test persons than the 2D-study.

In order to retain or reject these hypotheses the following test design was used.

**METHOD**

In marketing research processes, Conjoint Analyses is an often used tool for measuring consumers’ product preferences. Especially the Choice Based Conjoint Analysis (CBC) has gained major attention in the last couple of years (Hartmann and Sattler 2002). In fact, a comparative analysis amongst Sawtooth Software users over the last four years illustrated, that CBC (with 75%) nowadays is the most used version among the three main variants (ACA, CBC, and CVA) of Conjoint Analyses (Sawtooth Software, Inc. 2006).

CBC goes back to Louviere and Woodworth (1983) and its intention is to determine consumers’ product preferences and to express these preferences in terms of part worth utilities. In this point it is comparable to the traditional Conjoint Analysis. Choice Based Conjoint Analysis, however, adds some major advantages to the traditional Conjoint Analysis. It enhances the degree of reality of the survey and therewith the external validity of the results. CBC-surveys consist of consumers expressing their preferences by simply choosing a preferred single product concept from a variety of concepts, rather than rating or ranking them. Therefore, the task is much closer to a real buying decision in the consumer’s everyday life: choosing a preferred concept is similar to what consumers actually do in the market day by day. As the study at hand in general tries to enhance the degree of reality in a CA-study with the usage of 3D-product simulations, the usage of a CBC-design seems consequential.

To test the above described 3D-technology on its usability in CBC-processes, the following study was set up.
Sample

In November 2005 an overall sample of 181 test persons was drawn. This group emanated from a homogeneous survey population consisting of students of a medium-sized German university. In convenience samples, the selection of units from the basic population is guided by the principle of easy accessibility. The major disadvantage of convenience sampling is anchored in the trade-off between availability and representativeness. There is a lack of knowledge of how well the results of the sample represent the basic population as a whole. Since the main purpose of this study is not the actual prediction of market shares, but a comparison of the test results gained from different stimuli (i.e., 2D-, 3D- and dummy-stimuli) in a lab experiment, any conceivable sample, as long as it is homogenous across tests and the characteristics of the particular sample do not interact with the factor under study, should be feasible. In other words, convenience sampling does not pose a threat to these early test results (Orme and King 1998).

Furthermore, a between-subject-design was engaged to minimize distorting learning effects and to prevent an overtaxing of the test persons’ readiness and patience (Huber et al. 1993; Agarwal and Green 1991). The test persons were randomly assigned to one of the three samples and results of 54 persons in the classical dummy-study were compared to those of 48 test persons in the 3D-study and 79 test persons in the 2D-study, respectively.

Measurement

In order to validate the 3D-test environment three comparative CBC-studies using completely identical test designs were performed as follows:

♦ One empirical 2D-study was set up, mainly performing as a control group.

♦ Another empirical study was set up using real physical stimuli – this time performing as an upper benchmark.

♦ A third empirical analysis represented the products three-dimensionally via the new 3D-screen.

The product at hand is a shower gel with a fixed brand and package size. The varying attributes are “packaging” and “price.” The small amount of attributes involved in the study results from the need for a constant test design in all three surveys in order to gain comparable test results. While it would not have been a great problem to simulate products with, for example, varying brand, size, packaging, and price in the 3D- and the 2D-simulations, implementing that many attributes in a dummy-test would lead to considerable difficulties: In a Choice Based Conjoint study respondents express their preferences by choosing one product concept from a number of products described by varying attributes and their levels. But to actually adopt a CBC-study in a survey using real stimuli, one has to physically build each potential attribute combination that could occur – a task that is very difficult to realize. Hence, the limitations that occur from the usage of a CBC-test design resulted in a relatively small number of used attributes and attribute levels.

(Should the 3D-stimuli perform as well as the dummy-stimuli this limitation of CBC would of course be non-consequential in the future, as approximations via the 3D-monitor would serve as an adequate solution.)

The prices varied in a small range because the small and sensitive product differences should not be dominated by massive price differences to not reduce the consumers buying decision only on the price-attribute.

In the survey in every sample 10 randomized CBC-tasks were specified with three alternatives in the respective choice task. The price-attribute was presented constant over all three studies with being displayed in a two-dimensional way; a differing dimensionality was only included in the attribute “packaging” to make sure that only one variable is subject to the change in representation.

In an additional interview after the main CBC-tasks, the test persons had to provide information about the degree of entertainment of the survey in order to evaluate the indirect validity of the tests (Hartmann and Sattler 2004).

TABLE 1

<table>
<thead>
<tr>
<th>Questions From the Post-Interview Concerning Internal Validity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Val1 The survey was easy to deal with.</td>
</tr>
<tr>
<td>Val2 The survey was interesting.</td>
</tr>
<tr>
<td>Val3 The survey was enjoyable.</td>
</tr>
</tbody>
</table>

When supposing that a survey is of special interest and in general enjoyable to a test person, the quality of the given answers and therefore the quality of the whole test and its results can be assumed to be better than in a test in which the test person feels impelled to take part. The indirect validity therefore can be approximated according to criteria as simplicity, length of an interview, entertainment value, or diversification which determine a test persons’ motivation and therefore indirectly the validity of the method (Ernst 2001).
FINDINGS

The utility estimations achieved with the three different stimulus presentations are represented in Table 2.

In the case of the price-attribute, the comparison of the utility estimations over the three samples paints a uniform picture. Each of the three groups shows a declining preference as the price increases. This confirms prior expectations; "price" is an ordered attribute where normally low is preferred to high. This accordance of part-worth utilities with the a-priori expectations can be seen as a confirmation of reliability (Orme and King 1998).

The comparison of consumers’ preferences with regard to the packaging, however, shows a different picture. While the 3D- and the dummy-utilities result in the same rank order, the utilities in the 2D-case suggest a different ranking. In other words, while the stimulus presentation in the 2D-case seems to deliver biased results when testing an attribute that depends strongly on the visual impressions, the 3D-stimulus presentation does not seem to be biased when supposing that the real physical stimuli deliver the benchmark (the test results nearest to the real consumer preferences).

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**TABLE 2**
Estimated Part-Worth Utilities of the Three Samples

<table>
<thead>
<tr>
<th>Attributes</th>
<th>Levels</th>
<th>2D</th>
<th>3D</th>
<th>Dummy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Packaging</td>
<td>A</td>
<td>-0.11165</td>
<td>-0.71088</td>
<td>-0.81228</td>
</tr>
<tr>
<td></td>
<td>B</td>
<td>0.42309</td>
<td>-0.0590</td>
<td>0.19884</td>
</tr>
<tr>
<td></td>
<td>C</td>
<td>-0.39962</td>
<td>-0.05964</td>
<td>-0.19857</td>
</tr>
<tr>
<td></td>
<td>D</td>
<td>0.08818</td>
<td>0.82642</td>
<td>0.81200</td>
</tr>
<tr>
<td>Price</td>
<td>2.29</td>
<td>0.39675</td>
<td>0.93310</td>
<td>1.26370</td>
</tr>
<tr>
<td></td>
<td>2.39</td>
<td>0.21411</td>
<td>0.71166</td>
<td>0.57831</td>
</tr>
<tr>
<td></td>
<td>2.49</td>
<td>-0.00305</td>
<td>0.13540</td>
<td>-0.08031</td>
</tr>
<tr>
<td></td>
<td>2.59</td>
<td>-0.16129</td>
<td>-0.55842</td>
<td>-0.41865</td>
</tr>
<tr>
<td></td>
<td>2.79</td>
<td>-0.44653</td>
<td>-1.22173</td>
<td>-1.34305</td>
</tr>
</tbody>
</table>
At this point it should be noted, that although 3D and dummy result in the same ranking of the packages, 3D’s utilities for rank 2 and 3 (packages B and C) are very close, while the distinction between the two is clearer in the dummy-case. Nevertheless, the rank order in the 3D-test overall is similar to the dummy-benchmark while the 2D-survey on the other hand results in different preferences. But the interpretation can go much further than just stating a different order of the measured part-worth utilities. Albeit having a different order of preferences between real stimuli and 3D-stimuli on the one hand and 2D-stimuli on the other hand, one can see that the color of the packages has been judged similar. In all three cases green was preferred over black and a hypothetical sub-attribute “colour” therefore seems to be independent from the dimensionality of the stimulus in the survey and can be evaluated by test persons even when presented only via a simple 2D-stimulus like a picture.

The sub-attribute “form” however is being judged completely different (in the 2D-test the form is judged the other way around) and seems to be clearly depending on the dimension of the stimulus presentation.

This phenomenon is easy to understand when considering that a colour will not change its appearance when presented in a 2D- or 3D-manner; it is not depended on dimensionality. A consumer will therefore not necessarily need a three-dimensional simulation or a physical dummy of a product to give a statement regarding his preferences of a colour.

Form on the other hand depends on dimensionality, as the spatial impression of a real product or a 3D-simulation contains more information for the onlooker than a simple 2D-picture. Hence it feels save to state, that when the form is a deciding factor, a three-dimensional impression – whether in the form of a dummy or as a 3D-simulation – is superior to a simple 2D-impression.

(Due to technical restrictions it was not possible to simply include three attributes (colour, shape, and price) to then calculate separate utilities, interactions terms be-
tween colour and shape and, based on that data, to apply statistical tests to show the significance of the differences. The main purpose of this study, the test for convergent results with the three different stimulus representation formats, can nevertheless be answered on the basis of the data above.)

When looking at the convergent validity, one has to analyze whether two different stimulus presentations provide statistically indistinguishable results. According to Campbell and Fiske (1959), convergent validity describes the phenomenon that – in the presence of other scale items for other constructs – the scale items in a given construct move in the same direction and, thus, correlate highly. Convergent validity therefore differs from reliability to the effect that tests of reliability only include the scale items for a single construct without comparing them to other constructs.

When looking at the estimated utilities, one can easily see that the 3D-results perform much more like the dummy-benchmark than the 2D-results do. In order to supportively analyze the differences in the answers of the three samples, conjoint importances have been calculated by expressing the differences between the best and the worst utility for each attribute as percentages on an aggregate level. This allows to obtain a set of attribute importance values that add up to 100 percent. They describe the impact – at the given range of levels – of each attribute on the consumers’ decision. One has to keep in mind that conjoint importances depend on the respective attribute levels in the particular study. With an even narrower range of price for example, this attribute would have forfeited its importance (Orme 2006). The comparability of the importances between the samples, however, remains unchanged by this fact, as the same attribute levels were included in every sample.

The following results were obtained from the statements about the tests’ internal validity

<p>| ONEWAY ANOVA |</p>
<table>
<thead>
<tr>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean of Squares</th>
<th>F</th>
<th>Significance</th>
</tr>
</thead>
<tbody>
<tr>
<td>the survey was easy to deal with</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>between groups</td>
<td>.944</td>
<td>2</td>
<td>.472</td>
<td>1.103</td>
</tr>
<tr>
<td>within groups</td>
<td>75.701</td>
<td>177</td>
<td>.428</td>
<td></td>
</tr>
<tr>
<td>total</td>
<td>76.644</td>
<td>179</td>
<td></td>
<td></td>
</tr>
<tr>
<td>the survey was interesting</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>between groups</td>
<td>20.886</td>
<td>2</td>
<td>10.443</td>
<td>13.197</td>
</tr>
<tr>
<td>within groups</td>
<td>140.064</td>
<td>177</td>
<td>.791</td>
<td></td>
</tr>
<tr>
<td>total</td>
<td>160.950</td>
<td>179</td>
<td></td>
<td></td>
</tr>
<tr>
<td>the survey was enjoyable</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>between groups</td>
<td>24.999</td>
<td>2</td>
<td>12.499</td>
<td>15.986</td>
</tr>
<tr>
<td>within groups</td>
<td>138.396</td>
<td>177</td>
<td>.782</td>
<td></td>
</tr>
<tr>
<td>total</td>
<td>163.394</td>
<td>179</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The relative importance of the attribute “price” is bigger than the relative importance of “packaging” when again regarding the dummy-sample as the benchmark. The results in the table show, that the 3D-sample displays a similar distribution of the importances. In both cases the price seems to have a bigger impact (60%) on the consumers’ decision than the packaging has with only roughly 40 percent. In the 2D-sample though, the results show a different picture. Here the two observed attributes both nearly express the same level of importance (50/50) and seem to have a comparable impact on the consumers’ decision.

A feasible explanation of the observed phenomenon is not obvious:

As the degree of reality in the stimulus presentation increases, in this survey the impact of the attribute price increases.

Perhaps one possible explanation for the increased importance could be that a broad, lucid and undistorted visual impression of the stimulus (e.g., a 3D- or dummy-presentation) reduces the need to excessively inspect the product and the test persons do not have to exaggeratedly
concentrate on the observation of the displayed product. In fact, a realistic representation allows the test persons to “understand” the product much quicker and so to behave much more in the same way as they would do at the real point of sale.

When only having a 2D-stimulus to evaluate, the concentration on the visual impulse could possibly be artificially increased, as the test persons have to take an intensive look at the stimulus to be able to express their product preferences. The impact of the attribute “price” in this case recedes misleadingly.

Even though this possible explanation is debatable, the fact that the 3D-results again resemble the dummy-benchmark much closer than the 2D-results, leads to the conclusion that the 3D-stimulus produces realistic results while the 2D-results seem to be biased.

All of the three surveys were equally easy to deal with at a .334-level of significance and no significant differences could be isolated leading to the conclusion that the new 3D-technique is more complicated to handle. This finding is especially interesting regarding the fact that elder 3D-techniques using a data helmet to create the three-dimensional effect resulted in considerable distortions to the test results due to problems in the handling of the technique.

In the case of the following two items, on the other hand, the null hypothesis should be rejected according to the One-Way ANOVA and a multiple comparison test was used to tell exactly which samples show a difference in their means:

Obviously on a scale from “1 = I agree very much” to “5 = I do not agree at all” the 3D- as well as the dummy-test was significantly more interesting to the test persons than the 2D-test, suggesting that the more realistic 3D- and dummy-stimuli lead to an improved quality of the test and its results as the test persons are more focused upon the survey. Moreover, an increased degree of interest in the survey by the test person should also lead to an improved internal validity of the results. The following item supports this fact:

On the scale from “1 = I agree very much” to “5 = I do not agree at all” the 3D-sample seems to make significantly more fun during the survey than both of the other samples with the 2D-sample being the least enjoyable. This fact not only leads to the conclusion that the quality of the answers can be enhanced when using the new technique, but also that the internal validity of the whole survey gets enhanced.

Generally, our data tell a comforting story. It suggests that the 3D-survey performs almost as well as the dummy-survey with both being equally reliable and showing a convergent validity by resulting in very similar utilities and importances. The 2D-test results, on the other hand, are not equally good and seem to be biased while additionally being less entertaining and motivating for the test persons.

<table>
<thead>
<tr>
<th>[* Sample]</th>
<th>N</th>
<th>1</th>
<th>2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Student-Newman-Keuls-Procedure</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3D</td>
<td>48</td>
<td>2.40</td>
<td></td>
</tr>
<tr>
<td>Dummy</td>
<td>54</td>
<td>2.63</td>
<td>3.19</td>
</tr>
<tr>
<td>2D</td>
<td>79</td>
<td>.177</td>
<td>1.000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>[* Sample]</th>
<th>N</th>
<th>1</th>
<th>2</th>
<th>3</th>
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<td>48</td>
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<tr>
<td>Dummy</td>
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<td>2D</td>
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<td>significance</td>
<td></td>
<td>1.000</td>
<td>1.000</td>
<td>1.000</td>
</tr>
</tbody>
</table>
The aforementioned analyses showed that the test results of the 3D-test were comparable to the benchmark of the dummy-test and they were better than the ones gained from the 2D-survey. The 3D-study moreover seemed to be more entertaining to the test persons and so none of the hypotheses can be rejected. Overall, the new 3D-technique seems to deliver unbiased test results that outperform the results of the alternative 2D-test in terms of quality and comparability to the dummy-benchmark. Compared to the utility estimations of the two control groups (2D and dummy), the results of the 3D-survey can be assumed to be realistic and valid while still being less costly than dummy-studies, quicker to gain (the 3D-study resulted in the quickest accomplishment of the choice tasks; a fact that is assumed to result from the comparability to habitual buying situations in the consumer’s everyday life) and above all much more flexible and useful when planning to integrate a larger number of attributes in a conjoint study. Negative biases to the test results in a 3D-test environment do not seem to materialize.

Of course, one now cannot generally assume 2D-stimuli to fail in every kind of measurement of consumers preferences. The frequent and mostly quite successful usage in modern market research already contradicts this conclusion. But this study shows that when measuring the preferences of product attributes that strongly depend on spatial impressions and visual depth, one has to be careful to implement a simple 2D-stimulus solely on the basis of financial and organizational considerations. When the test results are biased (in terms of delivering utilities that are far from those delivered by the dummy-benchmark-study), a simple and cost-reduced study will nonetheless deliver nearly useless results.

Especially in product categories where design is important, these guidelines should be pursued: When testing a new car design, a new package or any new product innovation in a very early stage, the cost factor might vanish anyway. The necessary inclusion of expensive dummies or real products in these surveys can now be substituted by highly flexible virtual products (with verbal- or 2D-stimuli, of course, being less expensive, but at the same time less realistic). Furthermore the evaluation of product innovations against a realistic background can be performed at an earlier stage – especially when dealing with products with completely new attributes, but this could be a drastic advantage (Sattler 1994).

Of course more comparative studies will have to come. In the next step therefore a comparative analysis of test results gained with a 2D- as well as a 3D-sample will be performed – this time dealing with representative samples in an actual packaging test in collaboration with a large market research institute. Especially in these kinds of packaging tests, 3D-test environments should have substantial advantages; the need for building expensive physical stimuli diminishes and the inclusion of a larger number of different attribute levels for attributes like colour, form, size, etc. in the survey is easily enabled while still having a superior visualization in comparison to simple 2D-packaging tests. Therefore especially in tests containing objects that do not yet exist or strongly depend on the visual impression, the operational area of the new technique has to be intimately concretized.

ENDNOTE

1 Weisenfeld compared three different products in her study: cigarettes, meat salad, and backpacks. Depending on the product the results did or did not converge.

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TECHNICAL APPENDIX

To give a detailed explanation of the new technique, the following important components will be introduced:

A Fraunhofer HHI 3D Kiosk system offers simple intuitive handling as it presents any kind of object in a virtual manner on a large screen in photorealistic 3D quality (1600 by 1200 pixels; 21.3” screen). 3D-objects seem to float in front of the display for which no further technical additive like 3D-glasses or -helmet is necessary.
An eye tracking system enables the permanent detection of the test persons’ position so that the three-dimensional projection can be perpetuated even with the test person moving in front of the screen. No glasses or helmets are needed to achieve the three-dimensional impression as the monitor projects a single picture in each eye separately to produce a stereovision effect.

A camera based hand tracker detects hand gestures. It recognizes the position of the finger tip, which can be used for pointing at or for moving virtual objects represented with the stereoscopic display. The test person in front of the screen is able to touch, pick and turn the three-dimensional objects as if they were real without any further support of a stylus, glove or the like (virtual 3D touch screen).

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DATA MINING TECHNIQUE FOR GENE ANALYSIS MAKES PROFITS IN THE SUPERMARKET

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ABSTRACT

This paper demonstrates the effectiveness of E-BONSAI system for examining consumer purchasing behavior. The system was developed from BONSAI which was originally designed for character string analysis required in the field of gene analysis. We adapted E-BONSAI to analyze consumers by examining chronological purchasing patterns expressed as character strings.

INTRODUCTION

In recent years the technique of data mining, which tries to discover useful information from a vast range of data, has been increasingly applied to the world of business. The technique has been used extensively in finance and marketing, and has achieved great success. Various research projects are underway to apply data mining to a wide range of fields. The further application of the techniques to marketing is anticipated (Hamuro et al. 1998a; Yada 2002, 2004, 2005).

Despite these successes, it is generally the case that simply applying a data mining algorithm to business data fails to reveal useful new information. Existing technologies must be adapted to actual business problems, and through a process of trial and error, it may only become possible to create business opportunities. In order to apply data mining techniques to marketing, it is important to consider how the techniques should be modified so that they can be applied to business data, and also consider how the information revealed through such techniques can be used to achieve useful results. The purpose of this paper is to introduce E-BONSAI, an improved version of BONSAI which was originally designed for character string analysis intended for knowledge discovery in gene analysis. In this paper we show how E-BONSAI can be applied to the data mining analysis in the business world and also show the effectiveness of sales promotion strategies based on rules discovered by E-BONSAI through an analysis of purchasing data at Japanese supermarkets and also will analyze the effect new strategy made on sales. Finally we conclude the paper with remarks concerning other application fields and future research works.

E-BONSAI: CHARACTER STRING ANALYSIS TECHNIQUES FOR GENE ANALYSIS

We shall first explain original BONSAI system developed for string pattern analysis. Given a positive set of strings, pos, and negative set of strings, neg, the original BONSAI creates a good decision tree that classifies pos and neg as correctly as possible (Arikawa et al. 1993; Shimozono et al. 1994).

Let P be positive data set, N be negative data set, and |P| and |N| be the numbers of records in P and N, respectively. Given a substring \( \alpha \), let \( p_\alpha \) and \( n_\alpha \) be the numbers of records containing \( \alpha \) in \( p \) and \( n \), respectively, and let \( p_\neg \) and \( n_\neg \) be the numbers of records not containing \( \alpha \) in \( P \) and \( N \), respectively. Defining entropy function \( \text{ENT}(x,y) \) in the following manner,

\[
\text{ENT}(x,y) = \begin{cases} 
0 & \text{if } x = 0 \text{ or } y = 0 \\
-x \log x - y \log y & \text{otherwise}
\end{cases}
\] (1)

we define in the following expression the entropy ob-
tained after classifying the original data into two subsets depending on whether data contains \( \alpha \) as a substring or not.

\[
\hat{\alpha} = \arg\max_{\alpha} \frac{\hat{p}_+ \cdot \prod (1 - \hat{p}_+ \cdot \prod) \cdot \hat{p}_- \cdot \prod (1 - \hat{p}_- \cdot \prod)}{\hat{p}_+ \cdot \prod + \hat{p}_- \cdot \prod}
\]

We compute \( \hat{\alpha} \) which minimizes this value. Namely, we choose \( \alpha \) for which the information gain is maximized. After partitioning the original data based on \( \alpha \), BONSAI continues to proceed in a recursive manner.

BONSAI enhances the classification ability by introducing a mechanism called an alphabet indexing. This is one of the major characteristics of BONSAI. The alphabet indexing maps the original alphabet into a new one of (much) smaller size on which decision tree is constructed. BONSAI searches for the alphabet indexing which maximizes the classification ability based on a local search. It was observed that the use of an appropriate alphabet indexing increases accuracy and simplifies hypotheses (Shimozono et al. 1994).

Figure 1 shows an example output by BONSAI. The indexing table at the top shows output character strings after conversion based on alphabet indexing. Here, four types of DNA (Deoxyribonucleic acid) have been converted into 0,1 characters. To determine whether a given example belongs to pos or neg based on the string data expressed by converted characters, we only need to follow the decision tree from the root of the tree. In the case of an example of Figure 1, if a character string contains “*11,*” it follows “yes” arrow and if not, it follows “no” arrow. Here, symbol “*” is used to stand for an arbitrary character string. In other words, at the root of this decision tree, if the string contains “11,” the direction is right and if not, the direction is left and an example string is finally classified by repeating this process. The results of classification based on this decision tree can support the decision making to identify whether an example is pos or neg. Thus, it can be often seen that in the case of BONSAI, small size of converted character strings can produce more interpretable and practically useful decision trees with high prediction ability.

FROM BONSAI TO E-BONSAI FOR CONSUMER BEHAVIOR ANALYSIS

An Analogy Between Gene Analysis and Purchase Pattern Analysis

No one has ever used BONSAI system for anything other than gene analysis. However, there are many similarities between gene analysis and purchase pattern analysis in that both deal with string patterns. In view of this, we have developed E-BONSAI by adapting the original BONSAI to the analysis of customer purchase behavior (Hamuro et al. 1998b, 2002, 2003; Yada 2005).

Looking at Figure 2, it can probably be easily seen that gene analysis and purchase pattern analysis resemble each other. The target data of gene analysis that can be seen in the upper part of Figure 2 is a character string consisting of four bases. In contrast, in consumer’s purchase pattern data targeted for marketing analysis illustrated at the bottom of Figure 2, a brand in a given product category is converted into a single character and a sequence of brands purchased by a customer arranged in the chronological order of their purchases is turned into a string pattern. Thus, the data for both of these two strings has a high degree of similarity in appearance. Therefore, it can be seen that the methods used to analyze genes can also be used to analyze purchase patterns in the marketing research field. However, the analysis of purchase pattern strings differs from the gene analysis in that temporal information in the data caused by the order in which purchases are made is represented in the string and the number of characters comprising the character strings (e.g., the number of brands in a given category) is greater than those encountered in the case of gene.

Transformation from Purchase History to String Pattern

Here, we will explain how E-BONSAI converts the purchase history data into character strings and how the decision tree is generated. Figure 3 shows the configuration of the E-BONSAI system. In the case of retail outlets as supermarkets, drugstores, and etc., member card system has been employed as a means of collecting customer-purchasing data extending over a long period of time and these data are collected in transaction databases. From such databases, it is possible to select target category products and related customer data to construct a specific dataset for analysis.
Next, the data obtained for each customer is converted into character strings. This process will be described below, using a simple example (see Figure 4). In the selected database all purchasing history data are sorted by customer’s card number and purchasing date. The products sold at retail stores have product codes and, in most cases, only these codes as the product data are accumulated in transaction database. At this stage, a mapping table (Figure 4(b)) is automatically generated based on the master file for product categories. The product code data is converted into a single character to obtain the data indicated in Figure 4(c). The purchased products (reduced to single characters) are concatenated for each customer to obtain the data shown in Figure 4(d).

For example, if a customer “Nancy” purchased beers in the order of Super Dry, Budweiser, Super Dry, and Malt, it is represented as “ABAC” by using the mapping table.

**Characteristics of E-BONSAI**

We shall explain the characteristics of E-BONSAI as follows:

1. While original BONSAI generates a decision tree over regular patterns which are limited to substrings, we extend it to subsequences based on the work of Hirao (Hirao et al. 2000, 2003). Here, a string $v$ is called a *substring* of a string $w$ if $w = xvy$ for some strings $x, y \in \Sigma$ (which denotes the set of all strings over the underlying alphabet $\Sigma$). A string $v$ is called a subsequence of $w$ if $v$ can be obtained by removing zero or more characters from $w$.

2. We have to deal with various attributes simultaneously in constructing a prediction model to explain the causality among interrelated and complicated factors.
Therefore BONSAI is extended so that it allows us to deal with not only a single sequential pattern but with more than one sequential pattern as well as numerical and categorical attributes which are conventionally used in decision trees such as C5.0 (Quinlan 1993) and CART (Breiman et al. 1984).

(3) It is usually believed that the most recently purchased brand is closely related to the next purchase behavior. Thus, we extend the regular expression so as to take into account the position where a certain symbol appears in the whole string.

LOYAL USER ANALYSIS USING E-BONSAI AND SALES PROMOTION STRATEGIES

In this section we apply our E-BONSAI system to the introduction of new products to the “happoshu,” or low malt beer market. For Japanese supermarket purchase data we used E-BONSAI to clarify the characteristics of purchasing patterns by customers who show loyalty to new products. We discussed those characteristics together with a team of experts and created new marketing strategies, which were actually implemented in a Japanese supermarket to verify their effectiveness. The customer purchase data used in the study was collected from seven supermarkets in Kanto area between January 2000 and January 2002.

Analysis Framework

The aim of the analysis was to clarify what kind of influence the purchasing behavior of customers buying low malt beer at the start of 2001, when a number of such products were introduced to the market, had on their future product loyalty. In other words, we analyzed what kind of purchasing patterns, around the time the low malt beer was introduced to the market, had an effect on future brand selection.

Customers who purchased more than three cans of low malt beer in June and July 2001 were divided into two groups: customers who made 50 percent or more purchases of Product A were defined as Product A loyal customers, while customers who made 50% or more purchases of Product B were defined as Product B loyal customers.
Chronological purchasing patterns of low malt beer from December 2000 through May 2005 were adopted as the attributes of the customer purchasing patterns. Using the mapping table provided by Table 1, each brand of low malt beer is represented by one letter of the alphabet.

**Extracted Rules**

A classification model using E-BONSAI to identify to which of Products A and B a customer becomes loyal was built shown in Figure 5. When alphabet indexing in E-BONSAI represents Product A as 0 and Product B as 1, Figure 5 can be understood as follows.

For example, Rule 1 shows that even if the customer makes two or more consecutive purchases of Product A, if he/she then makes three or more consecutive purchases of Product B, they will show loyalty to Product B in the future. In the same way, Rule 2 shows that if the customer makes three consecutive purchases of Product A, they will show in the future loyalty to Product A. From amongst a number of other rules, it is clear that three consecutive purchases of the same brand have a significant impact on future product loyalty.

Our finding agrees with the knowledge of retailing experts and marketing researchers that long, continuous purchases tend to influence future brand selection. In cases of previous studies related to marketing, it has been validated that past purchasing experience affects later purchasing decisions (Kalwani and Yim 1992; Kalwani et al. 1990; Mayhew and Winer 1992). Long-term consumer panel data clearly validates this for such categories as cookies, cereal, yogurt, and etc. For example, Rajendran and Tellis (1994) proved that factors such as the products purchased in the previous three purchase opportunities, the price, the type of promotion, etc. have a strong influence on brand selection. Our results support these findings and our results led us to the tentative conclusion that the continuous purchase of a brand during the early stage of its introduction tends to build future brand loyalty for the product in the low malt beer category.

**Experiments: New Sales Promotion Strategy**

In order to develop a new sales promotion strategy, we held discussions with marketing experts working in the manufacturer of Product A. During these discussions, an idea emerged to use a “repeat-use coupon” as a new sales promotion tool.

In Japan, most of frequent shoppers programs (member cards systems which allow the company to distinguish individual customers in the accumulated purchase data) adopt a point system. Standard coupons can be used against one purchase only, and the customer receives points when using the coupon. Once the customer has collected more than a certain number of points, they are able to exchange the points for cash vouchers. A “repeat-use coupon,” however, can be used by a customer on repeated occasions to obtain points when buying the same product (in this case Product A), as long as the purchases are made within the designated period. With previous standard coupons consumers could only use the coupon to gain points on one occasion. Because the new “repeat-use coupon” allows customers to repeatedly gain points with their purchases we expected that consumers would be encouraged to make repeated purchases of Product A. By
providing the repeat-use coupons to regular purchasers of alcoholic products, we found that this was actually the case. Furthermore, customers continued to purchase product A after the promotion period. In other words, we intended to develop customers’ loyalty to Product A through the new promotion.

The new sales promotion plan, “repeat-use coupon,” was executed at seven supermarket stores targeted for analysis in the Tokyo area in Japan for a month, during December 2001. In this experiment we sent such a coupon to the customers who had purchased some alcoholic beverages like beer in the stores. Target product for the promotion was Product A which had the second largest market share in low malt beer market. Those customers can repeatedly receive the points of the stores by using it when they purchased it for a month, during December 2001.

Figure 6 shows trends of market share in low malt beer market for four months before and after the promotion in the targeted stores. Product B had been a competitive product to Product A because both are launched into market in the same period and a leading brand in this category that had the largest market share. Actually it had more than 40 percent of market share in these stores in November 2001. However, Product A has acquired a leading position of the market in December 2001. As can be seen from the Figure, it is clear that the sales volume and market share of Product A increase in this promotion period compared to the previous month.

Furthermore what is the most important to notice is that Product A had gained about 10 percent of total market share in the month following the promotion period (January 2002). We paid very much attention to this surprising increase in sales volume after promotion period and then found that those who had repeatedly used the coupon in the promotion period continued to purchase the Product A at regular price after promotion. According to the results of this experiment, we conclude that greater customer loyalty had been achieved through our promotion strategy “repeat-use coupon” that encouraged them to continue to purchase it repeatedly and prevented them from purchasing the rival item.

CONCLUSION

In this paper, E-BONSAI, a modified version of the gene analysis technique BONSAI, was applied to the analysis of new products introduced into the alcoholic beverage market. The authors together with experts developed a new sales promotion strategy based on rules which had been extracted by E-BONSAI. When the new sales promotion strategy was implemented in Japanese supermarkets, the target product, Product A, achieved the largest market share during the course of the experiment. In addition, the market share of the product after the experimental period remained significantly greater than the market share in the experimental previous period. Therefore we believe that E-BONSAI is able to discover useful customer information and has the potential to create new business opportunities.

Furthermore, E-BONSAI has very wide potential applications in marketing research field. In fact there have been already some practical business applications for the different types of data to discover useful knowledge. The prediction model with high accuracy is proposed by Katoh, Yada, and Hamuro (Katoh, Yada, and Hamuro 2003) to identify whether a new product survives or not in future by using data for two or three weeks after the market entry of the product. In this model E-BONSAI can deal with numeric time-series data such as time-series sales volume to construct prediction model with high accuracy, by means of transforming it to characters that numeric data is discretized to. They can predict correctly whether the new product will survive or not in instant noodle market by using E-BONSAI and discover the rules that are practically useful information for domain experts in marketing and retail staffs. Recently E-BONSAI is applied to WEB log (click stream) analysis which has become an active research area in marketing and consumer behavior research (Naito et al. 2005) which could successfully extract distinctive patterns and characteristic click-path of purchasers from a large amount of WEB log data accumulated in Internet Mall sites to integrate some typical data mining methods with E-BONSAI. They make E-BONSAI possible to deal with WEB log data, by presenting a click path as a string by means of transforming a clicked web page by a customer into a character.
We have applied various data mining techniques to the Japanese business world, and have made various attempts to develop new business opportunities. Based on these experiences our conclusion is as follows: data mining does not automatically produce profits. In order to apply data mining to the field of business, numerous modifications are required. Therefore, such projects must be tackled by a joint team composed of computer science experts and marketing experts. Furthermore in order to develop new business opportunities based on the rules discovered through the data mining, the creativity of marketing experts to produce new ideas is indispensable. The appropriate management of such joint projects is therefore indispensable to the success of the business.

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CUSTOMER PERSPECTIVES ON BRAND MERGERS: THE ROLE OF CONFIDENCE, LOYALTY, AND APPARENT PURPOSE

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SUMMARY

A merger of two entities is usually undertaken in order to cut costs or increase synergies. This discussion implicitly ignores a key determinant of success, i.e., customer reactions to the merger. In this paper, we explicitly study customer reactions to pending mergers. We do so primarily from the perspective of describing the phenomenon rather than testing a particular theory of customer response.

Three studies were conducted to study customer reactions to mergers. Of these, the first two focused on the response to hypothetical mergers as well as customers’ information processing patterns. A third study then examined response to a specific merger in a local restaurant business. The results demonstrated changes in information acquisition strategies and differences from a simple averaging process. Further, the reason cited for the merger (apparent explanation) and a customer’s confidence in his/her judgment of the new brand are key determinants of merger success. Interestingly, loyal customers are disenchanted with the idea of their preferred brand being acquired/merged with another brand, regardless of the explanation communicated.

We hypothesized that similarity of the merging brands would favorably impact judgments of the new brand, following from related literature on brand extensions and alliances. Our results show that this is indeed true when two weak brands merge, but not when two strong ones do. Further, the impact of similarity in enhancing merged brand choice seems to operate through confidence.

Specifically, in Study 1, participants were given a scenario involving four hypothetical brands of ice-cream that differed on a set of attributes. Following the merger of two of the brands, participants’ intent to purchase share for the merged brand (number of the 10 points allocated to the merged brand) was close to the sum of the intents to purchase the merging brands prior to the merger, when the two brands were highly similar (66% vs. 67%, t = 0.33, p > 0.2). However, when two dissimilar brands merged, there was a significant drop in the post-merger intent to purchase (31%) vs. the sum of the pre-merger intents to purchase the merging brands (37%, z = 4.48, p < 0.001). The difference in the differences between the pre and post merger share allocations were significantly different as well (Difference<sub>A+C</sub> = 1% vs. Difference<sub>C+D</sub> = 6%, t = 4.29, p < 0.01), suggesting that the low similarity merger was less attractive to previous buyers of the merging brands. Further, the impact of similarity on preference for the merged brand operates largely through its impact on decision confidence.

Study 2 used a 2 (Similarity: Low vs. High) x 2 (Apparent Explanation: Operations vs. Profit Focus) betweensubjects design, and used the MOUSELABWeb to obtain both choice and processing measures to capture customer reactions to mergers. Once again, participants were exposed to the hypothetical market for ice-creams. The explanations behind the merger were provided in the form of statements stressing the reasons behind the merger (to improve their operations vs. to enhance profits) in addition to all other information about the individual brands and their performance on various attributes. A 2 (Explanation: Operations vs. Profit Focus) x 2 (Similarity: High vs. Low) analysis of variance on the difference between the pre-merger sum of shares and the share of the merged brand revealed a significant main effect of similarity (F(1,103) = 15.73, p < 0.001). The main effect of explanation was also significant (F(1,103) = 7.30 p < 0.001). In addition, there was a significant interaction effect (F(1,103) = 7.33, p < 0.01). For mergers of two dissimilar brands, the operations-focused explanation actually produced a larger share compared to the sum of the pre-merger share allocations (M<sub>pre merger (sum of similar merging brands) = 37% vs. M<sub>post merger (share merged) = 47%, p < 0.001). However, the profit-focused explanation decreased choice share significantly from 37 percent to 21 percent (t = 4.92, p < 0.001). Once again, confidence mediated the effect of explanation and similarity on share. Participants spent most time on the merged alternative when the brands were dissimilar and the perceived explanation was profit-focused. Also, evaluating dissimilar brands involved a greater number of comparisons of the merged alternative with other brands across attributes.

The last study used a well-known local eatery which has recently been acquired by a highly dissimilar chain of restaurants. Results indicate that loyal customers expressed a significantly lower likelihood of visiting the restaurant in the future compared to non-loyal ones (M<sub>loyal</sub> = 2.49 vs M<sub>non-loyal</sub> = 3.83 on a 1–7 revisit likelihood scale, p < 0.01). Apparent explanation does not affect this result.
Clearly, customer reactions need to be measured during merger activity. Retaining loyal customers is a serious challenge. Both similarity and explanations provided for the merger impact largely through the decision maker’s confidence. Further implications of these results and future research ideas are discussed.

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THE SINS OF THE FATHER SHALL BE VISITED UPON THE SONS: THE EFFECT OF CORPORATE PARENT AFFILIATION ON CONSUMERS’ PERCEPTIONS OF CORPORATE SOCIETAL MARKETING

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SUMMARY

Corporate societal marketing is an increasingly popular method of building brand equity (Hoeffler and Keller 2002). Some niche brands have been successfully built by firms appealing to socially concerned consumers. Several such firms have been acquired by larger firms. Examples of this phenomenon are reviewed and discussed. In each case, a large firm acquired a smaller firm and continued to operate the brand unchanged. This strategy seems to assume that consumers will continue to value the brand based upon its CSM basis. It is possible, however, that consumers devalue the brand upon learning of such an affiliation. The purpose of this paper is to examine how consumers evaluate CSM based brands of a niche marketer affiliated with a larger firm.

The study is informed by three principle areas of theory: (1) corporate societal marketing, (2) the correspondence bias in attribution theory, and (3) fairness in marketing. The correspondence bias refers to the attributional bias in which people make judgments about others based upon their behavior, even in the presence of situational constraints that offer alternative explanations. Fein, Hilton, and Miller (1990) found that the presence of ulterior motives acts as an antidote to the correspondence bias. When behavior may be motivated by an ulterior motive, observers become suspicious, and are therefore less inclined to make attributions based on that behavior. In the present research, it is expected that upon learning of the affiliation, the ulterior motive of image management, or of the profit motive, will become accessible as an ulterior motive for the CSM activities, causing consumers to lower their evaluations of the firm and brand.

Fairness has been found to be an important component of exchange (Oliver and Swan 1989; Campbell 1999). Ashworth and Darke (2006) found that consumers’ perceptions of fairness are affected by violations of prescriptive norms – such as openness – even when the outcomes of the exchange were perceived to be distributively fair. Consumers expect to be treated fairly in the marketplace, not only because of material concerns, but also as a matter of principle. In the present research, it is expected that consumers’ perception of openness will affect their evaluation of the companies and their brands.

Corporate Societal Marketing (CSM) has been defined by Drumwright and Murphy (2001) as marketing initiatives that have at least one noneconomic objective related to social welfare and use the resources of the company and/or one of its partners. There is evidence that consumers’ evaluation of CSM efforts depend partly upon their perceptions of the marketers’ motivations or intentions. It is expected that consumers will find it more credible that a niche focused firm is sincerely motivated by social objectives than is a larger, more diversified firm.

METHOD

A total of 268 participants (131 males) with a mean age of 32, ranging from 18 to 80 participated. A mixed sample of students and non-students was sought to increase external validity. The study employed a three-group posttest-only randomized experimental design, and was conducted by means of an online website.

Participants viewed materials consisting of an abridged version of the niche brand website, and mocked up news stories ostensibly from an online business news service. Affiliation with a corporate parent was manipulated by exposing the participant to different levels of information about the affiliation in each of the three conditions (control, open, not open). The effectiveness of the manipulation, as well as the intended interpretation of the other materials, were confirmed through checks.

Established scales were used to measure brand beliefs, attitude towards the brand, source credibility, organizational associations, and brand sincerity. Reliability was shown through an assessment of Cronbach’s alpha and unidimensionality was confirmed by means of exploratory factor analysis.

RESULTS

Repeated measure ANOVA was conducted for each of the dependent measures treating the two brands as a within-subject factor. In the norm of openness violation condition, the following effects were found: (1) brand beliefs of the parent brand (product effectiveness) are reduced, (2) attitude towards the brand were (marginally) reduced for the niche brand, (3) credibility and brand
sincerity were reduced for the niche brand, and (4) organizational associations were reduced for both the parent and the niche brand. In the open condition there were no such effects.

**Discussion**

Consumers’ perceptions of a niche brand are not negatively effected by knowledge of an affiliated with a corporate parent, even when the parent’s behavior is at odds with the CSM values. When the social norm of openness is violated, however, the results are quite different. Openness is an important consideration for consumers when forming evaluations. Some evidence was found that these effects flow back to the parent company. This may be because a norm violation leads to distrust, which generalizes to the consumers’ brand beliefs. Implication, limitations, and opportunities for further research are discussed. References and an Appendix of experimental materials are available upon request.

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THE EFFECTS OF IRRELEVANT ATTRIBUTES IN BRAND COMMUNICATION

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SUMMARY

Brand managers strive to achieve a monopoly status in the psyche of the user by differentiating the product and service. It has been observed for a fairly long time, however, that firms successfully distinguish brands by means of features that do not fulfill the criterion of having objective relevance. This is the way that Henkel, for example, differentiates the brand Gliss Kur “Liquid Silk Shampoo” from competing brands through the addition of silk. Such features that, after cursory reasoning, appear to make a significant difference but in reality are objectively insignificant for the performance of the product are characterized as irrelevant attributes (Carpenter, Glazer, and Nakamoto 1994; Broniarczyk and Gershoff 2003). As a result, an irrelevant attribute concerns either an objectively irrelevant feature that does not provide any physical-chemical-technical utility or an attribute whose contribution to the product is so trivial or marginal that it must be regarded as irrelevant (Brown and Carpenter 2000).

Until now, research efforts focus solely on singular, separated effects of irrelevant attributes on brand choice behavior. For example, Carpenter, Glazer, and Nakamoto (1994) were able to show for the first time that the use of an irrelevant, product-related attribute induces an increased preference for this brand, and that irrelevant attributes still have a positive effect on the preference when the irrelevance of the attribute is revealed to consumers. Simonson, Nowlis, and Simonson (1993), on the other hand, provided evidence that irrelevant attributes have a negative effect on brand choice. They assume that the consumer interprets the irrelevant attribute as an indicator that the brand is inferior in other areas. However, the results concerning the direction of the effects evoked by the existence of an irrelevant attribute are rather contradictory. Brown and Carpenter (2000) assume that one and the same irrelevant attribute, dependent from the decision context, can be rated both positively and negatively. In a decision situation, consumers mostly choose the alternative that is founded on easily justifiable, cognitively available arguments (Simonson 1989). So far, however, no studies exist that use dependence analyses to test the effects of irrelevant attributes on selected latent constructs. Most notably, the need for research about the effects of irrelevant attributes on price perception and on predictors of buying behavior relevant for the firm, such as attitude and intention to buy, has not been adequately satisfied. Moreover, to date there exist hardly any empirically backed findings into potential consequences of revealing the ineffectiveness of irrelevant attributes to consumers. The current study should contribute to fill these research gaps and thereby simultaneously offer insights for brand management. The current study tests both how the use of such an irrelevant attribute affects attention toward the brand, perceived uniqueness of the brand, price fairness, attitude toward the brand and intention to buy the brand as well as how the consumers rate the brand when the irrelevance of the attribute is revealed.

An online experiment was carried out from July 28 – October 28, 2004. Nine hundred five subjects completed the entire experiment (46.6% female, 53.4% male, average age 29.5 years). The experiment simulates the consumer’s confrontation with a brand that differentiates itself from other brands by the addition of a fictitious irrelevant attribute. To avoid systematic biases that could arise from potential influences of existing brands a fictitious shampoo brand was used as the object of investigation. The choice of shampoo as the product was made not only because of the increasing pervasiveness of the brand differentiation strategy by using an irrelevant attribute in this product category, but also because of the dominant position that this basic product holds within cosmetics and personal hygiene. The experimental design is based on three treatments: In all treatments, the subjects are presented with a branded shampoo packaging. In experimental groups 1 and 2, the product illustration contains a reference to the fictitious ingredient curcumin. While the subjects in the first group receive no information about the irrelevant attribute, the subjects in the second group are confronted with an informative text that reveals the irrelevance of the attribute. The branded shampoo packaging is presented without the irrelevant attribute to the subjects in the control group. With the exception of the integration of the irrelevant attribute, the visual and textual design is identical across all three treatment groups. The ingredient curcumin thus constitutes the independent variable of the experiment. After a short introductory text and the questionnaire that contains sociodemographic questions, the subjects are randomly assigned to the groups. In the second phase, subjects are first presented with the sham-
poo packaging of the fictitious brand “Suprema X Shampoo.” The subjects in experimental group 2 have additionally received an extract from a test report that reveals the irrelevance of the attribute. In the third phase, the subjects of all groups are transferred to the second questionnaire that contains questions about the latent constructs.

The hypotheses are verified with the help of the MANOVA method. A manipulation check was executed, which provided that the irrelevant attribute was actually irrelevant for the subjects of the treatment group 2. Due to the significant results of the variance analysis, for all dependent variables it can be reasoned that a significant difference exists. From the result of the F-test, it can be assumed that the group mean values do not turn out to be equivalent. This does not necessarily mean, however, that all mean values significantly differ from one another. In order to find out between which groups a significant mean value difference exists, a multiple comparison test with the Scheffé-Test is conducted, which analyzed the separate groups in pairs for possible mean value differences. The results are consistent across all the outcome variables, hence all postulated hypotheses about the effect of an irrelevant attribute are supported. In addition we tested on differences between the groups 1 and 2 where the irrelevance of the attribute is proven to the consumers. The Scheffé-Test showed no significant differences between both groups (p > 0.4), so it can be assumed that it does not make a difference, if the consumers know about the irrelevance of the attribute or not.

The analysis of the effect of irrelevant attributes by means of an experimental study revealed that the use of irrelevant attributes in brand communication increases the consumer’s attention and leads to an increase in the perception of uniqueness of the brand. It could further be shown that the irrelevant attribute causes the perception of an increased price fairness of the brand. It has a positive effect on the attitude toward the brand and leads to a significantly higher intention to buy for the brand. Moreover, the current study provides evidence that the positive effects of the irrelevant attribute even appear, when the irrelevance of the attribute is revealed.

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THE DARK SIDE OF HIERARCHICAL LOYALTY PROGRAMS: TESTING CUSTOMER REACTIONS TO RELATIONSHIP STATUS REDUCTIONS

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SUMMARY

Loyalty programs frequently award a preferred customer status (e.g., “elite membership”) which provides some form of exclusive incentive or increased service level to consumers who have been frequently buying the products and services of a company over an extended period of time. These programs commonly require customers to maintain high levels of spending with a company in order to keep the preferred customers status (Reed 2005). But what happens when a customer is withdrawn from such a preferred status, i.e., gets “demoted” by the company, a phenomenon that happens a million times every year? How consumers react upon such status demotions is a relevant question for both academia and business practice. While other disciplines including sociology (see Garfinkel 1956) and organizational behavior (see Gephart 1978) have long recognized status demotion as an important research issue, no research exists in the area of marketing that relates to status reductions of consumers to the best of our knowledge.

We define customer demotion as the removal of a preferred customer status which provides some form of exclusive incentives or increased service levels. Using that definition, we investigate what happens when service companies award their customers for certain spending or activity levels and then demote these customers at a later point as they no longer match these criteria. In doing so, we theorize and empirically test (a) the effect that demotion has on customer loyalty intentions and (b) whether certain company actions can limit undesired emotional and behavioral reactions by customers which are experiencing a status reduction. For the latter question, we draw on Weiner’s (1986) attribution-theoretical approach.

We develop two conceptual models. While model A relates to a simple main effect of customer demotion on loyalty intentions, model B states that customers’ attributions of internal locus and uncontrollability are negatively related to emotional (i.e., negative affect) and behavioral reactions (i.e., loyalty intent, negative word-of-mouth, willingness to complain) to status reductions. Model B further proposes that companies can influence customers’ perceived attributions through distinct measures including statements of pre-notification, personal responsibility, and competitive pressure, and can reduce undesired affective and behavioral reactions by offering demoted customers economic and emotional compensation.

Using data from an experimental design and applying partial least squares structural equation modeling, we find that demotion not only reduces customers’ loyalty intentions, but lets them descend under the loyalty level of those customers who have never been elevated by the service firm. Findings also include that customers’ perceived attributions for a status demotion can be influenced by controlling the information available to them. The assessment of the influence of the two causal dimensions provides mixed results. While customer locus emerged as a powerful predictor of both affective and behavioral consequences of status demotions, uncontrollability, however, does not seem to impact how customers feel in response to a status reduction at all and appears to impact their respective behaviors only marginally through reducing customers’ complaining. Affect plays an important role in cases of customer degradation since it appears to impact all relevant behaviors significantly. None of the proposed relationships relating to economic compensation is found significant, while providing an apology reduces negative affect and increases customers’ loyalty intentions.

Our findings point towards a re-assessment of hierarchical loyalty programs as a very frequently used relationship marketing tool. Companies must ask themselves if the positive effect of offering or awarding a higher status to customers (increase in loyalty) outweighs the negative consequences of status reductions (degrevase in loyalty), particularly when considering the additional service costs that usually come along with the customer status elevation. References are available upon request.
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THE ROLE OF TECHNOLOGY PARADOXES IN CUSTOMER
SATISFACTION EVALUATION OF SELF-
SERVICE TECHNOLOGY

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SUMMARY

While consumers enjoy the benefits of technology, they are often confused and irritated by technology. This observation has not gone unnoticed by writers and researchers. Winner (1994) points out that personal technology use involves dual experiences of efficacy and ineptitude. Consumer researchers have documented the tendency for consumers’ personal technology experiences to be paradoxical. According to Mick and Fournier (1998) personal technology users experience several paradoxes including: efficiency/inefficiency, control/chaos, fulfill needs/create needs, competence/incompetence, freedom/enslavement, and assimilation/isolation. Apart from the beneficial effects of technology use, paradoxical dissatisfiers (e.g., incompetence and chaos) create anxiety, stress, and frustration for consumers, leading them to enact avoidance (e.g., delay) and confrontative (e.g., limited trial) coping behaviors. Personal technology users encounter a constant shifting between antithetical positive (e.g., control, freedom, and efficiency) and negative experiences (e.g., chaos, enslavement, and inefficiency).

Yet researchers of electronic channels or self-service technology (SST) have focused largely on the role of satisfiers or positive drivers of electronic channel use, such as performance, ease-of-use, speed, and control. Prior research has not sufficiently addressed the dynamic, ambivalent and paradoxical nature of consumer SST experiences and their implications for customer satisfaction evaluation.

The objective of this paper is to evaluate empirically the role of dissatisfiers or positive drivers of electronic channel use, such as performance, ease-of-use, speed, and control. Prior research has not sufficiently addressed the dynamic, ambivalent and paradoxical nature of consumer SST experiences and their implications for customer satisfaction evaluation.

To test the proposed hypotheses, survey data were collected from 834 personal computer (PC) banking members of a Credit Union located in the Northwestern United States (30% response rate). Measurement scales for satisfiers and dissatisfiers were developed from illustrative descriptions presented in Table 1 of Mick and Fournier (1998, p. 126). Scale items depict examples of these illustrative descriptions within a PC banking context. Both the measurement and structural models were estimated using maximum likelihood procedures in LISREL 8.54 (Joreskog and Sorburn 1993) and results indicate acceptable fit statistics.

Results of the study indicate that two dissatisfiers, namely chaos and create needs, are significant contributors to consumer performance ambiguity, whereas incompetence and isolation, have insignificant effects. Enslavement is found to significantly reduce rather than increase performance ambiguity. Regarding satisfiers, the study finds that fulfill needs and freedom significantly contribute to trust in technology with control having an insignificant effect. As anticipated, performance ambiguity re-
duces trust in technology and trust in technology increases satisfaction with SST. Results of mediation tests indicate that performance ambiguity partially mediates the effect of chaos, create-needs and enslavement on trust in technology. Trust in technology fully mediates the effects of freedom and fulfill needs and partially mediates the effect of performance ambiguity on SST satisfaction. Perceived control is not mediated by trust in technology but instead has a significant direct effect on satisfaction.

Study findings hold important theoretical implications. First, study results clarify how these paradoxes operate within an SST context. The results identify the paradoxes that operate within the SST/PC banking context: control/chaos, fulfill needs/create needs, and freedom/enslavement. These paradoxes are identified by both satisfier and dissatisfier elements significantly affecting the dependent variables. Second, except for isolation, the effects of all dissatisfiers on trust in technology are mediated by performance ambiguity. This effect is consistent with theories of consumer ambiguity and stress. The study also finds that the effect of performance ambiguity is partially mediated by trust in technology. Collectively these results support the view that dissatisfiers increase performance ambiguity, which undermines consumer trust in technology and subsequently consumer satisfaction with electronic channels. The mediating effects of performance ambiguity and trust in technology demonstrated by this study imply that managers can tackle dissatisfiers directly or counter their adverse effects by reducing performance ambiguity and by building trust in technology. For example, PC banks may be able to reduce consumer performance ambiguity by offering effective online learning capabilities to consumers.

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A CONTEXTUAL CUE THAT MAGNIFIES PERCEPTIONS OF SERVICE FAILURE: OTHER CUSTOMERS DO MAKE A DIFFERENCE

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SUMMARY

When an exchange with a service provider results in an economic (e.g., money, time) and/or social (e.g., status, esteem) loss to the customer, a service failure has occurred. Unfortunately, even though service providers may attempt to “fail-safe” the service delivery process, due to any number of factors service failures are likely to occur. One such factor would be any contextual cues that may exist during the service delivery process (e.g., other customers, service setting, atmosphere, tangibles, etc.).

With regard to the retailing and services research, context effects are generally thought of in terms of the physical environment or store atmosphere. For example, in research utilizing a hospital setting, the physical appearance and equipment available were found to moderate the relationship between price and post-consumption perceptions of service quality (Grewal, Gotlieb, and Marmorstein 2000). In all, this research suggests that contextual cues are an important source of information used in the evaluation of a retail store or service.

However, the physical environment and/or store atmosphere are not the only aspects of the service context that might play a role in perceptions of service delivery. For example, other customers potentially represent an important aspect of the context that could impact perceptions of service quality. This might be particularly true when dealing with customers of different races where the presence/absence of consumers of the same race could play a significant role in the perception of service failures.

Recent research indicates that when faced with an ambiguous service situation, particularly one involving a White service provider, Blacks are more prone to make racist dispositional attributions (Johnson, Simmons, Trawalter, Ferguson, and Reed 2003). In this particular case, the results suggest that Blacks are more likely to consider the untimely completion of the eyeglass order by a White optometrist to be a purposeful and personal act of vengeance consistent with prototypical racist attitudes.

Blacks’ stereotypes or perceptual biases of Whites’ motives serve to guide attention and affect the perceptions of prejudice. For the Black customer, this perceived bias on the part of White service providers contributes to the negativity of the situation. As a result, the service provider must recognize the possibility that Blacks may attribute the source of a service failure to be different than Whites and that this may lead to variations in the perceived seriousness of the failure.

The purpose of the study reported here was twofold. First, the differential impact of race on perceptions of service failure was investigated. Second, the impact of contextual factors, specifically the presence/absence of customers of the same race as the respondent, on perceptions of service failures was examined.

Research Methods

A data collection effort using 240 students from three midwestern universities asked participants to read four service failure scenarios carefully and respond to a number of items. The scenarios included various incidents involving a Black couple (target), a young couple, a female, and an older man. Color pictures of the customer(s) and the service provider were provided directly above each scenario.

The study was a 2 (participant race: Black or White) X 3 (context: no mention of the race of the other customers, no other Black customers, mix of Black and White customers) between-subject design. Subjects were randomly assigned to one of the three context conditions. The only difference between the three conditions was the wording of a sentence relative to the absence/presence of other customers present in the restaurant. The dependent measure was the perceived severity of the service failure on a scale of 1 (not severe) to 7 (very severe).

Results

Context effects were found to play a role in perceptions of the severity of the service failure. A 2 factor analysis of variance of the severity of the failure revealed a main effect of condition ($F(2, 224) = 7.885, p < .01$), a main effect of race ($F(1, 224) = 4.181, p = .04$) and a condition by race interaction ($F(2, 249) = 4.587, p < .02$).

Planned contrasts revealed that under the “no other Black customers” condition, the failure was more pronounced if the subject was Black ($M_{\text{black}} = 5.64$ vs.
\[ M_{white} = 0.50, t(82) = -3.869, p < .01 \]. No significant differences relative to race were found in either the no mention of other customer \( (M_{black} = 4.31 \) vs. \( M_{white} = 4.03, t(70) = -.869, p = .39) \) or mix of Black and White customer \( (M_{black} = 4.36 \) vs. \( M_{white} = 4.60, t(72) = .635, p = .53) \) conditions. This suggests that the context of the service failure matters. Information relative to the presence of other customers was much less a factor for White subjects, regardless of condition. However, Black subjects considered the contextual information when evaluating the seriousness of the failure. In summary, when Blacks were aware that they were the only Black customers present, this knowledge enhanced perceptions relative to the seriousness of the situation.

**Conclusion**

This research affords White service providers the opportunity to be more understanding of and sensitive to the Black customers’ interpretations of service failures. By understanding environmental aspects of a service setting that have the potential to cause a Black customer to perceive a service failure as a more serious transgression, service companies can potentially reduce the tension by training their employees to make special efforts to avoid failures altogether. If however a failure should occur, then understanding the situation from the customer’s perspective affords a greater possibility of successfully diffusing the racially induced tension and addressing the situation.

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BRAND EQUITY: THE PERPETUITY PERSPECTIVE

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SUMMARY

Despite its importance to marketing scholarship and practice, there is no standard conceptual definition or operational measurement of brand equity. Viewing a brand as an infinitely-lived firm asset, this paper proposes a definition of brand equity as the financial value that a firm derives from customer response to the marketing of a brand. The paper also proposes a financial measure that treats brand equity as a perpetuity.

What Is Brand Equity?

There are three prevailing perspectives on brand equity. The first is the cognitive psychology perspective, which conceives of brand equity as the differential consumer response to a brand’s marketing mix that results from consumer associations for the brand (Aaker 1991; Keller 1993). The cognitive psychology view asserts that consumers with more favorable brand associations (i.e., stronger brand equity) will respond more favorably to marketing mix activity than consumers with less favorable brand associations. One limitation of this perspective is that it views brand equity as “added value” – that is, the value that the brand (the name, logo, or other brand symbol) adds to the product (Aaker 1991). However, in contrast, research has suggested that the brand name interacts with consumers’ perceptions of other brand features (Rangaswamy, Burke, and Oliva 1993). A second limitation is that it fails to adequately differentiate brand equity from brand image, which is the set of associations that consumers hold about the brand. Nevertheless, the cognitive psychology perspective contributes to brand equity research by introducing the notion that customers’ evaluations of brand associations impacts brand equity.

The second perspective on brand equity is the information economics perspective, which holds that brand equity is the increased utility that a brand name gives to a product (Erdem and Swait 1998; Wernerfelt 1988). This perspective argues that a brand name acts as a credible signal of product quality derived from perceived firm costs or investments, and that this perceived quality signal reduces information costs, thereby increasing utility. The limitation of this perspective is that it is rooted in the “added value” notion of brand equity, which has been shown to be based on the flawed conceptualization of the brand name as a separable brand attribute. Nevertheless, the information economics perspective contributes to brand equity research by introducing the notion that firms make investments and incur costs to market their brands, thereby injecting a firm perspective into the brand equity arena.

The third perspective on brand equity is the financial markets perspective, which argues that brand equity is a financial measure that can be calculated by subtracting tangible asset value from a firm’s market value (Simon and Sullivan 1993). One limitation of this perspective is that it assumes that all intangible value is derived from the firm’s brand, ignoring other intangible assets, such as human capital, process knowledge, etc. A second limitation is that it measures equity only for the firm-level brand (e.g., Procter & Gamble), and cannot measure the value of a firm’s product-level brands (e.g., Tide). Nevertheless, the financial markets perspective contributes to brand equity research by introducing the notion that brand equity is a forward-looking measure of the net present value of future brand cash flows.

Integrating the contributions of these three brand equity perspectives, it can be argued that a definition of brand equity should be based on consumers’ evaluations of brand associations, should take into account the firm’s marketing costs, and should be measurable as a financial value. Therefore, this paper proposes the following definition of brand equity: Brand equity is the financial value that a firm derives from customer response to the marketing of a brand. This definition has several important features. First, it views brand equity as a financial value. Second, it views the brand as a firm asset. Third, it accounts for the costs that the firm incurs to market the brand, which is required before it can derive any economic rent from the brand asset. Finally, it incorporates customer response to the brand’s marketing mix, acknowledging that customers’ evaluations of brand associations impacts brand equity.

How Should Brand Equity Be Measured?

One final perspective on brand equity will suggest its appropriate measure: brands have (theoretically) infinite life. That is, they can exist in the marketplace as long as customers find them valuable and firms find them profitable. The financial term for an infinitely-lived asset is a perpetuity, and brand equity should be measured as such. Therefore, with the brand’s cash flow defined as total revenues minus total marketing costs, brand equity can be measured as:

brand equity = \frac{C}{r - c}
Brand Equity = \( \frac{Total \ Revenue - Total \ Marketing \ Cost}{Periodic \ Interest \ Rate} \)

where Total Revenue is the brand’s total revenue received in the period, Total Marketing Cost is the total of all of the brand’s marketing expenses incurred in the period, and the Periodic Interest Rate is the firm’s discount factor (weighted average cost of capital, or WACC) in the period. References are available upon request.

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SHOULD FIRMS PRIORITIZE THEIR CUSTOMERS?

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SUMMARY

Understanding how marketing contributes to customer relationship profitability and firm profits is an increasingly important topic. In order to enhance firm profits, conventional wisdom suggests that firms should focus their marketing efforts on the most profitable customers and not treat all customers equally. As a result, companies should implement a differentiated use of marketing instruments for different tiers of the customer base according to the tiers’ relative importance. Such a differentiation of marketing efforts is supposed to lead to higher returns and firm profits as marketing efforts should become more effective and efficient.

However, the reduction of marketing efforts for customers who are considered on a lower priority-level might lead to dissatisfaction, customer defection, and negative word of mouth in this customer segment. Furthermore, focusing on a very limited set of top-tier customers might be misleading as possible economies of scale in standardized marketing efforts might not be realized.

Against this background, it is not straightforward that customer prioritization leads to higher firm profits when its effects on the whole customer portfolio are considered and when potential negative effects on the relationships with bottom-tier customers are addressed. We propose a framework that explains how a customer prioritization strategy affects the characteristics of relationships with different tiers of a firm’s customer base and how customer prioritization affects a firm’s financial outcome. Furthermore, we provide a comprehensive conceptualization of customer prioritization and we empirically test our framework with cross-industry data.

With respect to the consequences of customer prioritization, we argue along a causal chain with three basic steps: relationship characteristics, prioritization outcome, and financial outcome. The basic structure of the framework is in line with prior chain models that link marketing efforts to financial outcomes as well as with research on the behavioral and financial consequences of customer satisfaction. However, we consider the effects of customer prioritization on important relationship characteristics (customer satisfaction, the long-term orientation of the relationship, and share of wallet) of top-tier versus bottom-tier customers. Furthermore, we argue that these characteristics affect the prioritization outcome on an overall level (average sales costs in relation to sales, average sales per customer, and average gross margin per customer). Finally, prioritization outcome is supposed to affect a firm’s financial outcome (return on sales).

We empirically test our framework using a sample of 310 higher-level managers from a broad range of services and manufacturing companies in both business-to-consumer and business-to-business markets. For a subset of the sample, we cross-validated the managers’ assessments of customer relationship characteristics with perceptions of their customers and found a high correlation between the managers’ and customers’ assessments. The focal construct of the present study, customer prioritization, was defined as the prioritization of important customers in the use of marketing instruments – i.e., product, price, distribution, processes, and communication. Given the scarcity of prior empirical research on customer prioritization, the scales were newly generated and measured using reflective multi-item scales.

Our research hypotheses were tested using structural equation modeling. Results show that customer prioritization affects customer relationship characteristics of bottom- versus top-tier customers differently. Whereas customer prioritization affects the satisfaction of top-tier customers positively, the satisfaction of bottom-tier customers is not negatively affected. For each customer-tier, customer satisfaction is positively related to the long-term orientation of the relationship and to a customers’ share of wallet. Concerning the effect of relationship characteristics on prioritization outcome (when the whole customer base is considered), the top-tier customers’ share of wallet is positively related to average sales per customer. For bottom-tier customers, however, the effect is not significant. Thus, results confirm our hypothesis that the overall effect of customer prioritization on average sales per customer is positive. Furthermore, results show that customer prioritization directly leads to lower sales costs in relation to sales. Furthermore, results show that average sales per customer are positively related to average customer gross margin, which itself, positively affects a firm’s return on sales.

The present study provides empirical evidence concerning the performance outcome of marketing resource allocation practices and has important implications for
managers. First, results show that customer prioritization positively affects the effectiveness of customer relationship management practices. Our study shows that customer prioritization has a positive effect on a firm’s relationships with its top-tier customers. Furthermore, our findings indicate that there are no negative effects on the relationships with bottom-tier customers or the entire customer portfolio. Second, results show that customer prioritization implies a more efficient use of scarce marketing resources as sales costs in relation to sales decrease. Thus, managers can enhance the efficiency of their customer relationship management by prioritizing customers. Finally, the analysis of effectiveness and efficiency of customer relationship management together leads to a straightforward implication. Managers should place great emphasis on customer prioritization to enhance profits per customer and thus firm profits.

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Restructuring SERVQUAL

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Summary

Parasuraman, Zeithaml, and Berry (1988) introduced SERVQUAL for assessing customer perceptions of service quality in service and retailing organizations. These authors (1985) first conducted an exploratory study and identified ten dimensions to assess service quality. These dimensions were later combined into five: tangibles, reliability, responsiveness, assurance, and empathy (Parasuraman et al. 1988). The SERVQUAL scale is developed from the expectancy-disconfirmation paradigm. Parasuraman et al. (1985) suggested that the difference between consumers’ expectations about the performance of a service provider and their assessment of the actual performance of the service provider drives the perception of service quality.

Carman (1990) questioned the expectations-performance gap as the basis for measuring service quality. The marketing literature also favors the simple performance-based measures of service quality (Cronin and Taylor 1992, 1994). The empirical results of Cronin and Taylor’s studies support the conclusion that performance based measure is adequate in measuring consumers’ perceived quality in service organizations.

Other authors (Baker and Lamb 1993; Gronroos 1982, 1990; Mangold and Babakus 1991) investigated the dimensionality of the SERVQUAL scale. Arguably, the evaluation of service quality entails both outcome and process quality attributes of service delivery. However, the five dimensions of SERVQUAL mainly focus on the process aspect of service quality (Mangold and Babakus 1991). Omitting the outcome service attributes results in poor predictive validity. As a result, market researchers often add outcome as the sixth dimension of the SERVQUAL scale (Richard and Allaway 1993; Powpaka 1996).

Dabholkar, Thorpe, and Rentz (1996) argued that the service quality construct should have a hierarchical structure that contains three levels: (1) customers’ overall perceptions of service quality, (2) primary dimensions, and (3) sub-dimensions. In other words, they viewed service quality as a higher-order construct that is defined by two levels of attributes. Adopting the conceptualization of multilevel construct of service quality, Brady and Cronin (2001) developed a new set of scales to assess service quality.

Instead of creating a new set of scale to measure service quality, we modify and restructure the existing SERVQUAL model following suggestions from the literature to see whether the restructured SERVQUAL model indeed fits the data better than the extended SERVQUAL (six dimensions) model. Consistent with Cronin and Taylor’s (1992, 1994) suggestion, we use the performance based measure rather than the expectancy-disconfirmation measure.

The restructured SERVQUAL model contains three primary dimensions: outcome, process, and tangible. The tangible dimension comes from the original SERVQUAL. The outcome dimension is added by following the suggestion from the literature. The process dimension contains four sub-dimensions from SERVQUAL: reliability, responsiveness, assurance, and empathy. These four dimensions measure the quality of service delivery process (Mangold and Babakus 1991).

We collected data from 467 undergraduate students in a major university located in the midwest region of the U.S. They were asked to evaluate service quality of a restaurant that they have patronized in the last three months.

We conduct mean and variance structural analysis to compare the restructured SERVQUAL model with the extended SERVQUAL model. Model fit indices indicate that both models have a good fit. When comparing two models that are not nested to each other, AIC, CAIC, and ECVI should be used (Shermelleh-Engel et al. 2003). The smaller AIC, CAIC, and ECVI estimates are, the better the model will be. The results indicate that the restructured model is closer to the data than the extended model.

This study confirms and reconciles suggestions that appeared in previous studies. This study restructures SERVQUAL as a multilevel construct and the three primary dimensions can be described as tangibles, process, and outcome of service quality. By restructuring SERVQUAL, we gain a better understanding of the structure and dimensionality of service quality. Future studies should test the restructured model in different industries to gain generalizability.
RESTRUCTURING SERVQUAL

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SUMMARY

Parasuraman, Zeithaml, and Berry (1988) introduced SERVQUAL for assessing customer perceptions of service quality in service and retailing organizations. These authors (1985) first conducted an exploratory study and identified ten dimensions to assess service quality. These dimensions were later combined into five: tangibles, reliability, responsiveness, assurance, and empathy (Parasuraman et al. 1988). The SERVQUAL scale is developed from the expectancy-disconfirmation paradigm. Parasuraman et al. (1985) suggested that the difference between consumers’ expectations about the performance of a service provider and their assessment of the actual performance of the service provider drives the perception of service quality.

Carman (1990) questioned the expectations-performance gap as the basis for measuring service quality. The marketing literature also favors the simple performance-based measures of service quality (Cronin and Taylor 1992, 1994). The empirical results of Cronin and Taylor’s studies support the conclusion that performance based measure is adequate in measuring consumers’ perceived quality in service organizations.

Other authors (Baker and Lamb 1993; Gronroos 1982, 1990; Mangold and Babakus 1991) investigated the dimensionality of the SERVQUAL scale. Arguably, the evaluation of service quality entails both outcome and process quality attributes of service delivery. However, the five dimensions of SERVQUAL mainly focus on the process aspect of service quality (Mangold and Babakus 1991). Omitting the outcome service attributes results in poor predictive validity. As a result, market researchers often add outcome as the sixth dimension of the SERVQUAL scale (Richard and Allaway 1993; Powpaka 1996).

Dabholkar, Thorpe, and Rentz (1996) argued that the service quality construct should have a hierarchical structure that contains three levels: (1) customers’ overall perceptions of service quality, (2) primary dimensions, and (3) sub-dimensions. In other words, they viewed service quality as a higher-order construct that is defined by two levels of attributes. Adopting the conceptualization of multilevel construct of service quality, Brady and Cronin (2001) developed a new set of scales to assess service quality.

Instead of creating a new set of scale to measure service quality, we modify and restructure the existing SERVQUAL model following suggestions from the literature to see whether the restructured SERVQUAL model indeed fits the data better than the extended SERVQUAL (six dimensions) model. Consistent with Cronin and Taylor’s (1992, 1994) suggestion, we use the performance based measure rather than the expectancy-disconfirmation measure.

The restructured SERVQUAL model contains three primary dimensions: outcome, process, and tangible. The tangible dimension comes from the original SERVQUAL. The outcome dimension is added by following the suggestion from the literature. The process dimension contains four sub-dimensions from SERVQUAL: reliability, responsiveness, assurance, and empathy. These four dimensions measure the quality of service delivery process (Mangold and Babakus 1991).

We collected data from 467 undergraduate students in a major university located in the midwest region of the U.S. They were asked to evaluate service quality of a restaurant that they have patronized in the last three months.

We conduct mean and variance structural analysis to compare the restructured SERVQUAL model with the extended SERVQUAL model. Model fit indices indicate that both models have a good fit. When comparing two models that are not nested to each other, AIC, CAIC, and ECVI should be used (Shermelleh-Engel et al. 2003). The smaller AIC, CAIC, and ECVI estimates are, the better the model will be. The results indicate that the restructure model is closer to the data than the extended model.

This study confirms and reconciles suggestions that appeared in previous studies. This study restructures SERVQUAL as a multilevel construct and the three primary dimensions can be described as tangibles, process, and outcome of service quality. By restructing SERVQUAL, we gain a better understanding of the structure and dimensionality of service quality. Future studies should test the restructured model in different industries to gain generalizability.
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Contribution

The existing body of innovation/NPD and alliance related literature could benefit from more work which investigates the linkages between the two streams. Not only does this paper look at an under-researched topic, i.e., whether pursuit of a particular type of alliance (equity vs. non equity; horizontal vs. vertical; exploration vs. exploitation) influences the type of new products (radical vs. incremental) the firm is able to develop; it also strives to offer a comprehensive theoretical explanation of the proposed linkages. The rationale for my proposed hypotheses has been provided by using various concepts like organizational learning, inertia and flexibility, complementary capabilities, cooperation and trust, strength of ties (from social network theory) and exploration-exploitation theory. This rich multi-dimensional theoretical justification provides conceptual refinement by distinguishing the differential impact of the various types of alliances on the radical product innovation of firms. Additionally, the theoretical explanations in the study can lend insight to managers as to how to leverage their competencies to achieve the appropriate level of synergy with their alliance partners. References are available upon request.
MAKING MORE OR FEWER BUT CLOSER FRIENDS: THE SALES IMPACT OF THE BREADTH AND DEPTH OF A FIRM’S ALLIANCE RELATIONSHIPS

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SUMMARY

Research Hypotheses

Conceptually, there are two different strategies a firm can employ when establishing its alliance portfolio. First, a firm can increase its alliance relationship breadth by forming a broad range of alliances with many one-time partners, or second, the firm can form a large number of alliances with a small set of long time partners. I explore empirically the performance impact of a firm’s portfolio of alliance relationships where I characterize this portfolio in terms of its breadth and depth, measured by the quantity of alliance relationships.

As a firm increases the number of its one-time partners, it gains access to resources of a broad range of partners. I hypothesize that the relationship between a firm’s alliance relationship breadth (i.e., number of one time partners) and its performance is inverse-U shaped. Thus, increases in the number of one time partners initially generate a net benefit to the firm with diminishing and eventually negative returns at higher levels (Hypothesis 1). A deep alliance relationship, where partners had multiple prior relationships with each other, is usually associated with a high level of inter-partner trust, communication, and cooperation. I hypothesize that a firm can improve its performance, holding fixed the number of alliance partners, by developing deep alliance relationships with these partners, i.e., by increasing the number of long time partners (Hypothesis 2). A firm’s alliance managing capability and resources are limited. There is a trade-off between the breadth and the depth of ties in a firm’s alliance portfolio. I posit that a firm’s performance decreases in the interim as it moves from breadth to depth in its alliance strategy. Thus, a mid-range combination of relationship breadth and depth generates negative performance while both the broad relationship alliance strategy and the deep relationship strategy generate positive firm performance (Hypothesis 3).

Sample and Methods

The principal source of the alliance data is the Security Data Corporation (SDC) strategic alliance and joint venture database. The firm sales data come from the well-known Compustat data base. I focus on a sample of 516 firms, each forming more than one alliance with the same partner(s) between 1992 and 2000 and having sales data for at least five years. I use annual sales to measure the dependent variable firm performance. Quantity, i.e., the number of different types of partners the focal firm has alliances with, is used as a proxy for alliance relationship breadth or depth. Specifically, N1, the number of partners with which the focal firm formed one alliance, measures the breadth of the focal firm’s alliance relationships while N6, the number of partners with which the focal firm formed six or more alliances, measures the depth of the focal firm’s alliance relationships. If a firm focuses on increasing N2, N3, N4, or N5 (i.e., the number of partners with which the focal firm formed two, three, four, or five alliances) in its alliance portfolio, it adopts a mid-range combination of average breadth and depth. The focal firm’s industry uncertainty is included as a control variable.

I use the following fixed effects lagged independent variable model to ensure that there is no reversal causality (i.e., successful firms add alliances because they have more resources) and to remove fixed firm effects (by first differencing):

\[ Y_{it} - Y_{it-1} = (X_{it-1} - X_{it-2})b_1 + (\text{Industry Risk}_{it-1} - \text{Industry Risk}_{it-2})b_2 + \epsilon; \]

where the dependent variable \( Y_{it} \) denotes firm i’s sales at time t; the independent variable \( X_{it-1} \) refers to firm i’s alliance relationship breadth / depth structure, i.e., N1, N1/2, N2, N3, N4, N5, and N6, at time t-1, and Industry Risk_{it-1} refers to firm i’s industry risk at time t-1.

Results and Discussion

Empirical results of this study support all the three hypotheses. Thus, this study shows that increasing alliance relationship breadth tends to improve a firm’s sales (although this benefit diminishes and eventually becomes negative at higher levels of breadth). I also find that as a firm continues to add to its alliance portfolio partners with which it had only two relationships, its performance decreases. Furthermore, I find a firm’s sales ultimately improves as it increases the number of long time partners with which it formed more than five alliances. These deep relationships with multiple long time partners contribute positively to a firm’s sales growth over a long-term.
Given the dearth of prior research on alliance portfolio management, this research adds to our understanding of how to manage alliance portfolios to improve firm performance. Quite contrary to most managers’ expectation that their firms can benefit from allying with more partners, I find that forming alliances with some partners will actually hurt their firms’ performance. Adding different types of partners has different impact on firm performance. References available upon request.
BOUNDARY SPANNERS AS A STRATEGIC RESOURCE: THE VITAL ROLE OF INFORMATION FLOW

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SUMMARY

In recent years the focus of the exchange relationship has shifted from transactional to relational exchanges, and the value of these relational exchanges can be seen as a key strategic resource to the firm (Achrol and Kotler 1999; Day and Montgomery 1999; Homburg, Workman, and Krohmer 1999; Varadarajan and Jayachandran 1999; Webster 1992). For example, relational exchanges can increase inter-member satisfaction, reduce the likelihood for defection from the relationship, and aid in the flow of tacit knowledge between organizations. Interestingly, much of the value of these relationships are embedded in social relationships and networks (Uzzi 1999). As such, the ability to access this value is dependent on human agents. These agents are better known as boundary spanners because they represent the critical link and interface between organizations. Haytko defines boundary spanners as “economic agents representing their firms contractually to achieve specific goals” (Haytko 2004, p. 312).

As the importance of the relationship among organizations increases, so does the value of the boundary spanner. In some cases, a boundary spanner may be the only link between two organizations, potentially creating a vulnerability in the firm’s relationship with their customer (Bendapudi and Leone 2002). Knowledge of the customer (both tacit and explicit) provides the boundary spanner the ability to increase the value of the relationship by gaining access to important decision makers in the client firm. Yet this information is difficult to obtain and transfer to the boundary spanners firm.

Whereas the ability to transfer knowledge is important in the boundary spanner role, the willingness and intent to do so is potentially critical. That is, boundary spanners must have the incentive to transfer this knowledge. When boundary spanners withhold knowledge, critical latent value in the interfirm relationship may remain dormant and is not appropriated by the boundary spanner’s firm. As such, the governance of boundary spanners involves something of a conundrum for the organization. Because boundary spanners obtain knowledge which is not readily observable or verifiable by the organization, they have an ability to withhold this knowledge rather indiscriminately. On the other hand, they have the ability to control how much information and tacit knowledge is released. Importantly, the boundary spanner’s embeddedness in the interfirm relationship as well as his or her control over critical information and knowledge renders many traditional governance mechanisms inefficient or ineffective. The purpose of this paper is to identify the difficulty of governing the boundary spanner and to develop theory to explain how these mechanisms as well as elements from the broader environment affect the flow of information from boundary spanners to the organization.

Whereas agency theory was first proposed to explain the problems arising when there is a separation of ownership and control within an organization (e.g., between the top managers and shareholders) (Jenson and Meckling 1976), it is also applicable to the boundary spanning situation. That is, because boundary spanners are agents of their respective organization, agency theory provides a theoretical foundation to explicate the problems which can arise for the organization employing the boundary spanners as well as the types of mechanisms often proposed to ameliorate these problems. According to agency theory, potentially differing goals as well as information asymmetry between the principal (e.g., the employing organization) and the agent (e.g., the boundary spanner) may allow the agent to engage in behaviors which benefit himself or herself at the expense of the organization (Eisenhardt 1989). For example, the agent may purchase excessive perquisites (Jenson and Meckling 1976), or engage in periodic shirking behavior (Kidwell and Bennett 1993), or otherwise engage in activities which provide no value to the organization. Oftentimes the risk preferences of the agent and principal differ wherein the agent is more risk averse (Amihud and Lev 1981). This is problematic for the principal because it reduces the likelihood that the agent will engage in reasonable risk taking and therefore reduces the potential upside returns available to the principal (Certo et al. 2003).

Agency theorists have proposed that certain safeguards can mitigate the agency problem a priori. These mechanisms include monitoring, incentivizing, and bonding the agent (Eisenhardt 1989; Williamson 1988). We argue, however, that the boundary spanning position renders these mechanisms increasingly impracticable in reducing the agency problem. Importantly, most governance mechanisms are unable to recognize the importance of tacit knowledge because this information is secondary to the functional role of the boundary spanner.
The value of the boundary spanners and the information they hold is based on the resource-based view of the firm (Barney 1991; Homburg et al. 1999; Wernerfelt 1984). The ability to obtain undervalued resources is often based on the possession of tacit knowledge and superior insight (Makadok 2001). For example, boundary spanners may maintain key contacts which provide them with private information concerning future activities. By knowing the future activities of their client firms before others do, boundary spanners may preempt competitor offerings. Alternatively, they may develop a new service for the client to increase the size of the account.

In this paper we examine the information flow between the boundary spanner and the principal (or management) in the organization. When the boundary spanner holds useful, but many times tacit, information, there are several conditions that will moderate this flow. We evaluate the conditions that may motivate the boundary spanner to freely share this information and the conditions that may motivate the boundary spanner to withhold, or even manipulate the information shared with the firm. We also evaluate the impact of traditional agency mechanisms on the sharing of tacit information between the boundary spanners and the firm. This is done under three categorical conditions — individual, firm level and environmental. Individual-level conditions include the role of (perceived) justice, and role stress on boundary spanners. Firm-level attributes involve the impact of governance models — specifically monitoring and incentives. Environmental conditions examine the impact of poor firm and individual performance and downsizing on the boundary spanners willingness to share information. References available upon request.

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MANAGING PORTFOLIOS OF PRODUCT ALLIANCES

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SUMMARY

Alliances are ubiquitous in today’s competitive environment and account for an estimated 25 to 40 trillion dollars in economic value. Firms across a wide swathe of industries are increasingly relying on alliances to achieve their product development objectives. Such efforts to ally with partners encompass the complete product development process – discovery, development, and commercialization. Given the many benefits of alliances, it is not surprising to find widespread agreement in the business and academic press that firms’ performance objectives are best served by building extensive and diverse alliance portfolios.

Yet up to 70 percent of alliances fail (Park and Russo 1996). The sobering failure rate may be attributed to the propensity of firms to routinely under-estimate the resources required to establish, coordinate, and manage multiple alliances. The proposed research questions the strong endorsement of establishing alliance portfolios. Contrary to current thought, we argue that not all firms are well suited to undertake multiple alliances.

In this research, we focus on two characteristics of alliance portfolios – portfolio depth (the number of alliances the focal firm engages in) and breadth (the range of product-markets over which the firm has alliances). We argue that firms with deep and broad portfolios will achieve high levels of alliance performance. However, with increase in alliancing activity, the need for resources to implement, coordinate, and manage these alliances increases. Although researchers have recognized the complexities and costs associated with alliances (Parkhe 1993; White and Lui 2005), their impact on alliance performance remains unexplored. After a point, further increases in portfolio depth and breadth are likely to result in diminished performance, as the firm encounters resource constraints in managing these very same alliances. The question that arises is: Can firms ameliorate (delay or weaken) the inevitable performance reversal?

We propose that firms can support a deeper and broader alliance portfolio by adopting two types of strategies. Firms adopting resource-economizing strategies develop portfolio configurations that require lesser resources, either by partnering with other firms with whom they have already allied, or by optimizing the collaboration required across the alliances they undertake. A second means of coping with resource constraints is to adopt a resource-enhancing strategy – that is, to garner access to additional resources, either internal or network-related. Together, each of the resource-economizing and resource-enhancing strategies is hypothesized to moderate the relationship between portfolio depth/breadth and alliance performance. This research examines the effect of “. . . strategic alliances that alter the competitive structure and practice of an increasing number of industries” on firms’ new product development efforts (Wind and Mahajan 1997). We call for caution in alliancing activity; however, by appropriately managing alliance portfolios’ resource requirements, firms can minimize the risk of alliance failure.

REFERENCES

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SATISFACTION IN INTERNATIONAL CHANNEL RELATIONSHIPS: A LOCAL CHANNEL MEMBER PERSPECTIVE

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SUMMARY

With the increasingly globalized distribution of goods, multinational firms’ ability to maintain effective relationships with channel members across national borders has become a crucial asset to success (Leonidou, Katsikeas, and Hadjimarcou 2002; Zhang, Cavusgil, and Roath 2003). Since channel member satisfaction is strongly related to relationship quality and continuity (Ping 2003), it is a key characteristic of well-functioning marketing channel relationships (Dwyer 1980; Robicheaux and El-Ansary 1975). Limited knowledge exists regarding the role of satisfaction in cross-national channel relationships. Initial insights were provided by Klein and Roth (1993) who conceptualized satisfaction in terms of how satisfied multinational corporations are with their local channel members in foreign markets. Indeed this “central” focus on the headquarters of multinationals tends to be the dominant approach in research on international marketing (see Li and Cavusgil 1995). Yet, local channel members play a vital role for multinational corporations since they not only provide access to desired target markets, but are also local implementers of the relevant corporate marketing strategy (Arnold 2000).

Little is known about what constitutes satisfaction of local channel members in international marketing channels and how varying degrees of satisfaction impact these relationships. The present research (a) develops a conceptualization and measurement approach for satisfaction in international marketing channels from the perspective of local channel members, (b) assesses consequences of satisfaction in international channel relationships, and (c) tests the moderating role of environmental variables on the relationship between satisfaction and its consequences.

Initially, 45 industry experts of the industrial goods sector were personally interviewed to establish a deepened understanding of the underlying dynamics of international channel relationships and reveal the conceptual dimensions including corresponding relevant indicator variables of the construct of channel member satisfaction. The interviews suggest that satisfaction in international marketing channels is a seven-dimensional construct, comprised of a local channel member’s satisfaction with multinational headquarters’ products, marketing support, order handling, fairness, financial support, communication, and cultural sensitivity.

A quantitative study was carried out to test a conceptual model, which proposes that channel member satisfaction predicts trust, commitment, and the level of conflict in cross-national channel relationships. With reference to Bagozzi (1981), we employed a second-order factor to represent the overall satisfaction construct and modeled it as a predictor of the outcome variables. It was further proposed that competitive intensity and international headquarters’ output control moderate the relationship between satisfaction and its consequences. Our sample consisted of 236 European wholesalers involved in the international distribution of industrial goods. Structural equation modeling using Lisrel 8.71 was employed.

The findings provide evidence of convergent and discriminant validity as well as internal consistency the developed measure of channel member satisfaction. The proposed main effects were supported. That is, satisfied local channel members demonstrate superior levels of trust in and commitment to cooperating multinational cooperations, whereby perceived satisfaction helps to reduce conflicts in international channel relationships.

Findings regarding the proposed moderating effects were mixed: Competitive intensity does not appear to moderate the impact of satisfaction on conflict and commitment, but reduces the strength of the impact on trust. Similarly, output control does not moderate the relationship between satisfaction and trust and commitment, but exerts a negative influence of the impact of satisfaction on conflict. References are available upon request.
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GLOBAL ACCOUNT MANAGEMENT PRACTICES:
DRIVERS AND OUTCOMES

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SUMMARY

Market openness has increased the speed, frequency, and magnitude of access to national markets by a new and more diverse set of competitors. As a result, there is increasing pressure on firms to serve customers beyond their home markets. In response to these growing challenges and opportunities, many companies have begun to rely on global account management (GAM). Global account management (GAM) refers to organizational forms and processes within a global supplier organization by which specialized personnel or teams centrally coordinate worldwide selling activities to serve global accounts (Montgomery and Yip 2000). Despite its importance and prevalence in many MNCs, scholarly research on GAM is in its nascent stage. Extant GAM literature has focused primarily on the internal and external forces affecting GAM programs, and GAM program design. What is missing in the literature is an empirical assessment of a theoretically based integrative framework that links the drivers and outcomes of GAM practices.

Zou and Cavusgil (2002, p. 42) conceptualize global marketing strategy (GMS) as “the degree to which a firm globalizes its marketing behaviors in various countries through standardization of the marketing-mix variables, concentration and coordination of marketing activities, and integration of competitive moves across the markets.” We extend GMS into the domain of global account management by conceptualizing GAM practices as the degree to which a firm utilizes standardization, coordination, and global integration when serving global account customers. According to GMS theory, external globalizing conditions are key forces that may prompt a firm to adopt a global strategy (Zou and Cavusgil 2002). Drawing on both Zou and Cavusgil (2002), as well as extant GAM literature, we posit three conditions as important drivers of GAM practices – global customer demand, global strategic priority, and globalization. We also propose that GAM practices are positively related to two performance outcomes – GAM performance and continuity expectation. GAM performance refers to the extent to which a GAM program achieves enhanced market outcomes for the supplier. Market outcomes include customer satisfaction, customer value, desired growth, new product introductions, and customer retention. A key indicator of success for any inter-organizational relationship is the likelihood that the relationship will be long-lasting. We define continuity expectation as the supplier’s belief that the relationship with a global account customer will continue for a long time.

We tested our model using data gathered using a cross-industry online survey of companies that are members of the Strategic Account Management Association. The adequacy of the measurement model was assessed by evaluating the reliability of individual items, the internal consistency between items expected to measure the same construct, and the discriminant validity between constructs. The hypothesized relationships in our model were analyzed using partial least squares (PLS). PLS is most appropriate when sample sizes are small, assumptions of multivariate normality and interval scaled data cannot be made, and when the primary concern is with the prediction of dependent endogenous variables (White et al. 2003). To determine the stability and significance of the parameter estimates, t-values were computed on the basis of 500 bootstrapping runs. The variance explained for endogenous constructs ranged from .29 to .53.

We find that global customer demand, global strategy priority, and globalization are significant drivers of four GAM practices – standardization fit, horizontal coordination, vertical coordination, and global integration. Our results also show that both horizontal and vertical coordination are positively related to GAM performance and continuity expectation.

Based on our results, we recommend that an assessment of a supplier firm’s ability to coordinate with global accounts should probably start with an understanding of the firm’s strategic priorities. We find that coordination is significantly improved when supplier firms place a high priority on global accounts, are willing to treat global account customers preferentially, and when information about global accounts is shared within the firm. Exogenous conditions such as global customer demand and globalization are significant drivers of GAM practices, but these factors are largely beyond the control of managers.

We also suggest that suppliers can improve GAM performance and increase the life of global account relationships by focusing on horizontal and vertical coordina-

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Global account management entails a multilayered relationship involving top executives and sales/purchasing representatives from both the supplier and the buyer. From an intra-organizational perspective, global account executives should carefully assess the functional collaboration and support for their GAM programs. From an inter-organizational perspective, global account executives should seek new ways to improve coordination to ensure timely and consistent services worldwide. The central thrust of a GAM cross-country coordination process is to leverage a supplier’s worldwide strategic resources to achieve coordination and flexibility simultaneously. To serve the needs of a global account on a worldwide basis, a multinational supplier must be able to “cross-subsidize” its operations in some markets with resources generated in others and respond to competitive attacks in one market by counterattacking in others. References available upon request.

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PERFORMANCE OF MULTINATIONAL FIRMS’ SUBSIDIARIES: A LEARNING PERSPECTIVE

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SUMMARY

How to achieve high performance in foreign markets has long been a core question in the international business and strategy field. Researchers have sought to understand the ways to reduce the liability of foreignness and the drivers of competitive advantages of non-native firms in foreign markets (Peng 2004; Zaheer 1995). Despite of decades of efforts, there are still challenges remaining indicated by the fragmentation of answers offered. Theoretically, organizational learning in foreign markets can help firms develop new capabilities and enhance their performance. Yet to date, we still lack of empirical evidence of the performance implication of organizational learning in foreign markets.

In this study, we take a learning perspective to investigate whether multinational firms’ learning contributes to high performance in foreign markets. We aim to contribute to the literature through examining the effect of organizational learning on foreign subsidiary performance using objective financial performance measure. Moreover, through observing the whole entry sequence of multinational firms from the very beginning in a foreign market, we can develop refined measures of experience including general entry experience, entry specific experience, and exporting experience. Thus, we are able to differentiate the effects of different types of experience on subsidiary performance more accurately. We also examine two levels of learning effects, including learning at parent firm and subsidiary level.

Theory and Hypotheses

Organizational learning involves the acquisition of knowledge that is useful to the organization. Recently, researchers have adopted the organizational learning perspective and posited that firms make investments in foreign markets not only to exploit their existing specific advantages but also to develop new competitive advantages (e.g., Barkema and Vermeulen 1998; Chang 1995; Shan and Song 1997; Makino et al. 2002; March 1991). Firms can learn from different sources including from their direct experience, from previous decision outcomes, and from observing the experience of other firms. Learning by doing is one of the most important mechanisms of organizational learning. Foreign firms generate and accumulate knowledge from their own entry experience incrementally (Johanson and Vahlne 1977, 1990). Based on the organizational learning theory, we examine two levels of learning of multinational firms. For learning at parent firm level, we develop measures of experience including general entry experience, entry specific experience, and exporting experience and investigate the effects of subsidiary performance. For learning at subsidiary level, we also examine each subsidiary’s experience in a host market. Specifically, we hypothesize that

H1a: Firms’ general entry experience has a positive effect on subsequent subsidiary performance.
H1b: As firms’ general entry experience increases, its contribution to subsequent subsidiary performance decreases.

H2a: Firms’ entry specific experience has a positive effect on subsequent subsidiary performance.
H2b: As firms’ entry specific experience increases, its contribution to subsequent subsidiary performance decreases.

H3a: Firms’ exporting experience has a positive effect on subsequent subsidiary performance.
H3b: As firms’ exporting experience increases, the contribution of exporting experience to subsequent subsidiary performance decreases.

H4: Foreign subsidiaries’ experience is positively related to their performance in foreign markets.

Methodology

We focused on subsidiaries of large U.S. firms operating in China. We firstly compiled a longitudinal dataset consisting of large U.S. firms’ sequential entries into China from 1979 to 2002 from a trade magazine titled the China Business Review. We then combined the entry data with the database of annual National Registration for Foreign Invested Enterprises in China. We matched the entry database with the database of foreign invested enterprises of 2000. Finally, we got 326 subsidiaries of 81 parent firms. The method of generalized estimating equations (GEE) was employed for this study.
Results and Discussion

We get strong empirical evidence of the positive effect of organizational learning on subsidiary performance of multinational firms. We find that firms’ general entry experience has no effect on their subsequent subsidiary performance. On the contrary, entry specific experience and exporting experience exhibit positive effects on the performance of foreign subsidiaries. The results provide support that the effect of exporting experience will get weaker as firms accumulate more entry specific experience. We also find that both levels of learning exhibit significant effects on subsidiary performance.

This study departs from previous work and attempts to extend the literature in the following ways. First, most previous research only investigates the effect of organizational learning either at firm level or at subsidiary level. In this study, we examine both of the two levels of learning of multinational firms. Second, previous research relies on firms’ survival rate and perpetual measures of performance. We examine the effect of learning using an accounting based performance measure: return on sales. This study substantiates our understanding of the performance implication of organizational learning in foreign markets. References are available upon request.

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THE SALES FORCE AS SEEN FROM THE EXECUTIVE SUITE: DOES COMPETITIVE INTENSITY MATTER?

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SUMMARY

Sales executives and their subordinates perform important tasks directly influencing organizational performance. Amongst others the sales function plays a major role in strategy formulation and implementation and provides an organization with links to its most vital stakeholders such as customers and prospects. As sales executives are embedded in complex systems they rely on mental models, i.e., simplified representations of the world, when making managerial decisions. Studying executives’ mental models of organizational phenomena is meaningful for several reasons. Mental models form the basis of executive decision making (Tripsas and Gavetti 2000). Critical business decisions are often made under time restrictions with underlying conflicting objectives, and in novel situations in which there is both excessive and missing information. Within the context of these stressors and the limited information processing capability of human beings (Simon 1955), executives will develop mental models to help make decisions (Kiesler and Sproull 1982; Tripsas and Gavetti 2000). These mental models permit executives to deal with the sheer volume of data which would otherwise deter managers from extracting meaning and making “good” decisions (Fiske and Taylor 1991; Simon 1955). Furthermore, it has been argued that market environments are ambiguous realities (e.g., Porac and Thomas 1990; Sutcliffe and Huber 1998; Weick 1979) and it can be assumed that this is also the case for a firms internal environment. Constructs such as competencies, resources, and competitive advantages are abstractions of the “reality” which are stored as mental models in the long term memory of executives. The meaning of these abstractions is affected by experience, selective search and attention, selective perception, simplification, and other factors (Day and Nedungadi 1994). Hence, individuals are likely to possess different mental models of the same phenomenon depending on both their personal characteristics and environmental contingencies.

Executives’ mental models have been studied in marketing (e.g., Clark and Montgomery 1999; Day and Nedungadi 1994), organization science (e.g., Daniels et al. 2002; Walsh 1995), and strategic management (e.g., Huff 1990; Huff and Jenkins 2002). Despite the growing interest in studying executives’ mental models in management and related disciplines and the stated necessity of further research, such calls have not been echoed intensively from sales management research. Hence, we examine the following research questions in our study.

Research Question 1: What are the essential attributes by which sales executives’ distinguish different competing sales forces?

Research Question 2: What is the perceived influence of the sales force attributes on sales unit financial performance?

Research Question 3: Is sales executives’ declarative knowledge of the sales force related to the competitive intensity of the environment?

Sales executives from 74 Swiss industrial manufacturing firms agreed to participate in the study, reflecting a response rate of 36.1 percent. All respondents hold top management positions and have a direct responsibility for their company’s sales force. We applied repertory grid technique in this study to elicit the attributes on which sales executives distinguish between competing sales forces. Repertory grid technique is a semi-structured interview technique developed by Kelly (1955) and used in clinical psychology settings to elicit and analyze mental models. Following the repertory grid interview process, we asked respondents to complete a short self-administered questionnaire through which we measured perceived competitive intensity and basic demographic information. After completing the repertory grid interviews we performed a content analysis (Kassarjian 1977; Miles and Huberman 1994) to identify a valid set of sales force attributes.

Based on the content analysis’ findings we extracted 40 distinct sales force attributes representing the aggregate declarative knowledge of sales executives when referring to the sales force as a reference point (research question 1). The attributes mentioned by most of the interviewed sales executives, include know-how of salespeople (71 absolute mentions; 96% of the respondents), product range of the company (57; 77%), geographical scope (56; 76%), sales force size (52; 70%), and distribu-
tion channels (50; 68%). To address research question 2 regarding the perceived influence of sales force attributes on financial sales unit performance, managers were asked to assess each sales force attribute on a 7-point scale anchored by “1” (very high influence) and “7” (very low influence). The sales force attribute customer acquisition (1.43) has been rated as having the highest influence on SUP, followed by the innovativeness of the sales force (1.53), salespeople’s network (1.60), and trust (1.68). To examine the influence of competitive intensity on sales executives’ declarative knowledge (research question 3) we split the sample into two groups based on the respondents’ assessment of competitive intensity in their industry. Results of the χ² tests and the Fisher tests indicate that the frequency of mentioning of eight of the 40 sales force attributes differs significantly between the low and high competitive intensity group. Attributes such as innovativeness (χ² = 7.02, p < .01), distribution density (χ² = 6.64, p < .02), company/brand image (χ² = 2.60, p < .10), partnerships and alliances (χ² = 8.14, p < .01), and price level (χ² = 3.13, p < .08) occupy a more salient position in the knowledge structure of sales executives working within highly competitive environments than executives working in a less competitive environment. Our results suggest that the sales executives’ mental models differ when the competitive environment is considered. Managerial and research implications are discussed and future research needs are examined. References are available upon request.

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THE IMPACT OF SALES MANAGER CONTROL: THE ROLE OF MANAGER CONTROL COMPETENCIES, MANAGER EXTRA-ROLE PERFORMANCE, AND CRITICAL SALES SKILLS

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SUMMARY

Several factors in business-to-business marketing and selling mandate renewed attention to the effective management of sales organizations. The traditional tactical role of selling is being transformed in many companies to the strategic responsibility for building and sustaining profitable customer relationships in target markets (Piercy 2006). The growing importance of effectively managing business-to-business customer relationships has been shown in the shift in many companies to more collaborative and relationship-based forms of selling (Weitz and Bradford 1999). The escalating costs of sales and account management (e.g., see Galea 2005) are reinforced by the shift in resources in many organizations from marketing to sales, as executives realise that sales activities are increasingly crucial to attaining many of the top priorities of marketing and business strategy (Webster, Malter, and Ganesan 2005).

There is thus considerable interest in investigating the sources of superior salesperson performance and sales organization effectiveness. Management control is a key dimension of running a sales organization. Sales management control spans a continuum from behavior control to outcome control. Behavior control involves closely managing the day-to-day behavior of salespeople as they carry out their job responsibilities, while outcome control encourages and rewards salespersons' results, such as sales volume, profit contribution, and related outcomes. Research suggests that behavior control is an important antecedent of several attributes associated with superior salesperson characteristics and performance characteristics (Baldauf, Cravens, and Piercy 2005).

In part, our present study was shaped by executives’ questions and comments at regular workshops based in our university. While they see little controversial in the move towards behavior-based control, as a way of leveraging various aspects of salesperson performance, executives express some concerns that at a practical level the control-to-performance relationship may be affected by a variety of contingencies. Such contingencies appear to include manager abilities and motivation, the type of selling situation, and the abilities of salespeople to acquire and implement new skills. Our research addresses the ways in which several of these contingent factors may influence the impact of sales management control strategy on salesperson performance.

The focus of our study is sales management control and its impact on salesperson behavior performance. However, our approach departs from prior research by considering several constructs as significant mediators of the impact of control on sales person performance. Our model tests mediation effects – we propose that our mediators are variables that establish how and why control predicts performance – rather than moderation, i.e., proposing when or for whom a variable most strongly predicts or causes an outcome variable. Our mediators are: sales manager competencies in behavior control activities; sales manager extra-role performance; and, the critical sales success factors which provide the managerial imperatives for the sales supervisor.

Utilizing data from a sample of field sales managers in U.K. companies, our results demonstrate that sales manager control competencies, sales manager extra-role performance, and critical sales success factors, play a substantial mediating role between sales manager control level and salesperson behavior performance.

Our study makes several relevant contributions to the sales management control research stream. These contributions center on the modeling of mediators between sales manager control level and salesperson behavior performance. Most important of these is sales manager behavior control competencies. Prior research has not considered the role of sales manager control competencies (i.e., how well managers perform behavior control activities), instead examining the level of control activities (monitoring, directing, evaluating, and rewarding activities), or the form of control (e.g., behaviour-based versus outcome-based). There is strong supporting logic that managerial competencies are important and insightful in examining initiatives like control strategy, but ours is the first attempt to include this construct. We show the sales manager competencies construct to be significant to the impact of behavior control on salesperson behavior performance. Attention should focus not just on what sales managers do, but how well they do it.
In addition, we examine the mediation role of sales manager extra-role performance and critical sales success factors. In both cases our analysis support a strong mediation effect on the relationship between sales management control level and salesperson behavior performance. Our results underline the importance of a manager’s extra-role performance to enhancing in-role effectiveness, as well as the impact of clear priorities for salesperson skill levels and types in the selling situation concerned. These findings also suggest important practical issues for managers to consider in the implementation of sales control strategy, as well as several promising research directions. References available upon request.

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ONLINE CUSTOMER-TO-CUSTOMER COMMUNICATIONS AS DRIVERS OF RELATIONSHIP QUALITY AND PURCHASE BEHAVIOR

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SUMMARY

Although marketers are investing in the creation of facilities that allow customers to communicate with each other, the extant research has not addressed the communicative aspects of online communities and their impact on relationship outcomes. With the exception of relatively few research (e.g., Balasubramanian and Mahajan 2001; Xue and Phelps 2004), online community research has yet to study the impact of product-related communication behavior between forum members and its marketing implications (Hennig-Thurau et al. 2004). The purpose of this research is to investigate the impact of online customer-to-customer (C2C) communications on customer–firm relationship quality and, subsequently, purchase behavior. We develop and test a theory-based model of the value of online C2C communications in developing desirable customer–firm relationship outcomes and ultimately, the customer’s purchase behavior.

The conceptualizations in this study were developed by integrating the relationship marketing literature (e.g., DeWulf et al. 2001) with the interpersonal communications literature (e.g., Berger and Calabrese 1975). We propose that online C2C communications have a positive impact on uncertainty reduction which, in turn, has a positive effect on relationship quality. Also, we hypothesize that relationship quality has a positive influence on the customer’s purchase behavior (relationship length, relationship depth, and relationship breadth). Further, the impact of online C2C communication quality on uncertainty reduction depends on the levels of expertise and product complexity as well as the communication setting. Also, the influence of uncertainty reduction on relationship quality is moderated by the valence of the information exchanged. We theorize that the effect of relationship quality on customer purchase behavior is moderated by switching costs and the customer’s level of relationship proneness.

Drawing on uncertainty reduction theory (URT), this study argues that, online C2C communication reduces the level of uncertainty about the firm and its products/services. The key premise of URT is that the onset of a relationship is characterized by high levels of uncertainty (Berger 1987), and because uncertainty is difficult to deal with, relationship partners communicate seek information in order to reduce the levels of uncertainty (Berger and Calabrese 1975). As information acquired about a relationship partner increases, the level of uncertainty for the partner and about the relationship decreases (Crosby et al. 1990; Doney and Cannon 1997; Parks and Adelman 1983), allowing the relationship to strengthen. Similarly, during online C2C communication, customers acquire pertinent information that can be used to reduce uncertainty about the online firm.

This study focuses on the kind of C2C communications that occur on discussion boards/online forums. The study used a multi-method approach to investigate the value of online C2C communication in developing desirable customer–firm relationships and ultimately, purchase behavior. Three phases of data collection were used: survey, netnography, and objective purchase data. In phase one, 394 forum members from two online forums were contacted via email to complete an online survey. Of the 394 participants who were solicited, 45 surveys were returned as undeliverable. Two hundred twelve useable surveys were completed between the two forums, representing a response rate of 53.81 percent. The survey was used to measure the following constructs: uncertainty reduction, relationship quality, valence of information exchanged, perceived personal expertise, perceived respondent expertise, product complexity, switching costs, and relationship proneness.

In phase two, netnography was used to quantify the conversations that occurred among forum members between November 2004 and October 2005. Here, only the conversations of those who completed the surveys were coded. Netnography was used to measure the dimensions of C2C communication quality. Phase three entailed the acquisition of customers’ purchase data from the sponsoring firm (the owner of the corporate-owned forum). The three types of data were combined using the forum member’s unique login ID or username. Customers’ ob-
jective purchase data was not used to test the hypotheses. It was only used to assess the presence of common methods bias, and thus the reliability of the data. The reliability was .92 (p < .01), indicating that the survey data from the corporate-owned forum is reliable. Structural equation modeling was used to analyze the data.

In sum, our results show that online C2C communications reduce a forum member’s uncertainty about the firm, which in turn, enhances the quality of the customer–firm relationship and ultimately, the customer’s purchase behavior, irrespective of where it is hosted. Further the results indicate that the forum member’s perception of his/her expertise heightens the impact of online C2C communications on uncertainty reduction. Also, product complexity moderates online C2C communication such that, the influence of online communication on uncertainty reduction is enhanced when dealing with complex products.

Our results imply that whether the forum is hosted on a corporate-sponsored website or on an independently-owned site is not important. Rather what is vital is that the firm develops and maintains an online forum/message board that allows current and potential customers to interact with each other. Another implication is that companies may be able to draw current and potential customers to their forums by indicating the level of experience that a particular forum member has with the product in question. Our findings also imply that vendors of complex products may be able to recruit customers by advertising on their website that they have a forum with highly experienced members available to answer any questions they might have. References available upon request.

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THE IMPACT OF BRAND PERSONALITY DIMENSIONS ON BRAND PERFORMANCE

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SUMMARY

Developing a successful brand personality is one of the major goals of brand managers. While several researchers have suggested that brand personalities positively impact consumer preferences and usage, evoke emotions and increase level of trust and loyalty, and provide a basis for product differentiation, the amount of empirical evidence supporting the premise that brand personality impacts business performance is negligible (Freling and Forbes 2005a). As Aaker (1997) recommends to focus separate brand personality dimensions rather than personality as a whole when investigating possible outcomes, this study investigates if and how the performance of brands and businesses is based on the underlying dimensions of brand personality.

The most prominent approach to conceptualizing and measuring brand personalities is Aaker’s brand personality scale (Aaker 1997). The scale covers five dimensions: sincerity, excitement, competence, sophistication, and ruggedness. Aaker argues that three of the brand personality dimensions are related to the “big five” in human personality research: agreeableness is related to sincerity, extroversion to excitement, and conscientiousness to competence. However, sophistication and ruggedness differ from any of the human personality dimensions. Based on the partial correspondence between the human personality and the brand personality concept, we assume a correspondence between success in life due to an individual’s personality and the market success of a brand having a particular brand personality. The argument is rooted in the possibility of transferring the human personality concept and its outcomes to brands. Anthropologists have shown that it is a basic human need to animate nonliving objects in order to simplify the interaction with these objects. Freling and Forbes (2005b) argue that people anthropomorphize objects in order to make them more familiar, more comfortable and less risky, and therefore also consumers who feel more familiar, comfortable, and confident with a brand may also favorize the brand over other brands. By this, particular brand personalities may be related to performance outcomes. The performance of the personality also depends on its distinctiveness. Distinctiveness of a brand personality has been suggested as a main factor of brand personality success because it resembles the idea of a successful differentiation of a brand (Lannon 1993; Wee 2004). A strong brand personality that impacts brand and business performance can be conceived as a favorable and distinctive brand personality. In order to identify the distinctiveness and favorable-ness of brand personalities, we refer to the single brand dimension. Studies in human personality research support a positive relationship between extraversion and conscientiousness and an individual’s success in life. We assume that the corresponding dimensions of brand personality (excitement and competence) also have a positive influence on brand performance. Based on the argument that distinctiveness also contributes to brand performance, we further assume that the overall profile provided by the brand personality dimensions also contributes to brand performance. If a brand personality scores high on the successful dimension and low on the less successful dimensions the whole personality is more successful than a brand whose scores on the different dimensions do not reveal such a proliferate profile.

To test our assumptions, we relied on the Interbrand ranking that provides performance data of the top 100 brands for the period 2001 to 2005. From this database, we choose 52 brands familiar to German students. A convenience sample of 607 students had to evaluate one brand each by applying Aaker’s brand personality scale. The brand personality measure shows rather good measurement qualities for each dimension: .80 for sincerity, .88 for excitement, .82 for competence, .80 for sophistication, and .65 for ruggedness. To measure brand performance, we took into account the development of a brand’s performance by summing up the percent differences between the brand values of two following years over a five-year period.

To analyze the influence of the personality dimensions on brand performance, we took the average values of each brand and applied a weighted regression analysis (weights were given by the questionnaire frequencies of each brand). Excitement has a significant positive impact. The impact of competence is not significant, but the sincerity dimension leads to significant negative effects. Next, we analyzed the impact of the distinctiveness of the dimensions of each brand. We used as independent variable for each dimension the difference $D$ between the value of the particular dimension $i$ of a brand and the mean of the values of the remaining $k$ dimensions of this brand; this value is weighted by the variance of the values of the remaining $k$ dimensions. When performing bivariate re-
gressions for each of the predictor variables in order to avoid problems of interdependence of the independent variables, none of the models yields significance besides the model testing the effect of the dominance of the excitement dimension on brand performance.

The results show that excitement serves as a brand personality dimension that predicts brand performance. In contrast to human personality research, competence does not contribute to brand performance. As suggested by (Aaker 1997), brand personalities might operate in different ways than human personalities. Even if there is only a partial correspondence with human personality research, our study basically supports the anthropomorphism underlying the transfer of human personality success to brand personality performance. Since particularly excitement contributes to a brand’s success, the results support the idea that a brand’s success depends on its affect-based nature but not on “cognitive abilities.” A successful brand is characterized by strong excitement but weak sincerity; the distinctiveness of the excitement dimension also supports brand success. While those results provide a step towards successful brand positioning, they should be conceived as highly generalized. Further studies could perform separate analyses for different subgroups of brands such as those differing in symbolic and functional value. References available upon request.

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PERCEIVED SERVICE QUALITY AND CUSTOMER TRUST IN A PROFESSIONAL SERVICE SETTING: WHAT DIFFERENCE DOES CUSTOMER EDUCATION MAKE?

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SUMMARY

The authors show that, in complex services selling, customer education can enhance customers’ trust and, thus, act as an important brand differentiator in an increasingly competitive environment. Utilizing data collected from 1268 clients of a global financial services firm, this study models the multi-faceted impact of customer education on the service relationship and its importance in the marketing mix. More specifically, we examine the impact of customer education – defined as the extent to which service employees provide customers with the skills and abilities to utilize critical information (Burton 2002) – on the service relationship.

The financial services sector offers a particularly appropriate setting for studying the dynamic relationships between customer education, expertise and service quality because, firstly, financial services are complex, customized and delivered over a continuous stream of transactions and secondly, because many buyers of such services are relatively unsophisticated users of such services (Crosby, Kenneth, and Cowles 1990) and, thirdly, because customers face uncertainty over technical outcomes (Zeithaml 1981).

Previous research has recognized that customers tend to have difficulties assessing professional services’ outcomes confidently even after purchase because of their high complexity and intangibility (Crosby, Kenneth, and Cowles 1990). Similarly, it is recognized that “expert” clients – those with a rich base of technical experience – may process technical information more analytically and in greater depth and thus feel more confident in assessing technical outcomes. The degree to which customers are aware of the service provider’s services – and the extent to which they trust it – plays a crucial role in customers’ attitudes toward the services provided. Therefore, customer education has a vital role to play in ensuring profitable long-term, interactive partnerships between service providers and their customers.

Furthermore, customer education facilitates brand differentiation. Service providers have to seek out new and measurable ways to enhance brand identity in increasingly complex environments (Keller 1993; Aaker and Biel 1992; Aaker 1991; Maltz 1991) and to find ways of securing long-term customer trust. It has been noted in the literature on competitive strategy that brand identity is a relational asset which is closely tied to the relationships which customers have with brands (Delgado-Ballester and Munuera-Aléman, 2005). Again, we argue that customer education is an important addition to the service process in which firms can achieve trusting relationships with customers and thus build more powerful brands. Marketers will find our research useful in understanding the need to be aware of the dynamic relationships between customer education, expertise, and service quality in driving customers’ attitudes toward the identity of firms.

Our analysis is organized as a conceptual model based on seven hypotheses which are empirically tested. It begins by conceptualizing customer trust as a function of perceived service quality (technical and functional) and customer education. We then explore the moderating effects of increases in customer education on the service quality-consumer trust relationship. More specifically, we suggest that, as customer education increases, functional service quality delivered by advisors will have an increased effect on customer trust in an organization, whereas technical elements or what advisors deliver are expected to have a reduced effect. We also explore a three-way interaction between perceived service quality, customer education and customer expertise based on customers’ ability to assess new information based on prior knowledge (Park and Lessig 1981).

The research design and method is based on a self-administered survey questionnaire to a list of 4,244 clients, randomly chosen from the population of customers classified by the financial services firm as “high value.” High value customers are more likely to interact often with advisors and are thus felt to be better equipped to evaluate quality of service outcomes and delivery. We pre-tested the questionnaire and comments from the firm’s managers and academics in marketing were elicited to assess the content, modify scale items and to assess questions for face validity.

Finally, this paper discusses research implications for creating truly interactive partnerships based on customer education and the role which both functional and technical service quality dimensions play in building such trust. In addition, we suggest new business opportunities.
for brand differentiation and customer loyalty and directions for future research based on customer education's longitudinal impact on consumer purchase behavior, the inclusion of additional variables and replication of our hypotheses and method in different service contexts for even greater generalizability (McKee, Varadarajan, and Pride 1989; Voss and Voss 2000).

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THE FIT BETWEEN BRAND PERSONALITY AND CONSUMER’S SELF: 
THE IMPORTANCE OF SELF-CONGRUENCE FOR 
BRAND PERFORMANCE

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SUMMARY

This paper deals with a specific aspect of brand management: The interaction between a brand’s personality and the consumer’s personality and the implications of this interaction on brand performance. More specifically, the match between a consumer’s personality (the so-called self of the consumer; Rosenberg 1979) and the brand personality (the so-called self-congruence in the self-congruence theory; e.g., Sirgy 1982) may have important implications. With regard to the performance implications of this self-congruence, it is argued that a close match between a brand and its consumers leads to a higher brand performance: A fit between brand personality and consumer (actual or ideal) personality may lead to a more positive evaluation of the brand by the consumer. The consumer can make a statement about himself by buying a brand, which he regards as similar to his actual (current) personality or his ideal (intended) personality (Aaker 1999; Austin, Siguaw, and Mattila 2003; Grubb and Grathwohl 1967; Keller 1993).

Self-congruence thus may affect brand performance. Several prior studies have examined such effects of self-congruence on performance implications. However, those prior studies focus on the fit between the consumers self and brand image and not on brand personality (e.g., Dolich 1969; Mangleburg et al. 1998; Sirgy 1982). They generally have found only limited empirical evidence for performance implications. This may be explained by the idea that the fit between brand image and consumer personality may be not so important for the consumers’ attitudes and buying decisions. The more relevant construct may be brand personality: Brand image also refers to functional attributes and functional benefits of the brand (such as product quality; Plummer 1985). Brand personality focuses on personality traits, which may have a closer link to consumer personality than functional attributes of the brand.

Based on these research deficits the objectives of our study are the following: We intend to conceptually discuss and empirically examine the implications of the congruency between brand personality and consumer personality (i.e., self-congruence). Specifically, our first objective is to examine the effects of self-congruence (actual and ideal self-congruence) on two important brand performance dimensions: brand trust and brand loyalty (Chaudhuri and Holbrook 2001; Fournier 1998; Morgan and Hunt 1994). These performance implications of self-congruence may be affected by moderating variables. Hence, as a second objective, we intend to investigate moderating effects of the relationship between (actual and ideal) self-congruence and brand performance. In order to do so, we examine the involvement of the consumer as a moderating variable of the brand personality – performance relationship.

Results and Implications

We found that actual self-congruence generally tends to have a stronger effect on brand performance than ideal self-congruence. This may be explained by the consideration that consumers put a special emphasis on familiar brands and experiences that confirm their actual self-concept and prefer to avoid experiences that endanger their own self (Festinger 1957; Lecky 1945; Swann, Stein-Serouisse, and Giesler 1992).

We also found that the relationship between self-congruence and brand performance is negatively moderated by the involvement of the consumer. In other words, for highly involved consumers, the fit between their self and brand personality is less important for their trust in the brand. In this context, we furthermore found, that the ideal self-congruence loses its relevance for brand performance among highly involved consumers completely, while actual self-congruence still has some relevance among highly involved consumers.

Future researchers may want to examine other moderators of the self-congruence - brand performance relationship: possible moderators are availability of other (non brand related) information such as information on product quality, brand familiarity of consumers, social interference, and self-value of the consumers. Furthermore, while we focused on the performance dimensions, brand trust and brand loyalty, future researchers may examine other performance dimensions such as brand awareness, attitude toward the brand, or brand equity. Future researchers also may want to take other conceptualizations of the self into consideration – such as
the social self (which is especially relevant in the context of publicly consumed goods). Furthermore, while we examined the preferred fashion brand of respondents future researchers may want to examine not the preferred brand but rather the brand which was bought most recently – resulting in higher variance for the depended variable brand trust and also higher explained variance in the causal models. Finally, self-congruence, as shown, may operate as a heuristic cue once it is established. However, it might require a high level of cognitive effort to establish. Future research may investigate cognitive efforts of the self-congruence development, as it would involve both self-assessment and assessment of a brand personality.

Our results can provide guidance for managers with regard to the creation and positioning of a brand (and its intended personality): Managers should focus on the fit between brand personality and the typical personality of the brands’ consumers in the case of low involvement. This may refer to low-involvement products in general or to customer segments with low involvement. An additional finding was that the ideal self-congruence loses its relevance for brand performance completely among highly involved consumers. In contrast, actual self-congruence still has some relevance for brand performance among highly involved consumers. This finding has important implications for brand management: Targeting highly involved consumers, brand managers should position their brand closer to real-life consumers’ personalities rather than trying to create a brand personality, which aims at consumers’ dreams and ideals. References available upon request.

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CONSUMER BEHAVIOR ON THE INTERNET: TRUST AND PERCEPTION OF SECURITY CONTROL IN THE BRAZILIAN CONTEXT

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ABSTRACT

This article investigates the impact of trust and its antecedents in the acceptance of Internet Banking (IB). Security control, represented by the variables authentication, confidentiality and data integrity, seems to be a significant antecedent of trust, and relevant to explain attitude and behavior to use IB.

INTRODUCTION

Brazil ended the year 2005 with 30 million computers in operation and the forecast is that there will be a computer base of 50 million computers by 2009. In 2005, 6.2 million computers were sold, signifying growth of 24 percent over the previous year. The amount transacted by electronic means between companies represented 19.6 percent, while transactions between companies and consumers represented 7.45 percent of the total transacted (Fundacao Getulio Vargas 2006).

These electronic transactions relate to electronic commerce, which is understood as the performance of business communications and transactions by means of computer networks, more specifically the purchase and sale of products and services and the transfer of funds via digital communication (Reedy et al. 2001). Thus, Internet Banking (IB) operations, the object of this article, fall into the category of electronic commerce. The bulk of transactions via the Brazilian Internet (which rose by 48.5% from 2003 to 2004) involve financial transactions. Between 2003 and 2005 the number of users performing these transactions more than doubled, attaining a total of over 18 million by the end of 2005. These numbers are related to the investments in Information Technology (IT) made by Brazilian banks (US$ 2.1 billion in 2004) (Federação Brasileira De Bancos 2006).

These financial transactions over the Internet are conducted via IB, which, according to Furst et al. (2000), relate to the use of the Internet as a remote distribution channel for banking services, that include traditional services (such as opening accounts and the transfer of funds between accounts) and new services (electronic receipt and payment of accounts by the bank site). From the bank’s standpoint, the use of IB can result in a reduction of costs and enhanced competitiveness. It constitutes a powerful channel in the sense that it can retain clients that are Internet users and are able to access the bank from any location. Furthermore, it opens up opportunities for the bank to develop markets by attracting an Internet user client base. From the client’s perspective, IB makes it possible and convenient to perform the majority of financial transactions from any part of the world and at any time of the day or night.

However, while online services make the citizen’s life easier, the threats and risks of the physical environment are then also transferred and adapted to the virtual environment. For this reason, clients tend to be reluctant to provide personal information to websites, despite the high rate of growth of electronic commerce. According to Suh and Han (2002), clients generally supply generic information such as preferences without much hesitation, but when the information is more sensitive, such as revealing credit card numbers, problems arise. This reticence is due not only to security deficiencies on the Internet but also to the mistrust of clients with such operations. In general, people are worried about the security of online payments, the reliability of companies and the lack of privacy policies.

The scope of this research is to test the initial model based on Suh and Han (2003) to investigate the impact of trust and its antecedents in the acceptance of electronic commerce in the Brazilian environment. IB was chosen as the object for research as bank clients are concerned with security aspects in electronic commerce in which the processing of sensitive information is involved, and sites on the Internet are constantly dealing with client information of this type.

The article is structured in the following manner. This section presented the scope and objectives of the research. The next will present the model to be tested after a theoretical review to support the hypotheses. The third section outlines the method. Then the results are presented and the article is concluded with a discussion of the implications of these results for marketing, as well suggestions for future research.

MODEL AND LITERATURE REVIEW

To represent the acceptance of electronic commerce, the model tested here was based on the Technology Acceptance Model proposed by Davis (1986), which
represents acceptance by the user of information systems or information technologies by means of three constructs: attitude towards use, behavioral intention to use and actual use. According to Davis (1986), behavioral attitude signifies a negative or positive sentiment about performing a given behavior. Behavioral intention is the measure of the intention that the individual has to perform a certain specific behavior. Actual use refers to the effective and direct use of a given system. These constructs and the relationships between them are used here in accordance with the Technology Acceptance Model, since electronic commerce is based on new information technologies such as the Internet.

When a client carries out a commercial transaction on the Internet, any person from any part of the world can obtain access to the information being exchanged. The vulnerability of the Internet may inhibit clients from purchasing online if they perceive that the level of risk is very high. Therefore, security control for information protection is an important prerequisite to ensure trust in electronic commerce. Such control may be divided into five categories: authentication, non-rejection, confidentiality, privacy protection, and data integrity. Authentication ensures that the parties to an electronic transaction or communication are really who they claim to be. Non-rejection signifies that neither of the parties would refuse to participate after the transaction has been completed. Confidentiality ensures that all communication between the parties involved in the transaction is restricted to them (it is especially important because of the constant risk posed by hackers attempting to obtain sensitive information). Privacy protection ensures that personal information about clients obtained through their electronic transactions is protected against exposure without permission. Data integrity signifies that the data sent and received are not illicitly created, intercepted, modified or deleted. These are the antecedents to trust in this study.

Medina (1996) claims that authentication is the certification process of someone or something’s identity, and that authentication is one of the main topics of communication security between two or more entities, based on passwords, cryptography and digital signatures. In a situation in which the partners and the means of communication are trustworthy, passwords are used, but in a situation in which each entity trusts its partner (although the means of communication are not reliable), cryptography techniques are used to ensure the authentication of users, senders and recipients. A cryptographed message may be used to guarantee secrecy and render the Internet transaction safe. For this reason, there are softwares capable of cryptographing (scrambling) the number of a credit card to send it to a secure server where the message will be decrypted (organized) (De Luca 1998).

The perception of confidentiality is defined as the perception of online transaction secrecy. This definition emphasizes the need for online companies to protect the security of private information supplied by consumers, and use it to increase trust (Belanger et al. 2002).

Clients who adopt electronic financial services are more inclined to perceive problems relating to loss of privacy, as, seemingly, the Internet can enable other people to access one’s information easily. According to Silva Neto (2000), privacy is a right defended by the Brazilian Federal Constitution of 1988 and by other consumer protection laws. However, there is no specific Brazilian law to regulate privacy on the Internet, which means that consumer information can be collected by means of cookies, for example.

Finally, data integrity is about ensuring that stored and transmitted information will not be maliciously or accidentally altered or destroyed. These five constructs are called here “perception of control” and are considered the antecedents to trust in electronic commerce. Therefore, the hypotheses to be tested in relation to the antecedents to trust are:

H1a: the perception of authentication has a positive effect on trust in electronic commerce;

H1b: the perception of non-rejection has a positive effect on trust in electronic commerce;

H1c: the perception of confidentiality has a positive effect on trust in electronic commerce;

H1d: the perception of privacy protection has a positive effect on trust in electronic commerce;

H1e: the perception of data integrity has a positive effect on trust in electronic commerce.

Trust has three main characteristics: competence, benevolence and integrity (Doney and Cannon 1997). Competence signifies that the clients believe that the supplier has the capacity or the power to act to meet its requirements. Benevolence refers to how much the client believes that this applied as to meet its requirements, irrespective of egocentric motives relating to profit. Integrity signifies the extent to which the client believes that the supplier acts in good faith, tells the truth, complies with its commitments and acts in an ethical manner.

Some authors studied the relationship between trust and attitude in relation to the object. For example, Macintosh and Lockshin (1997) showed that the trust placed by individuals in a store is positively associated
with their attitude towards that store. In their study of virtual stores, Grazioli and Jarvenpaa (2000) concluded that the attitude of clients is determined by their level of trust. Therefore:

H2: Trust has a positive effect on the attitude vis-à-vis the use of electronic commerce.

Some authors have demonstrated empirically the relationship between trust and behavioral intention. For example, Ganesan (1994) concluded that trust in the supplier is central to the client’s intention to continue the relationship. Reis et al. (2005) examined trust and its antecedents, both in the vendor and in the company, as a factor that influences the decision to purchase in business-to-business relationships. So:

H3: Trust has a positive effect on the behavioral intention towards the use of electronic commerce.

The social behavior of individuals is motivated by their attitude in relation to behavior. In other words, behavior is determined by an intention to manifest such behavior and this intention is determined by the individual’s attitude (Suh and Han 2003), therefore:

H4: The attitude vis-à-vis the use of electronic commerce has a positive effect on the behavioral intention towards the use of electronic commerce.

H5: Behavioral intention to use has a positive effect on actual use of electronic commerce.

The initial model, with the variables and hypotheses (relationship between the variables), is presented in Figure 1.

This section presented the model and the theoretical background for the hypotheses. The next section presents the methodology for data gathering and analysis to test the proposed model.

**METHOD**

The empirical study involved a survey conducted with 280 MBA students from the same university, albeit residing and working in all five Brazilian regions (South, South East, Center West, North East, and North).

From the model presented in Figure 1, the endogenous (ξ) and exogenous (η) latent variables (or constructs) are presented. For measurement of these constructs, scales also used by Suh and Han (2003) were employed, in which all the questions were translated and adapted for the comprehension of the interviewees with the staging of twelve pre-tests of the questionnaire. Likert scales with seven categories ranging from “I totally disagree” to “I totally agree” were used. The questionnaires were applied by means of personal interviews during the period from May 2004 to March 2005.
The internal consistency of each construct was evaluated using Cronbach’s alpha. The values found varied from 0.72 to 0.92, indicating good internal consistency. However, some constructs had problems of unidimensionality, detected by the exploratory factorial analysis. For this reason the decision was made to remove some indicators. Lastly, analysis of the data of the complete model was performed, starting from the polychoric correlation matrix based on the Structural Equation Model (SEM). In this phase, the structural and measurement models were estimated simultaneously using Lisrel 8 software.

RESULTS

Table 1 presents a demographic description of the sample. The majority of the respondents are composed by individuals between 30 and 39 years old (37%), females (61%), managers/directors of companies (46%), accessing IB from office (49%), have been using the Internet for more than five years, and have been using IB for a period between one and five years.

To test the model, initially it was decided to evaluate its adjustment to the data collected by means of analysis of the measures of adequacy. The indices found showed that the initial model did not fit well to the data. Therefore, after evaluation of the estimated factorial weights, the indices of modification, the t-values and the recommendations of Byrne (1998, p. 231), the model was modified to obtain better fit. This modification was performed by withdrawing two variables: “non-rejection” and “privacy protection,” without adding any other path between the variables or linking indicators with different latent variables than in the original model, because there was no theoretical or practical justification for doing so. The main adequacy results obtained in the initial model and in the final model are described in Table 2.

The criteria for removal these two variables from the model was based on the low values obtained in the estimates of the parameters of the t-values of $\xi_2$ (-0.88) and $\xi_3$ (0.17) in the initial model (considering $p < 0.05$). The model with best adjustment was the final model presented in Figure 2. So, “non-rejection” and “privacy protection” were not significant to be considered antecedents of trust, as the way they were measured here.

By analyzing the measurement and structural models separately, it was diagnosed that the $R^2$ values (coefficient of multiple correlation) of the indicators are high, demonstrating that the proportion of variance of the indicator that is explained by its latent variable is high, attesting to the trustworthiness of indicators with values above 0.5 (Byrne 1998, p. 107). Table 3 shows the t-values between the indicators on the constructs (and the alpha values for the constructs), in the final model.

In the evaluation of the structural model an attempt was made to establish whether the relations are supported by the data. Thus, three aspects were taken into consideration: (1) the signals of the parameters, (2) their magnitude and significance, and (3) the $R^2$ values for the structural equations. It can be seen in Figure 2 (final model), that the parameters are positive and significant. In terms of hypothesized relationships, the results support hypotheses 1a, 1c, 1e, 2, 3, 4, and 5 and reject hypotheses 1b and 1d, as presented in Table 4.

In this manner, the perception that, in an electronic transaction or communication, the bank is effectively what it claims to be (authentication), the bank guarantees

<table>
<thead>
<tr>
<th>Table 1</th>
<th>Sample Characteristics</th>
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<tbody>
<tr>
<td><strong>Age Bracket</strong></td>
<td><strong>Sex</strong></td>
</tr>
<tr>
<td>Less than 0%</td>
<td>Female</td>
</tr>
<tr>
<td>20 – 29 31%</td>
<td>Male</td>
</tr>
<tr>
<td>30 – 39 37%</td>
<td></td>
</tr>
<tr>
<td>40 – 49 23%</td>
<td></td>
</tr>
<tr>
<td>Over 50 0%</td>
<td></td>
</tr>
<tr>
<td><strong>Place of Access</strong></td>
<td><strong>Length of Time Using the Internet</strong></td>
</tr>
<tr>
<td>House 46%</td>
<td>Less than 1 year 2%</td>
</tr>
<tr>
<td>Office 49%</td>
<td>1–5 years 31%</td>
</tr>
<tr>
<td>Other 5%</td>
<td>More than 5 years 67%</td>
</tr>
</tbody>
</table>
that all communication in the transaction between it and the client is restricted to them (confidentiality), and all data electronically transmitted and received are not illicitly created, intercepted, modified or deleted (data integrity), gives rise to trust in this bank.

Perception of non-rejection (the fact that the bank does not deny its participation after the electronic transaction has been performed) and the privacy protection (the fact that the bank assures that the personal information about clients obtained during electronic transactions are protected against exposure without permission) were the constructs that did not show a significant relationship with trust in IB transactions. Questions relating to the operationalization of the constructs may have been responsible for these results, which would indicate that future studies are required with respect to validation of the scales in the Brazilian environment. Comparing these results with those of Suh and Han (2003), only data integrity was significant in both works for explaining trust.

The impact of trust is significant both in terms of attitude and behavioral intention to use electronic commerce, despite the lower magnitude for the latter (parameter = +0.34). Consequently, trust appears to be an important construct to explain attitude and behavior to use. Attitude also had a significant impact on behavioral

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<table>
<thead>
<tr>
<th>Models</th>
<th>Modified Parameters</th>
<th>Degrees of Freedom</th>
<th>RMSEA</th>
<th>ECVI</th>
<th>RMR</th>
<th>GFI</th>
<th>PNFI</th>
<th>CFI</th>
</tr>
</thead>
<tbody>
<tr>
<td>Initial</td>
<td></td>
<td>760</td>
<td>0.00</td>
<td>11.84</td>
<td>0.076</td>
<td>0.65</td>
<td>0.64</td>
<td>0.74</td>
</tr>
<tr>
<td>Final</td>
<td>Without $\xi_2$ and $\xi_4$</td>
<td>.340</td>
<td>0.00</td>
<td>5.67</td>
<td>0.071</td>
<td>0.73</td>
<td>0.72</td>
<td>0.84</td>
</tr>
</tbody>
</table>

RMSEA – Root Mean Square Error of Approximation; ECVI – Expected Cross Validation Index; RMR – Root Mean Square Residual; GFI – Goodness-of-Fit Index; PNFI – Parcimony Normed Fit Index; CFI – Comparative Fit Index.

Values in bold are the magnitude of the parameters ($t$ values in parenthesis).
intention, proving that the intention is determined by the attitude of the individual (Suh and Han 2003), and behavioral intention has a significant impact on actual use. The R² values are relatively high (0.74 for η₁; 0.48 for η₂; 0.78 for η₃, and 0.24 for η₄), indicating that approximately 74 percent of the variance of trust is explained by authentication, confidentiality and data integrity; that 48 percent of the variance of attitude is explained by trust; that 78 percent of the variance of behavioral intention is explained by trust and attitude to use; and that only 24
percent of the variance of actual use is explained by behavioral intention to use.

The marked improvement of some adjustment indices in the final model can be seen in Table 2, indicating that the modifications included were adequate. The RMSEA values indicate good adequacy and exceeded expectations, in contrast with the values obtained for RMR. The ECVI value of the final model is significantly better than that in the initial model, leading one to believe that there is a greater possibility of the final model being validated in other samples of the same population. Both the indices found for GFI and for CFI in the final model are closer to 1, indicating better adequacy of this model in relation to the initial model. The indices found for PNFI exceeded expectations. Nonetheless, the author is well aware that the values of the final model are not ideal, in accordance with Byrne (1998), proving that further surveys must be conducted to validate this model proposed by Suh and Han (2003) in Brazil, and taking into consideration the fact that these statistics are sensitive to the size of the sample and the normality of the data.

FINAL REMARKS

The results of this empirical research show that “security control” in the protection of information, represented by the variables of authentication, confidentiality and data integrity, is a relevant antecedent (or pre-requisite) for the guarantee of trust in electronic commerce. Consumers undoubtedly do not have in-depth knowledge of the technologies that ensure such control, though they perceive the control indirectly by means of the communication of the organization (website). Therefore, as observed by Suh and Han (2003), researchers need to study not only real security control, but also its perception by the client.

By virtue of the fact that non-rejection and privacy protection proved not to be significant, there is a need for further surveys, including the Latin American environment, about comprehension of the five categories of “security control” that are found in literature and were tested in this research.

This article has some limitations, such as the characteristics of a sample composed by people who had been using IB for a period of time. A sample that includes people who do not trust a bank enough to do IB might be more convincing, although those people would not be qualified to answer all the questions. Also, some scales are still not validated in the Brazilian environment. Future research may overcome such limitations, and also include some variables that were not taken into consideration here: results can be different when distinct groups are analyzed, such as people more inclined to the adoption of technology, people more dependent upon technology (those with reduced time availability or with little physical mobility, for example), and those who are risk averse. Distinct groups can also be compared, for example by using one sample from Latin America and another sample from Europe. Another variable that may be important is the familiarity of the client with a given bank, the influence of the brand name of the bank on trust, and the predisposition to use electronic commerce.

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THE COLLECTIVE-RELATIONAL CONUNDRUM: MARKET TRUST, AMBIVALENCE, AND CONSUMER LOYALTY JUDGMENTS IN RELATIONAL EXCHANGES

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Jagdip Singh, Case Western Reserve University, Cleveland

SUMMARY

Today’s markets face an interesting paradox of relational trust in the face of collective distrust. On a firm-consumer level, the focus on building relationships, deepening loyalty, and fostering consumer trust in the firm’s commitment to serving customers has never been more intense or clear. At a collective level, the general distrust of business motivations, open cynicism and widespread belief that business in general and marketing in particular will opportunistically exploit society’s trust if given a chance has never been more palpable or real. Stories of this “crisis of confidence” abound in the popular press (Byrne et al. 2002). Additionally, polling data demonstrates the declining public trust in Corporate America (Poncet 2002; Harris Interactive Trust Monitor 2001), general loss of public faith in institutions (Schlesinger 2002; Stevens 2001) government (Chanley, Rudolph, and Rahn 2000) and business (Nye 1997). That collective distrust can coexist in an era when firms are redoubling their efforts to build relational trust is a paradox that has thus far remained below the radar screen of researchers and practitioners alike. As such, the collective-relational paradox of trust is little understood; even less recognized are its implications for consumers and firms in general, and individual firm-consumer relationships in particular.

The purpose of our study is to provide an initial exposition of the collective relational paradox. We propose a conceptual model that serves as the foundation for positing hypotheses and guiding our empirical work. Several aspects of the proposed model are noteworthy. First, we distinguish between market collectives – representing consumers’ evaluations of the group of industry members that constitute the market, and relational exchanges – representing consumers’ evaluations of the specific market providers with whom they maintain ongoing relational exchanges. Second, we theorize that the two levels are not disconnected phenomenon. Rather, using trust as a defining element of market evaluations, we posit that collective trust has both direct effects on consumer loyalty judgments, and interacts with relational mechanisms involving satisfaction, value and trust to influence consumer loyalty judgments. Third, and finally, we include the level of market ambivalence as another plausible mechanism of influence. We theorize that markets are complex systems that present mixed signals. Positing that trust and distrust can coexist at the collective level, we hypothesize that the level of ambivalence determined by the presence of collective distrust along with collective trust will introduce additional direct and moderating effects.

We test the proposed hypotheses within an auto parts market context and find support for a significant three-way interaction among collective trust, collective distrust, and relational trust. Our results suggest that both collective trust and distrust moderate the salience of relational trust on loyalty judgments. The proposed three-way negative interaction among collective trust, distrust, and relational value is also significant suggesting that consumers are more interested in the social bases of exchange than economic bases of exchange in light of uncertainty induced by high ambivalence.

Theoretically, our results imply that consumers’ schemas of collective environments exert amplifying and depressing effects on relational dynamics that are ignored in much past research. As such, current marketing knowledge about how consumers respond to relationship marketing efforts of service organizations is incomplete and probably misleading. Pragmatically, our results suggest that managers risk decisional errors in understanding the degree to which their efforts in building trust and delivering value are converted into consumer loyalty if they do not attend to consumers’ collective schemas of trust and distrust. We hope future research can address these issues with greater clarity. References available upon request.
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CONSUMER AND PERSONAL TRAINER LOYALTY: THE VALUE OF BUILDING RELATIONSHIPS WHILE BUILDING THE BODY

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SUMMARY

The relevance of service-provider and consumer relationship quality in relationship marketing has been widely discussed. While previous research has mainly investigated relationship quality between large firms and their customers, few studies have looked at the joint effort in a one-on-one professional service relationship. The contribution of this paper addresses the development of personal relationships, in the line of Price and Arnould’s (1999) research on commercial relationships, by exploring the two areas of personal training and bodily transformations. The interplay between personal trainer professionalism and the consumers’ sense of goal setting is meaningful to both parties and the outcome of the interaction. This paper builds on previous work in relationship marketing and goal setting and aims to understand the process of improving the quality of the interaction between personal trainers and consumers.

The term relationship quality has been defined as a combination of commitment, trust, satisfaction, relationship benefits, and values of both service-provider and consumer. When entering into a personal trainer relationship, the consumer releases his or her body to the care and instructions of a personal trainer. Common benefits and goals sought by consumers when utilizing a personal trainer are individual achievements based on performance of the body. The derived value that consumers gain from the relationship is an important antecedent to relationship quality. In the absence of additional value perceived by the client, personal training would not be sought after. Palmatier, Dant, Grewal, and Evans (2006) found that commitment, trust, relationship satisfaction and relationship quality are the main customer focused mediators which drive both customer-focused and dyadic outcomes. The one-on-one relationships studied in this paper are unique as the consumers put themselves in a vulnerable position where trust and commitment are essential for the consumer to experience a positive procedural outcome. Although the marketing literature offers numerous definitions of trust, this study defines it as a mutual belief of both parties to meet the agreed goals and expectations. The relationship commitment, especially in a service encounter, is the effort a consumer is willing to put into a relationship to maintain relations with a business or service provider. Relationship satisfaction arises if the performance of the service exceeds the customer’s expectations. The type of interaction between personal trainers and clients in this study falls under social bonding tactics where the relationship is developed through “self disclosure; closeness, providing support and advice; feelings or affiliation; attachment or connectedness; and shared experiences” (Liang and Wang 2005).

Personal training is commonly sought after by consumers when they have a specific goal in mind. Personal trainers encourage and help motivate consumers to reach goals to shape their body, losing, gaining or maintaining weight, gaining flexibility, or improving muscle strength. The art of engaging the body in different forms of physical activities in order to transform the body can be defined as a focal goal of the client. Selections of subordinate goals, held by consumers in this study were “to feel good, be healthier, overcome pain, or look good for a specific event.” These subordinate goals motivate consumers to define focal goals such as managing their weight or becoming more toned or athletic.

The methodology of this study is qualitative in nature. The author conducted extensive participant observations at several gym facilities and numerous in-depth interviews with personal trainers and consumers in two cities in the southwestern part of the U.S. The selected personal trainers were employed by a nation wide personal training company and self-employed entrepreneurs contracted to work at a gym facility or who had their own facilities. The consumers in the study were mostly referred to the author by the personal trainers.

The initial findings of this study indicate that training philosophy, knowledge, and fitness education level of the personal trainer, as well as personality, courtesy, and empathy were found to be important characteristics for consumers to consider when choosing a trainer. Commitment and trust must be established in the first few sessions when the consumer is still in the vulnerable stage of disclosing personal concerns and desires to the trainer. Through the one-on-one relationship, the trainer gets to know his or her clients and increases the chances of improving the client’s experience and perceived value of the service. It is important for personal trainers to be humble and sensitive to each client’s specific support needs, be it lack of self-confidence, the need for instrumental guidance or as a safety-net precaution. Consumers dynamically reassess their goals either by themselves or jointly with their trainer as they progress in their training. The consumers’ motivation to stay with a trainer was found to be highly affected by both the results of the training and the relationship established with the trainer.
Since consumers have different types and levels of emotion invested in their personal training, the affect towards the trainer or the emotional arousal gained from their conjoint activities will partly determine how the consumers feel about the outcome of the repeated service encounter.

This study illustrates that consumers differ greatly in the value placed upon choosing and staying with a personal trainer. Emerging themes of consumers’ various needs and expectations of personal training are parallel to Palmatier, Dant, Grewal, and Evans (2006) findings that “expertise, communication, and similarity to customers are the most effective relationship-building strategies.” Managerial and research implications are discussed and future research needs are examined. References are available upon request.

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TOWARD A THEORY OF TRANSFORMATIVE BUSINESS RELATIONSHIPS IN MARKETING: CONCEPTUAL FRAMEWORK AND RESEARCH PROPOSITIONS

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Lisa O’Malley, University of Limerick, Ireland
John Fahy, University of Limerick, Ireland

SUMMARY

In market conditions characterized by ongoing global competition and continuous change, inter-organizational marketing relationships offer a mechanism for organizations to stabilize their environment (Berry 1983; Sheth and Parvatiyar 1995). Marketing relationships allow access to resources and competences that would be otherwise unavailable or inefficient to develop internally (Doz 1996; Larsson et al. 1998). Moreover, relationships can, in certain circumstances, yield superior value to other organizational forms by “offering potentially synergistic combinations of complementary resources and capabilities” (Madhok and Tallman 1998, p. 326). However, we argue that relationships must be structured to allow for a high level of flexibility and openness to change (e.g., Doz and Hamel 1998; Coleman 1999). Moreover, the derivation of sustainable and future-oriented value from relationships requires a relational structure that enables incremental adaptation for current needs as well as transformation for the future needs of the relationship and its participants.

The realization of value from interorganizational relationships depends on the organization’s ability to develop novel resources and competences from an internalization of relational learning (Osland and Yaprak 1995), hereafter referred to as Organizational Level Learning (OLL). Such value creation also necessitates adaptations at the organizational level that render the relationship itself more effective (Dwyer et al. 1987), hereafter referred to as Relationship Specific Learning (RSL). In this regard, the aim of this paper is to offer a novel delineation of relationships in relation to the nature of inter- and intraorganizational learning that occurs between relational parties and therefore to distinguish differing relational forms that are more or less future needs orientated.

We posit that there are two ideal types of relationships, that is, Consolidative Business Relationships (CBRs) and Transformative Business Relationships (TBRs). In CBRs the importance of maximizing private benefit is elevated in importance, with a subsequent focus on more effectively achieving a priori relationship goals and objectives. Specifically, we define CBRs as follows:

“Consolidative Business Relationships are present need orientated, with the primary focus being on developing co-ordination processes which allows for the achievement of pre-determined relationship objectives. While such relationships will involve both relationship-specific learning (RSL) and organizational level learning (OLL), the primary focus will be on deriving private benefit to meet current needs.”

In contrast, TBRs are defined as:

“Transformational Relationships are future needs orientated, multi-dimensional, dynamic and emergent in nature, facilitated by high level of interconnectivity, diversity, and shared experience between interacting parties. Such relationships involve both Relationship Specific Learning (RSL) and Organizational Level Learning (OLL), with an emphasis on the iterative relationship between the two forms which denotes the enactment of transformative learning.”

The importance of deriving private benefit from interorganizational relations remains vital within the concept of TBRs. This is achieved through ensuring an iterative link between RSL and OLL and by developing the structural conditions known to facilitate emergent, dynamic and future-orientated behavior of systems. The iterative link between RSL and OLL, posited here as a key dimension of TBRs, has not received the attention it deserves in the literature. Transformative learning denotes a progression beyond current norms and assumptions in order to better cope with the increasing complexity of a business environment characterized by continuous change (after Argyris and Schön 1978). While, it is recognized that organizations can transform themselves through the internalization of learning from relationships (Phan and Peridis 2000), for transformation to occur at the level of the relationship an evidenced change in the nature of participants as well as the relationship itself is required. This suggests a need to challenge current relational norms and values and the recognition of the emergent potential of relationships. Central to this paper then is the development of a deeper understanding of how relationships themselves can transform, and importantly, the identifica-
tion of the necessary conditions for this to be possible. The arguments presented here are consistent with the views of Lewicki et al. (1998, p. 443) in suggesting that we must view relationships, not as uniplex and unidimensional, and instead “see them as complex, multidimensional constructs.”

Drawing on both the organizational learning literature as well as insights from a living systems perspective, this paper explores and delineates between both consolidative and transformative business relationships. In this regard five propositions are presented, which outline key structural and process conditions for the achievement of transformative business relationships. Apposite conditions for the development of TBRs and CBRs are discussed including a consideration of the managerial implications of each relational form. The paper concludes by summarizing the contribution of the TBR concept in terms of explicating the derivation of sustainable and future-oriented value from relationships, and deepening the understanding of how relationships both evolve and dissolve over time.

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COLLABORATION BEHAVIOR AND INTERORGANIZATIONAL GOVERNANCE: AN INTEGRATIVE FRAMEWORK

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Jongkuk Lee, University of Illinois at Urbana–Champaign, Champaign

SUMMARY

The ability to track and trace product flows across organizational boundaries is getting more attention as a critical factor influencing firm performance in today’s complex supply chain networks. Employing an agent-based model (ABM), we examine the financial consequences of both dyadic and network collaboration strategies in adopting enterprise wide technology, specifically radio frequency identification (RFID), which is aimed at improving supply chain efficiency and security by tracking and tracing products more visibly. Our study shows that a firm’s profit performance resulting from enterprise wide technology adoption is contingent upon other channel stakeholders’ collaboration behavior in the process of technology adoption.

The importance of being able to track and trace products has never been made more clearly than the e-coli breakout in the U.S. spinach industry. Paralyzing the spinach industry for several weeks, the inability to trace the contaminated products to its source led to consumer’s fear and non-purchase of spinach products and negatively impacted the economic performance of retailers, manufacturers, and farmers. What is missing is an enterprise wide mechanism for ensuring the security of products from the producer to the consumer. Moreover, today’s highly interconnected supply chains are requiring an alternative solution for supply chain visibility to improve the efficiency of inventory or logistics management.

New information technologies, such as radio frequency identification (RFID), are now being widely tested for the purpose of improving the efficiency or security of supply chains. However, the RFID adoption behavior and the resulting cooperation among supply chain stakeholders are far below the initial expectations. For instance, many companies in the pharmaceutical industry, where RFID technology is expected to reduce expenses resulting from counterfeiting products, is still waiting to see a real, true return on investment (Bachhelder 2006). Similarly, despite Wal-Mart’s charge to its top 100 suppliers to complement RFID technology, many suppliers could not fully satisfy Wal-Mart’s requirements. Only 30 percent of suppliers could fully integrate RFID system into their infrastructures (cite). Thus, in spite of the potential value of RFID technology, adoption throughout the supply chain enterprise has not occurred as originally expected.

Recent research has cited investment costs or technical issues as reasons involved in limiting RFID technology adoption (e.g., Lee 2004; Sheffi 2004; Narsing 2005). For instance, Sheffi (2004) contend that two important challenges associated with the wide spread adoption of RFID technology are cost/benefit and interference issues for metallic products and liquids. Similarly, Narsing (2005) points out cost and technology issues.

However, the fact that technology adoption in supply chains involves multiple stakeholders has not been considered in examining the outcomes of enterprise wide technology adoption. In this study, we investigate how different collaboration strategies in adopting new enterprise wide technologies among supply chain stakeholders can improve the financial outcomes of firms and how firms might strategically choose a specific collaboration strategy. Because of the asymmetries in the expected performance gains, in cost structures, and in the motivation to insure a profitable supply chain network, stakeholders are very likely to have different strategies in adopting new technologies. Therefore, there is a need to better understand how different collaboration strategies that firms employ when attempting to adopt new technologies impact the performance of related stakeholders.

More over, today’s supply chain networks are becoming more complex, with larger number of stakeholders and greater levels of exchange relationships. Very few supply chain networks can be fully understood when only the relationships between supply chain dyads are examined. Indeed, a growing body of research argues that a better understanding of interorganizational collaboration can be attained by examining dyadic behavior in the context of supply chain network (Anderson, Hankansson, and Johanson 1994; Wathne and Heide 2004). Wathne and Heide contend that a firm’s relationship strategy is contingent on the relationship beyond the focal dyad to other network relationships of the focal supply chain stakeholder. As such it is believed that optimal supply chain performance is achieved when supply chain stakeholders forego the opportunity to act in their individual interest at the expense of other stakeholders who make up the network.

In this article, we develop a framework that integrates collaboration strategies of two different levels: (1) dyadic and (2) network collaboration in supply chain networks.
At the dyadic level, we analyze the choice that a supply chain stakeholder faces in collaborating with its partner between; cooperation, (e.g., idiosyncratic investment and close coordination for mutual or its partner’s interest), and compliance, (e.g., minimal investment and coordination for self-interest while complying with its partner’s request). At the network level, we contend that dyadic collaboration strategies are embedded in more competitive or more cooperative network relationships. We argue that collaboration characteristics at the supply chain network level influence the effectiveness of the strategies employed by dyadic stakeholders to adopt new enterprise wide technologies when viewed in the context of the broader supply chain networks.

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CREATING VALUE THROUGH CUSTOMER SPECIFIC MARKETING INVESTMENTS IN A B2B CONTEXT

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ABSTRACT

This paper proposes a model to explain the creation of value through the investment in customer relationships in a B2B context. It focuses on value to the selling firm, measured by Customer Equity or the total Customer Lifetime Value of the firm’s portfolio of relationships. Customer relationships have diverse potential for value creation. In business markets, value drivers are somehow different than in consumer markets. While in consumer markets the frequency of purchase is key, in business markets it is the level of service that the customer requires which determines the potential value creation of the relationship. Understanding what determines different levels of service, expenses, and investment in a relationship is crucial in understanding the profitability of customers to a firm and the value creation process in buyer-seller liaisons.

INTRODUCTION

In their quest for value, organizations have become more and more concerned with the profitability of their actions. The study of profitability at different levels in a firm has taken a central stand in all areas of business, from both academic and managerial perspectives. The analysis of profit drivers has abandoned the exclusivity of finance to be an important part of other disciplines in business, including marketing. There is a general consensus that some areas of a business create more value than others, that some products generate more profit than others. Having just a notion of the overall financial performance of the firm is not enough. Understanding the differences in profitability by areas is essential to evaluate performance, but even more important to make strategic managerial decision.

Information technology has made viable the measurement of profitability by business units, product lines, individual products, market segment, etc. Individual customers have been the last dimension added to this list. Database marketing and CRM have provided the tools to capture data at the individual customer level, making possible to estimate the income and contribution of individual customers (Anderson, Narus, and van Rossum 2006; Reinartz and Kumar 2000).

Customer Profitability has been defined as “the net dollar contribution made by individual customer to an organization” (Mulhern 1999) and “the difference between the revenues earned from and the cost associated with the customer relationship in a specific period of time” (Pfeifer et al. 2005). Profitability per customer can be measured in different ways. The focus can be on profits generated in some past period of time and it can capture the contribution margin of all transaction during that time. It can account for all products and services sold to a customer or only some of particular interest. It can be kept at the level of product margin or it can capture the allocation of other marketing costs and overheads. One measure of customer profitability that has rapidly gained acceptance in the last decade is the total profit potential over the lifetime of the customer or Customer Lifetime Value.

Customer Lifetime Value (CLV) is the net present value of all benefits generated by a customer over the lifetime value of the exchange relationship (Reinartz and Kumar 2000, 2003; Berger and Nasr 1998). In more detail, it is the sum of all future contribution margins from sales to a customer, minus the sum of all expenses attributable to such customer, discounted by the cost of capital. The Customer Lifetime Value approach recognizes that not all customers are equally attractive or profitable and that firms can not build close relationships with all customers. Thus, CLV has become a managerial tool to optimize customer management decisions and to optimally allocate scarce resources.

The purpose of the present study is twofold. First, I intend to propose a general conceptual framework to explain Customer Lifetime Value, drawing on previously proposed frameworks but integrating the work of several notable researchers in the area. Second, I plan to study the determinants of different levels of customer specific marketing cost, one of the main components of customer profit. In other words, I intend to explain what determines different levels of investment in particular relationships and the impact this has on the creation of value for the supplier organization on a business-to-business context.

MEASURING VALUE TO THE SELLING FIRM: CUSTOMER LIFETIME VALUE

Ulaga (2001) proposes three different perspectives when looking at value in business markets. The first one is the buyer’s perspective or the assessment of how suppliers create value for their customers. The second is
the seller’s perspective, which deems customers as a key asset to the seller firm, focusing on how to maximize value creation to the supplier by optimal customer equity management. The last perspective looks at how firms jointly create value through relationships and alliances. Without discounting the importance of the other two perspectives, this study adopts the seller’s perspective and focuses on understanding the value creation for the selling firm by managing a diverse portfolio of relationships with customers.

Customer Lifetime Value is a measure of customer profitability. It is critical to understand that CLV is a forward-looking measure, it does not assess past performance. It uses back-looking measures such as sales history and past behavior to base its projections, but it is ultimately a prediction of future purchasing behavior (Jain and Singh 2002).

The CLV approach can be best explained by the Resource-Based Theory of the Firm. This theory posits that firms achieve long-term superior performance through the resources or assets it possesses. Assets that are valuable and unique can lead to the creation of short-term competitive advantages. If the firm is able to protect against resource imitation, transfer, or substitution, those advantages are sustained over the long run (Barney 1991).

CLV analysis view customers as critical assets that can lead to the creation of competitive advantage. Relationship marketing emerges as the efforts to develop close interaction with selected customers through cooperation and collaboration (Morgan and Hunt 1994). Establishing strong relationship with customers should increase loyalty and stability, making the relationship inimitable by the competition. Customer Relationship Management offers protection against imitation, transfer or substitution from competition. In the extent that a firm develops a portfolio of strong customer relationships, its long-term performance would be superior. CLV provides a metric for managing customer relationships in an optimal way (Mulhern 1999). It is a managerial tool key to the development of customer relationship management. It allows the allocation of resources among customer, based on the value that they generate to the firm.

The basic structural model for the calculation of CLV estimates the net present value of a stream of future contribution margin from customers. It assumes that contribution margin and marketing cost are constant over time and purchases occur uniformly every time period. Also, customers are assumed to purchase from the vendor regularly for a specific length of time and once they leave the relationship they do not return. The use of this type of model is limited, especially if critical strategic decisions will be based on the CLV calculations (Bechwati and Eshghi 2005).

Customer Lifetime Value can be estimated at different levels: at the individual customer or as an average based on existing customer relationships. The decision to adopt one approach or the other depends on the intended use of the measure. In general, when CLV is used for prospecting decisions, or when it is either infeasible or uneconomical to calculate individual differences, an average estimation suffices. Pfeiffer and Bang (2005) propose a methodology to use data from a random sample of customer relationships to calculate an appropriate average customer lifetime value (CLV).

Despite the level of sophistication achieved by modelers of lifetime value, there is still reservation about the accuracy of CLV estimates. The accuracy with which past behavior can predict future customer value can be anything from prefect prediction to a complete mismatch. (Malthouse and Blatterg 2005). Such accuracy depends on the assumptions made, on the quality of input to the models and on the time horizon. The longer the projection period, the lower the expected accuracy.

Customer Base Analysis Models attempt to predict whether a customer will purchase in the next time period, based on past purchase behavior. Proposed by Schmittlein, Morrison, and Colombo in 1987, the Pareto/NBD model was one of the first attempts to calculate the probability that a customer is still active. Such probability has been called p(alive) in the literature. The Pareto/NBD model bases its estimation on the frequency and recency of past purchases to calculate future purchase likelihood. It is basically a probabilistic model that takes into account the stochastic nature of purchasing behavior.

Reinartz and Kumar extended the Pareto/NBD model by transforming the continuous probability of a customer being active into a “dichotomous alive/dead measure.” Using a customer’s “time of birth” and a probability threshold (probability at which “alive” becomes “dead”), the time at which the customer would leave the relationship is estimated. Such time becomes a finite approximation of lifetime for each customer which is an input into profitability analysis (Reinartz and Kumar 2000). Another model based on Pareto/NBD model is the one presented by Fader, Hardie, and Lee (2005), which simplifies the way the dropout of a customer is calculated and the distribution of the dropout rates. Lewis (2005) presents one of the few studies that incorporate strategic consumer behavior into customer valuation. Most of the customer base analysis is primarily probabilistic and based on past behavior.

Customer Equity Models estimate the total worth of a firm’s customer base as a function of the acquisition and retention rates and acquisition and retention spending (Blattberg and Thomas 2000). Rust, Lemon, and Zeithaml present a framework that study the effect of competitive...
actions and brand switching on customer equity. Their study is one of the few to incorporate the impact of competition on lifetime value of customers.

In addition to the aforementioned streams of research in CLV, there has been a good deal of research on the antecedents of customer profitability. Most studies in this stream have focused on studying sales revenue and margin, customer loyalty, share of purchases, purchase frequency and relationship duration. Little research has been dedicated to the study of customer specific marketing costs, its determinants and its impact on customer profitability.

Customer Lifetime Value in Business Markets

Drivers of customer profitability differ between consumer and business markets. In most consumer market situations, the magnitude of customer profits is impacted more by the recency, frequency and monetary value of purchases, as posited by RFM theories. The more and more often the customer buys, the higher the contribution to the firm’s profit from such customer. In contrast, the cost of supplementary services dedicated to individual customers is usually a very critical component of customer profitability in business-to-business markets. Several might be the reasons: in business markets customers tend to be more demanding and expect a higher level of customized service, selling efforts in business markets require a more personalized approach with different members of the buying center, organizations need higher level of technical support than individuals, especially when the firm’s offering impacts the customer’s production process. In general, the cost of maintaining relationships in business-to-business markets is more significant than in consumer markets. Understanding how firms make the decision of providing different level of services to different customers and the impact of those decisions in CLV is the main goal of this study.

GENERAL CONCEPTUAL FRAMEWORK

The conceptual framework presented in this paper is an adaptation of the one proposed by Venkatesan and Kumar in their 2004 study. In order to have a complete framework, where the classification of antecedents of CLV is mutually exclusive and exhaustive, it was necessary to expand Venkatesan and Kumar’s work. It incorporates antecedents of CLV from models proposed by Reinartz and Kumar (2000, 2003), Rust, Lemon, and Zeithaml (2004) and Reinartz, Thomas, and Kumar (2005). It also takes the perspective of a B2B market context when including and analyzing drivers of profitability.

The proposed model portrays the components of CLV and their antecedents. Most researchers are in agreement about the components in the calculation of Customer Lifetime Value: Contribution Margin, Customer Specific Marketing Costs, Purchase Frequency, Duration of the relationship and discount rate. Total Profit per customer is calculated by estimating the contribution margin per period of time and subtracting all marketing cost that can be directly allocated to the customer. The purchase frequency and relationship duration are also very important components as the profit per transaction is aggregated into a measure of lifetime profitability.

The framework shows how CLV depends on the total profit over the lifetime of the customer after discounting by a proper discount rate to capture the time value of money and the risk embedded in different customers. Discount rate is included as a moderator of the relationship between total profit and customer lifetime value, as it affects the strength of that relationship. If the discount rate approaches zero, a scenario equivalent to not discounting, CLV will equal the sum of lifetime profits. As the discount rate increases, CLV will be a proportionally lower measure of total profits.

The real contribution of the proposed framework is the classification of CLV antecedents in a B2B context into mutually exclusive, exhaustive categories. The following categories are proposed:

- **Environmental Variables**: refers to factors surrounding the firm, usually outside its control, that impact the elements of customer profitability. State of the economy, regulations and competitive intensity are among environmental variables affecting Customer Lifetime Value.

- **Customer Characteristics**: include variables specific of the buying firm such as size, sophistication of the buying center, industry category, switching costs, and value orientation.

- **Supplier Characteristics**: variables describing the supplier such as supplier strategy, size, industry, etc.

- **Relationship Characteristics**: variables describing the relationship between customer and supplier which are unique to the specific dyad. They include: Relationship stage, power imbalance, mutual commitment, trust and communication. Figure 1 shows the proposed conceptual framework.

RESEARCH MODEL

In the previously conceptual framework shows how customer specific marketing cost impact the lifetime value of a customer. Previous research has examined marketing costs from a normative perspective, looking for ways to
optimize resource allocation between acquisition and retention expenditure (Blattberg and Deighton 1996; Reinhart, Venkatesan, and Kumar 2004; Thomas and Kumar 2005). However, previous studies have limited marketing cost to the cost of communication and have not covered the issue of why those costs can vary largely form one customer to another. This study takes a positivist perspective, trying to understand what drive firms to make the decision of providing different level of supplementary service to different customers and how that impacts the lifetime value of the customer.

The focal variable is the “Customer Specific Marketing Cost,” which can be defined as all cost incurred by a supplier to acquire and maintain an exchange relationship with a customer. It is the sum of all costs that can be directly allocated to a customer while doing business with a supplier. It can be divided into acquisition and retention costs and can include: cost of communication, technical support and problem solving, sales efforts, joint logistic and supply chain efforts, cost of returns, applied R&D, etc.

CLV based analysis considers customers the main assets of any organization. Based on that perspective, one could argue that costs of maintaining relationship with customers should be regarded as investments instead of expenses. To be consistent with the previously stated perspective, “customer specific marketing investment” will replace “customer specific marketing cost” in the models, while still referring to all those resources dedicated to build and preserve the liaison.

The proposed research model in this paper looks at the determinants of “Customer Specific Marketing Investments” and its impact on Customer Lifetime Value. It focuses on relationship characteristics to explain variations in how firms decide to invest its resources across customers, while evaluating its impact on lifetime profitability. Figure 2 shows the proposed research model.

**The Effect of Relationship Stage on Customer Specific Marketing Investments**

The building of relationships has been the central tenet of marketing in the last decade. The underlying assumption is that long-term customers are more profitable.

Building different types of relationship require different level of investment and cost. Several researchers in marketing have suggested typologies to classify exchange relationships. Dwyer, Schurr, and Oh’s (1987) suggest that relationships evolve through five general phases:
awareness, exploitation, expansion, commitment, and dissolution. Each phase represents a major transition in how parties regard one another.

Day’s classification of exchanges along a continuum going from anonymous, automated transactions on one end to a complete collaboration and integration between supplier and customer on the other end. According to Day, exchange relationships can be transactional in one extreme, collaborative in the other or value-adding in the middle (Day 2000).

A more recent typology was developed by Johnson and Selnes in their analysis of Customer Portfolio Management. They present three types of relationships based on the value creating process: acquaintances, friends, and partners; assuming that exchange relationships evolve over time to closer and closer forms of value creation (Johnson and Selnes 2004). As relationships evolve from strangers to acquaintances, to friends and to partners, the trust and commitment between the parties tend to strengthen. Likewise, as buyer and sellers move to closer relationships, a higher level of investment by the supplier is required. Products and services need to be customized, communication channels need to be used frequently and effectively, supplier needs to be responsive to the customer needs, and activities need to be coordinated between the two organizations. The logical consequence is a higher level of customer specific investment and cost.

This study adopts Johnson and Selnes’ typology to operationalize the “stage of relationship” in the proposed research model.

P1: As the exchange relationship with a customer moves to closer forms (from acquaintances to friends and to partners) the customer specific investment required to maintain the relationship or move to a closer stage increases.

Commitment, Trust, and Long-Term Orientation as Indicators of Relationship Stage

As stated in the previous section, closer types of buyer-seller relationships presume higher levels of trust, commitment, and long-term orientation. It could be proposed that those are indicators of the stage of exchange relationship. However, they are not observable variables themselves but constructs that require items to measure them. We propose that “relationship stage” is a second order construct, measured by trust, commitment and long-term orientation, which in turn will be measured by established scales previously used in the marketing literature. Specially, Morgan and Hunt’s Commitment-Trust Theory of Relationship Marketing will be used as a theoretical base for this part of the model.

There has been plenty of research in marketing that regard trust as a central construct to all relational exchanges. Trust has been defined as confidence in the other party’s goodwill (Friedman 1991). Morgan and Hunt conceptualize trust as “existing when one party has confidence in an exchange partner’s reliability and integrity.” Drawing on previous literature on trust, they suggest that “confidence on the part of the trusting party results from the belief that the trustworthy party is reliable and has high integrity, which are associated with such qualities as

![Proposed Research Model](image-url)
consistent, competent, honest, fair, responsible, helpful, and benevolent” (Morgan and Hunt 1994).

Morgan and Hunt also define commitment as the belief that "an ongoing relationship with another is so important that as to warrant maximum efforts at maintaining it" (Morgan and Hunt 1994, p. 23). It has also been defined as the “desire to develop a stable relationship, a willingness to make short-term sacrifices to maintain the relationship and a confidence in the stability of the relationship” (Anderson and Weitz 1992). Commitment is not present in transactional types of exchange; it develops as relationships reach a deeper level of closeness.

Two dimensions have been assigned to commitment in the marketing literature: credible and attitudinal. Credible commitment is behavioral in nature and comprises the investments and actions that keep parties attached. Attitudinal is the attachment bond itself independent of past actions. Attitudinal commitment can take two forms: an emotional, social sentiment (loyalty) and a rational, economic calculation (calculative). For this paper we will adopt Morgan and Hunt’s approach and scales to measure both trust and commitment.

The last element in relationship stage measurement will be Long-Term Orientation (LTO). LTO has been defined as the focus on achieving future goals instead of current outcome. According to Ganesan “the difference between short- and long-term orientations also can be explained by the nature of inter-firm exchange. (. . .) Firms with a short-term orientation rely on the efficiencies of market exchanges to maximize their profits in a transaction, whereas firms with a long-term orientation rely on relational exchanges to maximize their profits over a series of transactions,” (Ganesan 1994, p. 3). Ganesan explains LTO as a characteristic of the relationship and not of the customer or the vendor. LTO entails the desire and the utility of buyer and seller toward keeping the relationship in the future.

Effect of Power Imbalance on Customer Specific Marketing Investments

Power imbalance is defined as the comparative level of power in an exchange relationship and parallels Emerson’s (1962) “power advantage” notion. Operationally, it is the difference between customer’s and supplier’s power levels, taken from the perspective of the focal firm. A positive value indicates a power advantage to the focal firm, and a negative value a disadvantage. A common situation might be a balance of power in the relationship, which would be reflected in a null (zero) value.

In balanced relationships, the power of one party is held in check by the other’s equal power. A party’s ability to make demands is countered by its partner’s capacity to resist them. Also, there is incentive to limit opportunistic tendencies and bargaining is reduced. As power imbalance increases, the “powerful” party manifests exploitative tendencies. That is, “the possession of more power will encourage action to gain a disproportionate share of resources from a less powerful partner” (McAlister, Bazerman, and Fader 1986).

If the power imbalance favors the customer, the supplier will feel obliged to comply with the customer’s demands, which most of the time represent an increase cost to the supplier. The powerful customer might demand a disproportionate amount of salespeople face time, technical support or customization than less powerful ones.

P2: The higher the customer’s power relative to the supplier’s power, the higher the customer specific marketing investments required to build and maintain an exchange relationship.

Impact of Customer Specific Marketing Investment on Customer Lifetime Value

Increased investments have a double effect on Customer Lifetime Value. In one hand, there is a direct negative effect given to the increase of costs. At the same time, there is a positive indirect effect through other components of CLV.

The reason why firms invest resources in customer relationships is to improve either the cash flow from the relationship due to increase sales and more efficiency; or to increase loyalty and thus probability of repeat purchase and relationship duration. The total effect will depend on the relative negative impact compared to the positive impact.

♦ If the impact on contribution margin and duration of relationship is more than proportional to the increase cost, then CLV will increase.

♦ If the increase in costs is proportional to the increase in contribution margin and other cash flows, then there will be not change in CLV.

♦ If the positive impact on contribution margin is less than proportional to the increase cost, then there will be a reduction of LV.

As a general rule, based on the law of diminishing returns, at very low levels of investment, any increase will generate a more than proportional gain on contribution margin. In contrasts, at very high levels of investment, any increase in costs will not generate enough incremental margins to cover the increase in costs. Based on that
rational we expect CLV to have a bell shape, with a maximum at an optimal level of customer-specific investment.

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SUMMARY

During the last decade, Web sites became widely accepted tools in communication between buyers and sellers (Leek et al. 2002) triggering many B to B studies, which focus mainly on Web site design, content or use frequency (e.g., Lord and Collins 2002; Deeter-Schmelz and Kennedy 2002; Boyle and Alwitt 1999). In B to C context studies devote attention to customer perceived value (CPV) of Web sites (e.g., Kim 2002; Laukkanen et al. 2004; Steenkamp and Geyskens 2006) due to a strong impact that CPV has on customer behavior (Zeithaml 1988). An understanding of CPV enables companies to meet customer needs and expectations, and to direct resources efficiently (Zeithaml 1988; Ulaga and Chacour 2001) thus helping in developing Web sites that customers would use.

The knowledge of CPV of B to B Web sites becomes even more important as B to B companies plan to increase investments into their own Web sites (B to B magazine 2005) and as studies (e.g., Steenkamp and Geyskens 2006) report that companies still fail to understand what their target customers’ value of Web sites is. However, even though the knowledge of CPV is of ultimate importance (Ulaga and Chacour 2001), CPV of B to B Web sites remains a neglected research area. This study aims at filling that research gap.

Based on Holbrook (1999) and Steenkamp and Geyskens (2006), CPV of a Web site is defined as an interactive, relativistic experience that a customer associates with using a Web site. It results from benefits and sacrifices, which customers relate to Web site characteristics, and it differs for different customers. The purpose of this study is to map CPV of a B to B suppliers’ Web site, to identify how benefits and sacrifices are linked with Web site characteristics, and to elicit differences in the linkages. Research questions are: What is CPV of B to B Web sites? How are CPV, and benefits and sacrifice of a Web site linked with Web site characteristics?

The study draws upon the literature of the interaction approach, relationship marketing and the means-end theory. The means-end approach to CPV (Reynolds and Gutman 1988; Woodruff and Gardial 1994) explains the way customers use products or services, and how they link their characteristics with perceived value. The approach assists in identifying linkages between: (1) the Web site characteristics, e.g., global, 24/7, real-time interaction; no physical barriers; seamless linkage between users; multiple users, impersonal, enabling user tracking (Hoffman and Novak 1996; Geiger and Martin 1999), (2) the consequences associated with the use of Web sites, i.e., benefits (e.g., less effort, time savings, no stress or increased learning) and sacrifices (e.g., a loss of time, increased effort, frustration or risk), and (3) the most abstract dimensions of CPV of Web sites, e.g., efficiency, excellence, or security dimensions (Holbrook 1999).

The research approach of the study is based on “systematic combining” (Dubois and Gadde 2002) grounded in an abductive logic, i.e., it is lead by the continuous interaction between the data and the theory. The empirical part of the research involves a case study in the construction industry in Finland. The study focuses on a Web site of an industrial company. The Web site, presenting an information and communication platform, targets two groups of customers: architect offices and property management companies. In order to gain an understanding of the context and to be able to link different levels (Grunert and Gunert 1995), the study utilizes: (1) in-depth semi-structured interviews with customers (15 in total) from two Web site target groups, (2) observations of the interviewees’ behavior and verbal expressions while they use the Web site, and (3) personal interviews with the seller’s e-business and marketing managers and two salesmen, gaining the understanding of the buyer-seller relationships. The content analysis encompassed interview transcriptions and observation notes.

The findings show that CPV of the Web site results from a pallet of benefits and sacrifices. It is formed around six dimensions of value: efficiency, convenience, excellence, confidence, psychological comfort, and security. The differences in customer perceptions were found in respect to which Web site characteristics, consequences and desired end-states they consider relevant. Customers may have similar desired end-states but associate them with different Web site characteristics. They may aim at gaining similar benefits and avoiding similar sacrifices, but what they perceive as a benefit or sacrifice differs.

Four cases of linkages between Web site characteristics and customer perceived consequences emerged from the study, increasing in complexity and carrying implica-
tions for Web site design, user segmentation and marketing communication strategy:

1. The same perceived Web site characteristics lead to the same perceived consequences for all customers, e.g., location-free communication leads to less effort.

2. Different perceived Web site characteristics lead to the same perceived consequences for different customers, e.g., information history and the real-time information both lead to increased certainty.

3. The same perceived Web site characteristic can lead to different consequences which are (a) only benefits – e.g., storing of information is important for some customers because it prevents information to be lost while for others because it reduces paper-waste, (b) only sacrifices – e.g., technology problems for some customers inhibit work-flow while make others frustrated, (c) a benefit for one, and a sacrifice for another customer – e.g., an impersonal communication results with greater objectivity (benefit) for some customers while it awakens uncertainty (sacrifice) for others.

4. Different perceived Web site characteristics lead to different perceived consequences, e.g., a possibility to identify and track Web site users arouses concern for privacy to some customers while it is considered irrelevant for others.

The study contributes to the literature on Web site communication in B to B relationships by mapping the structure of CPV of Web sites. It identifies Web site characteristics, consequences and value dimensions, and linkages among these relevant in B to B relationships context. As a result of the study, companies may increase the value of Web sites by increasing the perceived benefits or, more importantly, by reducing the sacrifices (Ravald and Grönroos 1996). Also, companies can assess whether Web site sacrifices can be overcome by improving this communication channel through characteristics of which they have a control, or by supporting it with other channels. References available upon request.

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SUMMARY

Organizations that aspire to develop their markets cannot ignore the potential of collaborative relationships with other firms. Strategic alliances offer the benefits of positional advantages via market access, scale economies, and competence development and acquisition. Also, these can be achieved with less risk, at greater speed, and less cost with more flexibility than most other modes of firm growth. Many organizations have engaged in international alliances because of these apparent gains (BCG 2005) with the consequence that such relationships globally have grown significantly year-on-year across most industrial sectors (Thomson 2006).

The process of knowledge transfer and replication in strategic alliances has been examined extensively. Themes have included: the mechanisms for knowledge to be transferred between partners, how knowledge is gained by the parent firm, and how learning from collaboration can increase the effectiveness of the knowledge transfer system thus deriving new organizational competencies. However, extant knowledge can be criticized on the grounds that: the performance implications of knowledge transfer are only recently becoming clear (Dyer and Hatch 2006); the effects of moderating relational exchange influences within this nomological network requires attention (Inkpen and Currall 2004) because these relationships have been profoundly equivocal (Fryxell et al. 2002); this area remains empirically under-researched (Wang and Nichols 2005); and, the dysfunctional or negative aspects of dyadic relationships viz. knowledge transfer remains poorly understood (Argote et al. 2003).

By drawing upon the Knowledge Accessing Theory of Strategic Alliances (Grant and Baden-Fuller 2004), we seek to address these limitations in our investigation. We distinguish between knowledge generation and knowledge application, and test several hypotheses related to the knowledge transfer-strategic alliance performance relationship. Further, we hypothesize the way in which trust and relationship commitment, as relational exchange influences, might moderate this relationship. Finally, we test hypotheses that propose non-linear relationships between knowledge transfer and strategic alliance performance. We generate primary data from an empirical study of 220 dyadic alliances in the U.K. high technology sector to test these hypotheses and report our results using regression analyses.

A series of conflicting findings emerge from our analyses suggesting that the knowledge transfer-strategic alliance performance relationship is more complex than has previously been considered. Despite the array of theoretical explanations available to describe strategic alliance development, limited insights have thus far been gained from the knowledge-based view of the firm (Grant and Baden-Fuller 2004). We make the following contributions. From our empirical study we: demonstrate the significantly different effects of knowledge generation and knowledge application on the strategic alliance performance of firms; reveal the favorable direct impact of trust, relationship commitment, and customer relationship performance on strategic alliance performance; identify the competing moderating effects of trust and relationship commitment on the knowledge transfer-strategic alliance performance hypothesis; and, find that there is a U-shaped relationship between knowledge generation and strategic alliance performance while there is an inverted U-shaped relationship between knowledge application and strategic alliance performance. References available upon request.
LIVED HAPPILY EVER AFTER? A COMPETITION-COMMITMENT APPROACH TO DISSOLUTION OF INTERNATIONAL MARKETING COLLABORATIONS

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SUMMARY

Although the termination of joint ventures is as well likely as their survival, the literature on why joint ventures dissolve has been poor and fragmentary. In this paper, we attempt to contribute the IJV dissolution literature via exploring the firm- and country-level antecedents of IJV dissolution. Our goal is to shed light on two important research questions: (1) what is the role of competition-commitment relationships between parental firms and (2) what is the effect on national culture and market potential on the dissolution of marketing-oriented IJVs.

While the extant literature regards IJV dissolution as an outcome of poor performance, financial incapability or undesirable alliance partners, this study, nonetheless, approaches the dissolution with a more recent perspective in alignment with the changes and developments in world business. In so doing, we do not necessarily define dissolution in terms of failure or bad performance, which may not always be the case in current international business context but rather take it as an outcome, which becomes more or less likely depending on competition-commitment relationships across parent firms or cultural characteristics of both partner firms and JV at a country level. By defining dissolution in these terms, we avoid the numerous operational definitions of performance measures related with JV stability and also the questionable practice of aggregating dissolutions with failure or bad performing JVs.

IJV dissolution has been studied by several scholars with various perspectives. For instance, Ring and Van de Ven (1994) posit that “it is not only in the economic but also in the psychological best interests of the organizational parties to find ways to preserve their socially embedded relationship” (p. 107). According to them, the dissolution of a JV represents organizational failure. Park and Ungson (1997) examine the effects of national culture, organizational complementarity and economic motivation on the instability of JVs leading to dissolution and conclude that opportunistic threat and rivalry appear to be a stronger indication of the dissolution than organizational variables. For cross-border JVs, Geringer and Hebert (1991) find out that IJVs evaluated by their parent firms as successful are more likely to operate more compared to others evaluated as being less successful. Dhanaraj and Beamish (2004) search for the relationship between equity ownership and survival of IJVs. Their study confirms a declining, nonlinear and asymmetrical relationship between equity and mortality in overseas subsidiaries.

We explore a comprehensive set of IJV dissolutions, on contrary to most of the studies, which are limited by selecting only the IJVs formed by U.S. companies. Specifically, using binomial-logit analysis we test our hypotheses in a sample of 3,038 international marketing-oriented joint ventures, which involve firms from 63 countries. Further, examining the effects of competition-commitment, national culture and market potential, we also control for these IJVs and parental firms’ being high-tech companies or not and also parental firms’ being from manufacturing industry or not.

The results suggest that the equally shared ownership, hence the risks and profits significantly increase the life expectancy of the IJVs. Approaching this phenomenon from agency theory perspective, we posit that in equal equity inter-firm collaborations none of the parties is under the jeopardy of moral hazard and opportunistic behavior, which may in turn decrease the safeguarding costs whilst increasing trust between the partners. Nonetheless, future studies may verify these findings in different contexts or via different techniques.

Another interesting result of this study was the positive relationship between the market potential and the likelihood of IJV dissolution. This phenomenon may be attributed several reasons. First, parent firms may wish to reap the benefits of the host country alone, instead of sharing them with a partner. Second, markets with high potentials may also have easy-to-handle bureaucratic procedures and incentives, which diminish the investment risk as well as the need for a partner. The negative, albeit insignificant, relationship between FDI inflow, which may be regarded as a proxy of economic, political and investment risks, and parents’ propensity to terminate the IJV supports this argument. Besides, as predicted by transaction cost theory, lower levels of such risks decrease the transaction costs, and hence facilities hierarchical forms instead of arm’s length transactions.

Further, we found that the competition between partners had no significant effect on the likelihood of IJV
dissolution. While this result in and of itself contradicts with previous studies (Park and Ungson, 1997), we found an intriguing outcome when we couple this result with the significant effect negative effect of equal equity ownership. Specifically, it may be argued that firms tend to favor cooperation over competition, which suggests that the “limited cooperation between competitors” (Brandenburger and Nalebuff 1996) against uncertainty really affects the dynamics of inter-firm collaboration. This study suffers the limitation of focusing merely on marketing IJVs, which may hinder the generalizability of the findings. Nevertheless, studying only marketing IJVs we could refine the analyses of our hypotheses via utilizing a comprehensive dataset comprising a significant portion of IJVs formed within the observation period. Therefore, alternative studies should consider the dynamics of other IJVs formations with different motivations (e.g., manufacturing IJVs or R&D IJVs). References are available upon request.

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THE DETAIL OF DRUGS: HORIZONTAL DISTRIBUTION ALLIANCES
IN THE GLOBAL PHARMACEUTICAL INDUSTRY

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SUMMARY

The focus of this research is to study the use of a specific mode of entry that could ease the process of entering a new market. This particular entry strategy is termed a horizontal distribution alliance (HDA) and occurs when an entrant firm forms a partnership that allows it to use the channel resources of another firm (i.e., the host) in the target market. The host in the target market then distributes the entrant’s goods or services. The horizontal descriptor of the strategy is used because the host is often a competitor of the entrant.

Specifically, we found that for the entrant, HDAs are viewed as an important mode of entry when there are high levels of certain intangible transaction-specific costs such as when heavy levels of advertising and promotion are required to launch a new product in the market. On the other hand, the use of HDAs can only go so far. As the environmental constraints in the market increase, we are less apt to see the use of HDAs and more likely to see the use of vertical integration. Basically, what firms seem to be doing is deciding that if the constraints and risks are high, there must be greater return to be gained from actually going directly into the market.

Our examination of horizontal distribution alliances in the international pharmaceutical industry provides some very interesting results with regard to the alliances. By combining two theoretical frameworks (Resource Dependence and Transaction Cost Analysis) with that of firm-specific strategic considerations, we are able to provide empirical evidence for the antecedents and consequences of using HDAs as a mode of entry.

The second major contribution from this research is the understanding gained about how alliances are structured and managed to achieve success. We find that the relative level of dependence between the entrant and the host should be a moderate one. The results from the analysis suggest that some level of dependency is required to achieve a successful alliance; however, too much dependence can negatively affect its success. The use of commitments also proved to be an important component of successful alliances for entrants; however, when the entrant and host responses were combined neither the use of commitments nor the presence of opportunistic behavior significantly affected alliance success.

Our findings from this study suggest that researchers should include both transaction-specific factors as well as environment-specific factors in developing a theoretical framework for analyzing alliances. In addition, it is critical that firm-specific strategic considerations be taken into effect to learn more about firm’s motivations for entering new or expanding markets. References available upon request.

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A STUDY OF COLLABORATION BETWEEN SALES AND MARKETING AND ITS EFFECT ON BUSINESS PERFORMANCE

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SUMMARY

This paper identifies and considers the antecedents and consequences of collaboration between the sales and marketing functions within organizations utilizing exploratory interviews and a large-scale survey. The research begins with the observation that in many organizations the sales and marketing functions do not exchange information or cooperate to improve business performance (e.g., Kotler, Rackham, and Krishnaswamy 2006; Webster 1997). Recent studies have only conceptualized the relationship between sales and marketing (Dewsnap and Jobber 2000; Rouzies, Anderson, Kohli, Micheals, Weitz, and Zoltners 2005). Prior research into the interface between sales and marketing has found evidence of distrust and conflict between the two functions (Dawes and Massey 2005; Dewsnap and Jobber 2000; Kotler, Rackham, and Krishnaswamy 2006; Rouzies et al. 2005). However, there is a growing body of literature outlining the clear benefits of interdepartmental co-operation in a number of contexts (e.g., Dewsnap and Jobber 2000; Souder and Moenart 1992; Webster 1997). This dichotomy indicates that there should be further research into how the interface between sales and marketing can be made more collaborative. The study considers the concept of collaboration between sales and marketing rather than the integration of the activities of sales and marketing, as according to Shapiro (2002) and Kotler, Rackham, and Krishnaswamy (2006), sales and marketing have necessarily different activities performed by different people who are appropriate for each function. Consequently, combining sales and marketing functions may not be desirable; rather there is a need to build bridges between two, culturally different entities with the aim of creating opportunities for learning and improving functionality to the benefit of the organization in terms of business performance. The contention is that sales and marketing need to collaborate rather than integrate.

Exploratory semi-structured, hour-long interviews were carried out with the Sales Manager, Marketing Manager, and their line manager, in three organizations (a publisher, consumer goods manufacturer, and industrial goods manufacturer). These interviews aimed to clarify the constructs and understand how sales and marketing interacted in these organizations. Following this exploratory research, a large-scale survey was undertaken through a questionnaire mailed to Managing Directors/Chief Executives of large (turnover exceeding £11.2 million), U.K.-based organizations operating in the business-to-business arena. One thousand randomly selected wholesalers, industrial goods manufacturers, publishers and consumer goods manufacturers were included in the survey. Each questionnaire was mailed with a letter offering the respondents a summary of the results upon completion. This initial letter was followed by a reminder letter, and approximately two weeks later another copy of the questionnaire was sent. This was followed by a final letter approximately six weeks after the first letter was mailed. The survey generated 223 (22.3%) responses of which 77 were ineligible for a variety of reasons; including, their turnover was too low or they had no sales or marketing department.

The study identifies five antecedents to collaboration between sales and marketing (Management Attitudes towards Collaboration; Communications; Conflict of Interests; Organizational learning; Market Intelligence) and establishes empirically that greater collaboration between sales and marketing leads to benefits in terms of improved business performance. Management Attitudes towards Collaboration: Menon, Bharadwaj, and Howell (1996, p. 309) have stated, “Managers should formalize overlapping activities that require interfunctional coordination and should clarify roles that are mutually dependent and have potential for role ambiguity.” The exploratory interviews found that senior managers believed it was important to align sales and marketing activities and the statistics showed a high correlation between these two variables. Therefore, it is found that a positive management attitude towards the coordination of sales and marketing goals and activities will improve collaboration between sales and marketing. Communications: According to the literature, effective communications across boundaries is a key construct in the measure of collaboration and therefore this variable was essential to the framework (e.g., Dawes and Massey 2005; Griffin and Hauser 1996; Rouzies et al. 2005). The exploratory interviews highlighted how meetings may be used to promote collaboration and how bidirectional (consultative or interactive) communication has a strong impact on collaborative attitudes. The results found that there was a high correlation between the two variables and the multiple regression analysis indicated that good communication is a significant element in establishing collaboration.
Conflict of Interests: There is strong evidence in literature to indicate that collaboration cannot co-exist with interdepartmental conflict (e.g., Dawes and Massey 2005; Ruekert and Walker 1987). Organizations exhibiting conflict of interests between sales and marketing work at cross-purposes, may be obstructive, have incompatible goals and do not appreciate each other’s roles. The exploratory interviews confirmed that conflict of interests was detrimental to collaboration. The statistics found that these two variables have a high correlation. The reduction of conflict of interest is therefore important in establishing collaboration between sales and marketing. Organizational Learning: The exploratory interviews indicated that there was evidence of tacit learning in all three organizations, but that this learning was not always formalized and shared within the organizations. The statistical results show that organizational learning has a positive effect on collaboration between sales and marketing. Market Intelligence: The inclusion of sales into the market intelligence collection and dissemination processes is instrumental in establishing collaboration and improving organizational performance (Olson, Cravens, and Slater 2001). The interviews found that all three organizations recognized the importance of including the sales force in the collection of market intelligence and of having robust dissemination processes. The research also found that there was a high correlation between market intelligence and collaboration between sales and marketing.

Collaboration between Sales and Marketing and its affect on Business Performance: A number of writers (e.g., Griffin and Hauser 1996; Kohli and Jaworski 1990; Morgan and Turnell 2003) have identified that there is a positive link between internal collaboration and business performance. The exploratory interviews found that the collaborative organizations were more successful in their industries and were achieving the highest profit margins. The statistical analyses found a positive relationship existed between business performance and collaboration between sales and marketing. References available from the lead author upon request.

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CAN SALESPEOPLE SEE WITH THE EYES OF THEIR CUSTOMERS?
AN INVESTIGATION OF PERCEPTION CONGRUENCIES
BETWEEN SALESPEOPLE AND CUSTOMERS

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SUMMARY

The current study aims to provide deeper insights into the phenomenon of perception congruence between salespeople and customers. Specifically, salespeople ratings and customer ratings with respect to salespeople’s customer orientation are investigated. Furthermore, antecedents of perception congruence between salespeople and customers are identified based on the model of self-perception accuracy and cognitive perception theory.

The model of self-perception accuracy (e.g., Yammarino and Atwater 1993, 1997) focuses on the identification of antecedents and consequences of perception accuracy between two persons. Perception accuracy between two persons is defined as “the degree of agreement between self-and-other-ratings” (e.g., Yammarino and Atwater 1993, p. 232). While the model of self-perception accuracy considers perception congruence between two persons, cognitive perception theory focuses on the explanation of a single person’s perceptions (e.g., Ross, Drysdale, and Schulz 2001). Cognitive perception theory provides an explanation of the underlying mechanisms of perception congruence between salespeople and customers with respect to the salespeople’s customer orientation.

Based on dyadic data collected from salespeople and their customers, results indicate a high variance of congruencies between salespeople and customers. Furthermore, salespeople characteristics, customer characteristics, and characteristics of the relationship are identified as antecedents of perception congruence between salespeople and customers. This study provides two important insights with respect to perception congruence between salespeople and customers. First, based on the model of self-perception accuracy and cognitive perception theory, drivers of perception congruencies between salespeople and customers are identified. Second, from a methodological perspective, our study provides guidelines for the design of studies which investigate phenomena at the boundary between supplier companies and their customers. References available upon request.

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RELATIONSHIP EFFECTIVENESS AND KEY ACCOUNT PERFORMANCE: ASSESSING INTERFIRM FIT BETWEEN BUYING AND SELLING ORGANIZATIONS

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SUMMARY

In recent years, marketing scholars and practitioners have embraced two important environmental shifts in marketing: long-term relationships (e.g., Webster 1992; Rackham and DeVincentis 1999) and customer heterogeneity (e.g., Hunt and Morgan 1995; Niraj, Gupta, and Narasimhan 2001). The result of these two changes has been visible in several streams of marketing literature: relationship marketing, customer relationship management, customer lifetime value, customer orientation, and key account (KA) management. However, given the importance of KA management to selling companies, it is surprising to note the lack of empirical research in the area of KA management. As expected with any emerging stream of research, most of the KA literature has been theoretical rather than empirical (e.g., Weilbaker and Weeks 1997; Jones et al. 2005), and the empirical literature has focused on a limited range of issues: appropriateness of KA programs (Sengupta, Krapfel, and Pusateri 1997); KA managers and KA sales team effectiveness (Sengupta, Krapfel, and Pusateri 2000; Schultz and Evans 2002); desirable characteristics of KAMs (Wotruba and Castleberry 1993) and KA organizational structures (Homburg, Workman, and Jensen 2002; Workman, Homburg, and Jensen 2003). This important early research paved the way for examination of the account-level antecedents of effective KA relationships. The goal of this study is to empirically explore two important questions in KA management: How does inter-firm fit impact key account (KA) performance? How do organizational-level and individual-level determinants impact account-level, KA performance given different levels of inter-firm fit?

Hypothesized Model

The following account-level model is hypothesized containing antecedents and outcomes related to relationship effectiveness. Relationship effectiveness – the primary mediating variable in the model – was adapted Workman, Homburg, and Jensen (2003), Narus and Anderson (1995), and Morgan and Hunt (1994). For this study, relationship effectiveness is defined as the extent to which an organization achieves positive relational outcomes for the focal KA and is modeled as a second-order formative construct with trust, relationship commitment, cooperation and information sharing as the first-order elements of relationship effectiveness.

Three types of inter-firm fit (strategic, operational, and personal), are posited determinants of relationship effectiveness. Drawing on strategic alliance literature, Sheth and Parvatiyar’s (1992) alliance framework specifies two alliance purposes based on strategy or operations. Strategic fit is defined as the degree to which the buying and selling firms’ strategies are aligned. Based on qualitative interviews, KAMs believe that when the buying and selling companies’ strategies are closely aligned, synergies may be created between other marketing and distribution efforts that are designed to serve the account. Operational fit is defined as the degree to which the service requirements of the KA are aligned with the capabilities of the selling company. When operational fit is high, goods and services are efficiently exchanged for payments, and both the buyers and sellers benefit from lower costs. Personal fit is the degree to which the individuals in the buying and selling companies have strong personal relationships. Wengler, Ehret, and Saab (2005) suggest that KA management is one type of relationship marketing approach that is still closely linked to the classic sales task. These relationships result in positive emotional ties (Price and Arnould 1999) and a greater likelihood of the customer continuing to do business with the firm (Seabright, Levinthal, and Fichman 1992). These three inter-firm fit factors are posited to have a positive impact on relationship effectiveness.

Previous studies on KA salesperson effectiveness (e.g., Sengupta, Krapfel, and Pusateri 2000; Schultz and Evans 2002) found that a KAM’s intrapreneurial ability and communication quality are positively related to relationship effectiveness. Additional, theoretical support for the determinants of KA relationship effectiveness comes, in part, from Workman, Homburg, and Jensen’s (2003) organizational-level model. As a result of their empirical investigation KA management team esprit de corps, activity proactiveness, activity intensity, and marketing and sales resources availability will be included in the present model as positive antecedents. KA performance (e.g., sales as a percent to plan, contribution margin) is dependent on the quality of the relationship between the buyer and supplier companies (Workman, Homburg, and Jensen 2003). From the selling firm’s point of view, a successful relationship will lead to improved performance.

To further understand the impact of fit on relationship effectiveness, interactions are also hypothesized between
inter-firm fit and both organizational and individual factors. These interactions will condition the current knowledge and introduce boundaries for the effectiveness of previously studied antecedents.

Data, Methods, and Contributions

A qualitative study with KAMs and senior management of KA management organizations is currently underway to investigate inter-firm fit dimensions. This qualitative study is followed by a quantitative study with a sample of KAMs from two to three large organizations. KAM survey responses will be combined with objective performance data from the participating organizations. The hypothesized model contains mediated-moderation and will be estimated with covariance-based structural equation model (SEM) software and partial least squares software (PLS).

The following contributions are expected. First, inter-firm fit is added to the literature as an antecedent to relationship effectiveness. Second, this study examines the moderating role of inter-firm fit factors with respect to relationship effectiveness. Third, a new second-order construct, relationship effectiveness, will be developed to improve our ability to measure the relational aspects of KA management. Fourth, managers will have empirical support for their “theories in use” related to the multiplier effect of fit on their investments in each KA.

REFERENCES


CAN INCONGRUENT BRAND EXTENSIONS BE SUPERIOR OVER CONGRUENT ONES? THE INFLUENCE OF PRECEDING EXTENSIONS

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SUMMARY

Existing literature has repeatedly demonstrated that congruent brand extensions are more likely to achieve success relative to incongruent ones (Aaker and Keller 1990; Boush and Loken 1991; Park, Milberg, and Lawson 1991). However, the success of many incongruent extensions (e.g., Panasonic bicycles; Pepsi sport shoes) evidently contradicts with this argument. This discrepancy was partially ascribed to the fact that participants in previous research were exposed to the focal extension alone, without any other information (Klink and Smith 2001). Imagine that a consumer encounters a new MP3 player produced by Nokia (i.e., an extension), it is reasonable to expect that his/her interpretation of this extension may be influenced by the characteristics of preceding extensions, such as Walkman and Samsung. The purpose of this article is to investigate how consumers’ attitude toward an extension could be influenced by these preceding extensions.

The Role of Preceding Extensions: Kumar’s (2005) Study

In a pioneering article pertaining to this theme, Kumar (2005) studied the reciprocal effects of a previous extension on the focal counterextension. By counterextension the author means that the previous extension and the focal extension are in opposite directions (i.e., the focal extension is launched from Category B into Category A whereas the previous extension was launched from Category A into Category B). The findings showed that the focal counterextension will be more desirably evaluated when the preceding extension was a success rather than a failure. This effect is independent of the similarity between parent brand and extension. Kumar (2005) explained that the result is mediated by an increased category similarity. Distinctive features between Category A and B decrease and their similarity increases when a successful preceding extension is categorized as a member of the extension category. This explanation is persuasive and consistent with the similarity-mediated model (Aaker and Keller 1990). However, this argument is built on the premise that previous extensions are either purely successful or unsuccessful. In reality, however, mixed situations are more prevalent, where some previous extensions are successful while others are failed. More complexly, some incongruent extensions are successful while some congruent ones are not. Little has been known about what will happen in these mixed situations.

An Adaptive Learning Perspective

To predict consumers’ brand extension evaluation in these more complex situations, we here adopt an associative learning paradigm. A consensus among different learning models is that consumers can learn relationships between different cues and outcomes. The parallel distributed processing model (PDP; see Rumelhart, Hinton, and McClelland 1986), for example, proposed a layer of processing (input) units (e.g., perceptual features, letters, or concepts) and another layer of output units. These units are typically stored in a pairing manner. That is, the activation of each sensory unit will activate its corresponding response only. Within the context of brand extension, we propose that product similarity serves as a predictive cue, while the perceived success of an extension as outcome. After being exposed to various brand extensions, consumers may learn that to predict the performance of new extensions, they can rely on the product similarity between brand and extension. In specific, congruence predicts good performance whereas incongruency predicts undesirable performance.

According to Gluck and Bower’s (1988) adaptive network model, in the learning of relationships between a cue and its outcome, consumers would adjust the weight of cues according to feedback. In brand extension, when consumers encounter many desirable congruent extensions, they are likely to assign a higher weight to category similarity. However, this weight will be lowered when they subsequently experience undesirable congruent or desirable incongruent extensions. Therefore, if both congruent and incongruent extensions gain mixed success and failure, consumers are less likely to base their judgment of a new extension solely on the category similarity. Just as Broniarczyk and Alba (1994) suggested, category similarity should be utilized to the extent that it is perceived as a good predictor of the desirability of the extension. Thus, congruent extensions will enjoy less superiority over incongruent extensions when (1) some preceding incongruent extensions are desirable, or (2) some preceding congruent extensions are undesirable.
Can Incongruent Extensions be Superior Over Congruent Ones?

Consider the situation of previous desirable extensions to which a consumer has been exposed have always been launched by brands which belong to dissimilar categories. According to associative network model, product dissimilarity, in this case, becomes a reliable cue to predict a desirable evaluation. Thus, consumers would infer that a focal extension is desirable if it is extended from dissimilar categories. This effect could also be explained by Kumar’s (2005) model. However, our focus here is how congruent extensions will be evaluated in the context of desirable incongruent extensions. Kumar (2005) is irrelevant to this question since an increased similarity between two dissimilar categories, say, Category A and Category B, can hardly predict the change of consumers’ perception about two originally similar categories, say Category B and Category C. It is suggested by the associative learning model that a congruent extension will be less desirable judged in this situation since it does not bear a highly valid cue, that is, category dissimilarity.

Similarly, if preceding congruent extensions were all undesirable, an incongruent extension will be more desirably evaluated relative to congruent ones. That is because category similarity becomes a high validity cue to predict undesirable extensions in this situation. An extension which bears this cue is very likely to be predicted as unfavorable. Since incongruent extensions do not bear this cue, they are less likely to be undesirably evaluated and hence can enjoy superiority.

To sum up, the core proposition of this research is that the superiority of congruent extensions over incongruent ones will be weakened when (1) some preceding incongruent extensions are desirable, or (2) some preceding congruent extensions are undesirable. Moreover, we propose that incongruent extensions can even dominate congruent extensions when (1) many preceding incongruent extensions are desirable, or (2) many preceding congruent extensions are undesirable. References are available upon request.

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CONSUMER INNOVATIVENESS AND ACCEPTANCE OF BRAND EXTENSIONS

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SUMMARY

Brand names provide customers with symbolic meanings to assist customer recognition and decision-making processes (Wernerfelt 1988). Successful brands are strategically important assets for firms. Firms are increasingly seeking to leverage that goodwill (i.e., brand names and customer loyalty) by extending their brands into new product areas. Thus, consumers’ acceptance of brand extensions is strategically crucial for firms. The key to the success of new products is to identify the consumers who are potential early buyers in the product market (Midgley 1977). Consumer innovativeness influences consumers’ learning and purchasing process of new products in the marketplace. However, the extant literature falls short of exploring the relationship between consumer innovativeness and consumers’ acceptance of brand extensions. This conceptual paper bridges these two separate streams of research and addresses this research gap.

Brand extensions refer to the branding strategy that current brand names are used to enter different product categories (Aaker and Keller 1990). Kotler (1991) defines brand extensions as any effort to extend established brand names to launch new or modified products or lines. The success of brand extensions depends on the product information available and the fit between the brand name and the new product category. Consumer innovativeness is considered “the degree to which an individual is relatively earlier in adopting an innovation than other members of his system” (Rogers and Shoemaker 1971, p. 27). Midgley and Dowling (1978) define innovativeness as “the degree to which an individual is receptive to new ideas and makes innovation decisions independently of the communicated experiences of other.” Consumers’ propensity to try and purchase new products in the marketplace nevertheless has certain impacts on consumers’ brand loyalty (Hirschman 1980) and, consequently, acceptance of brand extensions, because brand extensions have been extensively applied in the launch of new products (Aaker and Keller 1990). Therefore this paper argues that consumer innovativeness affects consumers’ acceptance of brand extensions and that product information, extension distance and categories of brand extensions play important roles in the relationship between consumer innovativeness and consumers’ acceptance of brand extensions. It also proposes that consumers’ personal characteristics, socialization and communication moderate the relationship between consumer innovativeness and brand extension acceptance. The examination of the relationship between consumer innovativeness and acceptance of brand extensions leads to a number of research propositions as follows:

Proposition 1: Consumer innovativeness is more positively related to acceptance of distant brand extensions than to that of close brand extensions.

Proposition 2: Consumers innovativeness is more positively related to acceptance of horizontal extensions than to that of vertical extensions.

Proposition 3: The direction of vertical extensions moderates the relationship between consumer innovativeness and consumers’ acceptance of vertical extensions. Downslope vertical extensions intensify the relationship, while upslope vertical extensions attenuate the relationship.

Proposition 4: Consumers’ personal characteristics moderate the relationship between consumer innovativeness and brand extension acceptance.

Proposition 5: Socialization and communication moderate the relationship between consumer innovativeness and brand extension acceptance.

This conceptual paper contributes to the extant literature by addressing the research gap in the research stream of brand extension acceptance. This preliminary attempt sheds light on further research in this relationship between consumer innovativeness and acceptance of brand extensions. References available upon request.
OPTIMAL PRODUCT DIFFERENTIATION WITH RELATED COSTS

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ABSTRACT

This paper examines product and price competition when differentiation is costly and depends on the technology prevailing in the industry. We assume two identical firms and two identical demand functions for one differentiated and one undifferentiated product. We study the optimal product strategy for a differentiating monopolist, a new entrant and a merged company.

INTRODUCTION

Since Hotelling’s (1929) seminal paper, the question of how much a firm should differentiate its products both from those of its competitors and from its other offerings has received considerable attention. It has long been assumed that product differentiation at the company level is driven by three main forces (Lancaster 1990):

a. Economies of scope, since if the cost of joint production for two outputs is less than the sum of the individual costs of production, a firm would be motivated to produce both products itself.

b. Cross-elasticities, and more specifically the extent to which the interaction of both products on the demand function offsets any losses of scale economies.

c. Strategic deterrence of potential entrants to the product space.

Brand extensions are a particular case in point. A brand extension can enjoy economies of scope if it can piggyback on the original brand and its marketing expenditures; a brand and its extension may be complementary products or have an impact on consumers’ preferences for each other; or it can act as a flanker brand limiting the options for a new entrant (Aaker and Keller 1990; Broniarczyc and Alba 1994).

Product differentiation can affect the competitors’ profit functions in two ways: either through scale economies and economies of scope (interactions on the cost function) or increased or decreased sales (interactions on the demand function). Those forces oppose each other, drawing firms either closer to or away from their competitor (Moorthy 1988). Extant research considers both interactions as separate and often focuses on the trade off between lost scale economies and increased economies of scope (Nehring 1999) or sales, particularly in an international trade environment (Krugman 1980). Panzar and Willig (1981) demonstrate that economies of scope constitute the exact condition needed for emergence of a multiproduct firm in a competitive environment. Singh and Vives (1984) consider competition in a differentiated duopoly, but although their model allows products to be either substitutes or complements, marginal costs are constant, and therefore differentiation operates only on the demand function but not the cost function.

However, consider the case of an industrial adhesive manufacturer producing a Pareto-optimal (in terms of cost) combination of moist resistance and temperature tolerance considering the launch of a new product. As she departs from the Pareto-optimal combination, the product becomes differentiated (more moist resistant, for example) and at the same time costlier to produce. Or consider two car manufacturers, each of them with two product lines, passenger cars, and sports utility vehicles (SUVs). We can expect passenger cars from both manufacturers to have similar costs but different from the cost of SUVs. At the same time, passenger cars from different manufacturers are closer substitutes than a passenger car and an SUV from either company. For example, a Toyota Corolla and a Honda Civic are close substitutes and have similar costs, while a Toyota Land Cruiser and a Honda Pilot are also close substitutes and have similar costs. However, the cost of producing a Toyota Corolla is very different from the cost of producing a Toyota Land Cruiser, even after adjusting for differences in quality and features. The pattern we have just described is common in many industries: very close substitutes tend to have very similar costs, even if they are manufactured by different companies, while costs tend to vary as products become more differentiated (more distant substitutes). We call this pattern differentiation with related costs.

Although most differentiation has an impact on costs, not all means of differentiation has the same effect on unit costs. For example, two personal digital assistants (PDAs) may be perceived as distant substitutes because of their different brands, image or positioning, despite being manufactured by the same company with the same specifications, using the same software and therefore almost at the same cost. By contrast, two gasoline formulations may be perceived by drivers as completely interchangeable even though the kind of additives included (or excluded) for environmental or other reasons causes them to be produced at widely different costs. Technological flexibility, or the ability to produce differentiated products at
Despite its pervasiveness, product differentiation when production unit costs are related to the degree of differentiation has been studied so far only in the case of vertical differentiation, like in Moorthy (1988). These models generally assume a direct relationship between preference and cost (i.e., higher levels of preference are associated to higher levels of quality which, in turn, are associated with higher costs). Also, they implicitly assume consumers to be homogeneous in their preferences under equal prices. On the other hand, models of horizontal differentiation from Hotelling (1929) onwards commonly assume differentiation is free for the producer, and all the cost of differentiation is borne in full by the consumer in the form of disutility (Hendel and de Figueiredo 1997) in direct relation to the product’s distance from the consumer’s ideal point. In this article we fill this gap in the literature by providing a general model of competition with horizontally differentiated products and related costs. In order to avoid confounding effects, we assume away economies of scale and scope. More specifically, we propose a parsimonious representation of the relationship between difference in costs and degree of differentiation, moderated by technological flexibility. We depart from the existing literature in three ways. First, we assume that horizontally differentiated products may have different production costs but, unlike models of vertical differentiation, we do not assume a monotonous relationship between preference and differentiation. Furthermore, our model also accommodates the case of costless differentiation as a particular case. Second, we introduce technological flexibility moderating the cost of differentiation. As a consequence, we obtain results of a different kind with ideal locations not only at the extremes of the differentiation space, but also at intermediate positions. Third, unlike most models of horizontal differentiation, we assume consumers to be homogeneous. As a consequence, our results do not depend on the type and degree of consumer heterogeneity assumed. We then apply our model to the study of its implications in three different situations where the interplay of cost and differentiation has strategic consequences for management: a monopolist introducing a new product competing with her current offering and deciding how different both products should be; a new competitor entering a market served by a monopolist and deciding how close to position herself; and the merger of two companies with competing products. We conclude with a discussion of our results and its implications, limitations and possible extensions.

THE MODEL

We consider a market of size one, and two products in the same category, where consumers maximize the following utility function:

\[
U = z + q_1 + q_2 - \frac{q_1^2}{2} - \frac{q_2^2}{2} - aq_1q_2
\]

subject to the income restriction

\[
m = z + p_1q_1 + p_2q_2
\]

where \( q_i \) is the market demand for product \( i \), \( p_i \) is the price of product \( i \), \( a \in [0,1] \) is the degree of product differentiation, \( z \) is the consumption of a Hicksian composite good of unitary price comprising all other goods available to the consumer, and \( m \) is total disposable income. This quadratic specification of the consumer utility function is concave in \( q \) (Dixit 1979; Vives 1984; Roy, Hanssens, and Raju 1994) and allows us to model decreasing returns on consumption in the presence of other consumption alternatives, as well as the consumption interactions between the two products. Also, since our focus here is optimization rather than sales prediction, the derived linear demand functions imply strictly concave revenue and profit functions with unique optima (Zenor 1994).

Inverse market demand functions can be written as

\[
p_1 = 1 - q_1 - a(q_2) \quad (3)
\]
\[
p_2 = 1 - q_2 - a(q_1) \quad (4)
\]

Or, alternatively, as

\[
q_1 = \frac{p_1 - 1 - a(p_2 - 1)}{a^2 - 1} \quad (5)
\]
\[
q_2 = \frac{p_2 - 1 - a(p_1 - 1)}{a^2 - 1} \quad (6)
\]

Low values of a mean highly differentiated products while high values of \( a \) mean both products are close substitutes. In the extreme, if \( a = 0 \) both products are independent (i.e., their demand functions are separate, \( q_1 = 1 - p_1 \) and \( q_2 = 1 - p_2 \), and the price of one product has no effect on the demand for the other) while if \( a = 1 \) both products are homogeneous (i.e., they share the same demand function \( p = 1 - q \)). For the sake of simplicity, we are assuming that product differentiation is symmetrical (i.e., product 1 is a substitute of product 2 in the same degree as product 2 is a substitute of product 1). Note that in a more general sense, \( a \) can also be interpreted as the cross-partial derivative of \( U \) measuring the degree of substitutability in the utility function. But since both products belong in the same product category, \( a \) also measures the degree of differentiation.

With this specification, potential demand for each product is capped at 1, and prices can vary between 0 and 1. If both products are homogeneous, they are competing for exactly the same market and total potential demand is 1. As products become more differentiated, potential market demand expands as different customers...
can be served. If both products are completely independent, we have two separate markets and a total potential market demand of 2.

Since our attention here is on marginal costs, and not average costs, we will assume there are no fixed costs and no capacity limits. Without loss of generality, we can normalize the unit cost of one of the products to zero. Hence,

$$c_1 = 0$$  \hfill (7)

We model the unit cost of the second product as a function of the degrees of differentiation and technological flexibility as

$$c_2 = \theta (1 - a)$$  \hfill (8)

Where a is the degree of product differentiation as described above and \( \theta \) is a scaling parameter reflecting the cost of differentiation. If \( a \) is high (products are close substitutes) or \( \theta \) is low (differentiation can be achieved at a very low cost), then \( c_2 \) will be close to zero and both products will have similar costs. For \( \theta = 0 \), production technology would be infinitely flexible, allowing the production of any differentiated product at the same cost. On the contrary, if \( a \) is low (products are distant substitutes) or \( \theta \) is high (differentiation is very costly), \( c_2 \) will be very different from (higher than) \( c_1 \). A very high value of \( \theta \) would imply a very inflexible technology unable to produce almost any variation on the product, or at prohibitively high costs. In our model, all the cost burden of differentiation is borne by the differentiated product, implicitly assuming that one of the products is a Pareto-optimal cost-efficient design and any departure from it implies moving along the Pareto frontier (same costs) or away from it toward higher unit production costs.

Profits obtained from the sale of one good become

$$\Pi_i = q_i (p_i - c_i)$$  \hfill (9)

Where \( i \) can be 1, 2

It follows that product differentiation has a dual impact on the profit function. Differentiated products allow access to a larger total potential demand, but differentiated products may also have higher unit costs depending on the cost of differentiation. Decisions in this model are, therefore, essentially trade-off decisions between unit cost and sales volume.

THE DIFFERENTIATING MONOPOLIST

Consider the case of a monopolist selling only one good. Using the specification described above, and assuming \( c_1 = 0 \) we have

$$p_i = 1 - q_i$$  \hfill (10)

$$q_i = 1 - p_i$$  \hfill (11)

$$\Pi_i = q_i p_i$$  \hfill (12)

It follows straightforwardly that optimal prices, quantities and profits are

$$p_1^* = \frac{1}{2}$$  \hfill (13)

$$q_1^* = \frac{1}{2}$$  \hfill (14)

$$\Pi_1^* = \frac{1}{4}$$  \hfill (15)

This monopolist may consider introducing a new product to compete with her current offering. In this situation there are two questions she needs to consider before making a decision: Is it profitable to introduce a new product? If the answer is yes, how different should it be from the current product?

With two products, her profit function becomes

$$\Pi = \Pi_1 + \Pi_2 = q_1 p_1 + q_2 (p_2 - \theta (1 - a))$$  \hfill (16)

Solving the first order conditions \( \frac{\partial \Pi}{\partial p_1} = 0 \) and \( \frac{\partial \Pi}{\partial p_2} = 0 \) for maximum profits yields the following optimal prices, quantities and profits

$$p_1^* = \frac{1}{2}$$  \hfill (17)

$$p_2^* = \frac{1}{2} (1 + \theta - \theta a)$$  \hfill (18)

$$q_1^* = \frac{1 - \theta a}{2 + \alpha}$$  \hfill (19)

$$q_2^* = \frac{1 + \theta a}{2 + \alpha}$$  \hfill (20)

$$\Pi^* = \frac{1}{4} \frac{1}{2 + \alpha} (\theta^2 - 2 \theta)$$  \hfill (21)

Hence we have the following propositions:

Proposition 1: A monopolist will introduce a new differentiated product if, and only if, its cost of differentiation is below a certain threshold.

Proof. \( q_2^* > 0 \Rightarrow \theta < 1 \). Therefore, in order for the monopolist to sell a positive amount of good 2, the cost of differentiation must be \( \theta < 1 \).

Proposition 2: Once a monopolist’s cost of differentiation reaches a certain threshold, her two products will be completely heterogeneous.

Proof. Subject to the restriction \( \theta < 1 \), \( \frac{\partial \Pi}{\partial a} = \)
\[
\frac{12 + (1 - a) (\theta^2 - \theta)}{a + 1} < 0, \forall a \in [0,1].
\]

Since the monopolist’s profits are higher the more differentiated her second product is, she will introduce a product completely different from her first. Indeed, absent economies of scale, a monopolist has no incentive to cannibalize her current product with a competing one.

While Proposition 1 in itself is expected, Propositions 1 and 2 taken together cast some light on the expansion on some monopolists into unrelated (from a consumption point of view) businesses. Although there may be other explanations, Microsoft’s decision to move into game consoles would fit neatly into our model.

**ENTRANCE OF A NEW COMPETITOR**

A new entrant in a market dominated by a monopolist faces a similar set of questions as the one faced by the monopolist in the previous section: whether to enter the market at all, and if so, how differentiated his product should be.

We assume that both companies make their decisions on prices, quantities and, in the case of the new entrant, degree of differentiation simultaneously, while technological flexibility is given and equal for both firms. This latter assumption is less restrictive than it may initially seem. In most industries production technologies are available in the market and accessible to all competitors. While we can think of individual examples of companies that have developed a business model able to produce a range of differentiated products at a much lower cost than their competitors (e.g., Dell in personal computers, Zara in apparel), the fact remains that most companies in the same industry use vastly similar processes.

Without loss of generalizability, we can normalize the monopolist’s unit costs as

\[ c_1 = 0 \]  \hspace{1cm} (22)

Unit costs for the new (and differentiated) entrant will be

\[ c_2 = \theta (1 - a) \]  \hspace{1cm} (23)

As explain above, the new product bears all the cost of differentiation.

We can model market demands as in the previous sections, and profit functions become

\[
\Pi_1 = q_1 p_1
\]
\[
\Pi_2 = q_2 (p_2 - \theta (l - a))
\]  \hspace{1cm} (24)  \hspace{1cm} (25)

Solving for maximum profits yields

\[
p^*_1 = \frac{a^2 (1 + \theta) + a (1 - \theta) - 2}{a^2 - 4}
\]
\[
p^*_2 = \frac{a^2 + a (1 + 2 \theta) - 2 (1 + \theta)}{a^2 - 4}
\]
\[
q^*_1 = \frac{a (1 + \theta) + 2}{(a + 1) (4 - a^2)}
\]
\[
q^*_2 = \frac{\theta a^2 + a + 2 (1 + \theta)}{(a + 1) (4 - a^2)}
\]
\[
\Pi = \frac{-\theta \dot{u}^2 + 2 a \theta^3 - 2 \theta^2 + 2 \theta + 1}{(a + 1) (a^2 - 4)}
\]  \hspace{1cm} (30)

Proposition 3: A new competitor will enter a market with a differentiated product only if the cost of differentiation is below a certain threshold, and that threshold is higher than the one necessary for a monopolist to introduce a differentiated product.

Proof. \( q^*_1 > 0 \implies \theta \frac{a + 2}{2 - a^2} \leq 3 \). The new entrant will introduce a new competing product only if the cost of differentiation is below a certain threshold, and that threshold is higher than the one necessary for the monopolist to introduce a new product. Since the new entrant is not encumbered by an existing product and the risk of cannibalizing his own sales, he can make a profit despite higher differentiation costs. This asymmetry suggests a very interesting market dynamics where new entrants erode market share from an incumbent monopolist by launching a differentiated product the monopolist is not interested in launching.

Proposition 4. For high and low levels of technological flexibility, a new entrant’s optimal strategy is to introduce an extremely differentiated product.

Proposition 5. For intermediate levels of technological flexibility, a new entrant’s optimal differentiation strategy is directly related to the level of technological flexibility.

Proof of Propositions 4 and 5. Making \( \frac{\partial \Pi^*_1}{\partial a} = 0 \) and solving for \( a \), and analyzing the roots numerically to ascertain that \( a, \in [0,1] \) we obtain

\[
a^* = \begin{cases} 
0, & \text{if } \theta < .4827 \\
\frac{f^*}{f} & \text{if } .4827 \leq \theta \leq 1.2255 \\
0, & \text{if } \theta > 1.2255
\end{cases}
\]  \hspace{1cm} (31)

where \( \frac{\partial f^*}{\partial \theta} > 0 \forall \theta \in [0.4827, 1.2255] \), and the maximum and minimum are given by \( a^* = f(.4827) = .269 \) and \( a^* = f(1.2255) = .818 \) respectively (the full analytical expression of \( f^* \) can be obtained from the authors). For high and low cost of differentiation, the optimal \( f^*(\theta) \) decision for the
new entrant is to produce and market a completely differentiated product. In the case of low cost of differentiation, the market share gains in the market for the undifferentiated product and the reduction in cost from a reduction in the degree of differentiation do not compensate for the loss in high-margin sales in the market for the differentiated product. On the other hand, for high costs of differentiation (but at least below a certain threshold) the new entrant needs all the sales from the market for the differentiated product because of his high costs. However, for intermediate levels of the cost of differentiation, there is a positive relationship between cost and optimal product differentiation for the new entrant, as higher sales in the market from differentiated products more than compensate for the higher costs of differentiation. Thus, we offer the following propositions.

TWO MERGING COMPANIES

Mergers are often justified on two separate arguments: the existence of scale economies from the combination of previously separated operations (Weston 1970) and the increased market power of the joint company leading to higher prices. We are interested in the latter. Let us consider the two companies producing partially substitute products from the previous section. If those two companies decide to merge, they become a monopolist like the one in section 2.

Proposition 6: The merger of two companies selling differentiated products to become a monopoly will entail a reduction in product differentiation in the marketplace if the technology is not flexible beyond a certain threshold.

Proposition 7: The merger of two companies selling differentiated products to become a monopoly will result in the maintenance or increase in the level of product differentiation in the marketplace if the technology is flexible beyond a certain threshold.

Proof of Propositions 6 and 7. We know from results in section 2 that a monopolist will market two differentiated products only if $\theta < 1$. If cost of differentiation is below a given threshold ($\theta < 1$), the monopolist will market completely heterogeneous (non-competing) products ($a = 1$). However, if the cost of differentiation is sufficiently high ($\theta > 1$), it makes sense for the merged company to drop the more costly differentiated product and keep only its low-cost option.

In order to measure the effect of the merger on prices, quantities and profits, let us make $p^a_i$, $q^a_i$, and $\Pi^a_i$ the price, quantity and profit derived of product $i$ before the merger, and $p^b_i$, $q^b_i$, and $\Pi^b_i$ the price, quantity and profit derived of product $i$ after the merger, respectively. As can be expected, prices after the merger are higher than before the merger for both products.

\[
p^*_1 - p^b_1 = \frac{1}{2} \left( \frac{a}{a} \right) (1 - \theta) + a(1 - \theta) - 2 \geq 0 \quad (32)
\]

\[
p^*_2 - p^b_2 = \frac{1}{2} \left( 1 + \theta - a \theta \right) - a(1 + 2\theta) - 2(1 + \theta) - 2 \geq 0 \quad (33)
\]

Proposition 8: Price increases after a merger will be negatively related to the level of product differentiation before the merger.

Proposition 9: Price increases after a merger will be negatively related to the cost of differentiation.

Proof. Note that $\frac{\partial(p^*_1 - p^b_1)}{\partial a} \geq 0$, $\frac{\partial(p^*_2 - p^b_2)}{\partial a} \geq 0$, $\frac{\partial(p^*_1 - p^b_1)}{\partial \theta} \leq 0$, and $\frac{\partial(p^*_2 - p^b_2)}{\partial \theta} \leq 0$, $\leq a \leq 1$ and $0 \leq \theta < 1$. Also note that the degree of differentiation will be maximum after the merger ($a = 0$), if any differentiated good is produced at all, and therefore changes in prices are dependent only on the degree of differentiation before the merger and the cost of differentiation. High degrees of differentiation prior to the merger result in small price increases for both products. The rationale follows the logic of market power. If both companies produce highly differentiated products, each of them can behave almost as a monopolist in his main market, and the merger will have little impact on his pricing decisions. If products are close substitutes in the first instance, the merger causes a more significant reduction in competition and therefore higher price increases. Also, low costs of differentiation result in bigger price increases for both products after the merger than high costs of differentiation. This is because high costs of differentiation lead to more intense price competition, and this effect becomes less relevant after a merger when competition disappears.

Effects on output can be measured as

\[
q^*_1 - q^b_1 = \frac{1}{2} \left( \frac{1 - \theta}{1 + a} \right) - a(1 + \theta) + 2 \left( \frac{1}{a + 1} \right) (4 - a^2) < 0 \quad (34)
\]

\[
q^*_2 - q^b_2 = \frac{1}{2} \left( \frac{1 + \theta a}{1 + a} \right) - \theta a^2 + a(1 + \theta) - 2(1 - \theta) \left( \frac{1}{a + 1} \right) (4 - a^2) < 0 \quad (35)
\]

Proposition 10: Low (high) product differentiation before a merger will be associated with large (small) reductions in output after the merger.

Proposition 11. Low (high) cost of differentiation is associated with large (small) reductions in output for the undifferentiated product and small (large) reductions in output for the differentiated product.

Proof. As could be expected from a price increase, a merger results in a reduction in output for both products.
Also, we have \( \frac{\partial (q_1^a - q_2^a)}{\partial a} < 0 \), \( \frac{\partial (q_1^a - q_2^a)}{\partial \theta} > 0 \),
\( \frac{\partial (q_1^a - q_2^a)}{\partial a} < 0 \) and \( \frac{\partial (q_1^a - q_2^a)}{\partial \theta} < 0 \). The smaller the degree of differentiation before the merger, the larger the effect on output for both products because the monopolist will increase the degree of differentiation to the maximum level or drop the differentiated product altogether, reducing or eliminating direct competition or cannibalization risks. However, the impact of the cost of differentiation has opposed effects. The lower the cost of differentiation, the larger the reduction in output for the first product and the smaller the reduction in output for the differentiated product. Since a low cost of differentiation makes possible the production of differentiated goods at low cost, it also allows intense price competition and, therefore, the reduction or elimination of direct competition after the merger has a larger effect on output for the first product. On the other hand, lower costs of differentiation mean that the differentiated product can be more profitable, and there is less need to reduce its output to reduce cannibalization effects.

**DISCUSSION, LIMITATIONS, AND EXTENSION**

We have proposed a model of product differentiation with related costs and technological flexibility as a moderator. Every firm faces two opposing forces. Differentiation is attractive because it allows firms to attract additional customers, but the cost of differentiation draws firms towards the existing undifferentiated product. However, although differentiation is costly, the cost of differentiation is a function of the technologies prevailing in a given industry. As a consequence of this insight, our results differ from the existing literature in two ways. First, the cost of differentiation marks the situations under which new products will be introduced either by a single monopolist or a new competitor. Furthermore, there are situations when a monopolist has no incentive to introduce a new product but a new entrant does. Second, while a single monopolist will decide to introduce a maximally differentiated new product or no new product at all, the best strategy for a new entrant is to be only partially differentiated when the cost of differentiation is in an intermediate range, or be maximally differentiated otherwise.

It may be argued that our model makes unrealistic assumptions as to symmetry in market sizes and product substitutability. In our model we assume both products to contribute equally to the consumer’s utility function and, as a result, potential market sizes are also equal. Indeed, it is often the case that the market for a differentiated product is smaller than the market for an undifferentiated product, and we can think of an extended model where one product provides more utility than the other and market sizes are different. In that case, some of our results will depend on the relative size of both markets. If the market for the differentiated product is relatively small, the range of situations where the optimum strategy is to introduce a maximally differentiated product will be reduced. Similarly, if the market for a differentiated product is relatively large, differentiation becomes more attractive. However, such a model would include a vertical differentiation component based on the different utilities provided by both products, as well as the associated cost, and, since ours is not a Hotelling-type model where horizontal and vertical specifications are equivalent (Cramer and Thisse 2003), those differences would mask the effects of costly horizontal differentiation that is the focus of our article.

Also, asymmetrical substitutability can be introduced in our model by including two product substitution parameters, \( a \) and \( b \). Inverse demand functions would be written as

\[
p_1 = 1 \cdot q_1 - a(q_2)
\]

\[
p_2 = 1 \cdot q_2 - b(q_1)
\]

However, this change would require a different (and less theoretically appealing) specification of the consumer utility function, and while specific results might change slightly, we expect our overall results to hold for a wide range of parameter values.

**ENDNOTE**

The authors acknowledge the financial support of Xunta de Galicia, projects PGIDIT02CSO10002PR and PGIDIT02PXIA10001PR.

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SUMMARY

Waiting is a pivotal factor that affects consumers’ purchasing experiences – shopping on the Web is no exception. As reported by Web users, excessive download waiting is a major irritant and the focus of constant complaints. Moreover, companies have suffered from substantial financial losses due to consumers’ abandoning slow loading Web sites. Obviously, the issue of download waiting is of great relevance and importance to e-businesses. Consequently, a thorough understanding of consumer reactions to download waiting is needed to help marketers design appropriate strategies to cope with this pressing issue.

A review of the extant literature shows that the phenomenon of consumer waiting has been examined within both the offline and the online contexts. In the offline context, research has generally centered on examining relationships between waiting and service evaluations (e.g., Davis and Maggard 1990; Dube-Rioux, Schmitt, and Leclerc 1989). Other factors, such as information on delays and consumers’ affective states, have also been studied in terms of their moderating and/or mediating effects on the relationship between waiting and evaluation (e.g., Hui and Tse 1996; Taylor 1994).

Research on waiting within the online context has explored a variety of issues. For example, studies have been conducted to investigate how download waiting influences consumer attitude toward e-tailers (e.g., Rose and Straub 2001; Rose, Meuter, and Curran 2005) and consumer evaluations of Web sites (e.g., Dellaert and Kahn 1999; Palmer 2002). Other topics such as how screen colors affect consumer responses to download waiting are explored as well (e.g., Gorn et al. 2004). Although these studies offer interesting insights, they also present counterintuitive findings. As an example, contrary to expectations that download delay will negatively affect consumer attitude toward e-retailers, Rose et al. (2001, 2005) failed to provide empirical support for this relationship. Moreover, results from different studies on download waiting are often inconsistent. For example, whereas Otto, Najdawi, and Caron (2000) found that a delay of 15 seconds did not affect user satisfaction with a Web site, Nah (2004) concluded that Web users would only tolerate a 2-second delay. Finally, no study has examined the effect of download waiting on consumer attitudes and intentions toward using the website in question, which are issues of more immediate concern to e-tailers than how consumers feel about their company.

Building on previous research on waiting in both offline and online contexts, we develop an integrative conceptual framework to fill these research gaps in the literature. We draw on the theory of reasoned action and the theory of planned behavior to explain the underlying mechanisms of how consumers react to download waiting. Our framework consists of an attitudinal base model built on these theories and includes associated moderating factors. We identify a broad range of cultural, individual, and situational influences that are likely to interact with download waiting and moderate relationships proposed within the base model. For example, in terms of cultural differences, consumers with a more relaxed time orientation will tend to react less negatively to download waiting. As an example of individual differences, consumers with greater website involvement will tend to be more accepting of download waits. Finally, as an example of situational influences, consumers in a more positive mood will react more favorably to download waiting. Implications of the main model and the moderating effects are discussed for practitioners as well as for future research.

ENDNOTE

Both authors contributed equally to the original paper (and abstract).

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THE EFFECT OF BUYER’S SEX, RISK-PRONENESS, AND TIME REMAINING IN AN INTERNET AUCTION ON THE DECISION TO BUY-IT-NOW OR BID

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SUMMARY

Internet auctions have become increasingly popular since their inception in mid-1990. According to reports, in the United States alone, close to a half million full- and part-time entrepreneurs make a living buying and selling a wide variety of products on eBay’s U.S. Web site (Ennico 2004). Notwithstanding the success of the auction format, a large number of internet shoppers choose not to bid in an auction and prefer a fixed-price format. The results of the present study suggest that the buy-it-now (BIN) versus bid-in-auction (BID) choice is influenced by a buyer’s sex, as well as by the time remaining in the auction. The results also suggest that a buyer’s sex and time remaining in an auction interact with a buyer’s risk-proneness to influence the BIN-versus-BID choice. The results offer a better understanding of when to offer a BIN price in addition to the BID option. The results also provide insight into when and why buyers participate in auctions, questions that Park and Bradlow (2005) suggest are fundamental and worthy of investigation.

Theory

Although eBay does not release data on whether men choose to BID rather than BIN more often than women, eBay does indicate that 53 percent of the buyers are men (eBay 2005). Thus, studying whether the sex of a buyer influences the BIN versus BID choice is potentially interesting. Further, sex-based differences may be exacerbated by a time constraint imposed by a seller. A time limit increases the risk of losing out to another bidder, thus rendering useless the time spent bidding in and monitoring an auction. Although past research indicates that all decision makers may make qualitatively different choices under time-pressure (Payne, Bettman, and Johnson 1993), the stress induced by time constraints is known to manifest itself differently in the decision making of males and females (Lundberg 1993). In the domain of decision making under risk, researchers have established that females are more risk-averse than males (Cox and Bauer 1964). This finding has been validated on several occasions across various contexts (Grable and Lytton 1999; Meyers-Levy and Maheshwaran 1991).

Based on this well-documented difference in decision making across the sexes, the resulting interaction between sex, risk-proneness, and time remaining, forms the conceptual background for the present research. When little time is remaining in an auction, the risk of losing out in a bidding war is high. In such a situation, males, being risk-seekers, are more likely to choose BID over BIN. But when time remaining is little, females, being generally risk-averse, will choose BIN over BID. When ample time is remaining before the conclusion of an auction, the risk of participation through bidding is less compared to when little time is remaining. In this case men are expected to continue to prefer BID over BIN, whereas given the comparatively lower risk females are more likely to take a chance and BID instead of choosing BIN. Thus, overall men will choose BID over BIN, and women will choose BIN over BID except when the purchase situation involves low risk.

Method

Participation in the study was solicited in the college of business of a large U.S. university. A total of 348 college students enrolled in various class levels participated in the study. One hundred and ninety were male. The students were given instructions to participate in a simulated eBay auction listing a used Apple iPod 20-gigabyte digital music player. The time remaining in the auction was either one hour or eight days, and the starting bid was set at $0.00. The one hour or eight days options were presented to participants at random. Participants viewed the listing and then either entered a bid or clicked on the button for the BIN option.

Results

Logistic regression was used to analyze the participants’ BID versus BIN choices. Results indicated that as expected, compared to women, men were more likely to BID when time remaining was one hour. However, compared to women, men were more likely to BIN when time remaining was eight days. This finding was unexpected. It is plausible that men were bored by the thought of waiting for eight days before knowing the outcome of the auction. Women, on the other hand, were more likely to BIN when time remaining was both one hour and eight days unless their risk-proneness was high. Even so, women who were risk-prone only chose BID when eight days were remaining but not when time remaining was one hour. Thus, women made different choices than men under time pressure.
Conclusion

The results suggest that sellers in internet auctions can tailor their auction format to fit the anticipated gender of the buyer depending on the product category that is up for auction. By studying the dynamics of an auction as well as the characteristics of the participants the present study helps improve our understanding of internet auctions in general and the BID versus BIN choice in particular. References available upon request.

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EXPLAINING CONSUMER RATINGS IN ONLINE RECOMMENDER SYSTEMS

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SUMMARY

The growth and proliferation of online recommender systems (ORS) and other transparent electronic word-of-mouth networks have created unprecedented potential for academicians and practitioners to peer into the often concealed interactions inside “word-of-mouth” networks. ORS generally have detailed textual comments that are always accessible and tied to tangible, quantitative evaluations (often “star ratings”). Thus, ORS provide researchers access to a substantial set of quantitative evaluations and unsolicited textual rationale from consumers for their quantitative evaluations.

While ORS quantitative ratings from customers have been used by researchers with a wide array of interests (Chevalier and Mayzlin 2006; Lucking-Riley 1999; Bolton, Katok, and Ockenfels 2004; Chen et al. 2003), why users make particular ratings remains a largely unexplored question.

In an attempt to fill this gap in understanding the drivers of consumer ratings, we propose a conceptual model (see Figure 1: Conceptual Model) that draws upon the Hierarchy of Effects model (HEM) (Lavidge and Steiner 1961) to explain the consumer evaluations. Our research addresses two questions. First, do the attitudinal components as revealed in the qualitative user-submitted product reviews explain the accompanying quantitative product rating? Secondly, which attitudinal components largely explain the consumer evaluation?

We empirically test the relationships in an exploratory study based on evaluations for three products (DVDs, video games, digital cameras) from two ORS. Preliminary results support that attitude, conceptualized as a multidimensional construct, is a strong predictor of quantitative product evaluations.

Theory and Conceptual Model

According to consumer behavior and communication research streams, the disaggregated components of attitude are cognitive (thought), affective (feeling), and conative (action). In this vein, our conceptual model is similar to that of the HEM model (Lavidge and Steiner 1961). However, the variable of interest is now the quantitative product rating (product satisfaction) instead of the purchase decision. Additionally, it is important to note the HEM is normally used to describe a sequential manifestation of the cognitive, affective, and conative components of attitude in various orders, based on the nature of the purchase decision (re: low involvement vs. high involvement). Our conceptual model does not make such a distinction because of the practical limitations of the ORS medium.

Additionally, in the context of social psychology and consumer research, attitude is defined by its evaluative (good-bad, like-dislike) nature (Ajzen 1988). Hence, we also use the direction (positive/negative orientation) of the attitudinal components as part of our analysis.

Exploratory Empirical Analysis

The product-level dataset used for the initial exploratory analysis was collected between September 2005 and January 2006 from three different product categories.
(digital cameras, DVDs, and video games) and from two different ORS, bizrate.com and amazon.com. The collected posts were submitted by users between January 2000 and December 2005. Both websites use a 1 to 5 star rating (5 being the best) method for the quantitative evaluation. After eliminating posts that were noise (5.5% of all collected posts), 654 evaluations were used for analysis. Student researchers parsed and coded the text evaluations from these records into nine categories: positive-cognitive, neutral-cognitive, negative-cognitive, positive-affirmative, neutral-affirmative, negative-affirmative, positive-conative, neutral-conative, and negative-conative. All parsed text elements (phrases) inside an evaluation irrelevant to the evaluation of the product (noise) were discarded as well, resulting in 3,955 total phrases used for regression analysis.

Of the 3,955 individual phrases, 3,132 (79.1%) were cognitive, 497 (12.5%) affective, and 326 conative (8.2%). Multinomial logit regression was used to assess the influence of the attitudinal components on the quantitative product ratings. Overall, the model is highly significant and supports the conceptual relationship between attitudinal components and quantitative product ratings. The model fitting information indicates that the overall model is highly significant (p < 0.05).

The Likelihood Ratio Tests demonstrate the influence of each attitudinal component on the quantitative rating. Both COG_NEG and COG_POS were highly significant (p < 0.05), supporting the premise that changes in cognitive component of attitude are associated with changes in quantitative rating. AFF_NEG is highly significant as well while AFF_POS was marginally significant (p < 0.10), indicating the explanatory impact of the affective component of the quantitative rating. Of the conative elements, only CON_NEG was marginally significant (p < 0.10). Together, these results provide preliminary support to the proposition that there is a link between attitudinal components and quantitative ratings. References available upon request.

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SUMMARY

Store environments affect consumer behaviors and shopping outcomes. Retailer practitioners have widely recognized the critical role of store design and invest considerably on creating attractive and pleasant shopping environments. For example, commercial construction spending in retailing was more than 70 billion dollars in 2005 (Sitek 2006) and is estimated to increase by 10 percent in 2006 (Haughey 2006). A store design strategy aims to create a store with desired levels of sensory stimulation for target consumers by effectively using environmental elements. However, the effects of store elements may vary with consumer shopping search strategies and individual differences on optimum stimulation levels (OSL) (Titus and Everett 1995; Grossbart et al. 1975). Very few empirical studies have investigated how the combination of these factors impact consumers’ evaluations toward store design and shopping value.

Numerous store environment elements, among them: ambient, design, layout, and perceived retail density, are the interests of this study because of their important influences on consumer shopping behaviors (Baker 1987). Atmospherics research suggests that favorable ambient, design, and layout elements have positive effects on consumers while perceived retail density may lead to negative results (e.g., Baker et al. 2002). Consumers who have high OSLs are driven by variety and require higher levels of environmental stimulation. They tend to be more sensitive to store environments, and to be more likely to explore new store elements or facilities. Those with high OSLs have stronger evaluations toward environmental elements than those with low OSLs (Grossbart et al. 1975). Thus,

H1: Consumers with high OSLs will have more positive evaluations than those with low OSLs on (a) ambient factor, (b) design factor, (c) layout factor, and have more negative evaluations on (d) perceived density.

Task and recreational orientations are the two fundamental shopping search strategies (Kaltcheva and Weitz 2006). Task-oriented consumers are essentially characterized by a predetermined objective to complete a certain task. They are concerned with making purchases in an efficient and timely manner to achieve their goals with a minimum of irritation (Titus and Everett 1995). Recreational-oriented consumers focus on fun and playfulness, reflecting shopping’s potential entertainment and emotional worth in shopping activities (Babin et al. 1994). Shopping search strategies influence how consumers pay attention to store environment elements and the evaluations toward these elements (Eroglu and Machleit 1990). Recreational oriented shoppers desire shopping entertainment and emotional worth, so they are more likely to pay more attention to store elements for environmental stimulation, and then to have more positive evaluations toward these elements, compared to task-oriented consumers. Task-oriented shoppers aim to completing their shopping tasks efficiently. Attention to various store environment elements may deplete their limited energy for the shopping tasks at hands (Kaltcheva and Weitz 2006). Task-oriented shoppers may be less aware of store elements and may not appreciate those store environment elements as much as recreational shoppers.

H2: Consumers who use recreation orientation search strategy will have more positive evaluations than those who use task orientation search strategy on (a) ambient factor, (b) design factor, (c) layout factor, but have less negative evaluations on (d) perceived density.

The total value of a shopping experience includes hedonic and utilitarian values (Babin et al. 1994). Hedonic value is emotion-based and includes people shopping for “fun, fantasy, arousal, sensory stimulation, and enjoyment” (Hirschman and Holbrook 1982). A utilitarian value reflects whether the shopping tasks were accomplished in an efficient and timely manner (Babin et al. 1994). Consumers with high OSLs are more sensitive to those environmental elements (Grossbart et al. 1976) so they may receive more sensory stimulation than those with low OSLs. As a result, shoppers with high OSLs may have more fun, entertainment, or enjoyment as shopping outcomes. Thus,

H3: Consumers with high OSLs will have higher hedonic value than those with low OSLs.

Task-oriented shoppers apparently are seeking utilitarian value while recreation-oriented consumers are interested in hedonic value (Kaltcheva and Weitz 2006). Task-oriented consumers are less aware of store environment elements so they may receive less hedonic values.
from their shopping trips. Recreation-oriented shoppers aren’t concerned about shopping efficiency. Taken together,

H4: Consumers who use a task orientation search strategy will have higher evaluations on utilitarian value than those who use a recreation orientation search strategy.

H5: Consumers who use a recreation orientation search strategy will have a higher evaluation on hedonic value than those who use task orientation search strategy.

A filed study was conducted in Taiwan to test these hypotheses. Respondents were interviewed immediately after their shopping visits from the selected department stores. A total of 158 questionnaires with specific shopping goals were suitable for analysis. The results supported H1, H3, and H4. Consumers with high OSLs had more positive evaluations on ambient, design and layout elements, but more negative evaluations on retail density element. The main effects of search strategy were not found. Consumers with high OSLs had higher hedonic value. The two search groups (task/recreation) differ only on utilitarian value.

This study emphasizes that OSL is as an effective marketing segmentation variable. Retailers should consider their consumers’ OSLs when planning their store design strategies. Task-oriented consumers are ready to purchase. To capture their businesses, a retailer should create a store environment offering great shopping efficiency. Also, retailers should never discount hedonic value for task-oriented consumers.

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MUSIC AND TIME PERCEPTION: WHEN DOES A SONG MAKE IT SEEM LONG?

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SUMMARY

Music is frequently used by marketers to shape consumer experience. One of the more intriguing influences of music is its ability to shape consumers’ experience of time (Kellaris and Kent 1992). Music is often used to “fill time” in commercial environments. Thus it is not surprising to find studies of music and time perception conducted in a variety of marketing contexts, including advertising (Kellaris and Mantel 1996; Mantel and Kellaris 2003), stores, banks, web sites, various waiting situations (Oakes 2003), including waiting on hold on the telephone (Kellaris et al. 1999).

Prior research examined the influence of objective properties of music on time perception, such as mode (major, minor, whole tone “keys” – Kellaris and Kent 1992), loudness (Kellaris et al. 1996), and speed (Oakes 2003). A general pattern can be discerned across these studies: in retrospect, the duration of an interval or event seems shorter or longer (relative to clock time), depending upon the nature and amount of stimulus information encountered, how it is processed, stored, and subsequently recalled. The study reported here continues to explore the influence of music and person variables on retrospective time estimation.

Theory (e.g., Block 1990; Fraisse 1984; Levin and Zakay 1989; Ornstein 1997) and prior research (e.g., Kellaris and Altsech 1992; Kellaris and Kent 1992; Kellaris and Mantel 1994a, 1994b, 1996, 2003; Kellaris et al. 1996; Mantel and Kellaris 1993, 2003) seem to suggest a simple heuristic underlying retrospective time estimation: “more = longer.” Because it generally takes longer for more to happen, people often infer longer (shorter) intervals when they encounter more (less) stimulus information during a time period and subsequently recall it (Kellaris and Mantel 1996). This numerosity effect, however, is bounded by the estimator’s motivation and ability to reconstruct stimulus events from memory. Hence conditions that affect not only what is encountered (stimulus information), but how it is processed should influence time perception (Mantel and Kellaris 2003). These conditions can reside within external stimuli, the perceiver, the situational context, and the joint interplay of these factors.

In summary of our expectations, our general hypothesis is that retrospective time estimates should be a function of (1) the amount/complexity of musical information to which an individual is exposed during a time interval, (2) individuals’ motivation and ability to process and later reconstruct the information encountered during a time interval, and (3) arousal elicited by the listening context.

Results of our experimentation show that the duration of a time interval filled with relatively simple (low complexity), unfamiliar, instrumental music tends to be overestimated relative to clock time and longer on average than the duration of an interval filled with a more complex variant of the same music. Moreover, this effect is more pronounced when musical complexity is a foreground (melodic) feature rather than a background (accompaniment) feature.

Consistent with our theorizing, we also found that contextually-induced arousal tends to encourage longer retrospective time estimates. Individuals who were asked to imagine that they heard the music while on hold on the phone attributed more stimulation (less relaxation) to the music, which in turn was associated with longer time estimates. Hence arousal appears to mediate the effect of listening context on temporal perceptions.

Using interest in music as a proxy for motivation to process the stimulus music, and self-reported extent of musical training as a proxy for musical processing ability, we found an interesting three-way interactive effect of musical complexity, motivation, and ability on retrospective duration judgments. Specifically, when musical complexity was relatively lower, higher motivation produced shorter, more accurate time estimates on average, irrespective of ability level. When musical complexity was relatively higher (and a feature of the foreground), motivation appeared to have a positive influence on the time estimates of individuals with higher musical abilities – and even a slightly negative influence on time estimates of individuals with lower musical abilities.

Whereas previous research found that exposing listeners to more stimulus information leads to longer time estimates, the present findings show that the reverse can
occur when the complexity of the information inhibits storage and/or subsequent retrieval, reduces the availability of cognitive resources, or distracts from listeners' cognitive timers. In terms of practical implications, the present findings once again raise the intriguing possibility of using music in commercial contexts to shape consumers' experience of time to advantage.

SELECTED REFERENCES


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DOES CREATIVE PROBLEM SOLVING DEPEND ON THE SALIENCE OF PRIMES?

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SUMMARY

Past research has shown that environmental primes play a role in influencing creativity. While some primes enhance creativity, others tend to hinder it. Higgins and King (1981) showed that creative solutions to problems could be nonconsciously set by the manner in which instructions are framed or by the use of metaphors and analogies. In contrast, Dahl and Moreau (2002) illustrated that exposing subjects to external primes did little to enhance creativity. As a result of this controversy, an understanding of the types of primes influencing creativity would offer a comprehensive view of creative consumption. This research stems from the interest to understand the types of primes that inhibit or enhance creativity and thus help explain the duality of the findings mentioned earlier.

Another area of focus is the manner in which consumers are exposed to environmental primes. Primes are not necessarily processed consciously; sometimes, creative processes may be triggered by relevant environmental stimuli (Bargh 1994) outside the awareness of the consumer. Thus, nonconscious priming methods also activate the processes that lead to creative solutions. This study tries to figure out whether primes, exposed either consciously or nonconsciously, have an effect on creativity.

Conceptual Framework

Salience of Primes. Past research did not discuss the nature of the external primes, which can be differentiated into “near” and “far”: the near primes relate to the most obvious external cues while the “far” primes relate to the more abstract, or intangible ones. The former activates the most accessible knowledge structures. Additionally, following Gregan-Paxton and Rhodder-John’s (1998) concept of knowledge transfer, the near primes activate representations smaller in conceptual distance between the base and the target domains and hence, are considered less novel. In contrast, the far primes activate representations that are not obvious and are considered larger in conceptual distance between the base and the target domains. Thus, it is hypothesized that the near primes do not produce high levels of creativity while the far primes tend to generate more novel and appropriate solutions in problem solving.

Conscious vs. Nonconscious Primes

Consciousness relates to the awareness of the stimuli or their effects while nonconsciousness has generally been regarded as unawareness of stimuli or their effects during a task. Nonconscious primes may trigger the retrieval of information recorded in the individual’s memory and influence thoughts, emotion and behavior. It is hypothesized that creativity can be triggered when primes operate nonconsciously as well as when it is activated consciously.

Methodology and Results

The experiment was a 2 (salience of primes: near, far) x 2 (nature of primes: conscious, nonconscious) between subjects design. The priming manipulation was carried out using a word search puzzle that was completed at the beginning of the experiment after individual differences in levels of creativity (covariate) was measured. In each of the four forms of the puzzle, the subjects circled three words in a 10 x 10 matrix of letters: two words formed the primes while the third formed the filler. Next, they provided solutions for a consumption problem similar to that used by Burroughs and Mick (2004), which formed the basis of the dependent variable. Then, subjects were asked to recall the primed words. Finally, involvement (covariate) was measured and the participants were asked whether any of the ideas from the puzzle helped them to solve the problem (to check whether they were aware of the primes). In the nonconscious priming manipulation, participants were given the puzzle with the primes and this was followed by the stimulus. In the conscious priming manipulation, the participants were explicitly told about the examples of primes and then were asked to find the same words in the puzzle. Pretests were used to test the primes and the stimulus. The responses from the pretest were also used as the basis for separating creative from non-creative responses. Seventy-eight college seniors enrolled in a marketing course at a large U.S. university comprised the final sample.

MANCOVA was used to analyze the results. Manipulations of the near and far primes were checked in terms of the recall of the primes. Creativity was measured by: (1) The total number of solutions and the number of creative solutions (using responses from the pretest) and
(2) Using Dahl and Moreau’s (2002) procedure (using independent judges). The overall model was significant for both the total number of solutions \( F_{(5, 72)} = 2.42, p = 0.04 \) and the number of creative solutions \( F_{(5, 72)} = 2.94, p = 0.02 \). The salience of the primes was significant for the number of creative solutions while that for the total number of creative responses was not significant. The far primes generated more creative solutions compared to the near primes. The total number of solutions generated was significantly different for conscious vs. unconscious primes while it was not so for the number of creative solutions. Creativity was also measured using the dimensions of novelty and appropriateness as done by Dahl and Moreau (2002). The overall model was significant for both novelty and appropriateness. The salience of the primes was significant in explaining novelty but not appropriateness. However, conscious or nonconscious priming did not have an effect on novelty or appropriateness.

In a nutshell, the salience of the primes moderates the levels of creativity and helps settle the controversy regarding the effects of primes on creativity. This study also illustrates that nonconscious priming has an effect on the level of creative solutions just as conscious priming does. In a world alive with creative incidents, further research to improve the theoretical knowledge of creative consumption will help demystify it. References available upon request.

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AN EMPIRICAL INVESTIGATION OF SUPPLY MANAGEMENT RESOURCES, CHANNEL RELATIONSHIPS, AND PERFORMANCE

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SUMMARY

Supply management encompasses “organizing the optimal flow of high-quality, value-for-money materials or components to manufacturing companies from a suitable set of innovative suppliers” (Goffin et al. 1997; Wagner 2003). Examples of major responsibilities of a supply management function include: management of the supplier base (e.g., the selection of suppliers and the reduction of the supplier base), supplier development (i.e., long-term efforts of a firm to upgrade its suppliers’ capabilities or performance), and supplier integration (i.e., combining internal resources with those of key suppliers) (Antonette et al. 2002). There is a stream of research that examines the impact of supply management decisions on firms’ financial performance measured in terms of return on investment, profits as a percent of sales, and net income over a given time period (e.g., Anderson and Katz 1998; Carr and Pearson 2002; Tan et al. 1998). Although previous literature documented the link between supply management decisions and the focal firms’ performance, the study of supply management contribution to the focal firm, its supplier’s and customers’ profitability and its antecedents have been largely overlooked. It is essential for supply management professionals to understand the resources and the capabilities that contribute to improving their firm’s and their partners’ performance.

This study explores the impact of supply management resources. The overall research question is: What is the impact of the supply management resources (strategic supply management skills, supply management’s perceived importance, and partner integration) on channel members’ performance? While other research studies provide descriptive analyses for the resources required for achieving success in supply management, they do so without considering the Supply Management’s Contribution to Channel Members’ Performance (SMCCMP). This study extends previous work and provides a linkage between specific supply management resources and SMCCMP via a quantitative analysis aiming at developing a model of SMCCMP.

The results indicated that strategic supply management skills’ impact on SMCCMP is positive but not significant. When tested, the overall impact of strategic supply management skills on SMCCMP was significant because of the mediated path through partner integration and supply management function’s perceived importance (i.e., positive indirect effect). A supply management staff with the necessary strategic skill set does not necessarily translate to better performance results. In other words, they’re certain conditions that need to be present in order for strategic supply management skills to affect performance. The entire firm and, more importantly, the top management team have to perceive that the supply management function possesses these skills. This perception should be reflected in the greater importance and higher status assigned to the supply management function; by updating the staff’s skills through frequent training programs and by assigning them a higher budget, they can manage risks and make better-informed decisions that reward the supply management function highly. Secondly, the supply management staff has to put these skills into action. They should utilize their strategic skill in formulating and maintaining partner integration projects, which directly affect SMCCMP.

Strategic supply management skills had a significant positive impact on supply management perceived importance. This finding supports the notion that a strategic supply management function, in contrast to a nonstrategic supply management function, is viewed by top management as an important resource of the firm. When the supply management function is viewed by top management to possess strategic skills, it gets treated as an equal to other major functions in the firm and, in turn, its perceived status is more likely to be elevated.

The results indicated that there is a significant and positive direct effect of supply management function’s perceived importance on partner integration. As mentioned earlier, higher supply management status reflects itself on higher budget and more frequent training programs. Additionally, it entails greater access to critical information about firm-partner relationship history and about supplier and customer markets. Continuously upgrading the level of supply management strategic skills through continuous training programs, and having greater access to a higher quality buyer-supplier information are prerequisites for supply management professionals’ ability to interpret changes in the supplier market and to offer technical assistance in developing partners (Lester 1999).
This process is expected to produce valuable partner relationships that cannot be imitated by competition (Lester 1999; Pearson and Gritzmanner 1990).

Supply management perceived importance had a significant positive indirect effect on SMCCMP. Supply management professionals who believe they are members of an organizational function that enjoys a high status and is making a difference in how the company competes in the marketplace believe they are viewed as a strategic component of the firm are more likely to perform at a high level (Goebel 2003). On the hand, supply management professionals who view themselves as being “out of the loop” in terms of their strategic contributions to the value-adding process are more likely to experience diminished job performance and may consider making a career change. Consequently, purchasing managers with a perception that they are an integral component of the strategic decision-making and implementation processes are believed to perform at a higher level than those who are not involved in such activities.
EXPLORING MARKET SHARE SENSITIVITY TO STOCKKEEPING-UNIT VARIABLES

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SUMMARY

In the competitive retail marketplace, a company’s market share is a key driver of profitability within a particular category. Therefore, it is important for retailers and manufacturers to understand factors that impact market share. Our study examines some of the factors that drive market share at the SKU level. Our analysis is unique because we specifically focus our analysis on a rarely studied variable in academic research: case pack quantity (number of products in a shipping case). We also examine results across different retailers. Our empirical analysis focuses on the ready-to-eat cereal category. This category was chosen because of the large number of different SKUs available and the dynamic nature of the category, thus making the study generalizable to other similar categories.

Model and Data

We propose the following market share model. In the model, dollar market share (SHARE) is the dependent variable. The independent variables are as follows: case pack quantity (CASE), number of facings (FACE), price per ounce (PRICE), and number of ounces (OUNCE).

\[
\log{SHARE_i} = b_0 + b_1 \log{CASE_i} + b_2 \log{FACE_i} + b_3 \log{PRICE_i} + b_4 \log{OUNCE_i} + \epsilon_i
\]

Where \( i \) denotes the observed SKU. Notice that we use a log-linear specification primarily for the purpose of interpretation.

Forty-eight retail chains that sell food products are included in the sample. In total, six iterations of the model were analyzed. Individual iterations were run for five of the 48 retailers and an additional iteration was included to encompass the remaining retailers. The specific five retailers were chosen because they represent the top five retail outlets in terms of overall observations within the data set, are positioned throughout the U.S., and employ a varying set of strategies (EDLP, high/low). We obtained 2004 dollar market share data for the ready-to-eat cereal SKUs from 2004 ACNielsen panel data. Second, the case pack quantity information was supplied by a leading national consumer packaged goods (CPG) company that competes in the ready-to-eat cereal category. The remaining data was collected from in-store observations conducted in the cereal aisles of food retailers. The in-store data was collected each month over a six-month period (July 2004 through December 2004). A total of 3,915 observations were used in the models.

Results

All six models are significant (all F-values significant at \( p < .001 \)) and explain a relatively large amount of variance (R²s ranging from .18 to .49) in market share. Case pack quantity is negative and significant in all models (\( p < .01 \) except Retailer 3 where \( p < .05 \)). The negative direction of case pack quantity could indicate that large case pack quantities lead to more product not able to fit on the shelf, requiring partial cases to be stored in the backroom. When more product is stored in the backroom, there is a higher probability that the product will be misplaced, lost or damaged while it is in storage. Thus, the probability of product being out-of-stock at the shelf increases and negatively impacts market share of the SKU. Smaller case pack quantities would help to alleviate the problem of extra product not fitting on the shelf and being sent to storage and positively increase market share due to fewer out-of-stocks.

The number of facings was significant (\( p < .01 \)) and positive, indicating that increased facings and market share are positively related as expected. Price per ounce was significant (\( p < .01 \)) and negative in all six models, indicating that as the price per ounce decreases the market share for that SKU increases. The number of ounces was negative and significant (\( p < .01 \)) in all models.

In the last step of our analysis, we compare the six models for differences among retailers. We found that different retail chain models had a large range (.31) of adjusted R² values (.17 to .48). The lower adjusted R² for the All Other Retailers model (.18) could indicate that the smaller supermarkets tend to have a less systematic process for driving dollar market share relative to the larger supermarket chains, but explained variance of 18 percent is still an impressive amount. The mass merchandiser included in our model had a range of variance depending on whether it was an outlet with a limited grocery section or a full grocery section, indicating that even the same retailer had varying methods of driving market share.
depending on the outlet type. The varying results indicate that different supermarket and mass merchandisers drive dollar market share differently.

**Summary**

Our market share models were able to predict a large percentage of explained variance in dollar market share among different retailers. With this model, both manufacturers and retailers can gain better understanding of what drives dollar market share at the shelf. This analysis can help streamline the process for determining how to stock shelves given case pack quantity, package size and price per ounce in order to drive dollar market share. The implication of these findings is that different business functions need to communicate with each other. Case pack quantity is commonly a logistics issue, but our analysis shows that case pack quantity in particular has implications across the supply chain. Clear communication among retailer, manufacturer, logistics, and marketers will only enhance profitability and efficiencies. References available upon request.
MARKETING COOPERATION IN THE VERTICAL CHANNEL: 
THE IMPACT ON MARKET PERFORMANCE

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ABSTRACT

Using PLS regression, we demonstrate the impact of vertical marketing cooperation as a success factor for companies. Both the coordination of marketing activities between value-chain partners and joint marketing activities are important for market performance. We also show the importance of IT and marketing control as moderators of these relationships.

INTRODUCTION

The inter-firm vertical coordination of activities is one of the most important issues on which academics and practitioners have focused in the last years. Long-term cooperation and collaboration between firms is regarded as one of the most important success factors for companies (Evans and Wolf 2005). This “trend” towards collaborative channel relations is demonstrated by the wide range of relationships in practice, which are based on the efficient consumer response (ECR) concept in the consumer goods industry.

In previous research, the aspect of inter-firm coordination has been analyzed predominantly at a general level or from a logistics perspective. Inter-firm coordination in the area of marketing has always been specified as important. Surprisingly, there is a lack of empirical investigations on the impact on the market performance of companies of coordination of marketing activities between channel partners (see Corsten and Kumar 2005).

Many advantages deriving from coordination can only be generated together with specific IT-support, which requires high investment. While this is often mentioned in the literature (Payne and Frow 2005; Jayachandran, Sharma, Kaufman, and Raman 2005), empirical research on the impact of IT-support for marketing cooperation remains rare. Analogously, marketing performance measurement systems are emphasized as important support for marketing coordination, but there have also been only a few empirical investigations on the importance of marketing control systems for inter-firm relations (Ryals 2005; Glazer 1997; Payne and Frow 2005). Therefore, the aim of our study is to fill these gaps in empirical research on the impact of vertical marketing collaboration on market performance and the role of IT and marketing control.

LITERATURE REVIEW

The literature on inter-firm relationships has been growing consistently over the last few years. The main focus is on the logistics perspective, not only in terms of conceptual work (Bowersox, Mentzer, and Speh 1995; Chow, Heaver, and Henriksson 1995; Lambert, Garcia-Dastugue, and Croxton 2005), but even more so in terms of empirical investigation (Larson 1994; Lee, So, and Tang 2000; Stank, Crum, and Arango 1999; Stank, Daugherty, and Autry 1999; Stank, Davis, and Fugate 2005; Golicic and Mentzer 2005).

One of the main topics in general research on vertical coordination in the marketing channel is the analysis of the effects of forming long-term relationships. Such long-term relations are associated with enhanced communication and coordination processes and the establishment of commitment, trust and shared values (Morgan and Hunt 1994; Gundlach, Achrol, and Mentzer 1995). Also, important is research on inefficiencies in channel relationships. These can result, for example, from isolated planning or inefficient information processes, which include inconsistent or missing data and the contradictory objectives of individual organizations (see Vinahs and Anderson 2005). Most research in this context focuses on inefficiencies in the supply-chain (e.g., the “bullwhip effect” described in Lee, Padmanabhan, and Wang 1997a, 1997b; Disney and Towill 2003). Another stream of literature focuses on the influence of data flow between channel partners analyses the effects on logistics performance (Lee 2002; Daugherty, Myers, and Richey 2002; Glazer 1991; Rapoport and Sviokla 1995; Whipple, Frankel, and Daugherty 2002) and only a few studies focus on marketing issues (Jayachandran, Sharma, Kaufman, and Raman 2005; Reinartz, Krafft, and Hoyer 2004). A more specific research area in the context of vertical channel relationships stems from the research stream on Efficient Consumer Response (ECR). Whereas, also in this context, most research concentrates on issues of supply chain management, the concept of category management as the second pillar of ECR focuses on vertical cooperation in marketing. This implies the coordination of marketing activities between (all) partners in the value chain (Hoffmann and Mehra 2000; Brown and Bukovinsky 2001). This subject has been addressed in several empirical studies (e.g., Corsten and Kumar 2005; Dhar, Hoch, and Kumar 2001; Gruen and Shah 2000; Stank, Crum, and
Arango 1999). At least, some studies concerning “Collaborative customer relationship management” (CCRM) emphasize the positive effect of joint marketing activities. CCRM can lead to more efficient marketing activities for all parties involved, as conflicts can be avoided and effects of synergy can be exploited (Seifert 2003; Kracklauer, Passenheim, and Seifert 2001).

Focusing on the role of support systems, IT-systems are regarded in the first instance as essential “enabling systems” (Mabert and Venkataraman 1998), because they are a prerequisite for coordination processes that require large amounts of data (e.g., customer data) (Lewis and Talalayevsky 1997). IT-systems also enable real-time data transfer (Whipple, Frankel, and Daugherty 2002). Effective IT-implementation generally leads to process improvement and helps reduce process, coordination and communication costs. Similarly, the effective implementation of controlling mechanisms is usually seen as a positive influence on cooperation processes, since it enhances transparency. Performance measurement systems in marketing are particularly important (Tadepalli 1992; Jaworski 1988). The impact of controlling systems is usually analyzed at a general level, but the concept can be transferred to cooperative marketing systems in the vertical marketing channel (Otto 2002; Kaminski 2002).

THEORIES AND RESEARCH HYPOTHESES

The most important theoretical streams, which can be used to examine the impact of inter-firm marketing coordination on market performance, are information economics, transaction cost theory, resource-focused approaches, and interaction theories.

Information economics approaches highlight the relevance of cooperation in the vertical channel, because long-term relationships between the channel partners reduce the danger of opportunistic behavior and uncertainty (Kaas 1995). Transaction cost theory postulates that the choice of governance mode (used for the coordination of business transactions), depends on the relative transaction costs associated with each particular mode (Williamson 1985; Richter and Furubotn 2003, p. 61). Transaction cost theory implies that cooperative relations are more advantageous when the specificity, frequency and uncertainty associated with transactions are relatively high (Wuyts and Geyskens 2005; Heide 1994). This is particularly relevant in the context of vertical marketing channels. The resource-based view focuses on the benefit side of institutional arrangements (Das and Teng 2000). Access to resources such as, for example, expertise, assets, data, or financial resources, which are scarce, costly, difficult to imitate or difficult to substitute, is regarded as an important benefit of cooperation (Dyer and Singh 1998). Because such access can be gained through cooperation, collaborative channel partnerships may thus result in greater competitive advantage (Forman and Lippert 2005; Hoyt and Huq 2000). In the resource-dependency perspective, the starting point is the issue of how firms can best ensure their survival in the context of the resources on which they depend (Pfeffer and Salancik 1978, p. XI). This perspective can therefore be used to illustrate the necessity for interaction and bonding with channel partners. The interaction approach, influenced predominantly by the IMP group (Cunningham 1980; Hakansson 1982), is based on the analysis of social and interpersonal exchange processes within the framework of inter-organizational exchange relationships. Interaction theories emphasize that the formation and quality of cooperative marketing systems are influenced substantially by internal relationship factors such as previous experience, commitment or trust.

Based on these theoretical implications, we developed a conceptual framework (Figure 1) that focuses
especially on the relationship between cooperative activities and interactions between partners and the influence on the market performance of the participating companies. To capture cooperative marketing between vertical channel partners, we distinguish between the governance level (alignment of tasks, strategies and marketing activities, *marketing coordination*) and the operative level (*joint marketing activities*) that are planned and operated together with the channel partners. Cooperation on both levels leads to higher quality marketing outcomes, as it is associated with a broader database available for all partners and helps to avoid “contrary” positions or mutually conflicting marketing activities of the channel partners. It is associated with more trusting partnerships between the firms and reduces marketing channel costs. Marketing cooperation also leads to risk reduction by harmonizing or synchronizing marketing-related issues (Seifert 2003; Heinemann 1997; Basu, Mantrala, and Walters 2001). Therefore, we hypothesize:

**H1a:** The coordination of marketing activities between vertical partners in the value chain has a positive effect on monetary and non-monetary market performance.

**H1b:** Joint marketing activities of vertical partners in the value chain have a positive effect on monetary and non-monetary market performance.

Because collaborative processes in the field of marketing cooperation require substantial data, we assume that IT-support systems for marketing cooperation have a positive effect on this process (Jayachandran, Sharma, Kauffman, and Raman 2005; Bharadwaj 2000). They lead to higher quality data results as a result mainly of both a broader database and more comprehensive information (Angeles and Nath 2001). An improved information base reduces risk and enhances transparency (Mentzer, Min, and Zacharia 2000). Inter-firm information flow can also improve task allocation in the marketing channel, as duplicated activities are reduced (Whipple, Frankel, and Daugherty 2002). Given that the IT-implementation is no value-added function (Sanders and Premus 2002), we do not assume a direct effect on market performance. IT acts as a support function and this makes these processes more efficient and effective. We therefore hypothesize a moderating effect of IT-adoption:

**H2:** The higher the level of IT-use in marketing coordination and joint marketing activities, the greater the impact of marketing coordination and joint marketing activities on monetary and non-monetary market performance.

Analogously, marketing control is not expected to have a direct effect on market performance. It helps to monitor cooperative marketing processes and acts as an early warning system. If performance management systems are implemented, a positive effect on costs, processes and instruments or techniques used for marketing cooperation and in marketing activities is assumed, as the systems can help identify and eliminate inefficiencies (Gleich 2001; Nanni, Dixon, and Vollmann 1992) and facilitate organizational learning processes (Otto 2002; Higgins 1998). Therefore, we hypothesize a moderating effect of marketing control systems:

**H3:** The higher the level of performance measurement activities in marketing coordination and joint marketing activities, the greater the impact of marketing coordination and joint marketing activities on monetary and non-monetary market performance.

**METHODOLOGY**

Using a standardized questionnaire, we conducted a written survey of 2,500 randomly selected companies in the German-speaking countries. Four hundred nine questionnaires were returned (return rate 16.4%; 75 per mail, 334 online). Of these questionnaires, 150 had to be rejected, so that a total of 259 usable questionnaires remained for the investigation. Questionnaires had to be rejected mainly due to missing values. This is a common problem with online surveys (Duffy, Smith, Terhanian, and Bremer 2005). The effective response rate is 10.4 percent. Given that the average response rates in top management surveys are below 20 percent (Reinartz, Krafft, and Hoyer 2004), we regard it as acceptable for our research purpose. In more than 80 percent of the cases, senior executives such as marketing executives filled out the questionnaire. The executives were knowledgeable key informants about information pertaining to inter-firm marketing cooperation. The sample was tested for non-response bias using the method proposed by Armstrong and Overton (1977).

Based on a literature review and managerial interviews, we developed measurement scales for market performance, marketing cooperation, IT-support and marketing control. Measure validation and model testing were conducted using SmartPLS (Partial Least Squares), a structural equation modeling tool that utilizes a component-based approach to estimation. We chose PLS because it allows representing both formative and reflective latent constructs (Fornell and Bookstein 1982; Jarvis, MacKenzie, and Podsakoff 2003). PLS avoids the problem of under identification that can occur under covariance-based analysis (e.g., LISREL) (Bollen 1989). In our study, market performance is measured using reflective indicators whereas marketing cooperation, IT-support and marketing control are measured with formative indicators.
Market performance was conceptualized as a two-dimensional construct. We chose a reflective measurement approach for both dimensions of monetary performance (3 indicators, e.g., “turnover,” coefficient $\alpha = .806$) and non-monetary performance (4 indicators, e.g., “customer satisfaction,” $\alpha = .733$) (see Vorhies and Morgan 2003; Cronin and Skinner 1984; Anderson and Sullivan 1993; Wisner 2003; Dehler 2001, Noble, Sinha, and Kumar 2002). In order to capture external aspects of performance, the subjective evaluation of performance relative to competitors was collected on 5-point Likert scales (anchors: 1 = much better; 5 = much worse). The measurement model shows a high level of internal consistency with regard to AVE (Average variance extracted) of .61 (monetary performance) and .66 (non-monetary performance) and composite reliability of .82 (monetary performance) and .88 (non-monetary performance). In addition, we assessed discriminant validity with Fornell and Larcker’s (1981) criterion. The square root of the average variance extracted for each reflective construct was greater than the correlation between that construct and any other construct. The discriminant validity was satisfactory with respect to all the relevant variables (see Table 1).

Marketing cooperation, IT-support and marketing control each reflect a composite of individual indicators across different, unique sources and therefore are operationalized effectively in a formative rather than reflective way (Bagozzi 1994). Considering content specification and indicator specification, we sought to capture major facets of marketing cooperation, IT-support and marketing control activities. As the choice of indicators is critical for the design of formative constructs (Diamantopoulos and Winklhofer 2001), we developed our scales based on a literature review and managerial interviews. Marketing cooperation was characterized by marketing coordination (4 indicators, e.g., “alignment of marketing goals”) and joint marketing activities (3 indicators, e.g., “joint promotion activities”) (see Stank, Keller, and Daugherty 2001; Kahn and Mentzer 1996; Arnett, Macy, and Wilcox 2005; Sanders and Premus 2005). IT-support was operationalized using five indicators (e.g., “use of CRM-Tools”) (see Jayachandran, Sharma, Kaufman, and Raman 2005). Marketing control was measured with four indicators (e.g., “use of functional controlling”) (see Kaminski 2002; Otto 2002). This information was obtained by means of 5-Point Likert scales (anchors: 1 = very intensive; 5 = not at all). Substantial collinearity among indicators would affect the stability of indicator coefficients in formative measurement models because they are based on linear equation systems. In our study, none of the indicators revealed multicollinearity problems (none of the variance inflation factors exceeded three; see Table 3 in the appendix).

To test for external validity, we assessed nomological validity. We included three additional items in our survey that captured inter-firm performance dimensions in the vertical channel (turnover, customer satisfaction, profitability; subjective evaluation of development of performance relative to competition; 5-Point Likert scales with anchors: 1 = much better; 5 = much worse). According to our theoretical assumptions, the constructs we included in our model should show a positive relationship towards these performance dimensions. We estimated bivariate correlations between the formative constructs (results from PLS regression) and the vertical channel performance dimensions. All correlations were positive and significant (range from .20** to .68**). As the constructs behave as expected with respect to some other construct to which they are theoretically related (Churchill 1995),

| TABLE 1 | Correlations and Squared Correlations (Upper Half: Correlations/Lower Half: Squared Correlations) |
|-----------------|---------------------------------|-------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Squared Correlations | Monetary Market Performance | Non-Monetary Market Performance | Marketing Coordination | Joint Marketing Activities | IT-Support | Marketing Control |
|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Monetary market performance | – | .675 | .567 | .438 | .223 | .167 |
| Non-monetary market performance | .456 | – | .415 | .570 | .265 | .226 |
| Marketing coordination | .321 | .172 | – | .632 | .338 | .289 |
| Joint marketing activities | .192 | .325 | .399 | – | .256 | .212 |
| IT-support | .050 | .070 | .114 | .066 | – | .654 |
| Marketing control | .028 | .051 | .084 | .045 | .428 | – |

**Correlations significant to .01 (two-tailed).
we assume that nomological validity is satisfactory with respect to all the relevant variables.

**HYPOTHESES TESTING AND DISCUSSION**

To test our hypotheses, we conducted PLS regression. To analyze the moderating effects of IT-support and marketing control, interaction terms were calculated by multiplying construct values for marketing coordination, marketing cooperation, IT-support and marketing control (all formative constructs) which were calculated in a separate, non-moderated path model. The results of the moderated PLS model are displayed in Table 2. While it is not possible to report an overall goodness of fit for the model, because the objective of PLS is prediction versus fit (Fornell and Cha 1994), the $r^2$ values of monetary performance ($r^2 = .35$) and non-monetary performance ($r^2 = .37$) as well as the Stone-Geisser-Criterion which assesses the predictive quality of the model ($Q^2$ values: monetary performance .204, non-monetary performance .208) indicate an adequate model specification.

In $H1a$ and $H1b$, we hypothesized a positive effect of marketing cooperation on monetary and non-monetary market performance. Our results show a significantly high positive effect of marketing coordination on monetary market performance, but marketing coordination does not yield any significant effect on the non-monetary dimension of market performance. Whereas hypothesis $H1a$ is therefore only supported partly by the empirical data, we find support for hypothesis $H1b$, because joint marketing activities evidently exert significant positive effects on both the monetary and the non-monetary dimension of market performance. In hypothesis 2, we postulated a moderating effect of IT-support on marketing cooperation. Interestingly, only the influence of marketing coordination and joint marketing activities on monetary market performance is moderated positively by IT-support. These results imply that hypothesis 2 can only be partly supported. Hypothesis 3 indicated a moderating effect of marketing control. Again, only two of the four relationships we examined in our analysis are moderated positively by marketing control. The empirical data therefore supports hypothesis 3 only partly.

The results indicate that generally, marketing coordination (for example, the alignment of marketing objectives between the partners) seems to be of greater importance for the monetary dimension of market performance than joint marketing activities. Contrary to our expecta-

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Path of the Structural Model</th>
<th>$\beta$</th>
<th>$p$</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1a</td>
<td>Marketing coordination → monetary performance</td>
<td>.466</td>
<td>**</td>
</tr>
<tr>
<td></td>
<td>Marketing coordination → non-monetary performance</td>
<td>.047</td>
<td>n.s.</td>
</tr>
<tr>
<td>H1b</td>
<td>Joint marketing activities → monetary performance</td>
<td>.172</td>
<td>**</td>
</tr>
<tr>
<td></td>
<td>Joint marketing activities → non-monetary performance</td>
<td>.511</td>
<td>**</td>
</tr>
<tr>
<td>H2</td>
<td>Marketing coordination * IT-support → monetary performance</td>
<td>.210</td>
<td>**</td>
</tr>
<tr>
<td></td>
<td>Marketing coordination * IT-support → non-monetary performance</td>
<td>.059</td>
<td>n.s.</td>
</tr>
<tr>
<td>H2</td>
<td>Joint marketing activities * IT-support → monetary performance</td>
<td>.200</td>
<td>**</td>
</tr>
<tr>
<td></td>
<td>Joint marketing activities * IT-support → non-monetary performance</td>
<td>.071</td>
<td>n.s.</td>
</tr>
<tr>
<td>H3</td>
<td>Marketing coordination * marketing control → monetary performance</td>
<td>-.059</td>
<td>n.s.</td>
</tr>
<tr>
<td></td>
<td>Marketing coordination * marketing control → non-monetary performance</td>
<td>.180</td>
<td>**</td>
</tr>
<tr>
<td>H3</td>
<td>Joint marketing activities * marketing control → monetary performance</td>
<td>.149</td>
<td>*</td>
</tr>
<tr>
<td></td>
<td>Joint marketing activities * marketing control → non-monetary performance</td>
<td>-.058</td>
<td>n.s.</td>
</tr>
<tr>
<td></td>
<td>IT-support → monetary performance</td>
<td>-.009</td>
<td>n.s.</td>
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<tr>
<td></td>
<td>IT-support → non-monetary performance</td>
<td>.051</td>
<td>n.s.</td>
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<td></td>
<td>Marketing control → monetary performance</td>
<td>.030</td>
<td>n.s.</td>
</tr>
<tr>
<td></td>
<td>Marketing control → non-monetary performance</td>
<td>.107</td>
<td>n.s.</td>
</tr>
</tbody>
</table>

Significance of t-values (Bootstrapping procedure, n = 259; 2,000 samples): ** $p < .01$, * $p < .05$, n.s. not significant.
tions, it does not influence the non-monetary dimensions of market performance. This result is important, as it is argued in literature that such coordination processes in marketing should be highly significant for successful, vertically consistent customer strategies. However, our results indicate that these supposed effects do not, in fact, seem so important for performance dimensions like customer retention or customer satisfaction, which are oriented more towards long-term success, and show to be relatively important for monetary performance aspects. Joint marketing activities, on the other hand (i.e., joint promotion activities, joint market research, etc.), reveal a higher impact on the non-monetary aspects of market performance than on the monetary dimensions. This seems to indicate that joint marketing activities help provide a more effective adjustment of products, services and activities to customer needs and are therefore associated with long-term oriented performance effects.

Regarding the moderating effects, we find an influence of IT-support and marketing control on marketing activities. Both support systems are not only of general importance for company processes and performance, but there is special relevance of IT-support and of control in marketing which so far remains a “neglected” field in marketing practice. The results of our analysis show that not all moderating effects we postulated in our hypotheses yield significant effects. These are surprising findings as we expected from literature that both IT-support and marketing control should yield a much higher impact than we could show in our study.

CONCLUSIONS AND IMPLICATIONS FOR FUTURE RESEARCH

The study points to the high impact of marketing cooperation as a success factor for companies, by showing that both the coordination of marketing activities between value-chain partners and joint marketing activities, are of high importance for market performance.

First, we were able to show that general implications for inter-organizational coordination can be transferred to the field of marketing. As already stated, there was a lack of empirical evidence on this specific topic. Yet, the issue is important, because, in practice, most cooperation projects between partners in the value chain (e.g., most of the ECR-projects carried out in practice) do not focus on marketing but on logistics aspects. In theoretical and empirical research as well, these subjects dominate the existing literature.

A second group of interesting implications relates to the moderating effects of IT-support of marketing activities. Even though there is a general understanding that such IT-efforts help optimize inter-company processes, in practice, there still is a lack of IT-support for collective or cooperative marketing processes. Our study indicates that more effort should be taken in practice to provide such support systems, as they seem to pay off.

The third field of implications focuses on the moderating effect of marketing control systems. Because, in practice, there still is a lack of such control efforts, we were able to show that there are some positively moderating impacts of control systems, which indicates that, even though we did not find all the effects we anticipated, such controlling effort seems to be advantageous in marketing coordination and joint marketing activities.

As with all research, our study is constrained by certain limitations, thus implying areas for further research. However, because the aim of this study was to provide a broad overview of the impact of marketing coordination and joint marketing activities between value chain partners, the empirical results primarily address the general effects on market performance. Further research should therefore focus on the details and specificity of these relationships. That is, the emphasis should be on how the different facets of marketing cooperation and performance dimensions are linked to each other and which influence factors are most important. A productive area of research in this context could, for example, address issues relating to the institutionalization of inter-organizational cooperation.

ENDNOTES

1 To check for a possible non-response bias, early respondents (first third) were compared to late respondents (last third). Both groups did not differ significantly in demographics, such as number of employees or turnover. So, non-response bias, if any, should be negligible.

2 To assess marketing cooperation, respondents were instructed to think about their most important vertical channel relationships. IT-support and marketing control were collected on a general level.

3 For a detailed description of the Stone-Geisser-Test see Fornell and Cha 1994. Q² value should be > 0, otherwise the model has no predictive quality (Chin 1998).
REFERENCES


Glazer, R. (1997), “Strategy and Structure in Information-


APPENDIX

TABLE 3
Measures

<table>
<thead>
<tr>
<th>Measures</th>
<th>Weights (formative indicators)</th>
<th>Mean</th>
<th>Standard Deviation</th>
<th>Variance Inflation Factor</th>
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</thead>
<tbody>
<tr>
<td><strong>Monetary Market Performance</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Turnover</td>
<td>.92</td>
<td>2.71</td>
<td>.83</td>
<td></td>
</tr>
<tr>
<td>Market share</td>
<td>.64</td>
<td>2.50</td>
<td>.74</td>
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<tr>
<td>Competitive position</td>
<td>.77</td>
<td>2.52</td>
<td>.80</td>
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<td><strong>Non-Monetary Market Performance</strong></td>
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<tr>
<td>Customer retention</td>
<td>.81</td>
<td>2.62</td>
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<tr>
<td>Customer satisfaction</td>
<td>.87</td>
<td>2.47</td>
<td>.71</td>
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### TABLE 3 (CONTINUED)

<table>
<thead>
<tr>
<th>Weights (formative indicators)/Loadings (reflective indicators)</th>
<th>Mean</th>
<th>Standard Deviation</th>
<th>Variance Inflation Factor</th>
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<tr>
<td>Attraction of new customers</td>
<td>.71</td>
<td>2.84</td>
<td>1.50</td>
</tr>
<tr>
<td>Success of innovations</td>
<td>.84</td>
<td>2.68</td>
<td>.81</td>
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<td>Alignment of goals</td>
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<td>Mutual planning</td>
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<td>Alignment of marketing activities</td>
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<td>.81</td>
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<tr>
<td>Exchange of data</td>
<td>.66</td>
<td>3.05</td>
<td>.90</td>
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<td>.87</td>
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<td>Use of CRM-Tools</td>
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<td>Use of data warehouses</td>
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<td>Use of EDI</td>
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<td>1.29</td>
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<tr>
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<td>2.74</td>
<td>1.39</td>
</tr>
<tr>
<td>Controlling of collaborative processes</td>
<td>.14</td>
<td>2.91</td>
<td>1.33</td>
</tr>
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</table>

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THE EFFECTS OF CULTURAL DISTANCE AMONG NPD TEAM MEMBERS ON TEAM LEARNING

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SUMMARY

In today’s competitive business environment, knowledge has emerged as the most strategically significant resource of the firm (Grant 1996), with learning as the primary mechanism to generate new knowledge. Learning can occur at different levels – organization, team, or individual. Multinational corporations (MNCs) often rely on teams for a variety of strategic purposes, including new product development (NPD). Through cross-cultural team learning and knowledge creation, MNCs are able to create a competitive advantage over their rivals, especially in international markets (Schweiger et al. 2005). However, extant literature has not examined how cultural distance among NPD team members could exert its influence on team learning for NPD. The purpose of our paper is to address this research gap, with a focus on learning for NPD at the team-level. We develop a conceptual framework based on the theories of knowledge management, cultural distance, and team learning. We examine how cultural distance of NPD team members influences team creativity, task complexity, knowledge ambiguity, and team conflicts. We then argue that these factors, in turn, have differential effects on exploratory and exploitative learning for NPD.

Culturally different people may bring different perspectives on issues that help generate new ideas that may not be available if team members are all from similar cultural backgrounds (Daily et al. 1996). The variety of ideas and perspectives increase the possibility of discovering novel linkages (Milliken and Martins 1996; Osborn 1963). Teams from diverse cultural backgrounds encounter language, social, and cognitive constraints (von Hippel 1994). Therefore, we propose that at a moderate level of cultural distance among NPD team members, team creativity is at the highest (P1); also, the greater the cultural distance among NPD team members, the higher the task complexity, knowledge ambiguity, and team conflicts (P2).

Team creativity motivates the generation of a variety of new ideas (Amabile et al. 1996), which are required for both exploratory and exploitative learning. Therefore, we propose that the higher the level of team creativity, the higher the levels of exploratory and exploitative learning for NPD (P3). Exploratory learning is about creating “internal variety” (March 1991), which requires searching for new organizational routines and discovering new approaches to new technologies, businesses, processes, or products (McGrath 2001). On the other hand, high task complexity does not serve the purpose of exploitative learning, where the purpose is to reach the local peak (McGrath 2001). Therefore, higher levels of task complexity correspond to higher levels of exploratory learning for NPD (P4), but lower levels of exploitative learning (P5). However, a lack of information processing (thus high knowledge ambiguity) would have an adverse effect on exploratory and exploitative learning (P6). Finally, interpersonal conflicts among NPD team members impede communication and interaction, thus hindering the learning process that involves either variety seeking or incremental improvement. This leads to our argument that higher levels of team conflicts are associated with lower levels of exploratory and exploitative learning for NPD (P7).

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Our framework makes an important contribution to the literature in three aspects. First, we believe that our framework represents the first attempt to examine the effects of cultural distance on learning at the team-level. Second, we provide the theoretical foundation for the “process” of cultural distance’s influence on team learning. The four main factors in this process include team creativity, task complexity, knowledge ambiguity, and team conflicts. These forces do not function independently of one another. Third, we argue that these four factors affect the two forms of learning – exploratory learning and exploitative learning – differentially on NPD. References available upon request.

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AN EMPIRICAL INVESTIGATION OF THE ANTECEDENTS AND CONSEQUENCES OF EXPORT SALES MANAGER ORGANIZATIONAL COMMITMENT

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SUMMARY

With the increasing globalization of markets, a growing number of companies expand their activities internationally in order to attain their growth objectives, increase their sales revenues and diversify their business risks. The most popular entry mode adopted by firms in order to enter and penetrate foreign markets is exporting. As a form of international market expansion exporting requires less resource commitments, has minimal effect on the ordinary operations of the firm and involves low investment and financial risk.

The crucial importance of exporting for the survival and growth of many firms, especially small- and medium-sized ones, attracted the research attention of academic circles. As a result, a plethora of studies have been published in recent decades, focusing on the characteristics, the behavior, and performance of exporting firms. However, scant research attention has been devoted on issues relating to the organization and management of personal selling and sales management activities in an export marketing context. This study attempts to contribute towards filling this gap by investigating the antecedents and consequences of export sales managers’ organizational commitment.

Export sales managers are company employees who are based in the home country and travel to foreign markets to perform personal selling activities. Parallel with the domestic sales context, these personnel resemble field salespeople. They are primarily responsible for locating prospective foreign customers, delivering sales presentations, negotiating sales contracts, providing after sales support, and managing business relationships with export customers. Thus, they play a critical role in export success. A thorough review of the extant sales management and international marketing literatures reveals that although a rich body of knowledge exists with respect to the factors that influence the behavior and job outcomes of salespeople in a domestic sales context, no such evidence exists with respect to export sales managers. Our research aims to contribute towards filling this notable gap in the literature by investigating the extent to which existing sales management concepts and theories can be generalized to the neglected context of exporting.

On the basis of a thorough review of the extant sales management and export marketing literatures, we developed seven research hypotheses examining interrelationships between the following key constructs: market turbulence, job autonomy, job variety, role conflict, export sales manager performance, organizational commitment, and intention to leave. More specifically, we advanced the following hypotheses: job autonomy reduces export sales managers’ role conflict (H1); the higher the level of market turbulence the higher the perceived role conflict of export sales managers (H2); job autonomy is positively related to export sales managers’ performance (H3); job variety enhances export sales managers’ organizational commitment (H4); role conflict is negatively related to organizational commitment (H5); export sales managers’ performance is positively related to organizational commitment (H6); and organizational commitment is negatively related to intention to leave (H7).

We tested our hypotheses using data collected from 160 U.K. exporters of small- and medium-size. We measured our constructs using existing scales derived mainly from the sales management literature, which we adapted to suit the context of our study. We also conducted a series of personal interviews with export executives to refine these scales. We assessed construct validity and reliability by performing confirmatory factor analysis and calculating Cronbach’s alpha coefficient. These analyses indicated that all constructs included in our study possessed adequate measurement properties. Finally we estimated a structural model in order to test our research hypotheses. With the exception of Hypothesis 6, which examined the relationship between export sales managers’ performance and organizational commitment, all research hypotheses were supported by the results. More specifically we found that job autonomy contributes towards the reduction of role conflict, whereas it also has a positive influence on export sales managers’ performance; market turbulence increases perceptions of role conflict; organizational commitment is influenced positively by job variety and negatively by role conflict; and finally, organizational commitment is negatively related to intention to leave.

These findings have important implications for exporting firms. First, given the strong negative relationship between organizational commitment and export sales
managers’ intention to leave, exporting firms should pay particular attention on strengthening the organizational commitment of their export sales managers. Although salespeople turnover is a major problem for domestic sales organizations, its negative consequences are much more severe in the case of export sales organizations, since the valuable experiential knowledge acquired by export sales managers during their visits in foreign markets cannot be easily replaced. Second, exporting firms should delegate more decision making authority to their export sales managers in order to reduce their perceptions of role conflict and enhance their feelings of job autonomy. Third, they should assist export sales managers in coping with the increasing market turbulence by developing an effective export information system which will be regularly updated to reflect the emerging trends in individual export markets with respect to customer needs and preferences. Finally, the positive relationship between job variety and organizational commitment suggests that exporting firms should offer their export sales managers the opportunity to do different things and experiment with innovative selling approaches and techniques.

This study is limited by a number of factors which should be addressed in future research. First, additional constructs should be incorporated in the proposed conceptual framework. For instance, the relevance and importance of further environmental, organizational, and managerial factors should be examined. Second, this research is cross-sectional in nature, something that inhibits the ability to make causal inferences between the variables included in the research model. To enhance our understanding of the forces driving export sales managers’ organizational commitment, longitudinal studies using causal research designs would be essential. Finally, our research hypotheses were tested in a particular national context. The external validity of the finding should be assessed with the execution of replication studies in other developed as well as developing countries.
MANAGING HEADQUARTERS-SUBSIDIARY RELATIONSHIPS IN PRODUCT ROLLOUTS: AN AGENCY THEORY PERSPECTIVE

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SUMMARY

Interactions among subsidiaries of multinational companies (MNCs) and their headquarters (HQs) have inspired a rich literature in the social sciences, particularly in international business, during the past three decades. One perspective that might be appropriate to employ in understanding the relational interactions between the HQ and its subsidiaries is agency theory (Jensen and Meckling 1976; Eisenhardt 1989). Briefly, agency theory is concerned with explaining problems that occur when parties are engaged in agency relationships; that is, when one party is principal to the relationship while the other serves as the agent of the principal and when these have differing goals, information capabilities, and risk preferences.

In this paper, we develop a framework for diagnosing the degree of collaborative intent, role of trust, conflict resolution, and sharing of autonomy between the HQ and subsidiaries of MNCs in a new product rollout context in one turbulent emerging market, Turkey, through extending agency theory. We introduce a different perspective to the typical view of relationships in agency theory; that is, we look at the cases when the principal (the HQ) and the agent (the subsidiary) agree on a goal, but disagree on the means to achieve that goal. Thus, we focus on the case where goal congruence is attained, but means congruence is not achieved. From the perspective of the subsidiary, this is typically due to the HQ’s lack of full knowledge about local conditions that directly affect the achievement of that goal. From the perspective of the HQ, this is often due to the subsidiary’s lack of expertise in a functional area, such as product launches or brand management, or lack of fully developed capabilities in implementing strategic or tactical moves needed to achieve superior performance. We speak to this special situation in our work.

Since means incongruence between the principal and the agent represents a boundary condition in agency theory, we apply the principles of grounded theory development to our research design (Glaser and Strauss 1967). In line with this methodology, our objective is to help generate theory and describe a process from our work (Corbin and Strauss 1990). Based on thirteen face-to-face interviews we conducted with marketing and brand managers of MNCs operating in Turkey, we examine the relational perceptions and aspirations of these managers for achieving superior performance in their local market and the problems they encounter with their HQ counterparts in product rollouts.

The context for our interviews is new product launches and brand management practices of selected MNCs operating in Turkey. Divergent viewpoints typically emerge between the HQ of the MNC and its subsidiary about how a global brand or a new product launch should be managed. As global brands are among the most important intangible assets a company can have, the stakes can be high when managing global brands; negative spillovers may hurt global brands’ sales in other countries, while positive spillovers may kick up the life of the brand in other markets (Kapferer 1997). For all these reasons, we feel that our work focusing on new product/brand launches in an emerging market will shed light on a better understanding of how subsidiaries of MNCs function in particular markets (emerging ones in our case) and how the subsidiary and the HQ manage their relationship through the lenses of agency theory arguments.

After a brief discussion of agency theory, we discuss our method and present our model describing the means incongruence between the HQ and subsidiary managers in brand rollout contexts. We then focus on potential sources of conflict and collaborative mechanisms that subsidiaries and HQ personnel may employ to move toward means congruence and risk sharing. We propose that lack of trust or confidence in each other’s capabilities formed by gaps in perceptions of the HQ and the subsidiary about each other leads to means incongruence. We explore the mechanisms through which these perception gaps can be narrowed such that disruptive conflict can be transformed into functional, constructive conflict. Our conclusions suggest that increased communication, along with common challenges, such as the need to forestall the advances of a formidable national competitor, can help achieve greater means congruence. We discuss the role that environmental turbulence may play as an intervening variable as both a source of conflict as well as an opportunity for mutual understanding and conflict resolution. We conclude with the limitations of our work and suggestions for future research. References available upon request.
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PRODUCT INNOVATIVENESS, CUSTOMER NEWNESS, AND NEW PRODUCT SUCCESS: THE ROLE OF THE SALES FORCE

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SUMMARY

The study of new product innovation has been gaining considerable attention among academic researchers (Srnivasan, Lilien, and Rangaswam 2006; Min, Kalwani, and Robinson 2006; Cooper 2000; Song and Parry 1997; Ayers, Dahlstrom, and Skinner 1997). Past literature offers insights on the best practice in new product development (NPD) (Griffin 1997; Page 1993), the relationship between market orientation and new product development (NPD) (Atuahene-Gima 1996; Narver and Slater 1990), and the R&D – marketing interface (Gupta, Raj, and Wilemon 1986; Olson, Walker, and Ruekert 1995).

One underlying assumption many scholars share is that new product innovativeness leads to higher new product performance (Chandy and Tellis 1998). Interestingly, empirical research focusing on the relationship between product innovativeness and new product performance does not provide conclusive evidence (see Song and Montoya-Weiss 1998). One important factor ignored by many researchers is the role of the sales force during new product launches (Atuahene-Gima 1997; Fu, Brown, and Jones 2006). This is surprising, because multiple studies suggest that vigorous sales force support for new products is critical to product launch effectiveness (Cooper 2000). In addition, a meta-analysis conducted by Henard and Szymanski (2001, p. 368) establishes “the proficiency with which a firm launches the product/service” as one of the “dominant drivers” of new product performance. In the literature, however, the role of the sales force during new product launches is either taken for granted or ignored completely.

In this longitudinal study, we collected data from a group of salespeople on two products launched in 2005. The sample for this study comprises 800 salespeople working for a large multinational tool company operating in both the U.S. and Canada. Product A was launched in August 2005 and product B in June 2005. We collected Time one data using questionnaires posted on the company’s Intranet. Three months after the new product launch, we collected Time two data (unit sales) from company records. In total, there were 439 (54.9%) salespeople who completed the survey regarding product A and 362 (45.3%) completed it for product B.

We examine the role of the sales force during new product commercialization with the following research questions in mind. First, how does salesperson effort impact new product performance? Second, how do new product characteristics, such as product innovativeness and customer newness, impact salespeople’s selling intention, and eventually, new product performance? Third, does taking salespeople’s selling intention into consideration provide a better understanding of the product innovativeness – new product performance relationship?

The results supported the notion that the sales force plays a critical role during the process of innovation commercialization. For both products, we found a positive and significant relationship between salespeople’s intention to sell a new product and the performance of that product. Supporting theories regarding expectations, in particular the theory of planned behavior and theory of reasoned action, the direct and positive effect of salespeople’s selling intention on new product performance reinforces the insight that the sales force contributes significantly to new product success. It also mandates managers’ attention to enhance salespeople’s intention to sell a new product as an important managerial concern leading to new product success.

We also found that salespeople reacted negatively to the newness of the target market. Specifically, the newer salespeople perceived the target market, the lower their intentions to sell the product. This echoes the empirical findings in other selling contexts that salespeople are less enthusiastic about selling to unfamiliar prospects. In other words, salespeople appear to take the path of least resistance. They would rather sell new products to existing customers than sell products to new customers. The effects are negative and significant for both products. This may not be all bad. Customer relationship management suggests that it is more profitable to focus efforts on existing customers than on new customers. Having new products to sell to existing customers could deepen the interpersonal relationships between salespeople and their existing customers and increase customer loyalty. Selling firms should assess their particular strategies concerning new and existing customers and better align their salespeople’s efforts to fit the specific strategies; for example, deploying salespeople who exhibit more “hunting” characteristics to new customer segments while deploying those who are more “farmers” to existing customer segments could enhance sales force efficiency (Zoltners, Sinha, and Zoltners).
Our study offers an alternative explanation to the conflicting empirical results regarding the product innovativeness – performance relationship. Based on our analyses of the two products, product innovativeness influences new product performance indirectly through salespeople’s intention to sell. In fact, we did not find significant direct effects for either product. Thus, the conflicting empirical results in the literature could be due to the under-researched influence of salespeople’s selling intention as an intervening variable. Including the impact of the sales force increases explanatory power significantly. Again, this finding highlights the important role that the sales force plays in new product introductions.

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THE ROLE OF BRAND-SPECIFIC TRANSFORMATIONAL LEADERSHIP FOR EMPLOYEE BRAND-BUILDING BEHAVIOR

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SUMMARY

Employee performance plays a vital role for the success of a service brand (Berry 2000; Vallaster and de Chernatony 2005). Other than with product brands, where consumers’ perceptions of a brand derive predominantly from a product’s tangible features, customers’ perceptions of a service brand depend highly on the behavior of front-line staff. It is they, through their demeanor, communications, and actions, who build an image of the service brand in the minds of customers. Of the variables that are likely to elicit brand-building behaviors on the part of front-line workers, effective leadership has been proposed as one of the key driving forces. Specifically, transformational leadership (TFL) as a leadership style oriented toward follower-development has been suggested to be of high value in the context of services brand building efforts (Vallaster and de Chernatony 2005). However, to date no specific attempt has been undertaken to conceptually and empirically substantiate this assumption. The purpose of this research is to explore how transformational supervisors may enhance brand-building behaviors on the part of front-line employees. We attempt to (1) conceptualize a new construct – employee brand building behavior; (2) adopt the concept of TFL to the specific domain of branding; and (3) explain the working mechanisms of the brand-specific transformational leadership process.

Conceptualization of Employee Brand-Building Behavior

In this research, employee brand building behavior is defined as an employee’s contribution to an organization’s branding efforts to create long-term brand value. The services marketing and corporate branding literature suggests several brand-strengthening behaviors of customer contact personnel which can be classified into three key categories: retention, in-role behavior, and extra-role behavior. Retention refers to front-line employees dependably meeting the standards prescribed by their organizational roles as representatives of the corporate brand. For instance, if a bank’s brand message is “We try to understand your needs,” customers would expect employees to actively listen to them and show interest in their individual concerns. Extra-role behavior refers to employee actions going beyond their prescribed roles for the good of the corporate brand and which are discretionary. They subsume (a) actively participating in brand development (e.g., a customer consultant passing on casual customer feedback on the bank’s new ad campaign to improve the company’s branding efforts) and (b) positive word-of-mouth (e.g., a bank clerk telling his friends about his company as a great place to work).

Adoption of Transformational Leadership (TFL) to the Branding Context

Drawing upon Bass’ (1985) original conception of TFL as comprising the four dimensions of (a) Idealized Influence, (b) Inspirational Motivation, (c) Intellectual Stimulation, and (d) Individualized Consideration, we define a supervisor exerting brand-specific TFL when he or she tries to motivate his or her followers to act on behalf of the corporate brand by (a) articulating a compelling and differentiating brand vision, as well as arousing personal involvement and pride in the corporate brand, (b) acting as a role model in terms of authentically “living” the brand values, (c) making followers rethink their jobs from the perspective of a member of a distinctive brand community, and (d) by teaching and coaching them to grow into their roles as representatives of the brand community.

Working Mechanism of the Brand-Specific Transformational Leadership Process

First, we propose that the central mediator in the brand-specific transformational leadership process is employees’ internalization of their role-identity as brand representatives. Newer TFL theory suggests that the influence of transformational leaders is based on their success in connecting followers’ self-concepts to the collective mission and the group, such that followers come to adopt their work role as a central component of their self-concepts, which they seek to validate in their
behavior for purposes of self-consistency and self-expression (Shamir, House, and Arthur 1993). In line with this reasoning, we propose that brand-specific transformational leaders are able to make followers internalize a brand-based role-identity into their self-concepts in such a way that it becomes a chronic motivational regulation for brand-building behaviors. Second, we propose that it is through a brand-specific transformational leader’s ability to satisfy followers’ basic psychological needs with regard to their new role-identity that internalization of that role-identity happens on the part of followers. This assumption draws from Self-Determination Theory (Deci and Ryan 1985), which specifies the needs for (a) relatedness, (b) competence, and (c) autonomy as an individual’s basic psychological needs that must be satisfied for internalization processes to function optimally. Brand-specific transformational leaders have been conceptualized as ones who induce followers to adopt a brand-based role-identity by (a) emphasizing their membership in the brand community, (b) teaching and coaching followers to enact the new role identity appropriately, and (c) showing concern for subordinates’ feelings as individuals and therefore allowing choice and freedom in how to interpret and enact their new role-identity. As such, these behaviors are likely to create an environment that should allow for satisfaction of the followers’ three basic needs while enacting their imposed role-identity as brand representatives and, as a consequence, internalization of this role-identity into their self-concepts. References available upon request.

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ABSTRACT

Bonds were found to be important regulators of business relationships in this study. By influencing the bonds one may have possibilities to strengthen or weaken the business relationship. The findings are based on six case studies between a supplier to the truck producing industry and six truck producing customers.

INTRODUCTION

A focus on cooperative industrial business relationships has become increasingly important in studies of industrial relationships. As a result the bonds between the companies become more important. This is due to that bonds are building blocks of relationships that affect the stability in the cooperation between companies. The strength of bonds affects the strength of the total business relationship. Technical, time, knowledge, economic, legal, social, geographical, cultural, ideological, psychological, and strategic bonds exist in a business relationship. By breaking up the business relationship and by analyzing and manipulating the bonds, it is possible to affect the relationship. If the relationships between companies are strong, it is usually a sign that the companies will cooperate for a longer time and that may affect the companies’ competitive and financial strength positively (Storbacka, Strandvik, and Grönroos 1994). This is the fact since the focus can be on cultivating the current relationship instead of building new relationships. Different bonds that exist between the companies affect the relationships. “A bond must exist, in however weak a form when economic exchanges take place between supplier and customer” (Easton and Araujo 1986, p. 11). But how is it possible to strengthen and weaken relationships? Which parts of a relationship should managers focus on? Is it always easy to discuss the importance of having strong relationships and the importance of weakening and terminating unprofitable relationships, but which parts of the relationship should be strengthened or weakened in order to get the desired effect on the business relationship?

The findings are based on six case studies between a supplier of suspension components to the truck producing industry and six truck producing customers. Interviews have been conducted with personnel from logistics, quality assurance, product development, sales, buyers, and other people involved in the cooperation between the companies.

BONDS

As a result of the increased importance of cooperative industrial business relationships the bonds between the companies become more important. There are different kinds of bonds that bind the customer and the supplier together. Bonds can be defined as exit barriers that tie the customer to the supplier and maintain the relationship (Liljander and Strandvik 1995). Even unsatisfied customers may have strong relationships to suppliers due to bonds that function as exit barriers (Liljander and Strandvik 1995). But bonds also have more positive connotations that are important for the continuation of the relationship or for the strengthening of the relationship.

The relationship between suppliers and industrial customers has changed so that at present stable relationships between suppliers and customers is a prerequisite for a good business climate. Demands for lower prices and an increase in profits, shorter product cycles and global competition is some of the forces affecting suppliers and customers in the industrial market pressing them to have stronger relationships (Holmlund and Kock 1995). Partnering with suppliers has become more important (Araujo, Dubois, and Gadde 1999). Companies have decreased the number of suppliers and have instead started more intense cooperation with the remaining suppliers. The strength of bonds affects the strength of the relationship. Bonds affect termination of relationships because they often prevent termination of relationships even if the partners are dissatisfied with the cooperation. That can be seen as a negative perception of bonds. On the other hand it can be said that bonds affect the continuation of the relationship and may also affect the strength of the relationship in a positive way and lead to the strengthening of the relationship, which for instance may lead to increased profitability, or a growth in the volumes delivered (Wendelin 2004). When studying a dyad the relationships between two companies in a network are studied. The relationships between a supplier and a customer in an industrial dyad consist of a vast amount of different interactions and investments in bonds (Holmlund and Kock 1995).
The IMP (Industrial Marketing and Purchasing) group has found six different kinds of bonds in the cooperation between companies. These bonds are technical, economic, time, legal, social, and knowledge bonds (Johanson and Mattsson 1987; Holmlund and Kock 1995). Additional bonds such as cultural, ideological, geographical, and psychological bonds have been suggested in the past years in service marketing (Liljander and Strandvik 1995; Storbacka, Strandvik, and Grönroos 1994). By combining the bonds that the IMP group has found with those from the service marketing perspective a more comprehensive model has been created. Geographical, cultural, ideological, and psychological bonds have also been found to be important in industrial business relationships. Buttle, Ahmad, and Aldlaigan (2002) have also noticed these ten bonds in industrial business relationships. One additional bond, namely strategic bonds have been found to complete the structure with ten bonds (Wendelin 2004).

Bonds are defined in the following manner. Bonds are the concrete or abstract technical, time, knowledge, legal, economic, geographical, social, cultural, ideological, psychological, and strategic value creating, neutral or value reducing factors that form the building stones of the industrial business relationship. Bonds can be mutually or one-sidedly value creating or value reducing. The sum of the total package of bonds in a relationship equals the total value of the relationship. Bonds are value reducing if they are causing negative effects in the relationship functioning as exit barriers or if they are weakened and lead to negative effects weakening the relationship.

Technical bonds stem from the characteristics of the products and services that are exchanged. Companies adjust the technical products and processes according to their counterpart’s specifications. Time bonds develop when the companies in the relationship adapt their logistic functions to each other. Knowledge bonds develop with time as the cooperating companies learn more about each other’s strengths and weaknesses, opportunities, and problems. This happens when companies for instance develop products together. Social bonds develop between personnel from the companies that cooperate in the dyad and not between the companies themselves. Legal bonds are contracts or other articles of involvement or ownership. Quality certifications like ISO 9001, QS 9000, EMAS, and environmental certifications like ISO 14001 or even more stringent military quality certifications than QS 9000 can also be considered as legal bonds between companies Economic bonds can be special credit arrangements. Mutual investment in the business by the competing firms that is investing in each other’s business also constitutes an economic bond. Geographical bonds have to do with how suitably located the supplier is from the buyer’s point of view. The view of how suitably located the supplier is can vary over time in the relationship. Cultural bonds develop between suppliers and buyers with a similar cultural background. Ideological bonds are such bonds that make a buyer choose suppliers that for instance manufacture green products, or domestically manufactured products. Psychological bonds develop when for instance the buyer is convinced that the products manufactured by the supplier or a service are of superior quality. Strategic bonds Strategic bonds are bonds that emerge when the companies make a strategic decision to cooperate. The strategic importance of the supplier or the buyer might be important due to for instance economic, technical, geographical, and psychological or reasons connected to production capacity (Wendelin 2004).

A framework regarding how bonds develop and change in an industrial business relationship has been developed in the empirical study. Episodes as for instance contract negotiations or product development affect the bonds in the relationship strengthening or weakening the bonds in the relationship or preserving status quo. Routine or critical episodes may lead to the strengthening or weakening of bonds as well as the preservation of status quo. The method used for analyzing bond strength trying to grasp the nature and change of bonds was invented by systematically following the elements of the definitions of bonds. A system with tables was drawn up in order to find out if the bond was weak, of medium strength or strong.

CASES

The anonymous supplier of suspension components is named Suspension-Supply and the truck producers also have names that can help to protect their anonymity.

The 1st case involving TeraTruck was a case where a negative critical episode caused the termination of the relationship and left residual bonds. The TeraTruck case is the only case where a total termination of the relationship has taken place and was needed in order to find out how the bonds changed in cases where there is a total termination of the relationship and to find out if residual bonds still remained.

The 2nd case involving GigaTruck is a case where a negative critical episode caused the partial termination of the relationship and left residual bonds to Suspension-Supply. GigaTruck terminated the relationship regarding parabolic springs that amounted for 20 percent of Suspension-Supply’s total production when the choice of single source suppliers was made. At the same time GigaTruck chose Suspension-Supply as single source supplier for tubular stabilizers and conventional springs. GigaTruck’s new single source supplier SPRING had problems in delivering the amount of parabolic springs that GigaTruck needed so Suspension-Supply had to start acting as a sub-supplier to SPRING for the amount of products, 20 percent of the production, that were terminated by GigaTruck. The GigaTruck case is the only big case where
a partial termination of the relationship has taken place and was needed in order to find out how the bonds changed in cases where there is partial termination of the relationship and to find out if residual bonds still remained.

The 3rd case involving BigTruck is a case where negative routine episodes have taken place and the relationship to Suspension-Supply has continued. The BigTruck case is a case where negative a routine episode has lead to change in bond strength. The BigTruck case was needed in order to find out how the bonds changed in cases where negative routine episodes take place in the relationship.

The 4th case involving KiloTruck is a case where positive critical episodes have lead to a continuation of the relationship and to strengthening of the bonds between KiloTruck and Suspension-Supply. The KiloTruck case is a case where a positive episode has lead to change in bond strength, strengthening the bonds between the cooperating companies. The KiloTruck case was needed in order to find out how the bonds changed in cases where positive critical episodes took place in the relationship and the relationship continued.

The 5th case involving SmallTruck is a case where positive routine episodes have taken place and the relationship to Suspension-Supply has continued.

The 6th case involving DefenseTruck is a case where routine episodes have taken place and the bonds have remained in status quo.

One short last case was used in order to reaffirm the findings from the first six cases involving Suspension-Supply and to test if the conceptual framework created can be accepted. The case involved in this example is a large producer of trucks that is named GreatTruck.

A FRAMEWORK FOR UNDERSTANDING THE NATURE AND CHANGE OF BONDS

A new framework for understanding the nature and change of bonds in business relationships was developed in this paper based on the results of the empirical study. This framework is presented in Figure 1 below.

The first time the cases were analyzed, and it was done with the help of the theoretical framework searching for different kinds of episodes and bonds in the material. Different types of termination of relationships and partial termination of relationships were also analyzed. With the help of the findings the framework presented in Figure 1 was found and used in the second analysis of the empirical material.

The structure of the analysis was made in the manner that the cooperation between a supplier to the truck

![Figure 1: The Framework for Understanding the Nature and Change of Bonds in Industrial Business Relationships](image-url)
producing industry and six of its buyers were studied. A validating case for the findings in the first six cases was also focusing on the cooperation between a truck producing buyer and eight short cases from its supplier relationships. The bond dynamics, with three possible episode paths that are negative critical, routine and positive critical episodes and the reasons that resulted in these episodes were analyzed. The weakening and the strengthening of the bonds due to the episodes were also analyzed in the bond dynamics part. Episodes were proven to function as a catalyst for the weakening and strengthening of bonds.

In the strength part of the model, an analysis was made if the relationships were terminated or partially terminated or if the relationships continued and what the strength of the bonds were in the case of continuation at a later time (Time 2) and if residual bonds were present after termination or partial termination. This was the outcome of the relationship.

Antecedents to bond dynamics as described in Figure 1 were ongoing interactions and investments that lead to adaptations made between the counterparts in the cooperation. When viewed from a dynamic perspective the dynamics of bonds in the relationship is viewed, that is when the bonds in a relationship develop and possibly vanish over time. The dynamics of bonds and the weakening and strengthening of bonds was noticed in the analysis of the empirical material and a dynamic perspective of bonds was found.

Bond dynamics is when the change of bonds is viewed, thus seeing bonds change in strength and character over time. That is the reason why bonds at Time 1 and Time 2 are used in Figure 1 in order to illustrate that bonds do change in strength and in character over time hence affecting the outcome of the relationship. The dynamic is thus shown by comparing bonds at Time 1 with the same bonds at Time 2 or by focusing on the residual bonds that are left after termination or partial termination has occurred.

Negative critical episodes are episodes where a negative critical incident takes place and lead to a weakening of bonds. The negative critical episode should be of such a magnitude that it is remembered and it should affect the relationship through the weakening of bonds.

According to Gidhagen (2001) the critical episodes may have more influence on how the relationship is perceived while routine episodes do not affect the relationship. In this empirical study it was however shown that not only critical but also routine episodes may affect the bonds and thereby the relationship. Routine episodes are small issues that take place in the daily cooperation between the counterparts that will either strengthen or weaken the bonds in the cooperation or not affect the bonds at all. It might be improvements or deteriorations that happen slowly just as when water is penetrating a stone. Drop by drop it makes the hole bigger. If we take a business relationship several small mistakes may weaken some bonds be it social, technical, etc. as well as several improvements may strengthen them.

Negative routine episodes are an accumulation of negative issues that in the long-run lead to a weakening of bonds and a possible weakening or termination of the relationship. Many small routine episodes such as small mistakes happening may weaken some bonds be it social, technical or other bonds in the long run.

Positive routine episodes may be an accumulation of positive issues that in the long-run lead to a strengthening of the bonds and a strengthening of the whole relationship. Several improvements may thus strengthen the bonds between the cooperating companies in the long run.

There may also be routine episodes that have a neutral connotation and they do not affect the bonds or the relationship, the bonds remain at status quo.

Positive critical episodes are episodes where a positive critical incident takes place and lead to a strengthening of the bonds. The positive critical episode should be of such a magnitude that it is remembered and it should affect the relationship through the strengthening of bonds.

The difference between critical and routine episodes is that for instance a positive routine episode and positive critical episode differ from each other in the manner that the positive routine episodes require accumulation of positive issues to lead to the strengthening of bonds. This means that several positive routine episodes can in the long-run lead to a strengthening of the bonds and a strengthening of the whole relationship. Only one positive critical episode can on the other hand strengthen the bonds and affect the relationship.

Negative routine episodes require accumulation of negative issues to lead to the weakening of bonds. This means that several negative routine episodes can in the long-run lead to a weakening of bonds and a possible weakening or termination of the relationship. Only one negative critical episode can on the other hand weaken the bonds and affect the relationship even leading to relationship termination or partial termination.

For a division into routine and critical episodes see Figure 2 below.

The weakening and strengthening of bonds due to episodes was analyzed in the bond dynamics part of Figure 1.
Routine episodes can also have a neutral connotation and then they do not affect the bonds or the relationship, the bonds remain in status quo. That means that the bonds remain at status quo in Figure 1.

The method used for analyzing bond strength trying to grasp the nature and change of bonds was invented by systematically following the elements of the theoretical definitions on 11 different bonds. The findings of each case were analyzed and structured in the manner that one bond at a time was analyzed. In order to find out if the bond was weak, of medium strength or strong a system with tables was drawn up. The elements of the definitions were put into tables. An element of a definition could be for instance delivery precision as an element of time bonds. Parts of the element of delivery precision could be lead times, line stops, or the size of the production series.

By systematically categorizing the bonds in order to see which elements of the definition that existed in the cooperation and how the elements were perceived it was possible to find out how strong the bonds had been and how the bonds had changed in strength during the relationship. This was possible to make at a low level of abstraction.

The relative weight of the pluses and minuses in the tables for the total affect on the bond strength are connected to the importance of the issues.

The strength of bonds and the possibility to measure the strength of bonds was one of the contributions of the empirical study. The facts regarding the bonds as well as the perceptions affected the bond strength. Easton (1992 p. 10) argued, “The strength of a bond is a difficult parameter to measure.”

In the strength part of model in Figure 1 it was analyzed what the outcomes of the relationships were. Had the relationships been terminated or partially terminated or did they continue as before? Did residual bonds remain in the cases where termination or partial termination had taken place and if so what types of residual bonds? What types of bonds were the bonds in Time 2 in the case of continuation of the relationships? Relationship strength was considered to be zero after relationship termination occurred.

It was found that the most common reason for relationship termination was due to reasons connected to the technical, time, economic, and strategic bonds. Technical reason for termination were seen as one of the most important issues and was regarded to be for instance due to quality problems. Time bonds and weakening of the time bonds due to poor delivery precision was another important reason for relationship termination as was economic issues such as the price or strategic issues such as changes in for instance purchase strategies or changes in product strategies.

Alajoutsijärvi, Möller, and Tähtinen (2000) argue that there may be partial withdrawal from relationships with buyers that have been seen as less profitable. One could also argue that partial termination could also be made in order to phase out a product line that a competing supplier for instance can manufacture more efficiently, that is cheaper or with better technical features. It was found that partial termination also could be due to strate-
Bonds may change character in different situations and be perceived as negative, they become an exit barrier. Bonds may change character in different situations and what has been seen as positive is later being seen as negative. The nature of the character of bonds is that bonds may be viewed or perceived differently over time.

When continuation is showed in Figure 1 it is the continuation of the relationship after the strengthening of bonds or possibly the weakening of bonds and it is the antecedents of bonds at Time 2 in Figure 1.

Residual bonds were found to exist in the analyzed companies. Technological, knowledge as well as social bonds and what Havila (2000) calls administrative routines and what is equivalent to time bonds are found to remain after the trading has stopped in the cases were termination and partial termination took place. Additional findings of the study suggested that geographical and economic residual bonds existed as well.

Timeframes with Time 1 and Time 2, etc. were timeframes marked in tables in order to be able too see how the bonds had changed between the timeframes t1 and t2 as seen in Figure 1. If the bonds remained, unchanged no timeframes were mentioned.

Easton and Araujo (1986) argued that the length of a relationship does not affect bond strength since bonds go through different phases during the relationship. Their perspective has however been developed by presenting a solution where it is possible to focus on the change of bonds that has been presented in this paper. The process depicted in the framework is dynamic.

One of the contributions of this empirical study is that bonds have been divided into a static and a dynamic perspective on bonds. The conclusion of developing the concept of bonds with a static and a dynamic perspective by using systematic combining that has allowed the researcher to go back and forth between analysis and theory. The dynamics of bonds have been noticed as well as weakening and strengthening of bonds in the analysis of the empirical material and a dynamic perspective of bonds was found. The division of bonds into a static and dynamic perspective is a new view of bonds. When viewed from a static perspective the bond is viewed, as it would be temporary frozen in time. When viewed from a dynamic perspective the dynamics of bonds in the relationship are viewed, that is when bonds in a relationship develop and change over time.

**CONCLUSION**

Bonds do affect the total value of business relationships. Bonds may have been seen as something positive and later on their character may change to something being perceived as negative, they become an exit barrier. Bonds may change character in different situations and what has been seen as positive is later being seen as negative. The nature of the character of bonds is that bonds may be viewed or perceived differently over time. Bonds are dynamic and change over time. Dynamics refer to the change of bond strength and thus also affect relationship strength since bond strength affect relationship strength. Bonds do not have to remain at status quo but may change in strength so that for instance strong bonds become weak and weak bonds change into strong. Change refers to bonds nature to change in strength. As an example can be mentioned the fact that social relationships, technical relationships or economic relationships may change over time from being seen as positive or neutral to negative and vice versa.

Bonds were found to be important regulators of business relationships. By influencing the bonds one may have possibilities to strengthen or weaken the business relationship. Strengthen the business relationship in order to increase business and revenue and weaken the relationship in order to terminate business where the revenue is low or where there may be other problems in the relationship. By measuring the strength of different bonds it can be possible to strengthen weak bonds in order to strengthen the business relationship.

One of the findings is that bond management can be used to affect the cooperation. Bond management is when bonds between cooperating firms are managed in order to strengthen or weaken the cooperation. By using bond management it is possible to strategically strengthen or weaken the bonds between the cooperating companies in order to strengthen the cooperation and tie the customer or supplier to the company or to terminate the relationship. The instrument for the management of bonds is to use the created bond audit in order to know which bonds, thus parts of the relationship resources should be focused on in order to increase or decrease their strength. Allocating too much resources on a part of the relationship that is of little or no importance to the customer means that the company is losing money on allocating resources on the wrong issues. Resources should be focused on important parts of the relationship, thus strengthening bonds that are important.

It may indeed be difficult to keep up strong bonds with all counterparts in the cooperation. The company must strategically decide what or which kind of companies it wants to cooperate with and act according to that decision. The decision can be made on monetary profits to be made, is it good for the reputation to cooperate with the company, and is it good for technical development, logistics development, and etceteras. When the strategic decision has been made then it is time to focus on strengthening the weaker bonds to the preferred companies and on keeping the strong bonds strong through investments and adaptations towards the counterpart in the cooperation.
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WHAT AM I DRINKING? AN EXPLORATION OF THE EFFECTS OF SERVING FACTS INFORMATION ON ALCOHOLIC BEVERAGE CONTAINERS

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SUMMARY

Excessive alcohol consumption is associated with numerous adverse health problems such as obesity, liver disease, heart disease, and is the third leading cause of preventable death in the United States (Midanic et al. 2004). Some argue that most typical consumers are unaware of the alcohol, calorie, and nutrient content of alcoholic beverages; without provision of this information, consumers have little idea, for example, how many grams of fat or ounces of alcohol they consume when enjoying their favorite alcoholic beverage (Center for Science in the Public Interest (CSPI) 2003; Edwards 2004). Unlike manufacturers of most other food and beverage products, alcoholic beverage manufacturers are not required to disclose nutrition information about their products. This situation may eventually change; the Alcohol and Tobacco Tax and Trade Bureau (TTB) is considering a proposal to require the provision of a Serving Facts panel containing alcohol and nutrition information on all alcoholic beverage containers. The primary purpose of this study is to provide insight related to the effect of provision of Serving Facts panel information on consumers’ perceptions of alcohol level, calories, and nutrient levels across different alcoholic beverage types. In addition, we examine research questions relevant to alcohol beverage consumption specifically, and consumer health and welfare, in general.

An initial pilot study was conducted to determine consumers’ knowledge of nutrition and alcohol levels for light beer, regular beer, wine, and distilled liquor and to assess potential measures for our main study. Participants were 58 undergraduate students enrolled in upper division business courses. Results indicated differences in perceptions of calorie, fat, carbohydrates, and alcohol content across the beverage types, and a general lack of confidence regarding nutrition levels. Such differences between the different alcoholic beverages suggested that exposure to objective calorie and nutrient information will not have the same effect across different alcoholic beverages. Based on these differences in consumer perceptions and the basic tenets of expectancy-disconfirmation theory, specific predictions of interactions between beverage type and the Serving Facts panel disclosure were proposed.

To test these predictions, Study 2 used a 4 X 2 mixed experimental design to examine how the provision of nutrition and alcohol information influences various consumer attitudes and health-related perceptions across different alcoholic beverage types. Alcohol beverage type was a within-subjects factor with four levels (light beer, regular beer, wine, and distilled spirit) and exposure to the Serving Facts panel was a between-subjects factor (two levels: present or absent). The Facts panel used was based on proposed labels published in the Federal Register (2005). Approximately 230 subjects enrolled in upper division business classes at two different universities served as subjects. Primary dependent variables included evaluations of calories and nutrients of carbohydrates and fat, using nine-point scales with endpoints of “very low” and “very high.” Participants were also asked to rate how the information on the front and back of the beverage container would affect their consumption (endpoints of “would decrease consumption level” and “would increase consumption level”).

Mixed-factor ANOVAs were used to evaluate effects across the primary dependent variables. For perceived calorie content, results yielded an alcohol type by Serving Facts information interaction \( F(3, 687) = 6.89, p < .001 \), indicating that the Serving Facts disclosure resulted in differences in calorie evaluations across beverage type. The disclosure significantly decreases calorie perception for wine, \( F(1, 230) = 8.84, p < .05 \), but there was no effect for light beer, regular beer, and distilled spirits. There was no overall main effect of Serving Facts information \( F < 1 \) on calorie perception.

For perceived fat levels, results show main effects for Serving Facts availability \( F(3, 693) = 12.30, p < .001 \) and alcohol type \( F(3, 693) = 63.70, p < .001 \), but the alcohol type by Serving Facts information interaction again is significant \( F(3, 693) = 3.37, p < .05 \). Given the lack of fat in any of the alcoholic beverages, not surprisingly, results show that the effect of the Facts disclosure significantly reduces perceived fat levels for all products; however, the decrease is most substantial for regular beer.
For levels of consumption estimates, to eliminate differences in individuals’ consumption across the beverage types, a z-transformation procedure was used to standardize the level of consumption measures. ANOVA results showed an alcohol type by Serving Facts information interaction (F (3, 635) = 7.71, p < .001). The Facts information disclosure significantly increased perceived consumption levels for wine (F (1, 231) = 14.7, p < .001) and distilled spirits (F (1, 231) = 4.2, p < .05), but the disclosure did not affect perceived consumption levels for light beer (F (1, 231) = 2.1, p > .05) or regular beer (F (1, 231) = 2.8, p > .05).

These findings suggest some interesting differences in perception of calorie, carbohydrate, fat, and alcohol consumption levels for different types of alcoholic beverages across the information provision manipulation. For instance, our findings indicate that the availability of nutrition information significantly decreases calorie level perception for wine and increases perceptions of its estimated consumption level. Similarly, for distilled spirits, it reduces perceived fat and carbohydrate levels and increases estimated consumption level. Thus, these specific findings appear favorable for the types of alcohol that have the highest percentage of alcohol content, suggesting a potential unintended effect, at least for this sample of student participants. This pattern of findings should be of interest both to the TTB and alcoholic beverage marketers, and raises questions that may be addressed in subsequent research. References available upon request.

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GET SLIM QUICK SCAMS: THE IMPACT OF VISCERAL INFLUENCES ON CONSUMER EVALUATION OF WEIGHT LOSS ADVERTISING

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SUMMARY

The obesity crisis in the U.S. has led to a plethora of weight loss products marketed towards adult consumers. As a result of the weight loss product explosion, the advertising practices of the weight loss industry have recently come under fire by the Federal Trade Commission (FTC). Based upon the FTC’s claim of misleading weight loss advertising, this paper uses the theory of visceral influence to explain why consumers might be susceptible to potentially misleading weight loss advertising.

The theory of visceral influence states that under certain conditions, human behavior is strongly influenced by instinct or gut reactions to cues in the environment. Originally developed to explain addictive behaviors, the theory of visceral influence can be used to explain many human behaviors when some type of reward is involved. The main premise of the theory is that visceral factors create strong desires to obtain a reward associated with the visceral factor. For instance, someone motivated by vanity will likely be highly responsive to cues in the environment which promote improvement of their appearance.

In the context of weight loss advertising, the promised reward for consumers is actual weight loss. Advertisers in the weight loss industry design ads to focus consumers on weight loss reward. The theory of visceral influence states that the more proximate in time the reward, the stronger the visceral influence. Advertisers attempt to direct consumers focus to the reward components of the weight loss ad by providing cues which reinforce the desired behavior and reinforce consumers’ notion that the weight loss reward can be obtained as proximately indicated. Cues which reinforce the reward components of a weight loss ad include proximity of the reward, vividness of reward components, and priming.

Of interest to researchers in the area of public policy is to what extent aspects of advertisers’ messages concerning the rewards of a product affect visceral (gut level) response. The implicit assumption here is that the greater the visceral influence attributable to proximity of reward, vividness of message, and priming the less likely the buyer will be to consider the negative aspects of the product or message (e.g., credibility of spokesperson, credibility of factual evidence, and credibility of bait rewards-standard, overpriced, or falsely represented). From the vulnerability perspective, if the manipulation of these cues by weight loss advertisers put adult consumers at a psychological disadvantage then weight loss advertising may be misleading consumers as alleged by the FTC. The manipulation of such cues may put consumers at a psychological disadvantage because the cues trigger visceral influences which direct consumers away from the non-reward components of an ad to the reward components of an ad. Consumers experiencing high levels of visceral influence will make decisions, based upon the reward components of an advertising message, void of cognitive deliberation. Consumers who are experiencing cognitive deliberation should examine not only the reward components of an advertising message but also the non-reward components. Consumers who are cognizant of the non-reward components should be more likely to recognize cues that indicate that the ad may be misleading.

The application of the theory of visceral influence provides insight into the potential influences which shape the way consumers respond to potentially misleading weight loss advertising. To ensure that consumer vulnerability is reduced, it is imperative that a more complete understanding of consumers’ susceptibility to misleading advertising be established. References available upon request.

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ABSTRACT

This exploratory study examines the support needs of women living with HIV/AIDS in Australia through the dyadic perspectives of these women and HIV physicians. These women’s unique positioning creates issues concerning support service provision. The outcomes of this study will be of interest to many stakeholders in the HIV/AIDS community.

INTRODUCTION

Mick (2006) and Sheth and Sisodia (2006) speak to issues concerning transformative consumer research that will redress dilemmas, stresses and suffering of consumers. Specifically, Sheth and Sisodia (2006) refer to the potential for the societal value of marketing activities “marketers should think of themselves as ‘healers,’ after all, their job is to meet the functional and psychological needs of their customers, and leave them satisfied and even delighted. They should adopt this perspective at the individual as well as the societal level.” This is viewed as a transitional direction in marketing thought (Bolton 2005) which is similarly reflected by the Association of Consumer Research through the present call for papers concerning “research that enhances consumer welfare.”

This perspective challenges the boundaries of marketing and affords an extended understanding of the value created by the marketing activities as that which not only creates value for the parties involved in the exchange but also to society at large. This broader view of marketing that looks at what marketing can contribute embraces the study of more vulnerable consumers. Within this framework, this exploratory research aims to investigate the unique needs of women living with HIV/AIDS in Australia. Namely, to understand the type and nature of the support services required for this marginalised but nonetheless growing segment of those living with HIV/AIDS in Australia.

Services

Only two major Australian non-governmental HIV organizations currently target women’s needs. “Positive Women,” which is based in the state of Victoria in an inner city location, provides a range of services commensurate with available resources and is the only organization solely supporting the needs of women living with HIV/AIDS. At the national level, the National Association for People Living with HIV/AIDS (NAPWA) represents all people with HIV including women but serves as a representative body as opposed to an organization providing support services.

This exploratory study was initiated with this in mind, to answer the following research questions:

♦ Gain an understanding of the context of Australian women living with HIV/AIDS from a medical perspective;

♦ Determine unmet support needs of women.

This research is grounded in the emerging marketing paradigm known as “the service-centered model of exchange” (Vargo and Lusch 2004). Essentially this research is the application of this paradigm to social marketing in the not-for-profit sector. To date this sector has received little attention from marketing researchers related to service provision. Our study is intended to contribute further to not-for-profit services marketing through...
developing marketing concepts that engage vulnerable segments whilst maintaining and encouraging new patterns of behavior. In so doing, marketing delivers value to clients and manages the client relationships in ways that create benefits for all stakeholders.

METHOD

The medical community is in a unique position to access women, particularly those newly diagnosed with HIV/AIDS, who are in need of social, psychological and emotional support. Yet the medical objectives are to focus on the clinical care of these women by providing life saving treatments and medical interventions that do not necessarily provide for social and psychological needs. This, combined with the lack of a theoretical basis to understand women’s experiences in living with HIV/AIDS in Australia and service related behaviors determined the choice of methodology for this exploratory study. As such, an exploratory and open approach to gathering information was required. More specifically, the sensitive nature of this study, the ability to guarantee confidentiality to respondents and the desire to make the research as participatory as possible required a face-to-face, individual approach from the researcher. Therefore, a grounded theory approach was adopted for this research methodology (Strauss and Corbin 1998) embedded within a constructivist paradigm (Denzin and Lincoln 2005) where the data collection method is informal, based on semi-structured in-depth interviews (Strauss and Corbin 1998) and complemented by observation, filed notes and recordings of each interview (Marshall and Rossman 1999). A purposive sampling technique or judgement sampling was employed as it relies on the judgement of the sampler (Albright et al. 2004) which enables the selection of a variety of different perspectives that expand and elaborate theoretical constructs (Mc Cracken 1988). The number of participants chosen was restricted by the scope of this project and the closed nature of this community. Views and recommendations of sample size requirements in qualitative research range from no rules guiding sample size (Patton 2002) to a more rigorous methodological approach that specifies sample selection based on theoretical saturation and diversity of informants (Strauss and Corbin 1998). Of consideration is the problematic nature of sampling from this closed community which restricted access and therefore the diversity and size of the sample of women selected.

This study required the selection of participants from two distinct groups – medical physicians specializing in HIV/AIDS together with women living with HIV/AIDS. This approach was advantageous in that the researcher gained an appreciation for the environments and perspectives negotiated by women living with HIV/AIDS, as well as enabling the researcher to gain the trust of the medical community supporting the women living with HIV/AIDS.

Sample

This first group comprised medical physicians specializing in the health of women living with HIV/AIDS and was comprised of six female and two male HIV physicians and were coded as D1 through to D8. This group was chosen as they were recognized as experts in their field, they consult regularly with women living with HIV/AIDS and are the first real contact that a woman has when first diagnosed with HIV/AIDS.

The primary key informants of this research were women living with HIV/AIDS and were coded as R1 through to R7. Overall, there was sufficient variation in the life circumstances of these women to suggest some diversity of lived experiences and life perspectives. They were between approximately 25 and 50 years of age, had English as their first language and were white Caucasian women, except for one indigenous woman. The time since diagnosis for these women exceeded 10 years for all except one of the informants (R3) who was diagnosed eight years ago previously. Of note, R3 had not disclosed to some members of her family compared to the more public disclosure characteristic of the other women living with HIV/AIDS interviewed for this research.

Data Analysis

The interviews were all conducted at a place that was selected by the informants. They varied from between 30 and 90 minutes in duration. The HIV physicians were interviewed in their medical offices except for D1 who was interviewed in his home. The interviews for the women were conducted either in the homes of the women or in a motel room in Sydney. All of these interviews were audio taped after written consent was granted and on completion, transcribed. This combined with the field notes forms the basis for the ensuing analysis. The objective of the data analysis was to identify the categories, relationships, and assumptions that inform the participants’ view of the world in general and in the phenomena under investigation (McCracken 1988). The analysis for this research is guided by the operations and coding procedures suggested by Strauss and Corbin (1998) and structured by the five-step process outlined by McCracken (1988). The emerging themes were clarified and refined during regular briefings between researchers.

FINDINGS

This section is comprised of four subsections. First, women living with HIV/AIDS in Australia are profiled including the circumstances in which they present. The next subsection concerns women’s response to the diagnosis from both the medical and women’s perspectives. Women as a distinct segment comprises the third subsection, i.e., how they differ within the context of HIV/AIDS.
Whilst the final subsection highlights support needs and suggests an approach to bridge the stigma divide. Throughout the findings section the views of these women and the HIV physicians’ are presented and contrasted.

Profile of Women Living with HIV/AIDS in Australia

Transmission rates of HIV in Australia are increasing both for men and for women in Australia over the past few years. Although the majority of transmissions still occurs through sex between men (68%), according to the National Centre in HIV Epidemiology and Clinical Research in Australia, HIV acquired through heterosexual sex is increasing (7% before 1996 to over 23% by 2004) (2004) and late diagnosis of HIV occurs in 71 percent of women compared to 44 percent of men newly diagnosed (National Centre in HIV Epidemiology and Clinical Research 2004). Consistent with this, there has been a significant rise in new HIV notifications of women between 1999 and 2004, and they are not isolated to an identifiable age or risk group (Bartlett et al. 2005). This increase is attributed to women having heterosexual relations with men from countries of high endemicity and to women from countries of high endemicity immigrating to Australia (National Centre in HIV Epidemiology and Clinical Research 2004). The HIV physicians are positioned as one of the first points of contact when women are newly diagnosed with HIV/AIDS with often continued contact. Given this positioning and in an effort to develop a comprehensive profile of women, we refer to one HIV physician’s comment relating to new transmissions (this view was consistently expressed):

It’s not home grown transmissions. . . . They are certainly there, but those figures aren’t going up. It tends to be going up with people who are coming to Australia, migrating to Australia and they’ve acquired HIV from overseas . . . or Anglo women who’ve gone overseas and had sex with a local and acquired it in that way. . . . [D1]

Although increases of transmissions of HIV to women equate to relatively small numbers, it remains an increasing trend that is fueled by the global epidemic. Of equal significance is that within such a small group there is also a great deal of diversity in those newly diagnosed and also those who have been living with HIV for some time (Bartlett et al. 2005; Lim et al. 2005; National Centre in HIV Epidemiology and Clinical Research 2004) and there has been little research attention focused on these women. As two HIV physicians elaborated:

There’s certainly been less research on women. Most research is done on sexually active men because that’s where the epidemic is in Australia. [D1]

Women are very, very different. There are some who are injecting drug users, there are some who’ve acquired it from their partners who are HIV positive and heterosexual, . . . young women who are students and occasionally older women who have had it for a while and are diagnosed in their sixties only recently because their husbands were bisexual and positive and didn’t know about it. [D2]

In relation to women who have acquired HIV through heterosexual relationships, and not through substance abuse, they are described as “low risk” for transmission and are often in the age group that have children or are considering having children (median age for women newly diagnosed with HIV/AIDS is 38 in 2004, (National Centre in HIV Epidemiology and Clinical Research 2004)):

The other groups are, what I would describe, as relatively low risk but for whatever reason, they’ve got HIV anyway – well educated, non substance using women who are often younger, they’ve got earlier HIV, they want to have kids and they would do anything to stay healthy in the long term. [D5]

These responses and the surveillance data jointly support the contention that it is extremely difficult to identify any commonality across the group of women living with HIV/AIDS. It is likely that the trend of increasing transmission rates for women will continue given the Australian transmissions of HIV in women are largely influenced by the international epidemic that continues to rapidly escalate. This initial profile reflecting a small and demographically fragmented population already highlights potential issues faced by HIV physicians and HIV community organizations that provide care for this group of women. Many of the HIV physicians commented on the lack of awareness in general that the women they had encountered have regarding HIV/AIDS. This was also highlighted as a possible contributor to the disproportionate numbers of women presenting late with HIV. The following comment is representative of the HIV physicians’ collective responses:

They might not have had much counseling about HIV so there’s an awful lot of information that’s got to be regarded, which usually is better done over two sessions really. . . . there’s an awful lot of misconceptions that have to be corrected about transmissibility. So they’re worried about people in the house and people at work. They’re also very worried about confidentiality, so that’s important to reassure them about. . . . [D2]

These comments illustrate the potential lack of information that many women may have regarding HIV/AIDS and the need for factual information that is not readily accessible in the wider community for those not familiar...
with the HIV communities and medical support networks. Further, considering their diversity, a lack of “at risk” behavior, and at times a lack of awareness, women are often diagnosed under different and difficult circumstances. Therefore, it is proposed that gendered medical provision be considered particularly in the initial consultations with newly diagnosed women. Response to the Initial Diagnosis Given the relevance of gender thus far in relation to transmission modes, the size and nature of the population and the way that they present, further information was sought as to how women responded to the news of their HIV positivity. The response to the news would also feed into the sorts of support services needed directly following the diagnosis, and if gender related, this would need to be incorporated into the services offered. A positive HIV/AIDS diagnosis is stressful and as a stressful event would trigger a response that attempts to cope with the news (Leslie et al. 2002; Lazarus and Folkman 1984; Pearlin and Schooler 1978). In a study investigating the stress associated with HIV/AIDS, Pakenham et al. (2002) suggest two broad approaches to coping; problem focused coping and emotion focused coping strategies. Problem focused coping involves problem solving and seeking social support, while emotion focused coping attributes blame to the self and enacts avoidance behaviors. Adopting emotion focused coping strategies are associated with higher levels of stress (Pakenham et al. 2002). Two HIV physicians provided observations of women’s responses to the diagnosis:

I remember this one terrific person, a woman, I looked after. . . . she got the diagnosis from the general practitioner that afternoon and saw me the next morning. It was awful she really didn’t cope well for some time, a long time . . . that actually is a good point. I think perhaps women do respond differently they are a bit more, “What? Where did this come from?” [D6]

Actually that’s struck me again and again the anger and stuff . . . the anger of . . . gay men, at straight men [due to transmission] . . . but that’s the way it is and it’s often externalized, whereas women will more internalize it, it’s all their fault. [D8]

The HIV physicians’ experience suggests that women may respond differently to the news of the diagnosis. Given that the diagnosis is usually unexpected, and therefore likely to be more psychologically devastating and therefore stressful (Pakenham and Rinalds 2002), the anger as a result of the diagnosis may be directed more internally for women. This notion was explored further by reviewing the comments of the women themselves:

You make choices. You stop doing things you should do and start to make priorities. . . . [R2]

This reaction typifies a problem focused approach by first reprioritizing and making choices, whereas the following two women relate reactions that are more consistent with detrimental responses typical of emotion focused strategies:

Just yeah, I went into sort of hibernation I think for six months and didn’t want to go out or do anything, yeah, absolutely. [R3]

Within six months of the diagnosis, I was using drugs at that point, and so was my late husband [also living with HIV/AIDS]. We’d gone out and scored speed. [R4]

The emotion focused coping strategy of avoidance is adopted by both of these women, one through social avoidance and the other through escapism, another form of avoidance.

Differences and “Differentness”

When considering the profile of women including how they respond to an HIV/AIDS diagnosis there is a case that suggests differences along gender lines with the HIV/AIDS population in Australia. These differences emerge from the immediate response to HIV diagnosis, late presentation and awareness and understanding of HIV and also with social roles like having children and caring for children.

The actual care of children and disclosing to children suggests the need for support in parenting roles including the management of disclosure to children. This was raised during one of the interviews with a woman living with HIV/AIDS who also works as a peer support worker. The following is this women’s response when asked about potential problems that women living with HIV/AIDS face and therefore assistance that they may need:

When HIV is in the equation it makes their parenting role harder, because if they’re keeping the burden in themselves and haven’t told their children then they feel that sometimes, they might lash out or say things and it’s “cause they’re worried about their treatments, which the kids don’t know about. I think isolation and help with parenting roles and, financial [help] . . . [as] so many are struggling. [R7]

Disclosing leaves a woman open to the affects of a stigma experienced through their social networks, their children and the stability of their children’s community ties (Sowell et al. 2003).

This is also illustrated when considering women’s relationships and how they negotiate disclosure. Women
are reported as consistently having more difficulty disclosing their HIV status to sexual partners than men (Kalichman and Nachimson 1999). This was also discussed during the interviews by both HIV physicians and women. An example of this from the HIV physician’s perspective follows:

Women who have been widowed for example, their husband may have died of AIDS or some other diagnosis, some haven’t chosen to enter any relationship. So they live either in an isolated setting in terms of they really can’t disclose their diagnosis to their neighbor, you know, or general community, or they live with their children and their children may not even be aware of their HIV status. [D7]

Another scenario is given from a woman interviewed of her view to relationships after being diagnosed with HIV:

That was your probably biggest fear, meeting someone I think. [R3]

The HIV physicians interviewed suggested that in their experience women more than men are likely to experience fear to the extent that the fear directs their behavior and results in isolation, i.e., women are seen as having a different manner of response to relationships and this can prevent them from seeking relationships and perpetuate the isolation through heightened anxiety concerning rejection. It is further suggested that a lack of disclosure or selective disclosure may create depression and anxiety due to the isolation (Carrieri et al. 2003).

From a broader perspective, yet consistent with the isolation theme, the stigma associated with HIV/AIDS relates as a terrible differentness that creates suffering beyond the physical effects of the illness (Goffman 1963). Stigma and discrimination are considered as “central to the AIDS challenge as the disease itself” and act together as a “significantly discrediting” attribute which “feeds upon, strengthens and reproduces existing inequalities of class, race, gender, and sexuality” (Parker and Aggleton 2003, p. 13). As such, stigma associated with HIV/AIDS is described as a unique stressor (Pakenham and Rinalds 2002) where social stigma, social exclusion and health are interrelated (Reidpath et al. 2005).

The woman living with HIV/AIDS stated that meeting someone and disclosing her HIV status was one of her greatest fears. This is reiterated and extended with the HIV physicians observations that women more than men are likely to experience fear to the extent that the fear directs their behavior and results in isolation, i.e., women are seen as having a different manner of response to relationships and this can prevent them from seeking relationships and perpetuate the isolation through heightened anxiety concerning rejection.

### Bridging the Gap

This terrible “differentness” and the fragmented nature of the population of women living with HIV/AIDS in Australia; geographically, demographically and psychologically have resulted in isolation. An essential objective of the non-medical support services is to challenge the isolation resulting from the stigmatized nature of HIV/AIDS experienced by many women. Yet encouraging women to counter the isolation by disclosing is problematic due to the stigma that continues to proliferate the isolation (Paxton 2002). This isolation experienced after the HIV/AIDS diagnosis due to a fear of disclosure creates a barrier to support services and sometimes medical care. For example one HIV physician said:

For many women it is all related to confidentiality, the fear of disclosure, who to disclose to and not having that support network that you talk about being often so good at getting together. [D2]

Another HIV physician also speaks of the isolation and the frustration of seeing the problem but not knowing how best to bridge the divide:

I think that we know enough to know that there are gaps and we know enough to know that some of these are around isolation and normalizing HIV into a woman’s life experience. . . . It is terrible isn’t it to say I know the problem I just don’t know what the women or their families, optimal solutions would be . . . what would it take to bridge some of these gaps. [D3]

There is clearly a need for available and accessible services that provide support in a functional sense which refers to emotional, informational and tangible needs (Lee et al. 2004). Social support in general as a coping resource has garnered much attention in psychosocial literatures as it has “integrative promise and intuitive appeal” (House and Khan 1985, p. 85) and has been shown to be beneficial to well being (Davis et al. 2004; Cohen and Syme 1985).

As previously indicated significant barriers exist that have prevented these women and women that they know from wanting to engage with support services as a consequence of the HIV/AIDS diagnosis. This raises the idea of peer support where the peer support worker is also a woman living with HIV/AIDS and is able to talk to other women living with HIV/AIDS. There are historically few if any women living with HIV/AIDS funded as peer support workers in Australia. Yet, peer support services were consistently expressed as one of the most valued support service by the women interviewed for this study as illustrated by this comment:
It’s not publicly acknowledged that women get HIV, so when you’re diagnosed, it’s very often this experience of well, I shouldn’t have it, it’s a gay men’s thing and feeling incredibly isolated . . . and meeting other women is often cited as the most important thing in getting through that. [R6]

It’s just that relief that you can actually pick up the phone and know you’re speaking to another woman who’s been through what [you have been through]…. You can have people who are sympathetic, empathetic, but unless they’ve actually lived through the experience, they’re really not walking, you know, in your shoes. [R5]

This is consistent with the following quote from one of the HIV physicians who mentions the nature of support that women need. This also alludes to a subtle difference between men and women in support needs:

I think women probably get better support from women in general and sharing experiences if you have similar experiences that tend to be a point of connection and support. [D8]

Further to the lack of availability of funded peer support workers is the experience of one advocate where attempts at support from other women living with HIV/AIDS are not valued. It is also suggested that these attempts to reach newly diagnosed women have been actively discouraged by at least one HIV physician:

There’s a service that runs in NSW and I find it really frustrating when I ring them and say, oh, is there a woman in the hospital or do you have any women that you see that I could go and visit? I said, I have to go and visit her and he [the HIV physician] goes to conferences and talks about “his women” but you never see the women there, and I think you know, I was very fortunate to have counselors and doctors that sort of nudged me and let me speak for myself. [R5]

Although there appears to be a difference in the value placed on peer support by HIV physicians, there was a consistent emphasis placed on the value of peer support services by the women living with HIV/AIDS. In addition to this are concerns of the evolving nature of the support services. Specifically, peer support workers that are positive women are not being employed. Health care workers that are not positive women are now replacing the peer support positions as one advocate relates:

All the peer support positions are being turned into health promotion positions, and it’s as though it’s not cool to be a peer support worker. You’re not bringing enough to the position, you’ve got to be, you know, highly qualified. [R5]

So there’s always that kind of threat that all these services would be cut. [R2]

This reflects the position in NSW and elsewhere in Australia where the role of the peer support worker is more recently subsumed by a combination of trends. Like, the position of a trained health worker is replacing the role of the peer support worker and the continued inconsistent nature of service provision.

CONCLUSION, LIMITATIONS, AND FUTURE RESEARCH

This study has introduced the contemporary issues that surround HIV/AIDS in Australia and highlight the dearth of information relating to a minority group within this population, specifically women. The few studies that have investigated women living with HIV/AIDS in Australia suffer from small sample sizes and therefore compromised generalized ability (e.g., du Cros et al. 2004), which means that to date, there is no alternative body of literature that contributes to understanding these women.

Yet, understanding the customer is central to marketing (Vargo and Lusch 2004) and is particularly relevant in this context where support services are designed to enable the well-being of the customer. Essential to this is an appreciation of the nature of unique stressors associated with an HIV/AIDS diagnosis like the effects of stigma which result in isolation. A fear of what will happen through disclosure is the catalyst for this isolation which it seems is particularly pronounced with women and even more so with women of CALD backgrounds. To counter this isolation one approach is to develop awareness through exposure to the HIV communities and a more public collective profile, yet there is also a need for privacy and anonymity. A conspicuous juxtaposition of being heard but remaining invisible is a distinctive feature of this group of women. Future research could therefore explore this tension and also focus on approaches that educate and generate awareness to challenge discounting and discrediting attitudes through marketing initiatives directed towards the wider community. In addition to this, the findings from this research identify possible influences like social roles on the adjustment to the HIV/AIDS diagnosis for women.

The support needs that emerged throughout this study by women and HIV physicians including those determined by social roles, suggest the need for a service that is nationally coordinated and funded to enable consistency and reliability. This service would need to be accessible to women, create communication networks
and provide a bridge to the other community-based organizations scattered throughout Australia to leverage the available non-medical resources for those living with HIV/AIDS. A slightly different yet interesting finding was that the HIV physicians had varying views concerning peer support where peer support was less valuable than it was by the women living with HIV/AIDS in this study. The disparity in views between the women and the HIV physicians in this study raises implications for the marketing of these support services, i.e., as HIV physicians are a valued and primary source of referral, their perceptions of the community-based organizations will impact the ability of these organizations to provide support.

One significant limitation with the current research is that the respondents were a small group of people whose backgrounds were not as diverse as those reflected in the surveillance data. And, given the evolving nature and changing face of HIV/AIDS especially since the introduction of antiretroviral medications women newly diagnosed were conspicuously absent. Therefore, the information regarding response to diagnosis and HIV community was retrospective and situated within a time when diagnosis equated to a death sentence; where the procedures for diagnosis were not established and standardized and overt discrimination was common place within the health care system for many of those living with HIV/AIDS. There was also scant mention of the trajectory of HIV/AIDS in women’s lives particularly in their social, psychological, and emotional lives. Future ethnographic research is required to understand the different stages that comprise the adjustment to a HIV/AIDS diagnosis for this particular population of women which would also provide valuable information for support service provision.

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INTERNAL AND EXTERNALLY-FOCUSED MARKETING CAPABILITIES AND FIRM PERFORMANCE

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SUMMARY

Firms that are better at developing and deploying hard to replicate resources and market-driven capabilities should attain higher levels of firm performance. Due to the fact that most marketing capabilities research has evolved from a mixture of Day’s (1994) market-driven concept and conceptualizations of market orientation (e.g., Kohli, Jaworski, and Kumar 1993), to date, marketers have primarily looked at capabilities in terms of providing value to the customer. While this has provided fundamental contributions, what has not been investigated is the role of providing value to internal groups, such as the marketing group, that support these externally-focused capabilities. Focusing research on how firms develop this internal-external mix of capabilities is critical for a better understanding of how marketing capabilities work within organizations. Thus, this study develops and validates measures of customer relationship management, brand management, and human relationship management capabilities and also examines relationships between these capabilities and important firm performance variables, such as customer satisfaction, market effectiveness, employee satisfaction, and financial performance.

Internally-Focused Marketing Capabilities

Internal marketing is a concept that has emerged partially from the service marketing literature. It is a key enabling agency in building capabilities, which increase the link among knowledge resources, customer orientation, and performance. Internal marketing does so by identifying the link between strategic implementations to the specific skills and capabilities of the individual employee (Ahmed and Rafiq 2003). However, while the research has shown that internal marketing is important, we do not have a clear concept of how a manager would actually enact such practices.

By analyzing the concept of internal marketing within capabilities theory, a clear, process-based approach can be used to provide, actual processes in which managers can use to enact new policies and procedures. Likewise, the capabilities view provides a unified framework so that the internal capabilities can be integrated with external capabilities. In this study, employee relationship management capabilities are examined as a set of fundamental processes in the total set of internal marketing capabilities. Employee relationship management capabilities refer to the processes which reflect the firm’s skill at systematically and routinely establishing and maintaining beneficial relationships with employees.

Externally-Focused Marketing Capabilities

Customer relationship management (CRM) is a rapidly growing area of research due to its pivotal role in focusing on the customer. In their recent summary of the field, Boulding and colleagues (2005) describe CRM as the activities which are necessary to build customer relationships, the collection, storage and analysis of customer data to drive decision making, and also “the integration of all these activities across the firm, linking these activities to both firm and customer value, extending this integration along the value chain, and developing the capability of integrating these activities across the network of firms that collaborate to generate customer value, while creating shareholder value for the firm” (Boulding et al. 2005, p. 157). Thus, due to its very focus on embedded routines and processes, it is advantageous to examine CRM as a set of capabilities. Therefore, we define Customer relationship management capabilities, as those processes which reflect the firm’s skill at establishing and maintaining beneficial relationships with target customers.

Brand management capabilities also play an important role in creating customer value by driving customer knowledge about a good or service offering and creating expectations about the performance of that offering along important dimensions such as quality and image. Therefore, brand management capabilities are those processes which pertain to the firm’s ability to create and sustain reputational assets such as brand equity and corporate image. These two capabilities combined allow firms to bond customers to the firm by creating important relationships and to position important aspects of the firm’s market offerings to the customer in ways which create customer value.

Results

This study utilized a multi-stage data collection process involving over 400 top marketing executives in diverse industries. A scale to measure the internally and
externally-focused marketing capabilities were developed through a series of Confirmatory Factor Analyses. Then, hypotheses were examined through Structural Equations Modeling. As the study found, the new scale to measure employee relationship management was psychometrically sound. Additionally, this study sheds light on the notion that internal and externally-focused marketing capabilities affect firm performance. Given the significant relationships between employee satisfaction and financial performance and between employee satisfaction and customer satisfaction, it is evident that internal marketing capabilities are a vital component of a firm’s marketing strategies. In fact, employee satisfaction had a slightly greater influence on financial performance than customer satisfaction. Given that this study was conducted with marketing executives that may be, if anything, biased towards marketing, this finding is indicative of the extreme importance of employee relations. References are available upon request.

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EXTERNAL EFFECTS OF THE ADOPTION OF CATEGORY MANAGEMENT STRATEGIES

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ABSTRACT

This article uses game theory to analyze the extent to which manufacturers and competitors profit (or not) from the behavior of retailers, producing two novel results. A competitive equilibrium is reached when one of the retailers adopts CM but the other does not. Also, the adoption of CM by one retailer brings about the largest benefits to the retailer who does not adopt it.

INTRODUCTION

For over a decade, we have witnessed an increase in the use of Category Management (CM) techniques, at the expense of Brand Category Management (BCM), not only by retailers such as Wal-Mart, but also manufacturers such as Nokia. Firms applying CM (mostly retailers) typically assign a single decision maker (or group of decision makers) the responsibility for tactical decisions over related products belonging to the same category defined from the customer’s point of view and in coordination with suppliers, while under BCM decision making responsibility is limited to a specific product or brand. The use of CM allows them to optimize several brands simultaneously, managing them as a single business unit (Nielsen 1996).

Basuroy, Mantrala, and Walters (2001) have recently studied the effect of a move from BCM to CM on retailers’ prices, quantities, revenues, and profits. Specifically, they show analytically and empirically that this move leads to higher prices and profits for retailers due to the coordination of decisions regarding related brands. Our article uses essentially their same model with consistent results, but switches the focus to the impact on manufacturers and the competing retailer.

Unlike studies focusing on the link between CM and consumer choice (Mollá, Mújica, and Yagüe 1997), our research goes up one level in the distribution channel and focuses on the effects retailers’ strategies (and more specifically the move from BCM to CM) have on manufacturers and other retailers. It seems obvious that to the extent that retailers’ behavior affect total sales and market shares (Bronnenberg, Mahajan, and Vanhonacker 2000) we can also expect an effect on manufacturers and competitors’ prices and profits. However, and although the practitioner literature highlights the importance of manufacturer-retailer coordination and the increasing distributor power is forcing manufacturers to get more and more involved in this kind of practices, there is scant academic research on the effect CM adoption has on manufacturers and competitors. Zenor (1994) analyzes optimal pricing by manufacturers applying CM, but his model is similar to Choi’s (1991) and assumes that the unique retailer distributing the product necessarily uses CM. The objective of this article is to fill part of the gap in the literature and study the extent to which manufacturers and competing retailers profit (or suffer) from a retailer’s decision to use CM. We use a game-theoretical approach directly related to existing research on pricing in the distribution channel (Jeuland and Shugan 1983; McGuire and Staelin 1983; Moorthy 1988; Choi 1991) and product-line pricing (Katz 1984; Moorthy 1984), and recent literature on the transition from BCM to CM (Basuroy, Mantrala, and Walters 2001).

The rest of the article is organized as follows: first we describe the model; then we set the game; then we offer our results with effects on manufacturers and competing retailers; and we end with our conclusions.

THE MODEL

We start with a model (see Figure 1) similar to the one used by Trivedi (1998) and Basuroy, Mantrala, and Walters (2001): there are two manufacturers (M₁, M₂), producing two differentiated products (1, 2), sold through two retailers (A, B). Manufacturers and retailers are not vertically integrated. This simple model with two manufacturers, two products and two retailers allows us to compare our results with those of other researchers without losing generalizability since many industries organize around a couple of major brands with a small number of large retailers. Each retailer can use two alternative strategies: pricing each product separately, trying to maximize profits for each product independently (BCM); or pricing both products trying to maximize total profits (CM).

We write market demand for each product sold by each retailer as

\[
q_{A1} = \frac{1}{4}[1 - p_{A1} + \alpha(p_{A2} - p_{A1}) + \beta(p_{A1} - p_{A})]
\]

\[
q_{A2} = \frac{1}{4}[1 - p_{A2} + \alpha(p_{A1} - p_{A2}) + \beta(p_{A2} - p_{A})]
\]

\[
q_{B1} = \frac{1}{4}[1 - p_{B1} + \alpha(p_{B2} - p_{B1}) + \beta(p_{B1} - p_{B})]
\]

\[
q_{B2} = \frac{1}{4}[1 - p_{B2} + \alpha(p_{B1} - p_{B2}) + \beta(p_{B2} - p_{B})]
\]

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where $\alpha$ and $\beta$, are two positive parameters smaller than one representing the degree of product and retailer differentiation respectively, and $p_{A1}, p_{A2}, p_{B1}$, and $p_{B2}$ are the prices retailers A and B charge for products 1 and 2.

Market demand can also be written simply as

$$q_{i1} = \frac{1}{\alpha} \left[ 1 - p_{A1} + \alpha (p_{A1} - p_{B1}) + \beta (p_{A1} - p_{B1}) \right]$$

$$q_{i2} = \frac{1}{\beta} \left[ 1 - p_{A2} + \alpha (p_{A2} - p_{B2}) + \beta (p_{A2} - p_{B2}) \right]$$

where, $i = 1,2, j = 1,2$ and $i \neq j$.

While it is possible to argue that the use of linear demand functions lacks logical consistency from a sales forecasting point of view, and that logarithmic or semi-logarithmic functions are better at modeling the relationship between price and demand, our focus here is optimization, rather than forecasting, and linear functions guarantee strictly concave revenue and profit functions with unique optima (Zenor 1994) and are commonly used in the literature.

Absent fixed costs, we write brand-specific retailer profits as

$$\Pi_{ik} = (p_{ki} - w_i) q_{ki}$$

$$\Pi_{jk} = (p_{kj} - w_j) q_{kj}$$

where $i = 1,2$ and $w_i$ is the price retailers pay for manufacturer $i$’s product.

Again in the absence of fixed costs, manufacturers’ profits are

$$\Pi_{jk} = w_j (q_{j1} + q_{j2})$$

where $j = 1,2$.

**THE GAME**

We use a two-stage game. In the first stage, both manufacturers choose profit-maximizing wholesale prices simultaneously as Stackelberg leaders. In the second stage, retailers choose profit maximizing retail prices simultaneously, given wholesale prices. We use the usual backward induction method in sub-game perfect equilibrium to solve the game, where retailers have perfect information about the manufacturers’ decisions and the manufacturers have perfect information about the retailers’ objectives.

We consider three possible competitive conditions: in the CM-CM condition, both retailers use CM (i.e., they maximize total profits); in the BCM-BCM condition, both retailers use BCM; and under the CM-BCM condition, one of the retailers uses CM while the other uses BCM.

**CM-CM Scenario**

First we consider a symmetrical situation where both retailers set total-profit maximizing retail prices, i.e., using category management. Analytically, the second stage of the game becomes:

$$\frac{\partial (\Pi_{A1} + \Pi_{A2})}{\partial \alpha} = 0$$

$$\frac{\partial (\Pi_{B1} + \Pi_{B2})}{\partial \beta} = 0$$

where $i = 1,2$.

Thus we obtain the retailers’ response as a function of model parameters and manufacturers’ prices.

With this we solve the first stage of the game where manufacturers set profit-maximizing wholesale prices:

$$\frac{\partial \Pi_{A1}}{\partial \alpha} = 0$$

$$\frac{\partial \Pi_{B1}}{\partial \beta} = 0$$

Solving the above system of equations we obtain manufacturers’ equilibrium prices and, substituting in the retailers’ response functions, also retail prices. Given wholesale and retail prices, we calculate final demand and firms’ profits.

**BCM-BCM Scenario**

This is also a symmetrical situation, but here we assume both retailers set prices simultaneously trying to maximize profits for each product individually.

Under this assumption, retailers’ behavior in the second stage of the game becomes:

$$\frac{\partial (\Pi_{B1})}{\partial \alpha} = 0$$

$$\frac{\partial (\Pi_{B2})}{\partial \beta} = 0$$

where $i = 1,2$.

From here we solve the rest of the game like in the previous scenario above.

**CM-BCM Scenario**

Here we have a symmetrical situation where one of the retailers (retailer A without loss of generality) sets total-profit maximizing prices, while the other retailer (retailer B) sets individual-product profit maximizing prices.
Hence, the second stage of the game becomes:

\[
\frac{\partial (\Pi_A + \Pi_B)}{\partial \varphi_{sb}} = 0 \\
\frac{\partial \Pi_B}{\partial \varphi_A} = 0
\]

where \( I = 1,2 \).

We solve the first stage of the game like under previous scenarios.

**RESULTS ON MANUFACTURERS AND RETAILERS**

Table I summarizes the results derived from the analyses above (for the sake of conciseness, detailed derivations are not shown here).

**Effect on Manufacturers’ Prices**

Wholesale prices are lowest when both retailers maximize total profits (CM-CM scenario), and highest when both retailers maximize profits for each individual product (BCM-BCM scenario), while they reach intermediate levels in the asymmetrical CM-BCM scenario.

**Effect on Retailers’ Prices**

Retail prices are higher under the CM-CM scenario than under the BCM-BCM scenario. This result is identical to the one obtain by Basuroy, Mantrala, and Walters (2001), who find difficulty in making it compatible with Efficient Consumer response Models (ECR) espousing increasing consumer value. For example, Pearce (1996) defines CM as one of five facets in ECR and Dupre and Gruen (2004) consider it the demand-side component of ECR. However, in our model maximum prices are set by the retailer practicing CM when the other retailer practices BCM and in turn sets the minimum prices. This suggests that we can find the reconciliation of CM and ECR not in its application by an individual company, but in the interplay between companies applying different competitive techniques.

**Effect on Quantities Sold**

As could be initially expected, effects on quantities sold reverse those on prices. Retailer A sells a larger quantity when both retailers use BCM than when both use CM, and the least when \( i \) uses CM and \( B \) uses BCM. Retailer B, in turn, sells the largest quantity when it uses BCM and \( A \) uses CM. This is an indication that, under asymmetrical conditions, clients migrate from the retailer using CM and setting higher prices to the retailer using BCM and setting lower prices.

**Effects on Manufacturers’ Profits**

Manufacturers’ profits are at their lowest when both retailers practice CM, and at their highest when both practice BCM, with intermediate levels for asymmetrical situations.

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</table>
Effects on Retailers’ Profits

The highest profit goes to the retailer practicing BCM when the other retailer practices CM, while the lowest profits accrue when both retailers practice BCM and the symmetrical CM-CM scenario produces intermediate results. The rationale is in the downward pressure on wholesale prices exerted by the retailer using CM, which also benefits the other retailer (Cottrell 1995). At the same time, the retailer using CM internalizes prices keeping them above the BCM-BCM situation (thus reducing competition and, since prices are strategic complements, prices of the retailer using BCM are higher too) but below the CM-CM situation (thus increasing market share). This result is consistent with Zenor’s (1994) empirical results. While in Zenor’s model the company using CM has a dominant position (and that largely explains his results), our model is generalizable to generic competitive situations without the need to resort to assumptions about which retailer holds a dominant position.

Strategic Retail Game Equilibrium

The strategic game retailers play is depicted in Chart 1. There are two players, A and B, each of which has two possible strategies, CM and BCM.

Rows represent strategies for retailer A, and columns strategies for retailer B. Profits for retailer A are in the upper-left corner of each cell, and profits for retailer B are in the bottom-right corner of each cell.

From the previous analyses we can determine that Q<S<R<T. Therefore, the only Nash equilibria are given by the asymmetrical situations where one of the retailers uses CM and the other uses BCM. While profits for both retailers are higher under CM-CM than BCM-BCM, the retailer who takes the initiative and makes the move from BCM to CM will increase its profits but less than the retailer who waits and continues using BCM. As a consequence, there is an incentive for retailers to issue credible signals of their commitment not to use CM. They can, for example, conclude agreements with some manufacturers to define a pricing structure limiting the retailer’s ability to optimize total profits for a category. This kind of agreements is also attractive for the manufacturer, because the situation where only one retailer adopts CM is more attractive than the situation where both retailers adopt CM.

Our model also suggests that the general adoption of CM by retailers leads to an unstable situation, since those retailers moving back to BCM are the ones to gain the most from their competitors using CM.

From a manufacturer’s point of view, our results suggest that while they face a reduction in both prices, quantities and profits as some clients adopt CM, they should not fear the drop in profitability associated with the general adoption of CM by all retailers since this is an unstable situation and some retailers will choose not to implement it. Furthermore, they can reach agreements with individual retailers that preclude them from practicing CM, thus reducing not only the drop in profits caused by the migration of that individual retailer from BCM to CM, but also reducing the incentive for other retailers to move to CM.

CONCLUSIONS

We have proposed a model analyzing the impact of the adoption of Category Management by retailers on prices, quantities, and profits for both retailers and manufacturers. More specifically, our model leads to two new and managerially relevant results:

1. First, we find that the equilibrium situation is one where only one of the retailers practices CM, while the other practices BCM. This goes against (or at least add a nuisance) the common intuition in the industry suggesting that all companies can gain from adopting CM. Furthermore, the general adoption of
CM causes an unstable situation with an incentive to be the first one to abandon CM and return to BCM.

2. Second, and again against what many in the industry consider common knowledge, we trace the gains retailers obtain from the adoption of CM to the manufacturers, rather than the customers. One retailer’s CM adoption and the subsequent increase in its average retail prices causes demand to sift to the retailer practicing BCM and keeping or lowering its prices. However, the reduction in total demand brought about by the application of CM by one retailer puts downward pressure on wholesale prices which disproportionately benefits the retailer using BCM.

3. While the adoption of CM by retailers reduces manufacturers’ profitability, it will not fall all the way to that of a CM-CM situation since this is unstable. This results offer a clear strategic implication: the first retailer to commit to not applying CM, by means of agreements with manufacturers (who have a strong incentive to subscribe them) or other means, will profit the most from its application by the rest of the companies in the industry.

ENDNOTE

1 The authors gratefully acknowledge the financial support from Xunta de Galicia Research Grants PGIDIT02PXIA10001PR and PGIDIT02CSO10002PR.

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MARKET-BASED DYNAMIC CAPABILITIES AND
FIRM PERFORMANCE

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SUMMARY

Recent developments in dynamic capabilities theory (e.g., Eisenhardt and Martin 2000; Teece, Pisano, and Schuen 1997) have important implications for marketers. Dynamic capabilities are defined as the organizational routines “by which managers alter their resource base – acquire and shed resources, integrate them together, and recombine them to generate new value creating strategies” (Eisenhardt and Marketing 2000, p. 1106). These firm processes are, therefore, the drivers of creation, evolution and reconfiguration of resources into the firm capabilities which ultimately serve as sources of competitive advantage. Dynamic capabilities help the organization to create new resource configurations and to replace previous configurations. This replacement process frequently frees resources for reuse or for divestiture. Dynamic capabilities provide the crucible where existing firm processes are examined in the light of new information and where existing firm processes are either adaptively improved or are creatively destroyed. For this reason, dynamic capabilities are a primary source of process and product innovation within the firm.

Market-Based Dynamic Capabilities

Market-based dynamic capabilities are defined as the organizational processes by which firms systematically use market information to enhance or replace existing organizational capabilities. These processes may operate via either adaptive or generative processes (e.g., Slater and Narver 1995). For market-based dynamic capabilities to function, market information that is new to the organization is combined with existing information through various analysis and dissemination processes. This information is then used by decision makers to form shared understanding, which in turn forms the basis for organizational responses such as modifying existing marketing processes via adaptive mechanisms and for developing new marketing processes via generative mechanisms. Together, these processes provide the outputs needed by various internal and external stakeholders and frequently provide important resources that feed into other organizational processes ultimately resulting in the development of the firm’s market offerings. These adaptive and generative market-based dynamic capabilities, therefore, represent a vital adaptive mechanism available to the firm.

Study Contributions

This study contributes to our understanding of market-based dynamic capabilities in the following ways. First, we apply dynamic capabilities theory to an empirical marketing context, develop new measures of market-based dynamic capabilities and then examine theorized linkages between market-based dynamic capabilities and antecedent market information processing constructs. As an important part of our investigation of antecedents to market-based dynamic capabilities, we examine shared understanding, an important sensemaking process that marketing managers use to help understand market information and make marketing decisions (e.g., Morgan, Anderson, and Mittal 2005). Next, we show that market-based dynamic capabilities are important outcomes of shared understanding and that the relationship between shared understanding and market-based dynamic capabilities demonstrates a predicted, but never tested, curvilinear relationship (Madhavan and Grover 1998; Slater and Narver 1995). We then demonstrate that adaptive and generative market-based dynamic capabilities are important antecedents to both customer satisfaction and market effectiveness. Finally, we demonstrate that customer satisfaction and market effectiveness are important predictors of objective financial performance in the firms studied. Thus, we demonstrate that market-based dynamic capabilities influence both intermediate marketing performance outcomes as well as objective firm performance outcomes. References are available upon request.
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The motivation for this paper comes from the long, and often acrimonious, discussion (Gaito 1980, 1986; Hand 1996; Velleman and Wilkinson 1993) about the appropriateness of standard statistical techniques for data that is essentially, by the criteria of Stevens (1951), ordinal. This assumption that ordinal data can be treated as interval is common in marketing research and it is often justified by showing that the responses follow a normal distribution. This paper reconsiders the assumption of intervality of data and suggests that there are important ramifications for marketing, and other, researchers. This is achieved by looking at different inputs to the factor analysis process and gauging the effect, if any, of the assumption of intervality on a well-studied construct such as service quality.

The Classical Test Theory (CTT) approach to factor analysis as described by Bartholomew et al. (2002) uses correlation (or covariance) matrices in the development of a factor structure. The most common method is to use the Pearson product moment correlation coefficient (known as Pearson’s r). Unfortunately this requires that the data be at least interval in nature and as a result is not suitable for ordinal data. Theory development and testing in service quality beginning from the initial paper of Parasuraman et al. (1988) has relied on Pearson correlations as inputs to factor analysis. This research seeks to consider the use of other correlation matrices within a Confirmatory Factor Analysis (CFA) framework. This paper uses polychoric, Spearman’s rho and Kendall’s tau-b correlation matrices as alternative inputs to CFA. These other correlation coefficients were chosen because of their use in the literature in this area (Babakus et al. 1987; Rigdon and Ferguson 1991; Flora and Curran 2004).

An alternative to CTT is to use Item Response Theory (IRT). Direct methods of dealing with Likert scale data are uncommon in marketing but are an area of significant development in psychological measurement. Bartholomew et al. (2002) note that the application of these methods to factor analysis is at the edge of the research frontier. IRT is an approach to the analysis of ordinal data and is an extension of logit/probit models (Bartholomew et al. 2002). It differs from the other approach (the Classical Test Theory approach) in that no correlations are required between the variables and that it is a Full Information Maximum Likelihood (FIML) approach (Moustaki 2001).

This paper uses service quality data from a large scale study of bank branch consumers in the U.K. Service quality has been described as one of the most intriguing constructs in marketing theory (Roest and Pieters 1997) due to the elusive nature of the two concepts that it beings together. Data was collected by a major U.K. bank in a monthly telephone assisted survey of their customers. Customers were randomly sampled from the customer database of those that had given permission to the bank to contact them. Customers were asked seven questions related to service quality at their branch using a five-point Likert scale labeled “Excellent,” “Very Good,” “Good,” “Fair,” and “Poor,” provided they had visited their branch in the last four weeks. This study uses data from a group of sixteen branches in the same city to consider the factor structure in the months of February to May 2002 from a larger sample. Branch level data was too sparse to do the analysis and a group of branches from the same metropolitan area were taken. Data from four months were combined again due to a lack of data at group level on a monthly basis. Given the structure of the questions, two factors are expected from the analysis. The first factor should be the first two items which are related to the technical quality of the outcome while the remaining five cover the more interactive elements of the service (Grönroos 1984).

Using the CTT approach the CFA confirmed the presupposed results that the variables would split into two factors. However the CFA was only significant using Kendall’s tau-b correlation coefficient using the Chi-Squared as a test statistic though results using the Spearman’s rho were also significant when considering RMSEA as a guide (Ullman 1996). These are interesting results as when the two most frequently used correlation coefficients, the Pearson product-moment and the polychoric, were used, the CFA model was not supported. This has important implications for researchers dealing with Likert-type data in marketing research.

The IRT approach gave a different result yet again and although a two-factor solution was found, it did not support the hypothesized model. The outcomes factor was specified by only one item but the more obvious outcome item loaded onto the interaction factor.

From a measurement point of view, the approaches followed in this paper for factor analysis were problematic in that the information from both the CTT and IRT
approaches could not be fully compared due to a lack of test statistics for the IRT approach. However the results available brought out interesting differences in the data set that could be further explored. For the IRT stream of research to gain acceptance in the marketing literature where it has much to contribute, a series of test statistics that work with the specific characteristics of the data being collected is required. References available upon request.

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Because there is little guidance for estimating an interaction involving a second-order latent variable (LV) (an unobserved variable with other unobserved variables as its “indicators”), the article explores these variables. It suggests a specification for an interaction between a second-order LV and a first-order LV, an unobserved LV with observed indicators.

SECOND-ORDER LATENT VARIABLES

As previously mentioned, a second-order LV involves first-order LV’s as “indicators.” A second-order LV can be conceptualized as having multiple factors in an exploratory factor analysis (e.g., in Figure 1a, the second-order Z’ has Z1 as Factor 1, Z2 as Factor 2, etc.) that are not orthogonal. Ideally, when the items in each of these factors are summed, an exploratory factor analysis of the resulting summed items is unidimensional. A diagram of a second-order LV shows it specified or connected to its “indicator” first-order LV’s with paths or arrows from the second-order LV to its “indicator” first-order LV’s. Then, it shows arrows from the first-order “indicator” LV’s to their observed indicators as usual (see Z1 and Z2 in Figure 1a). Because the relationships between a second-order LV and its “indicator” LV’s is imperfect, its “indicators” (indicator LV’s) have “measurement errors” (ζ’s) that are the structural disturbances in their relationships with their second-order LV (see Z1 in Figure 1a).

Although other uses for second-order latent variables have been proposed (e.g., Gerbing and Anderson 1984; Rindskopf and Rose 1988), their use in published substantive articles has been primarily to simplify a structural equation model by combining first-order LV’s into a single (higher order) LV (e.g., Dwyer and Oh 1987; Gerbing, Hamilton, and Freeman 1994).

Unidimensionality

In substantive articles the unidimensionality of a first-order LV is typically demonstrated in several steps involving internal and external consistency. Its internal consistency is established by a single-construct measurement model (MM), a MM containing only the LV and its observed indicators, fitting the data (see Anderson and Gerbing 1988). Then, the external consistency of the LV is evaluated using model-to-data fit in a full MM of all the study LV’s specified unidimensionally (see Anderson and Gerbing 1988). Intermediate steps include evaluating model-to-data fit with of pairs, trios, etc. of LV’s (e.g., Jöreskog 1993).
Internal consistency for a second-order LV can be evaluated at two levels. Gerbing, Hamilton and Freeman (1994) argued that for a second-order LV, internal consistency should be gauged at the second-order level only. They suggested in effect that first-order “indicator” LV’s should be unidimensional in the exploratory (common) factor analysis sense rather than internally consistent. Then, the second-order LV should be (internally) consistent in its single factor MM, one with only the second-order LV, its “indicator” first-order LV’s, and their observed indicators specified unidimensionally.

Other approaches to establishing second-order consistency are possible. The internal consistency of the “indicator” LV’s could be established by each “indicator’s” single construct MM fitting the data. Then, a single factor second-order MM, one with only the second-order LV, its “indicator” LV’s, and their observed indicators, could be estimated to establish the consistency of the second-order LV. Finally, external consistency could be evaluated in a full MM containing the second-order LV and all the other LV’s.

Reliability

Rindskopf and Rose (1988) distinguished between second-order- and first-order reliability: “indicator” LV’s each have a reliability as usual, and a second-order LV has a reliability due to its “indicator” LV’s.

One formula for LV reliability of X, with indicators $x_1, x_2, \ldots, x_n$ is

$$
\text{Latent Variable Reliability} = \frac{(\sum \lambda_i)^2 \text{Var}(X)}{\left((\sum \lambda_i)^2 \text{Var}(X) + \sum \text{Var}(\varepsilon_i)\right)}\, ,
$$

where $\lambda_i$ is the loading of $x_i$ on X, $\varepsilon_i$ is the measurement error for $x_i$, and $\Sigma$ denotes a sum (Werts, Linn, and Jöreskog 1974; see Bollen 1989; Fornell and Larker 1981). Thus, the reliability of a second-order LV, $Z'$, could be gauged using Equation 2 and the variance of the second-order LV from its MM, $\text{Var}(Z')$, by substituting the “indicator” LV’s loadings on $Z'$, $\gamma$’s, for $\lambda$’s, and “indicator” structural disturbance terms, $\zeta$’s, for $\varepsilon$’s (see Figure 1a).

![FIGURE 1](image-url)

(Abbreviated) Structural Models

1a – With First-Order by Second-Order Interaction, $XZ'$

1b – With First-Order by Second-Order Interaction $UxT$

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* $Z'$ is a second-order LV with first-order “indicator” LV’s, $Z_1, Z_2$ and $Z_3$. W, X, and Y are first-order LV’s, and $XZ'$ is a second-order by first-order interaction.

* X, Z', W, and XZ' are correlated, and indicator error terms and structural disturbances are uncorrelated.

* T, U, and UxT were correlated, indicator error terms were uncorrelated, and the $\zeta$’s were uncorrelated.
Validity

Authors in the Social Sciences disagree on what constitutes an adequate demonstration of validity (e.g., Bollen 1989; DeVellis 1991; Nunnally 1978), and this is reflected in substantive articles involving second-orders. Nevertheless, a minimal demonstration of the validity of a second-order LV should probably include the following: its content or face validity (how well its “indicators” tap into the conceptual definition of the second-order construct), its construct validity (its correlations with the other model LV’s – their significance and their direction and magnitude – are theoretically sound), and its convergent validity (e.g., reliability, or average-extracted variance – see Fornell and Larker 1981) and discriminant validity (e.g., its correlations with the other model LV’s are less than 0.7, or its squared correlations are all less than its average extracted variance – see Fornell and Larker 1981) (e.g., Bollen 1989; DeVellis 1991; Nunnally 1978).

SECOND-ORDER INTERACTIONS

First Order Interaction Specification

As previously mentioned, there have been several proposals for estimating an LV interaction. However, with rare exceptions these approaches are unknown outside of the methods literature (Cortina, Chen, and Dunlap 2001) and are tedious to use (Jöreskog and Yang 1996). In a review of Social Science journals since Kenny and Judd’s (1984) seminal proposal for specifying LV interactions, the most frequently encountered estimation approaches for interactions in substantive articles were suggested by Jaccard and Wan (1995) (46 citations); Mathieu, Tannenbaum, and Salas (1992) (see Cortina, Chen, and Dunlap 2001) (51 citations) and Ping (1995) (41 citations).

To avoid estimation and model fit difficulties, the Jaccard and Wan approach specifies an XZ, for example, that is “weedied” and uses the “first four interaction indicators” (e.g., x1z1, x1z2, x1z3, x1z4, where x1 and zj are indicators of X and Z respectively). However, without most of its indicators, an interaction could be judged to be no longer content – or face valid. (With a just determined X and Z, for example, XZ has 9 interaction indicators. Using just the “first four interaction indicators” deletes more than half of XZ’s indicators. With over determined X and Z, indiscriminant use of the “first four interaction indicators” ignores the indicators of X other than x1, and the indicators of Z beyond z4.) In addition, the reliability of an interaction specified without all its product indicators is unknown. (The formula for the reliability of XZ, for example, is a function of X and Z, and thus it assumes XZ is operationally the construct X times the construct Z – see Equation 4 and Bohrnstedt and Marwell 1978.) Also, a detailed interpretation of a significant “weedied” XZ that uses factored coefficients (see “simple slopes” in Aiken and West 1991) is problematic because β1X + β2XZ in Equation 1 is no longer factorable into (β1 + β2Z)X (the X in XZ is no longer operationally the latent variable X because it is itemized differently). Finally, it is easy to show that with real-world data an interaction path coefficient is not independent of which interaction indicators wind up as the “first four interaction indicators.”

Unfortunately the Mathieu, Tannenbaum, and Salas (1992) specification is simply a proposal, and it has not been formally evaluated for any estimation bias and inefficiency. Also unfortunately, the proposed specification is incorrect unless XZ is standardized (see Mathieu, Tannenbaum, and Salas 1992 for other difficulties). The following will rely on the Ping (1995) specification, which has been formally evaluated and specifies XZ with all the indicators of X and Z.

For an interaction, XZ, the Ping (1995) specification uses a single indicator, xz, which is the sum or an average (or a loadings-weighted average if loadings are not approximately tau-equivalent) of the indicators of X times the sum or an average of the indicators of Z. Under the Kenny and Judd (1984) normality assumptions (each of the latent variables X and Z is independent of its measurement errors, the measurement errors are mutually independent, and the indicators and the measurement errors are multivariate normal), the loading, λxz, and error variance, Var(εxz), for this single indicator of XZ are

\[ \lambda_{xz} = \Delta_X \Delta_Z / mn, \]  

and

\[ \text{Var}(\varepsilon_{xz}) = [\Delta_X^2 \text{Var}(X) \text{Var}(\varepsilon_x) + \Delta_Z^2 \text{Var}(Z) \text{Var}(\varepsilon_z) + \text{Var}(\varepsilon_x) \text{Var}(\varepsilon_z)]/(mn)^2, \]  

where m and n are the number of indicators of X and Z respectively, Var(X) and Var(Z) are error-dissattenuated (measurement model) variances, \( \Delta_X = \sum \lambda_{xi} \), \( \lambda_{xi} \) is the loading of xi on X, \( \Delta_Z = \sum \lambda_{zj} \), \( \lambda_{zj} \) is the loading of zj on Z, j = 1 to n, \( \text{Var}(\varepsilon_x) = \sum \text{Var}(\varepsilon_{xi}) \), \( \text{Var}(\varepsilon_z) \) is variance of the measurement error of \( \varepsilon_z \), \( \text{Var}(\varepsilon_x) \) is the variance of the measurement error of \( \varepsilon_x \), and \( \text{Var}(\varepsilon_{xz}) = \sum \text{Var}(\varepsilon_{xzi}) \). (\( \lambda_{xzi} \) and \( \text{Var}(\varepsilon_{xzi}) \) are “averages” so the variance of XZ is commensurate with the variances of X and Z.) Equations 3 and 3a can be estimated directly using some structural equation software (e.g., LISREL 8 or CALIS), or in several steps using measurement model estimates of the parameters in Equations 3 and 3a (see Ping 1998a).

Interaction Reliability and Validity

The reliability, \( \rho_{xz} \), of a (first-order by first-order) interaction, XZ, is
where $\rho$ denotes reliability and $r_{xz}^2$ is the error-disattenuated correlation of $X$ and $Z$ (Bohrnstedt and Marwell 1978). Thus, the reliability of the second-order by first-order interaction $XZ'$ in Figure 1a could be determined first by computing the reliabilities of $X$ and $Z'$ using Equation 2, then by using Equation 4 with the MM correlation of $X$ and $Z'$.

In theory testing a demonstration of the validity of an interaction, $XZ$ for example, is desirable because $XZ$ “behaves like a construct” in that it produces one or more path coefficients. However, a demonstration of the validity of the second-order interaction, $XZ'$, is less tedious than for $X$ or $Z'$. The second-order interaction $XZ'$ is content or face valid if $X$ and $Z'$ are content valid and the specification of $XZ'$ includes all the indicators of $X$ and $Z'$. (Specifically, if a latent variable $X$ is hypothesized to moderate the $Z'$-$Y$ association, this assumes the $X$ in $XZ$ is operationally the same as the latent variable $X$.) Convergent validity could be gauged using reliability or Fornell and Larker’s (1981) average variance extracted (AVE), and the discriminant validity of $XZ'$ could be determined by examining correlations in the full MM (or using Fornell and Larker’s 1981 AVE procedure mentioned above). However, the construct (correlational) validity of any interaction is usually impossible to evaluate.

**Second-Order Interaction Specification**

The possibilities for specifying a second-order by first-order interaction such as $XZ'$ in Figure 1a include combinations of various specifications of $X$ with various specifications of $Z'$.

However, some are impractical. For example specifications for $XZ'$ involving products of the individual indicators of $X$ and the individual indicators of $Z_1$, $Z_2$, and $Z_3$ (see Kenny and Judd 1984) (e.g., $XZ_1$ with the indicators $x_1z_{1,1}, x_1z_{1,2}, \ldots, x_1z_{1,n}, x_2z_{1,1}, x_2z_{1,2}, \ldots, x_2z_{1,n}, x_3z_{1,1}, x_3z_{1,2}, \ldots, x_3z_{1,n}$ where $z_{1,i}$ are the indicators of $Z_1$, $r = 1$ to $n$, instead of the indicator $x_{1z_{1,i}}$) are seldom consistent enough to avoid spoiling model-to-data fit in real-world data (see Jaccard and Wan 1995 for evidence of this difficulty). The same is true for products of the individual indicators of $X$ and sums of indicators of $Z_1$, $Z_2$, or $Z_3$ (e.g., $x_i(Sz_{1,j})$, $x_i(Sz_{2,j}), \ldots, x_i(Sz_{n,j})$ ($j = 1$ to $n$, $i$ is the number of indicators of $Z_j$ and $\Sigma$ denotes a sum), and products of the individual indicators of $X$ and factor scores for $Z_1$, $Z_2$, or $Z_3$ (e.g., $x_iZ_{1,1}, x_iZ_{1,2}, x_iZ_{1,3}, x_iZ_{2,1}, x_iZ_{2,2}, \ldots, x_iZ_{3,1}, x_iZ_{3,2}, \ldots, x_iZ_{3,m}$, where $fZ_{t}$, for example, denotes the (confirmatory) factor score for $Z_t$) because there are too many indicators to guarantee model-to-data fit.

However, sums could be used to reduce the number of indicators of $XZ'$ in Figure 1a. For example, $XZ'$ could be specified with $XZ_1$, $XZ_2$, and $XZ_3$ using single indicators. Specifically, in Figure 1a $XZ_1$, $XZ_2$, and $XZ_3$ could have the indicators $x_{1z}, x_{2z}, x_{3z}$ (hereafter termed Specification 1); where $i = 1$ to $m$; $j = 1$ to $n$; $k = 1$ to $q$; $r = 1$ to $s$; $m$, $n$, $q$, and $s$ are the number of indicators of $X$, $Z_1$, $Z_2$, and $Z_3$, respectively; and $\Sigma$ denotes the result of summing variables before they are multiplied. These indicators are comparatively few in number (in this case three), they have Equation 3 and 3a loadings and measurement error variances, and their observed values, $(\Sigma x_i)(\Sigma z_{1,i}), (\Sigma x_i)(\Sigma z_{2,i})$, and $(\Sigma x_i)(\Sigma z_{3,i})$, can be computed for each case in a data set.

Alternatively, $XZ'$ in Figure 1a could be specified with a single indicator $x:z = (\Sigma x_i)(\Sigma z_{1,i} + \Sigma z_{2,i} + \Sigma z_{3,i})$, where all sums are taken before multiplication. $XZ'$ could also be specified with $Z'$ as a first-order LV by replacing $Z_t$ by its (confirmatory) factor scores, $FZ_{t}$, and doing the same for $Z_2$ and $Z_3$ (see Jöreskog 2000). In this case the resulting $XZ$ interaction would have three indicators, $x_z = (\Sigma x_i)(\Sigma z_{1,i} + \Sigma z_{2,i} + \Sigma z_{3,i})$ could be used, where all sums are taken before multiplication. Other combinations such as Factor scores for $X$ could also be used with partial sums of indicators (e.g., $x_{i}(S_{z_{1,j}})$, full sums of indicators (e.g., $(\Sigma x_i) + (\Sigma z_{1,i})$ or factor scores for $Z'$).

**Specification 1**

Although all these specifications are interesting, especially factor scores, we will pursue Specification 1. The other specifications involving items are variations on the Specification 1 theme; and factor scores, while they have been proposed for interactions (Jöreskog 2000), have not been formally investigated for any bias or inefficiency, and they may have a shadow over them because of the factor indeterminacy issue from exploratory factor analysis.

We will specify $x_{i}z_{i} = (\Sigma x_{i})(\Sigma z_{1,i}), x_{i}z_{2} = (\Sigma x_{i})(\Sigma z_{2,i})$ and $x_{i}z_{3} = (\Sigma x_{i})(\Sigma z_{3,i})$ are similar (see Figure 1a). Using Equations 3 and 3a the loading of $x_{i}z_{i}$ is

$$\lambda_{x_{i}z_{i}} = \Lambda_{x} \Lambda_{z_{i}} / mp,$$

and the measurement error variance of $x_{i}z_{i}$ is

$$\text{Var}(\varepsilon_{x_{i}z_{i}}) = [\Lambda_{x}^2 \text{Var}(X) \text{Var}(\varepsilon_{z_{i}}) + \Lambda_{z_{i}}^2 \text{Var}(Z_{i}) \text{Var}(\varepsilon_{x_{i}}) + \text{Var}(\varepsilon_{x_{i}}) \text{Var}(\varepsilon_{z_{i}})]/(mn),$$

(5a)

where $m$ and $p$ are the number of indicators of $X$ and $Z$ respectively, $\text{Var}(X)$ and $\text{Var}(Z)$ are error-disattenuated
(measurement model) variances, \( \Lambda_x = \Sigma \lambda_{xi} \), \( \lambda_{xi} \) is the loading of \( x_i \) on \( X \), \( \Sigma \) denotes a sum, \( i = 1 \) to \( m \), \( \Lambda_{zij} = \Sigma \lambda_{zij} \), \( \lambda_{zij} \) is the loading of \( z_{ij} \) on \( Z_{ij} \), \( j = 1 \) to \( n \), \( \Sigma \text{Var}(\varepsilon_{xi}) \), \( \text{Var}(\varepsilon_{xi}) \) is variance of the measurement error of \( \varepsilon_{xi} \), \( \text{Var}(\varepsilon_{zij}) \) is the variance of the measurement error of \( \varepsilon_{zij} \), and \( \Sigma \text{Var}(\varepsilon_{zij}) \).

**AN EXAMPLE**

To illustrate the estimation of a first-order by second-order interaction, a real-world data set will be reanalyzed. A survey involving the Figure 1b model and the first-order LV’s U, V, and W, the second-order LV, with “indicator” LV’s A, I, and C, and the second-order by first-order LV interaction UxT, produced more than 200 usable responses. Study details have been omitted to skirt non-pedagogical matters that are less important to these purposes.

**Unidimensionality**

After minimal item weeding, the LV’s U, V, W, A, I, and C were judged to be internally and externally consistent, and valid and reliable. Then, the internal consistency of T the second-order LV was gauged using a MM that excluded all the model variables except T, its consistent “indicators,” and the observed indicators of these “indicators” specified unidimensionally (see T in Figure 1b). This MM was judged to fit the data, and thus T was judged to be internally consistent.

Next, the external consistency of T was gauged using a full MM for T, U, V, and W with T specified with A, I, and C, and all LV’s specified unidimensionally. This MM also fit the data, and T was judged to be externally consistent.

Parenthetically, the consistency of T, the second-order LV, was established at the first- and second-order level because T was not consistent at the second-order level otherwise. Specifically, T’s MM with unidimensional “indicators” in the exploratory factor analysis sense, did not fit the data.

**Reliability and Validity**

Then, the reliability of T was calculated using Equation 2, and it was judged to be reliable (\( \rho_T = 0.709 \)).

The second-order LV T was judged to be content or face valid, and construct or correlationally valid. While it was judged to be convergent valid using reliability, another measure of convergent validity (mentioned above), its Average Extracted Variance (AVE) (Fornell and Larker 1981), was low (\( = 0.474 \)) but sufficient for these pedagogical purposes. Then, using the (error-dissattenuated) correlations among T, U, V, and W from the MM, the discriminant validities of T, U, V, and W were judged to be adequate using both the “correlations less than 0.70” criterion, and a stricter criterion involving AVE (see Fornell and Larker 1981).

**Specification of UxT**

Next, each indicator was mean centered by subtracting the indicator’s average from its value in each case to reduce collinearity between the interaction, UxT, and its constituent LV’s, U and T, and it is customary to center the indicators of the other LV’s as well.

Then, UxT was specified using Specification 1 (\( u:a = (\Sigma u_i)(\Sigma a_i)/(5*4) \), \( u:i = (\Sigma u_i)(\Sigma i_j)/(5*4) \), and \( u:c = (\Sigma u_i)(\Sigma c_i)/(5*4) \) and Equations 5 and 5a with parameter estimates from the external consistency MM for U, V, W, and T. With multivariate normality, an interaction has a zero correlation with its constituent variables (Kendall and Stewart 1958; see Kenny and Judd 1984). However, it is well known that an interaction is correlated with its constituent variables in (non-normal) real-world data, and not correlating these variables may diminish model-to-data fit and thus it may bias structural coefficient estimates. As a result, the interaction was allowed to covary with the other exogenous variables. Similarly, with multivariate normality the variance of an interaction should equal its Kendall and Stewart (1958) value (see Kenny and Judd 1984). However, constraining an interaction variance to its Kendall and Stewart values in real-world data can produce several difficulties, including lack of estimation convergence. Thus, the variance of the interaction was freed. We will revisit these decisions again later.

Next, the internal consistency of UxT was gauged using a MM that excluded all the model variables except UxT specified as above. This MM trivially fit the data because with three “indicators” it was just identified, and thus UxT was judged to be internally consistent.

Then, the full measurement model corresponding to Figure 1b (with UxT) was estimated to verify the external consistency of UxT. This measurement model was judged to fit the data.

**Reliability and Validity**

Then, the reliability of UxT was calculated using Equation 2 for T, Equation 4, with T in its first-order/ factor-score specification, and correlations from the full measurement model corresponding to Figure 1b with UxT just estimated, and UxT was judged to be reliable. (The reliabilities of U and T were 0.943 and 0.709, respectively. The reliability of UxT was 0.76 (= \( [0.615^2 + 0.943*0.709]/[0.615^2+1] \), where the correlation between T and U was 0.615.)
Next, using the reliability of UxT, it was judged to be convergent valid. Then, using the (error-dissattenuated) correlations among T, U, V, W, and UxT from the earlier external consistency MM and a “correlations with other LV’s less than |.7| criterion,” the discriminant validity of UxT was judged to be acceptable (it was also judged to be discriminant valid using the Fornell and Larker 1981 criteria).

**Interaction Estimation**

Next, the Figure 1b structural model was specified. The results using LISREL 8, Maximum Likelihood and two-step estimation (see Footnote a in Table A and Ping 1995) are summarized in Table A.

**DISCUSSION AND CONCLUSION**

The above suggests that a second-order LV could be specified using Equations 5 and 5a. However, because this second-order interaction specification approach has received no formal evaluation for any bias or inefficiency, simulations involving combinations of data conditions that are encountered in real-world surveys (e.g., reliability, coefficient size, correlations, sample size, etc.) are required to formally demonstrate efficacy. Nevertheless,

<table>
<thead>
<tr>
<th>Table A</th>
</tr>
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<tbody>
<tr>
<td><strong>Figure 1b Estimation Results with 2-Step Estimation</strong> (χ²/df = 618/338, GFI = .83, AGFI = .79, CFI = .94, RMSEA = .06) (t-values are shown in parentheses)</td>
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<tr>
<td>V</td>
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<td>UxA</td>
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<td>UxI</td>
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<tr>
<td></td>
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<tr>
<td>UxC</td>
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</tbody>
</table>

* In the two-step version of Ping (1995), the structural model is estimated with fixed Equation 3 and 3a values computed from the full external consistency measurement model corresponding to Figure 1b. If the resulting measurement parameter estimates for U, V, W, and T in this structural model are not equivalent to those from the full external consistency measurement model corresponding to Figure 1b (i.e., equal in the first two decimal places) the Equation 3 and 3a loadings and error variances for UxA, UxI, and UxC are recomputed using the parameter estimates from this structural model, and the structural model is re-estimated. Experience suggests that with consistent LV’s, zero to one of these iterations are usually sufficient to produce exact estimates in real-world data (i.e., equal to direct estimation – see Ping 1995).

* Shown for completeness only – GFI and AGFI may be inadequate for fit assessment in larger models (see Anderson and Gerbing 1984).

* .90 or higher indicates acceptable fit (see McClelland and Judd 1993).

* .05 suggests close fit, .051–.08 suggests acceptable fit (Brown and Cudeck 1993; Jöreskog 1993).
it is likely this approach would perform adequately, since the specification does not violate the assumptions underlying the Ping (1995) approach which has been formally evaluated.

In the example, the variance of UxT was not constrained to its Kendall and Stewart (1958) value. However, in this case constraining this variance produced a (constrained) variance that was trivially different from the unstrained variance (which in turn suggests the specification may have been adequate). However, the covariances of UxT with U and T were not zero, and the covariance of U and UxT was significant (PHI = -0.06, t = -2.08). Nevertheless, fixing these correlations at zero produced model fit and parameter estimates that were trivially different from their unstrained values. Together these results suggest the data may not have been sufficiently non-normal to affect the assumptions behind the estimation approach. However, given the difficulties with estimating LV interactions (e.g., Jöreskog and Yang 1996; Ping 1998b), it may be prudent for initial estimates to not constrain the variance of an LV interaction, and to free its correlations with its constituent variables.

In conclusion, the article suggested a specification for a latent variable (LV) interaction involving a first-order LV and a second-order LV. It also illustrated the use of this specification using a real-world data set. Along the way, matters of consistency, reliability, and validity were discussed.

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METHODOLOGICAL DEVELOPMENTS IN POSITIONING:
A CONTENT ANALYSIS

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Nicolas Papadopoulos, Carleton University, Ottawa

ABSTRACT

This paper presents content analysis based quantitative literature review of 247 positioning studies published over a period of 36 years (1970–2005). The purpose of the literature review is to provide guidance to future researchers in identifying how previous studies, in terms of methodologies, have been conducted in this field.

INTRODUCTION

Positioning, considered as one of the fundamental components of marketing strategy and management (Kotler 1999; Hooley, Broderick, and Möller 1998), is a well-established concept in marketing. The three major decisions in marketing strategy are “market segmentation,” “targeting,” and “positioning” (Hooley, Broderick, and Möller 1998). The last in the sequence, positioning, is considered to be the most important element of marketing strategy since it has a direct effect on the marketing mix and hence the tactical decisions undertaken by the company to influence and serve the customers (Hooley et al. 2001). It is widely acknowledged that positioning decisions determine the direction of the overall marketing strategy and that an effective marketing mix can only be developed once a company has crafted a distinct positioning strategy. By making the wrong positioning decision, a company can develop a misguided marketing mix and thus go down a disastrous path. Dovel (1990) states that, “positioning should not be just a part of your strategy but the backbone of your business plan.”

It is very common to find statements in the literature highlighting the importance of positioning. Lawler-Wilson and Fenwick (1978) consider product positioning to be a “crucial element in any successful marketing plan.” Huber and Holbrook (1979) state that, “product positioning decisions have become central to a firm’s competitive strategy.” Hibbert (1995) calls it a vital tool to combat competitive pressures in the marketplace. The importance of positioning is echoed by other authors as well (e.g., Clement and Gromet 1990; Devlin, Ennew, and Mirza 1995; Blankson and Kalafatis 2004) who note that the concept of positioning has become essential to the success of firms’ marketing strategies.

The overall objective of this paper is to help advance understanding of positioning in marketing based on a systematic review of the extant literature over a period of 36 years, 1970–2005, with a focus on methodological developments. The purpose of the literature review is to provide guidance to future researchers in identifying how previous studies, in terms of methodologies, have been conducted in this field. The examination of such trends can provide insights for the future development of research methodology (Scandura and Williams 2000). The trends and patterns in positioning are compared, at times, to the developments in marketing in general, wherever possible. Gaps and flaws in research are identified and recommendations for future research are made. Using content analysis technique, advanced cross tabulations are performed to identify the trends and patterns which simply cannot be captured by the naked eye.

Lack of Literature Reviews in Positioning

Despite a large number of studies on positioning, the number of integrative literature reviews is surprisingly low. There are only three studies which could be labeled as literature reviews of particular streams within positioning – Green and Krieger (1989), Kaul and Rao (1995) and Blankson and Kalafatis (1999). Green and Krieger (1989) made the first attempt to synthesize the literature on optimal product positioning and buyer segmentation models. However, they used a relatively small time horizon, a total of eight years, by including the studies published since 1981. They primarily focused on the use of various measurement methodologies like multidimensional scaling, conjoint analysis and mathematical models, deployed to arrive at optimal product positioning.

Kaul and Rao (1995) conducted a review of research on product positioning and product design, the two areas normally treated independently in the literature. After reviewing literature on optimal product positioning and product design, they proposed a framework, with a mathematical operationalization, to integrate them into a single decision. Blankson and Kalafatis (1999), in the most recent review of positioning literature, deliberated the issue of positioning of service brands. They pointed to the lack of a coherent positioning definition and deliberated why service positioning should be different from product positioning, highlighting the differentiating characteristics of services.

However, despite thirty-six years of documented academic literature on positioning, no integrative and systematic efforts have been made to synthesize the posi-
tioning literature covering various streams in an effort to present a broad overview of the field, encompassing methodological developments. Other than Kaul and Rao (1995), who list certain characteristics of the studies in a tabular form, no attempt has been made to systematically review and analyze the positioning literature.

METHOD

The primary analytical method used in the paper is content analysis. Systematic literature review, based on the content analysis of a large body of literature over a long time span, can reduce the details of the studies to summary tables which provide an overall snapshot of the literature in easy-to-understand format. The evaluative comments and qualitative findings of the researchers are backed by objective data to substantiate their claims, making it more comprehensible to the reader. This paper is based on the systematic review of the literature.

The literature for this paper was searched in three stages. The Business Source Complete online database was initially used to search studies relevant to the topic. Once the online resource was fully exhausted, the references of all the major studies were used to identify the studies that were not captured by the online search. For the purpose of this paper, only those studies that were published in academic journals are considered. Twenty journals, each with four or more studies, in the third stage, were then searched individually, with their issues starting from inception, to ensure comprehensiveness. A total of 247 studies, covering a time span of 36 years, 1970–2005, were deemed relevant to the topic. However, the methodological details were taken from 100 empirical quantitative studies. The content analysis of the studies was conducted to identify and analyze pre-defined categories of text from the studies.

The operational definitions for all the categories (for example, empirical studies, conceptual studies, primary data, secondary data, respondent type, etc.) were first established. Alphabetical coding, with each code having a unique identity throughout the database, was developed for all the items within each category and was preferred over numerical codes which are less likely to be remembered, are prone to more mistakes and are difficult to edit. The principal coder had extensive experience of content analysis and prior to this study had performed coding and analysis of 450 academic articles for an ongoing project over a period of two years. Once the data was systematically entered into Access, the database was edited for duplications, errors and missing data. The data was then exported to Excel spreadsheet for content analysis. A brief overview of the use of content analysis for literature reviews follows.

Review of Content Analysis Studies

A number of researchers have systematically analyzed a discipline with a large sample of studies employing content analysis. They used a number of classifications such as publications by type, year, year range, major category, research themes, major authors, language, etc. In recent years, a number of authors (e.g., Leonidou and Theodosiou 2004; Theodosiou and Leonidou 2003; Leonidou, Katsikeas, and Samiee 2002; Scandura and Williams 2000) have used systematic data entry of study contents and cross-tabulations of the resulting data to provide extensive tables that unearth the long term trends and patterns in literature from various dimensions such as time, geographic focus, firm type, product type, etc.

The content analysis has mostly been used to derive simple counts (summation) of the resulting categories and data (Albaum and Peterson 1984; Zou 2005; Nagi 2003; Li and Cavusgil 1995, etc.). The complex cross-tabulation of categories has been seldom performed by the previous studies. The cross-tabulations provide a more complex way of looking at the relationship in the data which cannot be unearthed by simple counting. The analysis of classification categories by various time-spans is the most common form of cross tabulation found in the literature. Some of the notable exceptions which go beyond time span and compare one classification category on the basis of another include Aulakh and Kotabe (1993), Leonidou (1995), Leonidou, Katsikeas, and Samiee (2002), Theodosiou and Leonidou (2003), and Leonidou and Theodosiou (2004). However, all of these studies compare one classification scheme against another. This paper goes one step beyond most other literature reviews to unearth the complex relationships in the data. It compares all the major classification categories against time span and geographical areas, something already done in the literature. But then it goes on to look at the patterns within geographical areas over time spans.

RESULTS

In order to differentiate between the positivist and interpretive approaches, other literature reviews in marketing (e.g., Aulakh and Kotabe 1993; Li and Cavusgil 1995) have classified studies as conceptual versus empirical and qualitative versus quantitative. Empirical study is based on the collection and analysis of primary data (Albaum and Peterson 1984) whereas conceptual studies concentrate on concepts, models, ideas or theories (Li and Cavusgil 1995) and might elaborate a point using secondary data analysis. Quantitative study was defined as “composed of variables, measured with numbers, and analyzed with statistical procedure” (Creswell 1994). Therefore, empirical studies as well as conceptual studies with sec-
secondary data could be classified as quantitative. Qualitative study, on the other hand, was defined as understanding of social phenomena based on “holistic pictures, words, detailed view of informants, conducted in a natural setting” (Creswell 1994).

Nakata and Huang (2005) combine these two topologies to form four basic research designs: conceptual qualitative, conceptual quantitative, empirical qualitative, and empirical quantitative. Conceptual-qualitative studies, completely devoid of any data, are primarily thought pieces exploring a particular topic or literature reviews presenting an overview of the area. Conceptual-quantitative studies use secondary data to make a point or use advanced mathematics to develop new models. Empirical-qualitative studies use qualitative approaches such as in-depth interviews, case studies, observation, etc. to collect primary data. Data collection through surveys and experimental designs and presentation of findings based on statistical analysis is called Empirical-quantitative.

The methodological details for 100 empirical quantitative positioning studies are summarized in Table 1. The methodological details of research design, respondent type, data collection methods, sample size, and statistical analysis are analyzed. The first comparison is made between conceptual versus empirical studies. Overall conceptual studies (57%) outnumber empirical research (43%). A large number of conceptual studies in the earlier years, 70 percent in 1970–1979 and 65 percent in 1980–1989, could be justified on the proportion of conceptual studies is normally high when a new concept is first introduced since the major task at that point is the formulation of concepts and theories (Li and Cavusgil 1995). However, the number of empirical studies in the subsequent decades, overall on the rise, is relatively low in recent years, at 46 percent in 1990–1999 and 50 percent in 2000–2005. Hubbard and Vetter (1996) performed content analysis of 6,400 studies in five disciplines including marketing over a period of 22 years. Based on their sample for the period 1980–1991, the proportion of empirical studies found in marketing was 79.5 percent, almost twice as much as the proportion of overall empirical studies (43%) in positioning during the same time frame. Hubbard and Vetter (1996) consider empirical generalization to be the central for knowledge development. Leong (1985) claims that a high proportion of empirical studies indicate the “scientificness” of the field. Judging from this standard, positioning appears to be in the infancy of “scientificness.” Surprisingly, authors from North America (NA) with their traditional orientation toward empirical studies have the lowest proportion (only 40%) of empirical studies as compared to 45 percent for Europe and 67 percent for other regions. However, a significant number (35%) of conceptual studies by NA authors propose a mathematical model and/or conduct secondary data analysis and thus are quantitative in nature.

Another distinction that can be made within the empirical studies is quantitative versus qualitative studies. The use of empirical qualitative studies started in 1980–1989 and was the highest (11%) during that time span. It has been declining since then and has come down to 5 percent in 2000–2005 from 7 percent in 1990–1999. Of the seven studies that uses qualitative methods, four are exploratory studies and three use case study methods. Two studies were conducted in 1980–1989, three in 1990–1999 and two in 2000–2005. Despite calls from various researchers (e.g., Goulding 1999) to employ qualitative methods in consumer research, the positioning literature has not embraced this as an important research methodology.

However, positioning studies have made significant progress on another related aspect. Since positioning strategies are eventually developed for customers and thus ought to take into consideration their perspective in the development process, it makes intuitive sense to conduct qualitative research to identify relevant positioning dimensions or product/service attributes before administering a structured questionnaire to consumers. A number of positioning studies have been using qualitative research as an input to developing structured questionnaires within empirical quantitative studies. The number of such studies stood at 18 percent in 1980–1989; it slightly dropped to 15 percent in 1990–1999 before rising phenomenally to 39 percent in 2000–2005. This is indeed a very encouraging sign which is indicative of positioning research heeding the call (Baker 2000) of combining interpretive methods with positivist research.

Fifty percent of the studies employing qualitative methods used in-depth interviews, 27 percent used focus groups and the remaining used projective techniques, observations and qualitative interviews for data collection. Academics’ and practitioners’ collaborations are making greater use of qualitative methods, with 21 percent of their studies using such methods as compared to 12 percent of studies by academics. Another notable distinction is the difference between the regional orientation as almost 21 percent of studies from Europe and other regions are using such methods as opposed to only 8 percent by NA researchers. The same holds true for pure qualitative research where the Europeans’ share of such studies stands at 16 percent compared to 4 percent by NAs.

In terms of research design, the survey seems to have methodological monopoly with 81 percent, followed by experiments at 19 percent. This is in line with the findings of other marketing literature reviews such as Albaum and
### TABLE 1
Methodological Patterns

<table>
<thead>
<tr>
<th>Methodological Patterns</th>
<th>By Year:</th>
<th>By Region:</th>
<th>By Years within each Region:</th>
<th>Others:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total number</td>
<td>247</td>
<td>22</td>
<td>18</td>
<td>17</td>
</tr>
<tr>
<td>Conceptual</td>
<td>57%</td>
<td>70%</td>
<td>65%</td>
<td>54%</td>
</tr>
<tr>
<td>Empirical</td>
<td>43%</td>
<td>30%</td>
<td>35%</td>
<td>46%</td>
</tr>
<tr>
<td>Qualitative</td>
<td>7%</td>
<td>0%</td>
<td>11%</td>
<td>7%</td>
</tr>
<tr>
<td>Quantitative</td>
<td>93%</td>
<td>100%</td>
<td>89%</td>
<td>95%</td>
</tr>
<tr>
<td>Empirical Qualitative</td>
<td>100%</td>
<td>7%</td>
<td>17%</td>
<td>40%</td>
</tr>
<tr>
<td>Data Collection</td>
<td>28%</td>
<td>20%</td>
<td>25%</td>
<td>36%</td>
</tr>
<tr>
<td>Person Interview</td>
<td>25%</td>
<td>20%</td>
<td>24%</td>
<td>22%</td>
</tr>
<tr>
<td>Self-Administered</td>
<td>77%</td>
<td>29%</td>
<td>25%</td>
<td>14%</td>
</tr>
<tr>
<td>Experimental Setting</td>
<td>22%</td>
<td>43%</td>
<td>35%</td>
<td>13%</td>
</tr>
<tr>
<td>Sample Size</td>
<td>50%</td>
<td>50%</td>
<td>50%</td>
<td>50%</td>
</tr>
<tr>
<td>Statistical Analysis</td>
<td>9%</td>
<td>10%</td>
<td>9%</td>
<td>5%</td>
</tr>
<tr>
<td>Univariate</td>
<td>25%</td>
<td>14%</td>
<td>6%</td>
<td>28%</td>
</tr>
<tr>
<td>Multivariate</td>
<td>54%</td>
<td>86%</td>
<td>50%</td>
<td>50%</td>
</tr>
<tr>
<td>Mathematical Models</td>
<td>12%</td>
<td>9%</td>
<td>2%</td>
<td>2%</td>
</tr>
<tr>
<td>Statistical Techniques</td>
<td>14%</td>
<td>9%</td>
<td>16%</td>
<td>30%</td>
</tr>
<tr>
<td>Other</td>
<td>53%</td>
<td>53%</td>
<td>54%</td>
<td>40%</td>
</tr>
</tbody>
</table>

Note: Methodological patterns from research design onwards are based on 100 empirical quantitative studies only.
Peterson (1984) and Nakata and Huang (2005). However, it is surprising to note a continuous decline in the use of experiments from a high of 29 percent in 1970–1979 to a low of 11 percent in 2000–2005. This does not speak well for the field since experiments help understand the cause and effect relationship among the variables and contribute to the better understanding of the concepts (Kollat, Engel, and Blackwell 1970). However, this decline is partially explained by the fact that, other than one study authored by an academic from Israel, all the studies with experimental designs were authored in NA. With an overall decline in positioning publications from North American authors, the use of experimental design decreased significantly.

The major source of data was the consumer, with 53 percent overall representation as respondents. The use of student samples, overall at 28 percent, has been on the decline while business respondents, at 19 percent, have assumed greater importance in the years 2000–2005 with a significantly higher percentage (28%) than student samples (20%), indicating the maturity of the field on this aspect. North American studies seem to dominate the student samples, Europeans use them rarely and researchers from other regions do not use them at all. Nonetheless, the use of student samples by NA might be partially justified since positioning started off as a United States (U.S.) phenomenon and a number of studies in the earlier years, particularly in 1980–1989, relied more on student samples. However, compared to other regions, the use of student samples is still very high for NA even in 1990–1999 and 2000–2005, which is an issue of concern. Another surprising and welcome element is the focus of European (particularly U.K.) researchers on the business respondents, which brings practitioner’s perspective to positioning.

The most widely used techniques for data collection, with a 28 percent share, was mail surveys, which has been preferred all along but has assumed greater significance in recent times. The other three data collection methods – personal interviews (16%), self-administered, (17%) and experimental setting (17%) – were about equally used in data collection. The sudden rise in mail surveys in the 2000–2005 (36%) is caused by the influx of U.K. studies, 60 percent of which used mail surveys in 2000s. This contradicts the findings of Albaum and Peterson (1984) who, while reviewing 111 studies in international marketing over a period of 23 years, found that mail interviews were more likely to be used in the U.S. than in other countries. However, their finding that personal interviews were widely used in countries other than the U.S. holds true even today, since only 8 percent studies in NA use this method compared to 24 percent in Europe and 42 percent in other regions. The self-administered data collection method was primarily used with student samples and therefore has rarely been used outside of NA. The share of experimental studies, i.e., the experiments, as well as self-administered and telephone interviews, has declined lately.

Sample size affects the robustness of the results (Aulakh and Kotabe 1993). Sample size ranged from a low of 16, for an experimental design, to a high of 6,240 for a retail consumer survey. The number of studies using smaller sample sizes, less than 100, has been declining in recent years despite the increasing use of business respondents, who traditionally comprise of relatively smaller sample sizes as compared to consumers and students. Eighty-three percent of the studies in 2000–2005 were using sample sizes of 101 and above. Thus, empirical studies have been using a reasonably good sample size, minimizing the problems of generalizability that could result from a small sample size. Compared to NAs (NAs), European and other nations are more likely to use larger sample sizes. For example, in 2000–2005, a sample size of 100 and above was employed by 69 percent of studies by NAs, compared to 90 percent by Europeans and 100 percent for other countries.

The selection of appropriate analytical techniques in empirical research demonstrates the level of sophistication in data analysis (Aulakh and Kotabe 1993). The level of statistical analysis has been reasonably good all along as almost half of the studies (54%) have been using multivariate statistical methods throughout the years. Univariate techniques (25%) have also received considerable attention followed by mathematical models (12%) and descriptive method (9%). The Europeans and NAs make considerable use of mathematical models while authors from other regions have completely abstained from using them. However, the sophistication level of the analyses, depicted by use of multivariate statistics, has not improved and a higher percentage of studies have been using bi/univariate analysis in the recent times.

The principal method of data analysis was mainly factor analysis (19%), followed by ANOVA (14%) and mathematical algorithm (9%). However, it is interesting to see how a particular type of technique was preferred during a certain time period. One can make a number of observations from Table 2. Factor Analysis, in particular, has been preferred all along, though with a declining trend, and has been assigned almost equal importance by NAs, Europeans and other nations. ANOVA, despite its significant use recently by all three regions, is exceedingly popular outside of NA and Europe. Regression and cluster analysis are also preferred by other regions. Cluster analysis and discriminant analysis are popular among Europeans. Multidimensional scaling (MDS), another technique used frequently by NAs and normally considered a useful method for positioning studies, has been rapidly declining in usage along with mathematical mod-
eling. The declining usage of mathematical algorithms and MDS could be attributed to plummeting shares of U.S. researchers who are more likely to use this technique.

It must be noted that cluster analysis is closely related to MDS and MDS, a non-attribute-based technique, is considered an alternative to attribute based techniques such as factor analysis and discriminant analysis. Attribute based methods require that all the pertinent attributes be specified in advance. Non-attribute-based techniques do not require a researcher to specify all possible dimensions in research design. The consumers are asked to rate product/services on similarity or preference. The researcher, however, has to include all the products/services in the market (Augustine, Long, and Pantzallis 1992). Factor analysis, the literature suggests though, provides better predictive ability and interpretability (Devlin, Ennew, and Mirza 1995). On a positive side, the use of descriptive statistics, simple average and cross-tabulations, has declined significantly. There is also a noticeable increase in the usage of multiple statistical techniques within same studies. By 2000–2005, almost 44 percent studies are using multiple techniques with 8 percent using three and 6 percent using four-statistical methods. The Europeans have taken the lead in this practice.

GAPS AND FUTURE RESEARCH DIRECTIONS

The main objective of this paper was to advance the understanding of the concept of positioning by conducting an integrative review of literature. Most of the research reviewed has been descriptive in nature. It is time to assimilate what is known, develop new research propositions based on current knowledge, and develop research priorities based on a focused research agenda. In spite of the significant developments achieved over time, there are a number of important issues which require future investigation.

Triangulation, the use of multiple methods to examine a research topic, improves generalizability and guards against inherent flaws in a research method. Triangulation can be applied to various aspects of research including data collection methods, sources of data, and analytical techniques. Positioning studies have been increasingly using triangulation in data analysis but there is a need to make greater use of triangulation, particularly in sources of data.

There is only one empirical study (Kalafatis, Tsogas, and Blankson 2000), which collects data from two types of respondents – consumers, for whom the positioning strategies were developed and suppliers, whose positioning strategies were to be investigated. There are also two studies (Blankson 2004; Higgins and Weinstein 1997), which use two sources of data – advertisements and promotional material – to conduct content analysis in addition to getting consumers’ perceptions of the dimensions. There seems to be a dire need for more integrative research methods where content analysis of advertisements could be combined with consumer perceptions of the strategies and managers’ perceptions of what their side of the strategy was.

Almost all the studies which empirically tested consumer-derived positioning strategies used qualitative research in the initial phase to develop a set of dimensions from the customer’s perspective. The percentage of studies using qualitative research along with empirical research, though still relatively small, has gone up in recent years. There is need to base more studies on qualitative research, since the dimensions confirmed through quantitative research should be based on consumer perceptions rather than provided by the researcher. Thus, there is a considerable need to combine the two methods, qualitative as well as quantitative, in the same study. As well, the scope of qualitative research should be expanded to accommodate larger sample sizes, multiple types of respondents, and different types of qualitative techniques. Only seven studies were exclusively based on qualitative research. The discipline could benefit from more such studies.

Positioning is an applied concept and the academic research should be driven by the actual practice. It is not documented whether academic research exerts an impact on positioning strategies developed by the practitioners. Although there are a number of empirical studies within the business domain capturing business managers’ perceptions of positioning in the industry, positioning has not been studied from the perspective of the companies; i.e., how companies actually go about developing and implementing a positioning strategy. Therefore, the issue of research relevancy to the practitioners merits serious consideration.

There seems to be a dearth of longitudinal studies; only three were found in the literature (Davies 1992; Blankson and Kalafatis 1999; Romaniuk 2001). Thus, there is also a need to conduct more longitudinal research to capture the impact of changes in consumer tastes and preferences and competitive actions on positioning strategy and the steps taken by firms to respond to those market changes. Longitudinal research on how superior positions are maintained over time is also needed.

SUMMARY AND CONCLUSION

This integrative and systematic literature review endeavored to enhance the understanding of the concept of positioning in marketing, based on a review of the extant literature in the field. Unlike most traditional literature reviews, which normally make subjective, evaluative, and
critical statements, this paper took, as a supplement, the analytical approach, which, though rarely, has been used in the literature as well as being advocated by others. This review covers all studies on positioning published in scholarly English-language journals since the inception of this body of research. A total of 247 studies relevant to the subject were identified and their contents were thoroughly analyzed. The methodological details were presented for 100 empirical quantitative studies.

The purpose of methodological inquiry was to identify and evaluate major components of research design employed by the previous researchers. The research methodologies were analyzed by region as well as by decade. The most preferred research method for empirical studies using quantitative methodology was the survey, used by more than three fourth, followed by experiments. Consumers were the first choice for respondents, one half, followed by students and business respondents. The use of business respondents has more than doubled from 1980s to 2000s, with a corresponding decrease in the use of student samples, a clear evidence of improvements in terms of respondent selection leading to higher generalizability. The student samples have been mostly used by the studies conducted by North American authors, whereas, the researchers from Europe and other regions are particularly interested in accessing business respondents.

The mail survey is the most popular data collection method followed by experimental setting, self-administered, and personal interviews. The mail survey seems to have assumed a greater share in the period 2000–2005 due to a greater number of studies from Europe, where the mail survey is preferred. In terms of analytical techniques, factors analysis ranks first, closely followed by ANOVA and mathematical algorithm. Four methods – cluster analysis, regression analysis, multidimensional scaling, and descriptive analysis – have almost equal representation. Factor analysis, however, has been steadily losing its share due to increasing use of other techniques. With the exception of ANOVA and factor Analysis, which is equally popular among NAs, Europeans and other regions, and mathematical modeling which is equally used by both NAs and Europeans, there seems to be a certain fragmentation of analytical methods in general. NAs generously use multidimensional scaling and descriptive statistics, Europeans prefer cluster analysis and discriminant analysis, and other regions have a liking for regression analysis in addition to cluster analysis.

Seven studies – three from NA and four from Europe, employed only qualitative methods. However, there are 23 empirical studies which used qualitative methods in addition to the empirical approach. The use of qualitative methods in empirical, as front-end research, started in the 1980s but has been on the rise and reached significant proportions in 2000–2005, showing a very positive trend. The researchers from Europe and other countries have a preference for qualitative research, since their use of qualitative methods is almost twice as much as that of authors from NA. In-depth interviews, used by half of the studies employing qualitative research, stand out followed by focus groups and projective techniques.

A number of authors (Smith 1975; Webb et al. 1966) advocate using multiple methods, called triangulation, to study a research problem. Increased triangulation is believed to improve the generalizability of the study by minimizing inherent flaws in a single method. Positioning studies have been making use of triangulation (Scandura and Williams 2000). A large number of positioning studies have been using two or more statistical techniques for data analysis. However, it is only recently that some studies have started using multiple respondents and multiple data collection methods.

The developments in methodological aspects have been mixed. Improvements in sample size, increasing use of business respondents, declining use of students in data collection, growing use of qualitative research as input to questionnaire development and signs of triangulations in methodology are some of the positive aspects. However, at the same time, reduction in the use of experiments, persistence in using Uni and Bivariate analysis and a large number of conceptual studies even in the recent decade signifies that much is needed to take the positioning studies to the next level of methodological advancement.

ENDNOTE

Note: Table 1 percentages are based on column totals within each category.

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THE POTENTIAL OF INOCULATION IN PROMOTING RESISTANCE TO THE EFFECTIVENESS OF MULTIPLE COMPETITIVE ATTACKS ON THE COUNTRY OF ORIGIN CONCEPT

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SUMMARY

Since 1970, global trade has expanded an average of 13 percent annually and it was expected to reach U.S. $7.0 trillion by 2005 (Cateora and Graham 1999). Automobile imports to the U.S. alone have increased in excess of 320 percent from 1970 to 2002 (New Passenger Cars 2004). One result of this trend is increased interest in the effect of country of origin (COO) on consumer behavior and product positioning strategy in the global marketplace” (Mohamad, Ahmed, Honeycutt, and Tyebkhan 2000, p. 69). “Country of origin effect may be defined as the impact which generalizations and perceptions about a country have on a person’s evaluation of the country’s products and/or brands” (Lampert and Jaffe 1996, p. 27). This concept, which is stereotypical in nature (Janda and Rao 1997), affects the perceptions consumers hold about the quality of products (Chao 1993; Cordell 1991; Mohamad et al. 2000; Roth and Romeo 1992).

Because stereotypes are generalizations and oversimplifications often held by the majority (Gamble and Gamble 2002), they are seldom challenged and often not factual. Still, COO is frequently used as an evaluative variable in product quality assessment. Because of the lack of strong rationale for using this cue in product assessment, competitors can easily attack it. Morello (1992) recognized the vulnerability of the COO concept and considered it difficult to defend. Consequently, competitors’ attacks may be perceived as major threats to the vitality of the COO concept (Morello 1992). Hence, can a positive COO image be protected?

To protect an attitude currently in place (i.e., positive COO image) against competitor’s advertising attacks; Pfau (1992) suggested that companies can attempt to restore the attitude attacked by using restoration messages.

Inoculation theory (McGuire 1961) offers an alternative strategy to post-hoc COO image restoration. McGuire introduced two elements comprising the mechanism responsible for resistance to persuasion: threat and refutational preemption. McGuire believed that to increase a person’s resistance to a persuasive message, that person would need to deem his/her belief or attitude object vulnerable to a possible attack. Consequently, the realized vulnerability, or threat, would motivate the person to build defenses in order to protect the current belief or attitude object against different persuasive arguments. The defense building would bolster the current belief or attitude object that would allow the person to effectively counterargue and refute possible arguments introduced against the attacked belief or attitude object (McGuire 1961). McGuire (1961) introduced two types of defenses: supportive and refutational. Supportive defenses may provide the reasons for holding certain attitudes by bolstering those attitudes. Refutational defenses act as motivators for recipients to generate more defenses as a direct response to the threat and counterarguments presented in the pretreatment, both challenging the recipient’s attitudes already in place. In addition, these defenses provide the recipient with specific content in order to be able to defend the attitudes against attacks.

In comparative product advertising, it is safe to assume that attack advertisements will often be shown more than once. In fact, competitors will likely have a whole set of different advertisements attacking a perceived weakness or derogating a perceived strength associated with the opposition and its products. These assumptions can be expected to hold with the COO image as well. Competitors may attack the rationale for using COO image as a product quality evaluation heuristic cue by repeating the same attack message multiple times or by using a barrage of different messages. However, the effectiveness and endurance of this theory has never been tested when faced with multiple attack messages, even though this would likely be the scenario in most field settings (Pfau, Szabo et al. 2001). Hence, the question of interest is how do multiple attacks with a consistent attack message or a set of different attack messages influence the resistance paradigm?

As predicted, inoculation is a very capable strategy as its refutational messages were able to protect the COO image held by consumers better than any other strategy used. It worked better than the supportive strategy or no strategy at all. Hence, inoculation theory may represent the best preemptive strategy at the marketer’s disposal for
protecting attitudes from competitor’s influence. However, how would inoculation, as well as the other strategies, fare in the face of multiple attacks? In addition, will the nature of the attack (same or different) impact the effectiveness of the strategy?

Based on the results generated by this investigation, it seems that all of the manipulated strategies would work in the same manner prescribed for a single attack regardless of the nature of the second attack (same or different). Individuals who received refutational messages were better able to protect their COO image compared to the rest of the individuals who received supportive, restoration, or no messages. It seems that the additional attack did not impact the success of the strategies. Thus, the findings of this investigation highlight the ability of inoculation to protect attitudes over time and in the face of multiple attacks better than any other strategy manipulated in this study including supportive, control, and restoration. This study attests to the robust nature of inoculation and is a pioneer in assessing the strength of the theory in the face of multiple attacks. The results indicate that inoculation is capable of arming individuals with defenses to withstand repeated pressures from competitors. This finding renders the theory both practical and useful, thus extending its utility and importance. References available upon request.

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CONCRETE VERSUS ABSTRACT THOUGHT: THE EFFECT OF CULTURE ON IMAGERY GENERATION

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SUMMARY

Past research suggests that, compared with low imagery words (abstract words), high imagery words (concrete words) facilitate the generation of imagery (Paivio 1971; Paivio, Yuille, and Madigan 1968). For example, concrete words – like apple, banana, table and chair – are more likely to induce imagery than abstract words – like love, freedom, justice, and virtue. Having said this, the research that generated this conclusion was based upon theory developed using evidence from Western cultures, primarily the United States. Relatively little is known about the cross-cultural generalizability of such a theory.

Studies have shown that East Asians tend to think concretely, whereas Americans tend to think abstractly. East Asians perceive “self” as part of the surrounding social context, so they give more weight to others and to context; and they believe that one learns about self in reference to others in a particular situation. Conversely, one learns about others in reference to self in a specific context. Therefore, specific social contexts are more likely to serve as the unit of representation than one’s unique internal attributes (Markus and Kitayama 1991).

In contrast, Americans perceive self as a bounded “whole” and direct attention to their unique attributes. Americans learn about self without considering others or their context, resulting in a generalization of attributes across contexts. Thus, the specific internal attribute serves as the unit of representation.

The perception of focusing on a specific social context has been called “concrete.” The term concrete refers to “a boundedness to perceptual stimuli, a tendency to perceive things as part of the real-life settings from which they normally take their meaning, rather than to mentally isolate objects or their attributes and generalize across contexts on the basis of conceptual similarity” (Cousins 1989, p. 124).

When facing an abstract situation, Eastern Asians tend to think concretely, because such a situation is unnatural for them and must be supplemented with context (Cousins 1989). Consequently, East Asians are more likely to generate mental images when reading low imagery stimuli, because they tend to retrieve the scene of specific daily life from memory to fill in the missing context (Markus and Kitayama 1991); Americans, on the other hand, are less likely to do so, because they tend to think abstractly. Moreover, gender may influence imagery generation, because females pay more attention to their relationship with others than their male counterparts do (Markus and Oyserman 1989).

To test my hypotheses, I conducted a 2 (Chinese vs. American) X 2 (high vs. low imagery messages) X 2 (female vs. male) between subject experiment. Twenty American and 20 Chinese students in a large Midwest university were recruited. After reading a cover story and advertisement messages about a digital camcorder, each subject was asked to rate the imagery index, complete attitude questionnaires, write down imagery, and completed Singelis’s (1994) Independent-Interdependent Scale.

The effect of gender was not significant, so it will not be discussed further. The findings were as follows. To begin with, in contrast with what previously has been reported in the literature, East Asians tended to generate more images than Americans, when reading low imagery messages. Also, high and low imagery stimuli tended to have a similar effect on Chinese readers. Also, for Chinese, even though low imagery messages were as effective as high imagery messages in terms of generating imagery, high-imagery messages resulted in more favorable attitudes than low-imagery messages. Chinese subjects also formed more favorable attitudes regarding high-imagery messages than did Americans. In contrast, Americans formed more favorable attitudes from low imagery messages than did Chinese. Surprisingly, for Americans, there was no significant difference between high and low imagery messages. This may be because high imagery messages were perceived to be enjoyable and exciting.

In summary, the just-reported study sheds light on the imagery generation literature, by suggesting that individuals with different ways of thinking have different imagery-generation ability under different situations, and that they also have different attitudes toward different messages. One limitation of the study was that it ignored the effect of product types (e.g., shared vs. private products) on imagery generation, something that should be examined in further research.
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BRAND PERCEPTION: IS GLOBAL ALWAYS BETTER?

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SUMMARY

In her best-selling book “No Logo,” Naomi Klein (2000, p. XVIII) claims “that as more people discover the brand-name secrets of the global logo web, their outrage will fuel the next big political movement ( . . . ) targeting transnational corporations, particularly those with very high name-brand recognition.” While there are indeed some indications for a growing opposition towards global brands, their global success story seems not to have ended yet. Consumer reactions to global brands, thus, appear to be quite heterogeneous. Despite this interesting observation, the topic of consumer perceptions and evaluations of global brands has not received sufficient attention in consumer behavior research, so far.

Against this background, we seek to develop a conceptual framework on the attitudinal and behavioural consequences of a global brand image. For this purpose we first offer a definition of global brands from a consumer perspective. Second, we identify the core associations, i.e., benefits and drawbacks, consumers have with global brands. Third, we propose a number of moderator variables that can explain the heterogeneous reactions towards global offerings. Our conceptual work is based on a qualitative study, i.e., in-depth interviews with 30 participants from Germany and Poland, and existing literature.

In the literature, the following characteristics global brands are mentioned most often: a multicountry or even worldwide distribution (Johansson and Ronkainen 2005; Quelch 1999) was well as a high degree of standardization regarding positioning strategy, branding and marketing mix (Aaker and Joachimsthaler 1999; Levitt 1983; Quelch 1999). Recently the focus from this company-oriented definition has shifted to a more consumer-oriented perspective. The question if and why consumers perceive brands as global has gained more interest since researchers hold that brands can benefit from a global image, i.e., if consumers perceive them as global (e.g., Holt, Quelch, and Taylor 2004; Johansson and Ronkainen 2005; Steenkamp, Batra, and Alden 2003). Thus, we complement this company-oriented definition by examining what constitutes a global brand from a consumers’ perspective, which we define as a global brand image.

The participants of our study, first of all, characterized global brands as being broadly available. Some of the respondents pointed out that a global brand does not have to be distributed in every country of the world, but necessarily in the major Western nations. The majority of our participants also voiced the international recognition and reputation of those brands. In marketing research this brand characteristic has been termed “perceived brand globalness” (PBG) by Steenkamp, Batra, and Alden (2003).

In addition, many respondents associated a standardized product and brand name or logo with global brands. Our respondents believe that global brands are more or less the same all around the world. Consequently, we extend the PBG-concept to include the perceived similarity of a brand across countries. That is, from a consumer perspective a global brand is constituted by its broad international availability and recognition and its standardization. Interestingly, although having a quite clear idea what constitutes a global brand, our respondents mistake some rather global brands for local brands (e.g., Nivea).

Our interviews revealed a number of benefits and drawbacks associated with global brands. These associations can be classified into two broad categories: The first category refers to brand- or product-inherent attributes, which supposedly have a direct impact on brand attitudes and buying decisions. These are perceptions of superior quality, high prestige, and modernity on the one hand and lack of authenticity on the other. The perceived quality of global brands can be attributed to the fact that an excellent functional performance is thought of as a prerequisite for international acceptance. An internationally well-established brand name can thus act as a “halo” construct that effects quality beliefs (Han 1989). The positive link between a global brand image and quality has already been empirically supported (Holt, Quelch, and Taylor 2004; Johansson and Ronkainen 2005; Oszomer 2006; Steenkamp, Batra, and Alden 2003). Moreover, a majority of our respondents perceived global brands as more prestigious and modern than local alternatives since they reflect a cosmopolitan, up-to-date lifestyle – an association highly desirable for some consumer segments (Alden, Steenkamp, and Batra 1999). However, global brands were also characterized as “too commercial,” “fake,” “mass produced,” “artificial,” and “overstandardized,” in other words, as inauthentic. That is, consumers may view highly standardized and mass-marketed brands as inauthentic in contrast to local alternatives, which are understood as distinctive expressions of local cultures (Thompson, Rindfleisch, and Arsel 2006).
The second category of associations with global brands refers to normative beliefs about the broader societal consequences of global brands. In this context global brands were clearly labeled as symbols of globalization, a standardized mass-culture and a materialistic consumer culture. The effect of these associations depends on the underlying normative beliefs and consumption ideologies of the consumers. For example, a consumer opposed to globalization should be more likely to react negatively to a global brand image than a globalization proponent. This proposition is also backed by our interviews. Likewise, consumption ideologies that refer to customer orientations toward the local and the global (e.g., cosmopolitanism) and to the consumer culture in general, should have an effect on consumer attitudes toward global offerings. Therefore, the general attitude toward globalization as well as the concepts of consumer ethnocentrism, consumer cosmopolitanism and materialism – or similar constructs – should be examined more closely in future studies on consumer reactions to global brands. We propose that these normative beliefs will moderate the impact of a global brand image on the brand’s perceived benefits and drawbacks and on the outcomes (i.e., brand attitudes and purchase behavior).

Another topic that has not received sufficient attention yet is the influence of the product category on the decision to buy either local or global offerings. Our respondents clearly indicated that the product category is the most important determinant for their preference of either local or global brands. For beauty products, electronics and automobiles global brands were most often favored, whereas local brands were preferred for food products, especially for fresh food such as dairy and meat products, vegetables and fruits. Although a number of criteria for international brand standardization can be identified in the literature, e.g., high-status goods vs. necessities (Johansson and Ronkainen 2004) or culture-free vs. culture-bound products (Wind and Douglas 1972), a sound theoretical and empirical foundation of the brand standardization potential in different product categories is still lacking.

Figure 1 summarizes our findings in a preliminary conceptual framework. The proposed conceptual model now needs to be tested in order to find empirical support for the posited relationships. References are available upon request.
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"WE WILL DO IT FOR YOU!" LEVERAGING YOUR CUSTOMERS’ CROSS-BUYING POTENTIAL BY COMPLEMENTING CROSS-CATEGORY PURCHASES THROUGH VALUE ADDED SERVICES

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SUMMARY

How can we stimulate our customers to generate extra value for us? Shall the product range be extended or should innovative product-accompanying services be created? How do we get our current customers to adopt these new products and services? These are questions managers, especially in the retailing industry, are facing as attracting new customers may become a costly challenge for companies operating in today’s saturated markets. In fact, (Reichheld and Teal 1996) estimate the cost of acquiring new customers to be as much as five times the cost of retaining current customers. Managers therefore strive for new strategies to increase the revenue streams and to maximize the profit of their existing customers – they are looking for strategies to optimize their company’s customer equity (Blattberg and Deighton 1996).

Customer equity is directly linked to the concept of “Customer Lifetime Value” (CLV). Reichheld and Sasser (1990) define it as the “net present value of the profit streams a customer generates over the average customer lifetime.” One important way of increasing a Customer’s Lifetime Value is to extend the “breadth” of the buyer-seller relationship (Bolton et al. 2004). It is defined as the “number of additional (different) products or services purchased from a company over time,” commonly viewed as customer cross-buying or add-on buying behavior (e.g., Blattberg et al. 2001). Relationship breadth has also received increasing attention with respect to the ongoing discussion in the academic literature of linking marketing to financial performance and managers’ interest in return on marketing investments: Cross-selling – the seller’s perspective of cross-buying – is considered one of the main shareholder value drivers by (a) enhancing cash flows and (b) reducing risk, i.e., the vulnerability and volatility of cash flows (Srivastava and Reibstein 2005; Srivastava et al. 1998; Srivastava et al. 1999). Stimulating customers cross-buying behavior is therefore vital for a company’s stable financial development.

Despite its relevance to the aforementioned financial and relational aspects, empirically, relationship breadth remains to be widely unexplored. Additionally, there is a trend in the retailing industry to augment cross-category offers by “value-added-services” in order to leverage cross-buying potentials of current customers even more. For example, home-improvement stores offer tiling-consulting services in addition to the tiles themselves; Consumer-electronics retailers offer insurances – very often supplied by a third-party provider – against product theft, damage, loss, etc. Apparel retailers offer sartorial services and, furniture retailers offer interior-design-services. For retailing companies, offering value-added-services is attractive due to their limited requirements in terms of e.g., storage costs and in-store shelf-room. Equally if not more important, in times of harsh competition and resembling products, they lend itself as a means for differentiating the focal company from its competitors.

Therefore, in this study, we aim to:

♦ Identify the antecedents of cross-category purchase behavior, i.e., are there more drivers than one-stop-shopping convenience?

♦ Identify the antecedents of value-added-services purchase behavior and their differences from the antecedents of cross-category purchase behavior.

Our study is based on transaction and survey data from a European Home-Improvement chain that offers a broad variety of product categories and value-added-services.

Findings

Using a Poisson regression and probit model we find that shopping convenience and social benefits a customer receives affect both cross-category purchases and value-added services buying positively. Merchandise quality surprisingly has a negative effect on both forms of cross-buying. Affective commitment positively relates to cross-category purchases but not to value-added service purchasing. Payment equity has no effect on value-added services purchase behavior. Payment equity does how-
ever have a negative effect on cross-category purchases. Further, we find a negative effect of payment equity on lengthy relationships. Regarding additional covariates, it can be seen that the extension of a customers’ relationship breadth is independent of gender, and that younger customers with less expertise in home-improvement tend to buy value-added services and across categories.

Managerially, the results indicate that managers wishing to extend their customer relationships through extending cross-category purchases may focus on building up affective commitment, while this does not seem to be important for selling value-added services. For selling value-added services, social benefits and convenience appear to be relatively more important, although they are also important drivers of cross-category extensions.

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SHAPING THE FUNCTIONAL SIGNIFICANCE OF LOYALTY REWARDS AND ITS EFFECT ON SELF-DETERMINED CUSTOMER MOTIVATION

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SUMMARY

There are surprisingly few studies on psychological effects of loyalty systems (e.g., Roehm, Pullins, and Roehm 2002; Kivetz 2005). Recently, Dholakia (2006) distinguished between controlling loyalty rewards, where consumers perceive these as attempts to influence their behavior, and informational loyalty rewards, where consumers perceive these as symbols of appreciation. Further, he contrasted self-determined customers, who perceive that they entered into business with a firm because of their own free will, to firm-determined customers, who perceive that they were pushed to enter into business with a firm. Dholakia found firm-determined customers to be less loyal compared to self-determined customers. Further, relative to a no-reward control group, self-determined customers showed increased loyalty towards a firm when they received informational rewards, and demonstrated less loyalty when they received controlling rewards. Finally, the effects of controlling and informational rewards were weaker for firm-determined compared to self-determined customers.

Our investigation builds on and extends Dholakia’s study based on Deci and Ryan’s (1985) Self-Determination Theory (SDT). Two research questions are addressed: (1) What contextual variables shape the “functional significance” of rewards (i.e., the customer’s interpretation of the reward to be informational or controlling)? (2) Is it possible to influence customer loyalty by manipulating a customer’s perception of self- versus firm-determination, and in particular, is there an effect of reward perceptions on the attribution of self- versus firm-determination?

To answer the first question, it is advantageous to disentangle two often confused elements of loyalty instruments: They consist of (1) a certain type of reward (e.g., 10% discount on a service, extra services, etc.) that is (2) administered in a certain way or context (e.g., as a reminder coupon, by an empathetic employee, etc.). Dholakia (2006) mainly dealt with reward types. In our study, contextual variables surrounding a loyalty reward and their influence on the perception of the reward to be informational or controlling are of interest, holding conceptionally and empirically constant type and amount of the reward.

A first relevant contextual factor is the autonomy-supportive administration of the reward, that is not conveying pressure to stay loyal but leaving it up to the consumer. One mechanism that is supposed to arouse pressure is the perceived contingency of a reward, that is the salience that one gets a benefit conditionally on performing a certain activity. For example, a consumer gets a free flight only when a certain amount of miles or points have been “earned.” In this case, the contingency of a free flight on the earned miles from previous flights with this airline is highly salient. In general, the more obvious the dependence of the reward on “effort” (Kivetz 2005) that the consumer has to undertake in order to earn the reward, the more controlling and the less informational the reward should be perceived.

Whereas the former contextual factor refers to the specific way the reward is administered, the general autonomy-supportive climate is defined as the degree of autonomy-support the rewarding party emanates during usual interactions with the customer. One factor of this category is a service provider’s empathy, where empathy is defined as the acknowledgment of the customer’s perspective by the service provider. Following SDT, empathetic behavior (e.g., empathetic listening) is supposed to create an autonomy-supportive context which, in turn, contributes to the informational functional significance and reduces the controlling functional significance of a reward administered in this interpersonal setting.

Third, research in the framework of SDT explored effects of perceiving others as intrinsically or extrinsically motivated. Based on these studies (e.g., Wild et al. 1997), it is expected that, especially in a service context, a customer’s observation of an employee’s motivation as intrinsic (working for the pleasure of the work) as opposed to extrinsic (working just for the money) fosters the informational functional significance and decreases the controlling functional significance of a reward administered by the employee.

Concerning the second question, Dholakia (2006) defines self-determination versus firm-determination in terms of relationship initiation. This conception suffers from the implicit assumption that a customer’s perception of self-determination or firm-determination does not
change after the customer entered into business with the respective firm. In accordance with SDT, we reconceive this concept by assuming that firm-determination versus self-determination is a motivational variable that is defined by the consumer’s actual perceived reasons for being customer of a specific firm. This reconceptualization allows us to treat this variable as a malleable, endogenous construct: SDT provides the theoretical basis to assume that the attribution of a reward to be informational rather than controlling in fact transforms firm-determined into self-determined customer motivation. As commonly used in SDT research, we call this process “internalization” or a movement to an internal “perceived locus of causality.” Finally, we argue that our motivational conception of firm-determination versus self-determination has a straightforward theoretical relation to customer loyalty.

The scenario-based experiment conducted to test our hypotheses was a 2 x 2 x 2 design with autonomy-supportive administration (high versus low perceived contingency), autonomy-supportive climate (high versus low empathetic listening), and motivational orientation of the service provider (intrinsic versus extrinsic motivation) as independent variables. Informational versus controlling functional significance, firm-determined versus self-determined customer motivation and loyalty intentions were measured as dependent variables. A student sample was generated and the data were analyzed using covariance structure methodology. The model reproduced the empirical covariance structure very well and none of the hypotheses were rejected. Nevertheless, it would be desirable to revalidate our results in a non-experimental setting with a more heterogeneous sample including the measurement of actual behavior in addition to loyalty intentions. Further relevant context factors might be identified using qualitative research approaches. References available upon request.

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INVESTIGATING THE INTERRELATIONSHIPS AMONG SWITCHING COSTS AND THE FOUR STAGES OF LOYALTY

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SUMMARY

Numerous studies have linked customer satisfaction to financial outcomes (e.g., Anderson, Fornell, and Lehmann 1994; Anderson, Fornell, and Rust 1997; Bernhardt, Donthu, and Kennett 2000; Ittner and Larcker 1998; Keiningham et al. 1999). Yet, contemporary marketing thought, turning from a transaction orientation to a relationship orientation (Berry 1995; Grönroos 1995; Morgan and Hunt 1994), acknowledges that gaining and sustaining customer loyalty as the ultimate goal, may be more important than achieving customer satisfaction (Agustin and Singh 2005). However, the link between customer satisfaction, customer loyalty, and financial outcome is not as straightforward as it may seem (Carroll 1991; Carroll and Rose 1993; Reinartz and Kumar 2000).

Adding to that stream of research, Oliver (1997) defines loyalty as a deeply held commitment to repurchase or repatronize a preferred product or service consistently in the future, thereby causing repetitive same-brand or same brand-set purchasing, despite situational influences and marketing efforts that have the potential to cause switching behavior. Oliver (1997) introduces a four-stage loyalty model, implying that different aspects of loyalty do not emerge simultaneously, but rather consecutively over time. More than a mere clarification, this model extends the loyalty sequence “cognitive-affective-conative” by including an observable behavior, for example actual purchase behavior. At each loyalty stage, different factors influencing loyalty can be detected.

Despite the obvious managerial relevance, earlier research primarily analyzed the link between satisfaction ratings and repurchase intention. Few studies have examined the link between satisfaction ratings and repurchase behavior (Mittal and Kamakura 2001; Zeithaml 2000). Seiders et al. (2005) integrate and extend the literature by proposing that the relationship between satisfaction and repurchase behavior is moderated by customer, relational, and marketplace characteristics. Only recently, Oliver’s (1997) four-stage loyalty model has been subject to more extensive empirical testing (e.g., Olsen 2002; Harris and Goode 2004; Evanschitzky and Wunderlich 2006). In this context, some studies focus explicitly on the moderating effects of switching costs (e.g., Ping 1993; Jones, Mothersbaugh, and Beatty 2000; Burnham, Frels, and Mahajan 2003; Patterson and Smith 2003; Lam, Shankar, Erramilli, and Murthi 2004; Bell, Auh, and Smalley 2005). Switching costs are the “onetime costs facing the buyer of switching from one supplier’s product to another” (Porter 1980). In accordance with Jones, Mothersbaugh, and Beatty (2000), switching is likely to involve various behavioral and psychological costs. Switching costs include the time, money and effort the customer perceives when changing from one provider to another. In addition, they contain search and learning costs (Guiltinan 1989; Jones, Mothersbaugh, and Beatty 2002). Most studies related to switching costs focus only on single stages in the four-stage loyalty model. Moreover, results are inconclusive.

Our study attempts to (1) discuss all links between the four loyalty stages and (2) test the moderating effect of switching costs between the various loyalty stages. The following hypotheses are tested against a sample of 5,695 customers of a large DIY retailer:

H1a: As perceived switching costs increase, the link between cognitive-conative loyalty will be stronger.

H1b: As perceived switching costs increase, the link between cognitive-action loyalty will be stronger.

H2a: As perceived switching costs increase, the link between affective-conative loyalty will be stronger.

H2b: As perceived switching costs increase, the link between affective-action loyalty will be stronger.

H3: As perceived switching costs increase, the link between conative-action loyalty will be stronger.

The results indicate that gaining customer loyalty is indeed more complex than previous research has suggested. According to Oliver (1997), it is not until a customer reveals a high level of consistency through the four distinct stages that loyalty is achieved. In such a situation, customers have not only a stable disposition, but also a stable, routine purchase pattern, making them resistant to competitive offers. It can be noted that switching costs moderate the links in the four-stage loyalty model, as suggested by our hypotheses. Moreover, the strength of the moderating effect differs between the
various links in the model. A smaller sample of 250 customers confirmed the significance of our findings.¹

These findings yield some important managerial insights. For a DIY retailer, it is not sufficient to concentrate on achieving high levels of cognitive and affective loyalty with for instance superior service quality but to indeed focus on switching costs. These switching costs have proven to influence actual purchase behavior through their moderating effects between the loyalty stages. References available upon request from the authors.

¹ We thank one anonymous reviewer for suggesting this test.

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THAT PRICE IS LOW! AN ATTRIBUTIONAL APPROACH TO CONSUMER RESPONSES TO PRICE DISCOUNTS

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SUMMARY

Sales promotions have increased in popularity over the last few decades. In the sales promotion literature, the main objective of sales promotions has typically been considered as firms’ increased sales volume. Therefore, most of the empirical studies have focused on the economic incentive part of sales promotions (e.g., monetary savings), whereby very few studies have investigated their non-monetary benefits (Chandon et al. 2000; Schindler 1989). The main objective of the current study is to understand the psychological mechanisms underlying consumer responses to price discounts in general, and to find an answer to the question from a consumer’s point of view: Why is the price reduced? And, how will the answer for this question affect my behavior? We suggest that attribution theory provides guidance to better understand consumers’ emotional reactions to price discounts.

Weiner (1985) has introduced the most widely-adopted approach to attribution theory. He identified how individuals make causal inferences and what the consequences of these dimensions are (e.g., affects, behaviors). The causal dimensions in consumers’ causal inferences have been classified into three parts (Weiner 1985): locus, stability, and controllability. The first underlying causal dimension in consumers’ causal inference is locus. The main question concerning the locus dimension is whether the cause is located in the consumer or in the seller/manufacturer (Folkes 1984). For example, a consumer can get a price discount by using his/her store loyalty card (internal cause) or same consumer can get the price discount due to a firm’s temporary price discount (external cause). In this study, we propose that the more consumers perceive that a price discount is caused by their own behavior; the greater are their levels of self confidence and feeling of being pleased. The more consumers perceive that a price discount is caused by the respective company; the greater are their levels of appreciation and optimism.

The second causal dimension examined in the consumer behavior literature is stability. Causes of the price discounts can be relatively temporary or fairly permanent (Folkes 1984). Stability of the cause of price discounts affects consumers’ future expectancies, meaning that stable causes for an outcome lead to high confidence that the same outcome will occur in the future (Weiner 1985). The present research suggests that the more consumers perceive that a price discount is unstable; the greater are their levels of optimism and feeling of being pleased.

The final causal dimension relates to perceived controllability. This dimension describes the degree to which the causes are volitional and can be changed or are under no one’s control (Schindler 1998). In other words, if it is under a firm’s control, firm could have done otherwise (Hamill 1980). We propose that the more consumers perceive that the firm has control over a price discount, the greater are their levels of feeling of being pleased, optimism, and appreciation. Attribution theory states that affective consequences are the mediators between causal dimensions of the attributions and some behavioral consequences (Folkes 1988).

Our research suggests that the affective states of appreciation, optimism, self confidence, and feeling of being pleased resulting from price discounts will positively influence consumers’ purchase intention and word of mouth communication. Two studies are proposed to examine the relationships between price discounts and consumers’ affective and behavioral consequences. The first study may use the critical incidence technique which involves an analysis of consumers’ reports of an actual price discount experience. A potential second study might relate to an experiment, whereby three within-subjects variables (locus, stability, controllability) and one between-subject variable (products: jeans and digital cameras) are fully crossed. References are available upon request.
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MIRROR, MIRROR ON THE WALL, WHO IS THE UNFAIREST OF THEM ALL? ADDITIONAL INSIGHTS INTO PRICE FAIRNESS PERCEPTIONS

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SUMMARY

Buyers think prices are unfair when they are unable to justify a gap between a focal product’s stated price and its reference price. This paper studies the process by which price unfairness perceptions are formed, and the key antecedents, moderators, and consequences of the process. In this paper, we:

1. Extend understanding of the price fairness evaluation process by introducing the idea of a price gap adjustment and we identify the factors that promote such an adjustment.

2. Identify and explain key moderating factors for the positive relationship between the adjusted price gap and perception of price unfairness. These factors may result in (i) discounting of the reference price, (ii) misunderstanding of the focal price, and (iii) underestimating the seller’s costs, all of which further intensify price unfairness perceptions by impeding the justification of the price gap.

3. Extend understanding of the range and intensity of negative emotions triggered by price fairness and unfairness perceptions.

Conceptual Framework

Price unfairness perceptions are formed when buyers cannot justify a gap between the stated price of a focal product (henceforth, focal price) and the buyer’s reference price. Buyers tend to accept price gaps that can be explained by differences between the focal product and the reference product, or that can be attributed to higher costs which the seller could not be expected to be able to control (Kahneman et al. 1986a). Unjustified price gaps, however, trigger unfairness perceptions and negative emotions. We define price unfairness as the subjective perception of inequity resulting from a cognitive evaluation of the price discrepancy between the buyer’s reference price and the focal price, and the emotions resulting from this evaluation. The buyer’s reference price is formed from signals such as prior experience, competitors’ prices, store characteristics, corporate reputation, word-of-mouth, or endorsements (Mazumdar, Raj, and Sinha 2005). We conceptualize the development of price unfairness perceptions as a three-stage process.

In the first step, the buyer identifies a discrepancy between a focal price and the buyer’s reference price for that product. We propose that it is too cognitively taxing for buyers to develop robust reference prices based on a comprehensive evaluation of all salient factors. Instead, we posit that buyers initially form a reference price based on the most salient factor and calculate a price gap.

In the second step, buyers facing a price gap may adjust the reference price for other salient factors for several reasons. One such reason is the product’s functional performance risk, that is, the risk that the product will not perform as expected. If the buyer perceives a functional risk, then the reference price will undergo a downward adjustment because buyers demand discounts in the face of uncertainty (Nagle 1984). Several factors can heighten product functional risk. For example, with technology products, functional risk is amplified by compatibility, reliability, and learning costs issues. With services, functional risk is heightened by their intrinsic variability, that is, their outcome frequently cannot be determined or predicted until after the service is performed or perhaps never. As a result of product functional risk, the adjusted price gap is likely to become larger, leading to higher perceptions of price unfairness.

In the third step, the adjusted price gap is evaluated for unfairness. Buyers think prices are unfair when they cannot justify a disadvantaged price gap. Unfair price perceptions trigger negative emotions which result in negative behavioral intentions and hence a detrimental effect on relationship quality. Our qualitative research shows emotional reactions to unfair pricing range from disappointment to anger, frustration, and shock. Emotions associated with price fairness include comfort, respect and appreciation. We note that affect arises on an evaluation of the price gap not just the discernment of one. Thus we argue that cognitive evaluation must precede affect formation and cannot be concurrent as has been suggested elsewhere (Xia, Monroe, and Cox 2004). We identify three moderators of the fairness evaluation process.
Price Complexity. Price unfairness may be perceived if the buyer is unable to accurately assess the focal price. For example, with multidimensional pricing, i.e., pricing that consists of many numbers, buyers must carry out cognitively taxing mental computations to determine the actual price. Often, the buyers’ calculations are inaccurate, regardless of their education level (Estelami 2003). Based on attribution theory (Folkes 1988), we propose that buyers attribute the complex pricing structure to the seller’s intention to obscure the actual price, leading to negative price fairness perceptions.

Perception of Seller’s Costs. Buyers use cost-based rules to judge price fairness (Kahneman, Knetsch, and Thaler 1986) and so they try to estimate the seller’s cost. We identify two factors that are likely to lower the buyers’ perceptions of the seller’s costs. First, products with significant labor and overhead components are frequently perceived as overpriced because labor and overhead are frequently underestimated (Bolton, Warlop, and Alba 2003). Second, products that buyers are willing and able to produce for themselves are particularly likely to be perceived as overpriced because opportunity costs are particularly underestimated (Kahneman and Tversky 1979).

Method

The model is tested with a between subject, survey-based study. In addition, we explore emotions associated with price fairness and unfairness perceptions using Zaltman’s Metaphor Elicitation Technique (Coulter, Zaltman, and Coulter 2001; Zaltman 2000). The technique uses visual cues and metaphors to probe underlying motivations that influence a person’s decision to buy a product or form an opinion. References are available upon request.

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THE EFFECT OF MULTIPLE DISCOUNTS ON CONSUMERS’ PRICE PERCEPTIONS

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SUMMARY

Price is an important factor influencing consumers when they make purchase decisions. Pricing researchers have long been aware that consumers’ perception of prices is affected by the way discounts are presented to them (Alba et al. 1999; Inman, McAlister, and Hoyer 1990; Krishna et al. 2002; Tsiros and Hardesty 2006). Yet no research has been done to study how two or more discounts influence consumers’ perception of the discount (see Chatterjee et al. 2000; Chen and Rao 2006 for exceptions). By multiple discounts, we refer to two or more discounts that can be combined together to result in a bigger discount.

Multiple discounts might require consumers to engage in complex multiplication computations to estimate the real discount level. For example, to determine the value of double discounts such as “an additional discount of 20 percent on top of an original discount of 20 percent,” the computation of the total discount involves use of percentage, multiplication and fractions (e.g., 1–(1–20%)*(1–20%) = 1–64% = 36%). Such computations tax the consumers’ working memory capacity. In response, consumers may use simplifying heuristics rather than engaging in more accurate, but more difficult, mental arithmetic (Johnson and Payne 1985; Ashcraft 1992). According to mental accounting theory (Thaler 1985) and prospect theory (Kahneman and Tversky 1979), such heuristics may result in an upward bias in perceived savings and purchase intentions in case of multiple discounts rather than when a single discount of the same value is presented.

We also argue that individual differences such as need for cognition (NFC) would moderate the proposed effect of multiple discounts. NFC is a relatively stable, intrinsic motivational factor that varies across people (Cacioppo and Petty 1982). High NFC may motivate people to process information more deeply and deliberately (Cacioppo and Petty 1982; Cacioppo et al. 1986; Haugetvedt, Petty, and Cacioppo 1992; Inman, McAlister, and Hoyer 1990). In the multiple discounts context, consumers with high NFC are more likely to process the discounts thoroughly and accurately. As the total discount for such offers is not usually presented, the NFC serves as a motivator for consumers to solve the puzzle and perform arithmetic computations. Thus, high-in-NFC individuals are likely to show no difference in perceived savings and purchase intentions for presentations involving multiple discounts vs. single discounts. However, low-in-NFC individuals will demonstrate greater perceived savings and purchase intentions when evaluating offers using multiple discounts than when some single discounts is given.

Another interesting question posed in this research is whether the increase in perceived savings and purchase intentions would increase with an increase in the number of discounts in multiple discount presentations. It is argued that holding the total discount the same, the greater the number of discounts is likely to lead to smaller face value of each discount. Small individual discounts may be perceived “petty” and fail to spark consumers’ sense of savings (Gupta and Cooper 1992; Luce and Edwards 1958), and therefore ignored by consumers. On the other hand, the presentation of numerous discounts may be perceived negatively because it increases consumers’ cognitive burden to process information on multiple discounts as well as the associated calculations. Therefore, for individuals with low need for cognition, an inverted “U”-shape relationship between the number of multiple discounts and the perception of savings and purchase intentions is predicted.

Finally the research proposes an effect of the order of presenting multiple discounts on the perception of savings and purchase intentions. Specifically, primacy effect is likely to dominate the estimation of total savings for multiple discounts (Hendrick and Constantini 1970). Therefore, we propose that the perceived saving is higher when the biggest discount is presented first rather than when it is presented at a later stage. References available upon request.
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ADVERTISING AND PRODUCT TRIAL: THE IMPACT OF PRODUCT TYPE AND ATTRIBUTE INFORMATION ON CONSUMER EVALUATIONS

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SUMMARY

The effect of advertising on a subsequent product trial has been widely studied (Deighton and Schindler 1988; Hoch and Ha 1986; Kempf and Laczniak 2001; Marks and Kamins 1988; Olson and Dover 1979; Shapiro and Spence 2002; Smith 1993). One significant finding is that pre-trial advertising has little or no effect on consumer evaluations of highly diagnostic products (i.e., products for which trial offers tangible, credible evidence of the product and its attributes), because trial is perceived as more useful in contrast to pre-trial advertising in evaluating the product’s attributes (Deighton and Schindler 1988; Hoch and Ha 1986; Kempf and Smith 1998). Another focus of ad-trial studies has been on the type of attribute information provided by advertising versus trial. Results indicate that a single product trial during which the product can be physically tested provides maximum information relative to experiential attributes (e.g., taste), whereas advertising provides maximum information for search attributes (e.g., price) (Wright and Lynch 1995). Finally, the effect of advertising on subsequent trial may depend on the nature of the product. In particular, Kempf (1999) suggests that for hedonic products the effect of emotional responses to trial evaluations is greater than the effect of cognitive structures, whereas for utilitarian products, the opposite will be the case. In this study, the authors draw upon the Integrated Information Response Model and argue that advertising can influence trial of highly diagnostic products and that consumers’ post-trial evaluations of highly diagnostic products depend on pre-trial ad claims about experiential and search attributes and product type (hedonic vs. functional).

Hirschman (1980) argues that consumers attach great importance to product experience for hedonic goods and services, and Hopkinson and Pujari (1999, p. 273) suggest the trial of a hedonic product that “creates the opportunity for individual dream” is likely to result in more favorable product evaluations than functional products that fulfill utilitarian needs (H1). Similarly, experiential attribute pre-trial ad information for hedonic products facilitates imagination, which is so important in hedonic product evaluations. Therefore, experiential attribute information should result in more post-trial evaluations for hedonic than for functional products (H2). However, search attribute information in the absence of experiential attribute information (which fuels imagery) is likely to have a relatively detrimental effect on post-trial evaluations of hedonic products. Thus, it is expected search attribute claims to generate more positive post-trial evaluations for functional products than for hedonic products (H3).

In the context of a highly diagnostic functional product, if advertising information is consistent with that of trial, trial beliefs will be more confidently held than those related to advertising, in which case the total expectancy from advertising-plus-trial should not differ from that produced by trial alone. However, if the pre-trial ad provides search attribute information, the post-trial evaluations will incorporate both search (conveyed by the pre-trial ad) and experiential (collected personally during trial) attribute information. Because belief confidence is a function of the amount of information the individual has available to form a judgment of relevant attributes (Peterson and Pitz 1988), search attribute claims followed by trial have the potential to generate more positive post-trial evaluations than trial alone (H4).

In the context of a highly diagnostic hedonic product, a pre-trial ad conveying experiential attribute information is likely to fuel consumer imaging, resulting in more positive post-trial evaluations than trial alone (H5). Furthermore, advertising could add significant weight to total expectancy if it provides different information (i.e., information about search attributes) than what consumers acquire during trial experience. In conclusion, for hedonic products, search attribute claims will result in more positive post-trial evaluations than trial alone (H6).

Measurement and Method

In our experiment, we used pens (functional product, n = 137) and battery-operated air fresheners (hedonic product, n = 154), and included three experiential and three search identified as important attributes in pretests. Participants in the Ad-Trial conditions first read the target advertisement and then answered the pre-trial questions, examined the product, and completed the post-trial measures. Trial-Only participants tried the product and completed the same post-trial measures as the Ad-Trial participants. The dependent variables are expectancy values (EV), product attitude, purchase intentions, and actual choice. With regard to the latter, participants were given the choice of the product that they tested or another product of the same price.
Results and Managerial Implications

The findings indicate that the hedonic product experience did not result in more positive EV than the functional product experience, but it did result in more positive product attitudes, more positive purchase intentions, and greater choice of the air freshener than the functional product experience. Thus, H1 is partially supported. For the air freshener compared to the pen, experiential attributes generated more positive post-trial EV, more positive product attitudes, and higher purchase intentions, but no difference in choice. When presented with search attribute information, 69.7 percent of participants in the pen study chose the pen versus only 44.4 percent in the air freshener study who chose the air freshener. No other differences were significant when the pre-trial ad included search attributes, thus H3 is partially supported. For the functional product, participants in the search attribute condition manifested more positive product attitudes, higher purchase intentions and greater choice of the pen than Trial-Only participants. Thus, the results provide partial support for H4. H5 and H6 were not supported.

Our findings suggest that an advertising campaign for functional products preceding a product sampling campaign should convey information about search attributes. Such an approach seems to generate more positive post-trial evaluations than trial alone. For hedonic products, sampling should be an important part in the promotional campaign. For air fresheners for example, “scratch-and-sniff” may be an effective strategy. Interestingly, hedonic products seem to have an advantage over functional products when promoted with experiential attribute information. Most likely, consumers feel that experiential attribute ad information for hedonic products adds value to the experience itself by facilitating imagination and guiding the experience and imagery, which is very important for a hedonic product evaluation.

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MORE THAN WORDS: THE IMPACT OF ADVERTISING LANGUAGE ON CONSUMER EXPECTATIONS

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SUMMARY

The topic of language codeswitching has been recently gaining attention among marketing academics and practitioners (Luna and Peracchio 2005a, b). Myers-Scotton (1988) defines codeswitching as “the use of any two or more linguistic varieties in the same conversation, whether they are different languages, styles, or dialects” (p. 201). Codeswitching (and bilingual advertising in general) is becoming a more common communication vehicle used by advertisers in the U.S. to reach bilingual Hispanics (Luna and Peracchio 2005a). Furthermore, ads that contain Spanish are also being increasingly placed within English language media, as a large percentage of bilingual Hispanics in the U.S. (especially youth) prefer to watch English-language television programming (Hoffman 2005). As Spanish ads (in particular, codeswitched ads) within English language media are increasing, what the advertising language may be subconsciously influencing among all viewers should be of interest to advertisers.

Therefore, this paper examines if the language of an ad influences expectations of a service provider among a general audience composed of both Hispanics and non-Hispanics. This is important because advertisements that produce higher pre-patronage expectations may benefit from increased “willingness to patronize” intentions (Olson and Dover 1979) as well as higher post-patronage evaluations (Hawkins et al. 2001). However, research concerning how ethnic language used in advertising may influence the formation of expectations of a service provider concerning empathy and responsiveness (or timeliness) is unknown. Thus, the unique contribution of this paper is how Spanish and English, when made to stand out in an ad through codeswitching (discussed in the following section), may serve to influence these expectations.

Theoretical Background and Hypotheses

An important characteristic of codeswitching is that it has the ability to make certain information salient, or stand out. The information that stands out through codeswitching is that which is spoken in the language that is alternated to. Luna and Peracchio (2005a) refer to this as the direction of codeswitching. According to Luna and Peracchio (2005a), when a language is made salient through the direction of codeswitching, there is a corresponding language schema that is activated. In terms of language schemas, the Spanish language is connected to Spanish-speaking peoples, who tend to be more relational-oriented (the “empathy” dimension) though less time-oriented (the “responsiveness” dimension) than people from English-speaking cultures (Hall 1983; Platt 1998; Hofstede 1980). Thus, when Spanish is made to stand out in an ad through English-to-Spanish codeswitching, higher expectations of empathy may be realized as compared to a Spanish-to-English ad (H1). Alternatively, when English is made to stand out in an ad through Spanish-to-English codeswitching, higher expectations of responsiveness may be evidenced as compared to the English-to-Spanish ad (H2).

Method and Results

A total of 35 respondents (18 Hispanics, 17 non-Hispanics) with fluency in English and varying levels of fluency in Spanish were randomly exposed to an advertisement for a medical service provider. The ad language was manipulated so that individuals viewed either an ad written primarily in Spanish with several noun phrase switches to English (Spanish-to-English codeswitching) or primarily in English with several noun phrase switches to Spanish (English-to-Spanish codeswitching). The ad was placed in between two short magazine articles that were written in all-English in order to add realism to the context, as it is becoming more common for advertisers to place codeswitched language ads in English media. Respondents then answered questions about the ad, including three statements each about expectations of responsiveness and empathy of the service provider based on the SERVQUAL measure (Parasuraman, Zeithaml, and Berry 1988).

Results from the pilot test revealed that when Spanish was made to stand out in an ad through codeswitching (English-to-Spanish switch), the advertiser was shown to benefit from increased expectations concerning empathy as compared to the Spanish-to-English codeswitched ad. This supported H1. However, making English salient in the ad (Spanish-to-English switch) did not result in greater expectations of responsiveness as compared to the other condition, thus failing to provide support for H2. Regarding this finding, since the article appeared in an all-English context, perhaps the language schema associated with English had already been activated when the indi-
viduals were reading the articles that surrounded the advertisement. This is an area for possible future research.

In summary, the English-to-Spanish codeswitched ad (within the all-English medium) produced higher expectations of empathy of the service provider though not lower expectations of responsiveness as compared to the Spanish-to-English ad. Therefore, this research suggests that a trade-off between appearing empathetic versus time-oriented may not need to be made through the use of English-to-Spanish codeswitching, at least in terms of an all-English print context. References available upon request.

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THE DIFFERENTIAL IMPACT OF ADVERTISED AND OBJECTIVE QUALITY ON MARKET SHARE AS MARKETS AGE

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SUMMARY

Consumers’ trial of products heavily depends on their expectations of quality, which are significantly determined by the level of quality represented in ads. However, setting unrealistically high expectations via advertising can lead to consumer disappointment, dissatisfaction and lower repeat sales. In addition, if the firm chooses to understate quality in order to increase consumer satisfaction with its product, consumers have lower interest in, and expectations of, the product and thus the product may have low trial. Continued sales also depend largely on the actual objective quality of the product and satisfaction with the product, which depends on the gap between quality and expectations. Hence, the decision to over- or under-state product quality via advertising is critical for the brand’s immediate and long-term sales and market share.

To assess the effects of over- or under-stating product quality in advertising, we examine the relative impact of advertised quality and objective product quality on market share over time. In new markets, consumers must rely on advertising to learn about products in the absence of product experiences that are either direct via purchase, use, and disposition, or indirect via the communicated experiences of others. As markets age, consumers are better able to identify and select products that offer superior quality. Hence, objective quality should have a differential impact on market share as consumers become more knowledgeable through experience. In addition, consumers are also better able to relate a product’s objective quality to the benefits claimed in the advertising over time. Therefore, advertised quality claims which are supported by objective product quality are more effective as markets age.

We test our hypotheses in the context of U.S. minivan sales, with multiple data sources over a 22-year period from the inception of the minivan market. Our data comprises information on (1) monthly market share, manufacturers’ suggested retail prices, advertising budgets, and distribution intensity for all brands, (2) objective product quality ratings, and (3) ad content ratings for approximately 2,200 print advertisements used by the 24 competing brands over the entire period of our study.

We specify a cross-sectional time series generalized least squares (GLS) regression to account for the limited range of the market share dependent variable, including linear splines of advertised and objective quality to account for potential asymmetric effects, heteroskedastic panels to accommodate brand-specific variances, and a one-period lagged market share term so as to allow for inertia in market share. Our principal findings are as follows. (1) Objective product quality has a direct positive effect on market share, but advertised quality does not. (2) At the mean of objective quality (across all brands for that month), increases in advertised quality lead to a decrease in market share as the market ages. Hence, ceteris paribus, overstating quality has a negative impact on market share over time. (3) As the product category ages, increases in objective quality lead to higher market share and this effect is amplified when objective quality and advertised quality are increased simultaneously. Thus, while enhancing product quality has a positive effect on market share, manufacturers who tout this higher quality in their advertising can expect even greater share increases. Together these findings suggest that it is important to be “truthful” in advertising – advertising quality which is not delivered can have negative repercussions. However, for quality brands, understating quality is also not the optimum strategy, as there are benefits to be gained from making consumers aware of the quality provided.

Advertisers need to ensure that their advertising claims are supported by the actual quality they deliver in their products. Beyond ethical considerations, the greatest payback can be obtained by being truthful in advertising, i.e., by advertising quality that is commensurate with the product’s objective quality. If the benefits claimed via advertising are not consonant with the product’s performance, then consumers react negatively to such advertising as markets age and they become knowledgeable about product quality. From a public policy perspective, this research provides evidence that markets are to some degree self-regulating because consumers reward firms who are truthful in advertising and punish those which are not.

From an academic perspective, this research shows that some of the effectiveness of advertising may be attributed to the company’s ability to deliver on their
advertising claims. Hence, this research identifies important factors that could have substantial effects on the effectiveness of advertising. These factors of objective product quality and consistency between advertised and objective product quality affect market shares even after other factors like advertising intensity, product characteristics, number of retail outlets, order of entry, and retail prices of the brands are controlled for. References available upon request.

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CREATIVITY AND INNOVATION: INTERSECTIONS AND SYNERGIES BETWEEN FIRMS AND CONSUMERS

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SUMMARY

Creativity is important for both firms and consumers. For firms, creativity is a necessity for development and survival. More innovative products translate into more successful new products and ideas, which in turn generate higher margins and profit than lesser creative products. For consumers, creativity is important as it increases product value. Those consumers who are creative with their products have a broader and deeper usage of their products than uncreative consumers, allowing them to achieve more goals with their products. Goal enablement translates into product benefits, which turns into value, if considering that consumers get more benefits of a product for the price they paid for it. Consumer creativity is thus also important for firms, as it creates value for the consumer, and enhances their attachment to the product.

Creativity is generally defined as the generation of ideas that are novel and appropriate (Lubart 2000; Sternberg and Lubart 1996). Novelty refers to the fact that the outcome of a creative process should be considered new, that is, something not considered before. The dimension of appropriateness communicates that this outcome should also be something “useful” and functional (Sternberg 2001). The definitions can be view from both the firm’s and the consumer’s perspective. From the firm’s perspective, creativity translates into having innovative ideas that can be transformed into commercially viable products. For consumers, it means using their products in new ways that help them achieve their goals.

Both firms and consumers seem to benefit from creative products. However, there are cases in which creativity may harm, rather than enhance, product value. Consider, for example, the case in which companies launch creative products that consumers do not understand. In this case, firms are likely to develop overly optimistic sales forecasts and make marketing plans that emphasize benefits that consumers do not necessarily appreciate. On the other hand, the situation may also be the other way around. Consumers may find alternative ways of using products that firms had not considered. In this case, the firm may underestimate their sales curves (based on the product’s original purpose), which could lead to supply-side problems (such as back-order and opportunity costs). These two cases illustrate situations in which there is a mismatch between the firm’s and the consumer’s creative intent. There are also cases in which the creative intent of the firm and of the consumers matches. For example, a camera cellphone allows consumers to benefit from using both the camera and the cellphone, which enable them to satisfy previously unmet needs (such as sending pictures to your friends via multimedia messaging). Finally, the firm and the consumer may both be uncreative, but still be satisfied with the products, as they meet their expectations. As these examples illustrate, there may be both matches and mismatches between the creative intent of the firm and the consumer, which are likely to influence product success.

The purpose of this study is to examine matches and mismatches between firm and consumer creativity, and suggest that they have a differential effect on product success. We approach the issue by analyzing four different cases: (1) the firm is creative, the consumer is not, (2) the consumer is creative, but the firm is not, (3) both are creative, (4) none is creative. Of these cases, the first two represent mismatches, and the latter two matches. Each of the cases is proposed to contribute to a differential effect on product success. For the purposes of the paper, a match is defined as a situation in which the intended use of the product corresponds between firms and consumers, whereas a mismatch describes the opposite situation in which they deviate.

By using these four cases, we were able to illustrate that creativity is not always beneficial. In cases which the firm is creative and the consumer is not, consumers are not likely to buy into the value proposition of the product. For them it is nothing new – they do not see the creativity involved with it, and do not understand or care that much for the benefits communicated. Further, is the consumers are creative with the product, the firm would need to be prepared for it to allocate supplies accordingly. If the demand exceeds the supply, firms will have stock-out costs, and consumers might switch to another product instead. Thus, although consumer creativity is beneficial firms would need to be aware of its affect on sales. The best situation occurs if both the firms and the consumers are creative. The firm can take pride in having developed a creative product that allows them to commence higher margins, and consumers are satisfied with a product that allows them to achieve multiple goals. Finally, if neither the firm nor the consumer is creative, the supply and demand are in sync. However, this is not a long-term strategy – firms need to innovate to survive and make profit.
The conclusion is that creativity is most beneficial if both the firm and the consumers are creative, and most harmful if the firm is creative, but consumers are not. To avoid being creative in ways consumers do not understand, firms should align their product benefits with those of consumers, and ensure that the product’s creativity is illustrated in its design. Although creativity is generally considered a positive thing, there are cases in which creativity may backfire.

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DIFFUSION OF MULTIPLE GENERATIONS OF AN INNOVATION IN SEGMENTED AND NON-SEGMENTED MARKETS: AN AGENT-BASED MODEL OF THE SEMICONDUCTOR INDUSTRY

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SUMMARY

Marketing has long been interested in the issues that influence the diffusion of new products across groups, communities, firms, and countries since new technologies are considered to be the engines of economic growth. Moreover, forecasting diffusion patterns is essential for planning marketing programs as well as operations. Clearly, marketing has often looked for factors that can be used to increase the number of consumers that will choose a particular product. However, with the recent trend in globalization and rapid advancements in communication systems, managerial interest in understanding adoption processes has increased dramatically (Douglas and Craig 1992).

To analyze the behavior of successive generations, we constructed an agent-based model (ABM) of diffusion of innovation. The model is built upon the Bass (1969) diffusion model and is an extension of Norton and Bass (1987). Our main objective is to develop an ABM of an evolving network with potentially adopting firms and to analyze its emergent structure. The current model allows us to examine the influence of recent technologies on earlier ones. Additionally, ABM provides us an opportunity to capture dynamic adjustments between the innovator and users while the diffusion of the innovation takes place. Most importantly, with our ABM, we can capture an assortment of adoption behavior by systematically varying one variable of interest while holding all other variables constant – a luxury that is only possible with simulation. In conclusion, our main purpose is to address a contemporary problem in the diffusion of innovations literature and show the strength of agent-based modeling in this arena.

The use of agent-based modeling to examine complex adaptive systems is increasing in popularity, and can be employed to study a number of marketing applications. In agent-based modeling, a system is modeled as a collection of autonomous decision-making entities called agents. At the simplest level, an ABM consists of a system of agents and the relationships between them. However, even a simple ABM can exhibit complex behavior patterns and provide valuable information about the dynamics of the real-world system that it emulates.

Utilizing the agent-based modeling technique, we investigate the behavior of successive generations of an innovation in segmented and non-segmented markets. Our model, which we built in NetLogo®, incorporates many of the assumptions of the diffusion of innovations models. The industry represented in our model is semiconductor industry in that the potential adopters are the manufacturing firms that use semiconductors in their production of other goods. As the applications of semiconductors are diverse, it is reasonable to assume that certain attributes are more important for certain manufacturers while some are less important. As such, manufacturers will not adopt the innovation unless the product performs better than some predetermined benchmark. Consequently, we also consider a segmented market in that the potential adopter firms belong to one of four segments: (i) price-sensitive, (ii) quality-sensitive, (iii) speed-sensitive, and (iv) size-sensitive.

The results from our ABM demonstrate a number of important results. First, the diffusion of innovation curves resulting from the model are similar to those obtained by Norton and Bass (1987). These curves represent the adoption rate of an innovation when there are successive generations (in our case, five total) of the innovation introduced over time. Additionally, as expected, we found that firms that interact with other firms adopt the innovation at a different rate compared to firms that do not interact. This result is important as it illustrates how interactions among firms influence the adoption rate of the innovation. Our results also demonstrate that different market segments adopt the innovation at different rates. As noted above, the ability to model different market segments is an additional benefit of using an ABM for this type of application. Finally, our model represents an initial attempt to simulate the diffusion of multiple generations of an innovation using agent-based modeling and we believe that the many advantages of using such a model over traditional analytical models has been demonstrated. Clearly, further amendments can be made to the existing model to improve the accuracy and robustness of the model.

The advantages of the model described in this summary compared to computational models are numerous. A simulation can account for changing and adapting behav-
ior of the agents. Additional behavioral traits can easily be incorporated into the existing model to investigate a multitude of real-world situations – something that cannot be done as easily with computational models. Moreover, there can be several extensions related to the innovator. As an example, other innovator firms could be introduced into the world. Making firms enter and exit the environment could be another extension that would make the model more representative of the real-world. Finally, it seems realistic to let some of the firms who do not adopt any generations of the new product, even after the 4th or 5th generations are released, to go out of business as they could be assumed to lose their competitiveness due to their product technologies becoming obsolete. References are available upon request.

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ANTECEDENTS AND THE RESULTING VALUE CREATION OF AN E-BUSINESS STRATEGY IN SERVICE FIRMS

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SUMMARY

The ongoing changes and challenges that characterize today’s business environment have made it increasingly difficult for firms to compete effectively on the basis of traditional marketing variables alone. Consequently, we have begun to witness a transition wherein firms are extending their focus beyond simply selling to business customers to serving them more effectively and in different ways. In order to accomplish this, many firms have developed e-business platforms to provide e-services to their buyers and business counterparts.

With this in mind, this research examines the antecedents of e-business implementation in service firms, as well as the consequences associated with providing e-services to customers. Using the conceptual framework proposed by Javalgi et al. (2004) as a foundation, we empirically examine how a firm’s technical infrastructure, organizational culture, government regulations and initiatives, and economic factors influence their implementation of e-business technologies. Next, we consider how the implementation of e-business technologies creates value for the firm. To accomplish this, we examine Amit and Zott’s (2001) four sources of value creation (i.e., efficiency, complementaries, lock-in, and novelty) as outcomes of e-business.

Data were collected from Belgian firms crossing a broad spectrum of industries. The individuals surveyed were top management team members. After screening firms to ensure they were engaged in a business-to-business selling context and dealt primarily in service-related tasks, we were left with 231 firms to complete our investigation.

Technical infrastructure was assessed using a six-item scale (α = .93). Government regulations and initiatives were assessed using a four-item scale (α = .83). Organizational culture was measured via a three-item scale (α = .84). The four-item external drivers scale was adapted from the scale used by Tsikritkis et al. (2004) (α = .84). The four-item e-business implementation was adapted from the Srinivasan et al. (2002) scale (α = .89).

The criterion constructs were created using the four dimensions, based on the sources of value creation associated with e-business in a business model context (see Amit and Zott 2001, p. 512). Specifically, efficiency was assessed with a three-item scale (α = .86), novelty with a three-item scale (α = .85), complementaries with a two-item scale (α = .76), and lock-in with a two-item scale (α = .79).

Our analyses were conducted via a series of factor analyses to ensure appropriate loadings, followed by hierarchical regression to test our hypotheses. The initial model which contained only the control variables (i.e., organizational size and service sector) explained only a minimal amount of variance. By examining the second model, we found two of the four hypothesized antecedent relationships to be significant and in the anticipated direction. Technical infrastructure (β = .45, p < .01) and external drivers (β = .29, p < .01) were found to significantly influence an organization’s e-business implementation. Interestingly, government regulations and initiatives were not found to significantly influence an organization’s e-business implementation (β = .04, n.s.). Similarly, organizational culture (β = .13, n.s.) was found to exert a positive, but nonsignificant, influence on e-business implementation. As expected, e-business implementation is associated with creating value in the firm, as e-business was significantly related to efficiency (β = .50, p < .01), novelty (β = .45, p < .01), lock-in (β = .45, p < .01), and complementaries (β = .56, p < .01), respectively.

The study’s results permit us to draw several interesting conclusions concerning the drivers and consequences of e-business implementation in service firms. First and as proposed, a firm’s technical infrastructure was found to positively influence its implementation of e-business technologies. External institutional pressures and organizational culture were also found to be important factors in the implementation of e-business. Government regulations and initiatives do not appear to influence a firm’s strategy and decision to implement e-business technologies.

These results confirm that firms may experience some pressure from outside the organization to move toward the implementation of new and innovative processes. However, it appears that a firm’s internal technological infrastructure more strongly influences a firm’s e-business implementation. This suggests that developing
the appropriate internal capabilities are a critical step for firms planning to implement e-business initiatives.

Considering the value creation associated with the implementation of e-business, it appears that firms believe the use of such technologies have positive outcomes extending beyond firm performance. Efficiency and complementarities appear to be the two primary drivers of the value creation associated with e-business implementation. This result is not surprising, as several interdependencies are likely to exist between these two sources of value creation. By exploiting the complementarities of e-business, it is possible that a firm and its employees will become more efficient by leveraging similarities in resources and capabilities. From the perspective of the customer, it is also possible that complementarities may garner perceptions of improved efficiencies due to lower search costs and improved decision-making made possible by greater access to information.

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TOWARD COMPETENCE RETENTION: A FRAMEWORK FOR THE RECONCILIATION OF ORGANIZATION-WIDE MARKETING LOGIC

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SUMMARY

There have been calls for marketing to focus on the role of competences in the competitive advantage literature. While much discussion has ensued on competence creation, this article provides a conceptual framework for future research on competence retention. Adopting the lens of marketing as an organization-wide function (Webster 1992), scientific inquiries may require an organization-wide evaluation (Kohli and Jaworski 1990). As such, this article proposes a framework that includes three integrative constructs: inter-organizational causal ambiguity, intra-organizational causal ambiguity, and rewards systems alignment. The framework proposes that the integration of these three constructs results in a triangulated isomorphism that, in turn, affects competence retention as mixed assets are mistakenly labeled as general assets (Williamson 1985) which should be procured from the market according to commonly-accepted outsourcing logic.

In this paper, “inter-organizational causal ambiguity” occurs when competitors do not comprehend the competences on which the advantage is based. However, while the strategy and management literatures indicate that this achieves the most effective barrier to imitation, they recognize that sometimes “not even managers within the firm understand the relationship between actions and outcomes” (Reed and DeFillippi 1990, p. 90). Thus, “intra-organizational causal ambiguity” refers to when functions (e.g., departments) within an organization do not comprehend the competences on which the advantage is based in the same manner. Core competences that are complex can generate both intra-firm and inter-firm ambiguity. Within the finance literature, it is commonly held that when decision authority is held by different parties, well-designed contracts are prerequisite for aligning managers’ risk attitude with shareholders (e.g., Jensen and Meckling 1976). In this paper, we use the term “rewards systems alignment” to refer to the coordination of perceived contractual valuations by managers with the interests of major stakeholders, reducing moral hazards and agency problems.

In this paper, we use the term “triangulated isomorphism” to refer to the recursive interaction of inter-organizational causal ambiguity, intra-organizational causal ambiguity, and rewards systems alignment. The term triangulated is included because of the proposed two-way interactions between all of the three constructs. The term isomorphism is included because organizations within an industry become more homogenous over time due to similar environmental exigencies (Meyer and Rowan 1977) as they attempt to “benchmark” against each other to build competences to deliver sustainable advantage (Vorhies and Morgan 2005). Consistent with Hawley (1968), we assert that institutional isomorphism is a constraining process: higher levels of isomorphism result in lower levels of organizational comparative advantage or disadvantage.

In the proposed competence retention framework, we assert that (1) the level of triangulated isomorphism is negatively associated with the degree of competence retention, [and within the triangulated isomorphism] (2) reward system alignment is positively associated with the level of intra-organizational causal ambiguity, (3) reward system alignment is negatively associated with the level of inter-organizational causal ambiguity, and (4) the level of intra-organizational causal ambiguity is positively associated with the level of inter-organizational ambiguity.

We acknowledge that this model may be improved upon by the addition or explanation of other logics. For instance, some might ask how this framework relates to dynamic capabilities (e.g., Teese and Pisano 1994). Consistent with other research on competitive advantage, dynamic capabilities focus on competence creation, in general, and new product development, in particular. Thus, the competence retention framework presented in this article subsumes dynamic capabilities. That is, our model explains under what circumstances dynamic capabilities may exist. Likewise, future research should address the relationship between intra-organizational causal ambiguity and market orientation. Obviously, intra-organizational causal ambiguity is more likely to exist at higher levels in the absence of a market orientation. However, the organizational dissemination of, and responsiveness to, information within a market orientation does not always result in the elimination of intra-organizational causal ambiguity. For the purposes of generalizing, the current model also assumes, like most other models, relationship linearity. This assumption, of course, should be explored in future research. Our model could be...
empirically tested using Structural Equation Modeling (Bagozzi 1980) that measures latent constructs and now permits Bayesian estimation of the two-way paths within the triangulated isomorphism. Last, we assert that the triangulated isomorphism in organizations can affect, as well as exist at, networks, industries, and, ultimately, nations. References available upon request.

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BEYOND MARKET ORIENTATION AS A CYBERNETIC SYSTEM: A MARKET KNOWLEDGE DIFFUSION PERSPECTIVE

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SUMMARY

A market orientation predisposes firms to react to customers rather than being a driving force of customer value. The increasing literature on the importance of proactiveness to market oriented firms suggests that proactiveness has been ignored in much of the market orientation debate. It is also apparent from the marketing literature that organizational learning and an inclination towards strategic proactiveness are important keys to successful market orientation and performance. Indeed, learning would appear central to developing “proactive” market orientations (Atuahene-Gima et al. 2005). Therefore, we identify three criticisms of the market knowledge diffusion literature: (i) approaches to characterizing organizational learning within a marketing context have not drawn upon its mature theoretical underpinnings as discussed by Huber (1991); (ii) while market orientation has been the preoccupation of many marketing strategy researchers, limited recognition has been given to its drawbacks – it represents a cybernetic system in that it focuses on assessing customers and market environments but in doing so it does not allow for proactive behaviors that punctuate the feedback from the market; and, (iii) the nature of moderators in market orientation-performance research have tended to be situational conditions but rarely have the capabilities that are required to administer effective strategic market planning been considered.

Organizational learning activities enable market orientation gains (Dickson 1996); may enhance the implementation of market orientation; and, a firm that engages in learning about clients, competition, and its environment can realize a successful market orientation (Day 1994; Slater and Narver 1995). Strategically proactive firms are more likely to undertake competitive and innovative actions. A propensity to act proactively requires firms to constantly scan for, disseminate, and apply acquired knowledge and intelligence. Learning enables strategic proactiveness by helping reduce the perceived environmental complexity which is usually associated with strategic inaction. We propose that organizational learning is positively related to market orientation (H1) and strategic proactiveness (H2).

Research suggests that market oriented firms may focus too strongly on the expressed needs of customers. When this focus is not complemented by a proactive orientation, it can limit the effectiveness of market orientation. Under-emphasis of proactiveness in firms will lead to constant reinforcement of current beliefs about exiting customers and may result in the firm ignoring or overlooking emerging market opportunities. Market intelligence activities and responsiveness are driven by and predicated by entrepreneurial behaviors that encourage proactiveness (Matsuno et al. 2002). We propose that strategic proactiveness is positively related to market orientation (H3). Further to this, we suggest that market orientation is expected to benefit performance (H4) as will an emphasis on strategic proactiveness (H5). We also suspect these relationships will be moderated by strategic marketing planning capabilities.

We generated data from a mail survey of Chief Marketing Executives (“Head of Marketing”) in U.K.-based high technology, industrial manufacturers using the Kompass Directory as the random sampling frame. A total of 149 eligible responses were received. All measures were sourced from existing literature and were examined by confirmatory factor analysis using LISREL 8. All items were entered into a single confirmatory model using the covariance matrix and maximum likelihood estimation. The model converged with acceptable fit. The items exhibited strong loadings and their associated t-values were all statistically significant. All composite reliabilities were greater than established minimum thresholds. We estimated two structural equation models. Model 1 contains Hypothesis H1 to H3. Model 2 contains hypotheses H4 to H7. Model fit statistics revealed both models showed acceptable fit. The results show support for H1, H2, H3, H4, and H6. No support was found for H5 and H7.

We draw several conclusions. Organizational learning activities of information interpretation, distribution, and knowledge acquisition are antecedents to the firm’s ability to generate and disseminate market intelligence and to respond to it. Further, firms must constantly scan for, disseminate and apply acquired knowledge and intelligence so as to act proactively. Strategic proactiveness
was shown to enable to some degree the firm’s ability to generate and disseminate market intelligence and respond to it proactively. This is consistent with the finding of Matsuno et al. (2002). Market orientation’s traditional responsive elements must be balanced by appropriate proactive dimensions if the recognized “familiarity trap” which makes the adoption of new knowledge less attractive is to be managed effectively. No support was found for the direct relationship between proactiveness and performance although market orientation was positively related. It can thus be concluded that a set of proactive strategic actions must be coupled with the firm’s ability to generate and disseminate market intelligence and to respond to it before business performance benefits can be realized. The market orientation-performance relationship is moderated by strategic marketing planning capabilities. This positive moderation is consistent with Becker and Homburg (1999) who noted planning as one of the capabilities needed to support a market orientation. Even though the historical view of planning as a formalized and rigid process is expected to hinder performance in dynamic environments, planning capabilities are actually positively contributing to market orientation effectiveness. Proactively enhanced market oriented activities are leading to strong performance when harnessed by an effective capability in strategic market planning. References available upon request.

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THE DISSEMINATION OF MARKET ORIENTATION IN SALES ORGANIZATIONS: A THREE LEVEL STUDY OF THE DIRECT AND INDIRECT INFLUENCES OF LEADERS’ MARKET ORIENTATION

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SUMMARY

Market orientation (MO) refers to a set of activities and behaviors that express the degree to which the marketing concept has been adopted as a business philosophy. Since 1990, MO has been a priority in marketing research. This body of research has generally argued that the degree to which a firm is able to instill a MO is dependent on the level of concern and responsiveness to customer needs and competitive market actions within the organization.

Irrespective of the ongoing debate between behavioral and cultural perspectives of MO it seems clear that an important aspect of the implementation of MO is to influence managers and employees at different hierarchical levels to adopt a MO in their management and selling efforts. According to Webster (1991) “employees, from the top-level executives to the operational-level workers, should have basically the same or consistent attitude toward [...] the marketing orientation of the firm” (p. 342). More specifically, it has been repeatedly stated that MO is adopted by lower level employees only if MO is emphasized at superordinate management levels. As Kohli and Jaworski (1990, p. 15) put it: “senior managers must themselves be convinced of the value of a MO and communicate their commitment to junior employees [...] junior employees need to witness behaviors and resource allocations that reflect a commitment to a MO” (emphasis in original).

This contention is one of the central substrates for managerial practice extracted from almost two decades of marketing research on MO. In line with this, Kirca, Jayachandran, and Bearden (2005) in their meta-analysis find a substantial effect for what they call “management emphasis” as an antecedent of firms’ implemented MO.

The conceptual conviction and strong empirical support evident in the literature thus seems to leave little doubt regarding management’s influence on MO, and the assumption that a strong correspondence should exist between MO at different levels of an organization. Yet, a closer analysis of existing work uncovers conceptual and empirical doubts concerning the MO dissemination assumption.

Theoretically, it is questionable whether all employees (on different levels) of an organization convey a corresponding strength of MO, and that this MO directly transfers from superordinate to subordinate under all circumstances. In a general sense there are likely to be significant differences across different levels, for example from top managers to sales managers, and from sales managers to front-line employees. These differences could be caused by myriad factors, such as differences in role expectations by all parties, or differences in control and remuneration systems to name but two. Furthermore, even within the same level there are likely to be major differences between the effectiveness of different managers at influencing the MO of their subordinates. For example, why should a poor leader – who is less able to influence in-role and extra-role attitudes and behaviors among followers in general – be just as effective in the specific case of MO dissemination as another, better, leader?

On a methodological level, the fact that almost all empirical studies have collected data at a single hierarchical level is an important issue. Although such work has made a valuable contribution to our existing knowledge the value of such work is not in question, a single level of analysis may not adequately account for the multilevel nature of organizational constructs such as MO. More specifically, if informants at one level (e.g., top management) indicate the level of MO for other levels (e.g., shop floor employees) or the whole firm, information of the subjects of other levels are ignored and the risk of a common method bias is enhanced. While increasing numbers of marketing studies are focusing on two or more levels, work investigating the multilevel nature of MO is conspicuous by its absence.

We respond to these gaps in knowledge by developing and testing a three-level (top managers, sales managers, and salespeople) framework of MO dissemination in sales organizations. Thus, our first research objective is to
investigate the transfer of MO across different hierarchical management levels (e.g., from top managers to sales managers to salespeople). Our second research objective is to investigate the contingencies that moderate the transfer of MO from superordinates to subordinates. Drawing from contemporary leadership theory, we will pay specific attention to the moderating role of charismatic leadership style on MO dissemination in a sales organization.

Thirdly, we are interested in exploring the role of structural distance between different organizational hierarchies in MO cross-level transfer. It has been previously asserted that leader-follower distance might play a role in leadership effectiveness in general. More specifically, for the case of MO development it has been suggested that structural distance might affect the quality and speed of MO dissemination.

We empirically tested a three-level framework of market orientation dissemination in sales organizations with a sample of 22 top managers, 449 field sales managers, and 1,205 salespeople. Data sets were matched via code numbers. We utilize hierarchical linear modeling to adequately account for the nested data structure of this data set.

We found that the market orientation of field sales managers directly transferred to higher customer orientation of salespeople. However, the market orientation of top managers only transferred to subordinate lower level managers when coupled with charismatic leadership. The interaction of market orientation and top managers’ charismatic leadership also indirectly influenced the customer orientation of salespeople, mediated by field sales managers’ market orientation. References available upon request.

ACKNOWLEDGMENTS

This work was supported by the German Research Foundation (WI 3146/1-1).

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STRATEGIC THINKING IN MARKETING: IMPLICATIONS FOR CURRICULUM CONTENT AND DESIGN

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SUMMARY

Marketing educators are overdue in applying the same attention and rigor to strategic thinking that they apply to strategic planning. While planning continues to be essential in an increasingly complex environment, it no longer suffices for winning in the marketplace. This paper addresses the need for strategic thinkers in marketing and how educators can respond. Alternatives for integrating strategic thinking into strategic marketing classes and curricula are identified and evaluated. Such an analysis has value for educators as they consider revisions to their individual courses and overall curricula to address the expanding role of strategic thinking in strategic marketing.

In the view of Graetz (2002, p. 457), strategic thinking and planning are “distinct, but interrelated and complementary thought processes” that must sustain and support one another for effective strategic management. Graetz’s model holds that the role of strategic thinking is “. . . to seek innovation and imagine new and very different futures that may lead the company to redefine its core strategies and even its industry” (2002, p. 457). Strategic planning’s role is “. . . to realize and to support strategies developed through the strategic thinking process and to integrate these back into the business” (2002, p. 457).

The purpose here is to present a preliminary discussion of the possible importance, nature and role of strategic thinking in marketing education. Reflecting on what is known and what is assumed about strategy in the marketing discipline – and by exploring some emerging ideas from what appear to be the frontiers of strategic thought – background can be developed for an answer to the question whether the time is right for incorporation of strategic thinking knowledge and skills into marketing curricula and classes, and what that might look like. Particular attention will be paid to the area of strategic marketing.

Strategic Thinking in Marketing

Liedtka (1998) observed five “major attributes of strategic thinking in practice” that this paper adopts as candidates for key competencies particularly relevant for strategic marketing. The first competency, a systems perspective, refers to being able to understand implications of strategic actions. A second competency underlying strategic thinking is intent focused which means more determined and less distractible than rivals in the marketplace. Thinking in time means being able to hold past, present and future in mind at the same time to create better decision making and speed implementation. A fourth strategic thinking competency is being hypothesis driven, ensuring that both creative and critical thinking are incorporated into strategy making. The final strategic thinking competency is intelligent opportunism, which means being responsive to good opportunities.

Knowledge and Skills Necessary for Competency in Thinking Strategically About Marketing

Most of the theories, tools and techniques of strategic thinking probably sound familiar, although their major literatures and research areas lie outside of marketing and their application to marketing strategy may be less well understood. Course content on thinking strategically about marketing would include these – at a minimum:

♦ Critical thinking.
♦ Creativity.
♦ Managing complexity.
♦ Strategic decision making.
♦ Strategy visualization.
♦ Strategic disruption.

Implementing Strategic Thinking Concepts Into the Marketing Curriculum

In the paper this section addresses a number of curricular and pedagogical issues that arise upon consideration of whether and how to incorporate strategic thinking into the marketing curriculum and classroom.

♦ Is strategic thinking sufficiently unique and important that it should be incorporated into the strategic marketing curriculum and classes?
♦ Is there enough consistency across strategic marketing settings to generalize about the strategic thinking competencies needed by marketers?
How could strategic thinking theory, techniques, and tools be integrated into the strategic marketing curriculum and classes?

What delivery methods are best suited to strategic thinking competency-building?

Challenges to be anticipated in incorporating strategic thinking concepts and practices into marketing curricula and courses include the following:

- There is no universal definition or agreement on just what constitutes strategic thinking.
- There is confusion over whether or not strategic thinking is sufficiently different from strategic planning to warrant specialized attention.
- Many schools may not have faculty knowledgeable and/interested in this topic.
- There is not a comprehensive, integrated textbook in the marketing literature.

References available upon request.

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ENHANCING TEACHING AND LEARNING IN THE MARKETING CORE: LEVERAGING PRACTICE IN THE CLASSROOM

Christie Nordhielm, University of Michigan, Ann Arbor
Marta Dapena-Barón, The Big Picture Partners, Ann Arbor

ABSTRACT

The article builds on the body of repetition literature to explore the value of repetition with contextual variation in increasing the efficiency and student satisfaction of MBA marketing learning. An integrated student experience is obtained through the use of repetition (given by constant referencing to a marketing framework) enhanced by variation (given by student-developed mini cases and faculty-developed simulated case studies).

INTRODUCTION

Each year teachers face a higher level of challenge in the classroom, driven by increased student expectations, pressure from administration, and the basic need not to look foolish in front of a classroom. In many cases the response to this challenge is to increase the amount of time and effort dedicated to teaching. Unfortunately, this shift naturally takes away from research time. Furthermore, there does not appear to be a strong correlation between total time committed to teaching preparation and rated teaching quality. Students are interested in learning effectually and efficiently; professors are likewise interested in teaching effectively and efficiently. Unfortunately, many teachers make the incorrect assumption that more is more – there is a direct correlation between time spent on a course and learning/teaching outcomes. For example, a going-in assumption may be that a larger syllabus and set of reading materials represents a greater contribution on the part of the course developer, and that a longer paper represents greater effort on the part of the student. In the absence of a time constraint this might be an appropriate assumption; in reality, time is an increasingly scarce resource that makes this assumption counterproductive. For students, reliance on the more is more philosophy often results in frustration; for faculty, particularly junior faculty, it can lead to misallocation of resources and eventually a downward spiral in both teaching quality and research productivity.

Over the course of seventeen years teaching a core curriculum, the authors have sought ways to enhance the quality of learning while respecting the increasing time constraints on both faculty and students. In doing so, we drew upon many important extant tools, philosophies, and learning theories. The crux of the contribution here, however, is extremely simple: marketing skill is strongly reliant on practice. Importantly, skill at teaching marketing is also best developed with practice (Brookfield 1990). While information is important, current technology makes it generally available and accessible. The added value in the marketing core course therefore comes not from the provision of information, but rather from the professors’ ability to enhance students’ ability to assess and analyze the vast information available to them. It is generally acknowledged that the development of these marketing problem-solving skills is best accomplished through task repetition (see, e.g., Anderson 1982; Fendrich et al. 1991; Hintzman and Hartry 1971; Kirsner and Speelman 1996). Unfortunately, repetition in pedagogy has developed a bad name over the years as it is associated with boredom and a “drill and kill” approach. However, it is clearly established in the literature that repetition, particularly repetition with contextual variation, is highly conducive to learning (Rowan et al. 1993; Eisenhardt 1989; Feldman 2000; Tarpy and Mayer 1978; Hintzman and Hartry 1971). In addition to the cognitive advantages to repetition, repeated practice also enables students (and professors) to increase the amount of feedback they receive while strengthening their grasp of key underlying concepts. Further, repetition with variation allows students to gain skill while avoiding boredom. Our primary goal, therefore, was to identify tools and activities that achieved repetition with variation. To do so we assessed current teaching practice in MBA programs, which consisted of a widely used text (Kotler 2002) coupled with some mix of traditional cases and lecture. We then identified areas of opportunity within each element where the amount of repetition could be increased in order to enhance skill development. The discussion that follows presents our modifications in three primary areas: (1) text and course organization, (2) case development and discussion, and (3) technology tools.

TEXT AND COURSE ORGANIZATION

The primary text being used in core MBA courses in the United States is Kotlers’ Marketing Management, now in its 12th edition. The current edition of this book is 816 pages in length in 22 chapters (and weighs 4.25 pounds). The book reflects a comprehensive approach to marketing teaching and learning – it is generally acknowledged as the most exhaustive treatment of this topic available in a textbook format and the 1st edition of the book is now 39 years old. Unfortunately, in the current
teaching environment, the comprehensive nature of this text leads to a number of challenges. Given the limited and sometimes declining contact hours dedicated to the core marketing course, it is impossible to cover the material presented in the text. The Professor has the choice of either attempting to speed through the material at a pace that does not really allow students to absorb key concepts, or to limit the number of topics covered. In this environment, the Professor is faced with the task of prioritization and omission of potential important subject areas.

While there is no doubt that the Kotler text and similar texts are important sources of marketing information, it is not at all clear that a comprehensive, information-based approach to teaching is appropriate given the dynamic nature of marketing and the challenges of classroom learning. With the amount of information about marketing increasing exponentially and the number of contact hours remaining relatively fixed, the problem is obvious. These concerns have been voiced repeatedly to the authors over the past 18 years from students and faculty alike—by all accounts the prevailing approach to marketing education, particularly in the core course, should be reconsidered. Now more than ever, students need a framework that offers a systematic way to process and analyze marketing information and problems. In response to these needs, we sought to create a new type of “textbook” that focused on the development of analytical skills through the use of such a framework approach.

The messy nature of marketing problems calls for a disciplined approach provided by a framework; at the same time, the ability to pursue a topic in greater depth opens up the possibility of discovery which is so critical to problem solving. Properly applied, the framework approach enables the student to reduce the uncertainty associated with marketing decisions, thereby increasing his or her ability to generate a wider range of potential solutions to a specific problem. Perhaps more importantly, the framework enables the student to assess his or her decisions on an ongoing basis, thereby engaging in a process of continuous learning in the area of marketing.

The Big Picture is an integrated framework that emphasizes the dynamic nature of marketing by presenting key marketing topics as a set of interrelated modules as opposed to separate chapters representing independent topics. Beginning with the high level strategic topic of business objective, it identifies areas where the student must prioritize and make key decisions, then highlights how those decisions affect other elements of the framework. The continuous referencing of the framework and numerous illustrations of key concepts using the case analysis format encourages students to actively utilize the framework for solving marketing problems and thus internalize the approach. The ten boxes presented in Figure 1 illustrate the framework overview. By working carefully through the first three boxes of the framework the student can identify the firm’s strategic location in the 2 by 2 illustrated in Figure 2. Armed with this knowledge, he or she can then consider executional decisions in a systematic, integrated way, constantly referring back to the key strategic decisions. If a disconnect is observed between executional and strategic elements, the student is able to quickly assess and recommend appropriate changes.

The framework, dubbed “The Big Picture,” is a technique for leveraging key existing marketing concepts to address current marketing problems. The purpose of the Big Picture Framework is to enable succinct, on-point analysis of classroom business cases and real life business problems alike. When facing the task of case or business problem analysis, students are often prone to experience the “too much, too little” problem. This predicament unfolds as follows: first, students may experience a kind of “brain-freeze” brought on by the overwhelming amount of information presented. Then, as the analysis proceeds, they feel increasingly frustrated at the lack of available data that might help them solve or support their specific position. Both of these effects can be mitigated by the disciplined application of a framework and a problem-solving approach. The case analysis format we have found to work best involves three steps:

1. **Identify.** Using Big Picture Framework, students work through the case and identify what strategy they believe the firm is currently undertaking. Depending on data constraints, they may have to leverage assumptions to form assumptions in certain instances. For existing cases, however, the process of identifying current strategy should be fairly straightforward, and if it is not this fact may suggest a problem with the strategy.

2. **Analyze.** After students have identified the Big Picture modules they begin to analyze the firm’s strategy. Students should seek to distinguish and prioritize potential areas of opportunity within the framework. These opportunities generally fall into two categories: problems within a module (for example, a firm choosing to pursue a steal share strategy on a variable for which they do not possess a core competence) or problems between modules (e.g., a firm attempting to implement a premium positioning while engaging in aggressive discounting in mass market outlets). When multiple weaknesses are identified, students are instructed to prioritize them in order of importance. Problems in one module of the Big Picture tend to result in a ripple-down effect of problems in multiple subsequent (further right) modules. A solution to the problem that occurs furthest left will often lead naturally to the resolution of many of the other weaknesses that have been identified.
FIGURE 1
The Big Picture Framework

FIGURE 2
Key Activity Matrix

**key activity:**

<table>
<thead>
<tr>
<th>marketing objective</th>
<th>acquisition</th>
<th>retention</th>
</tr>
</thead>
<tbody>
<tr>
<td>stimulate demand</td>
<td>attract new category users</td>
<td>increase consumption among current users</td>
</tr>
<tr>
<td>steal share</td>
<td>attract new brand users</td>
<td>increase consumption occasions among multi-brand users</td>
</tr>
</tbody>
</table>
3. **Express.** Finally, students are asked to express their recommendations based on your analysis. The writing statement needs to be clear and succinct, and well grounded in supporting arguments. It is important to note that this step is not simply a transcription task. The process of addressing the case issues in writing, and being forced to present supporting arguments, will often uncover previously undiscovered flaws of logic. In order to ensure that any weaknesses are revealed at this point (as opposed to hidden behind endless paragraphs of pretty but inevitably useless prose) the format within which the recommendations are to be expressed is quite strict, and the entire write-up is limited to 300 words. This statement is directed by a problem statement that identifies the **Goal** of the firm, the **key Impediment** to that goal (i.e., the highest-priority issue identified in the course of analysis) and the **Solution** to that impediment.

The succinct, integrated nature of this approach to problem solving forces students to unambiguously express their analysis; enabling professors to quickly assess performance and uncover opportunities for improvement. Further, because the framework is easily internalized by students, they are very quickly able to apply it “on the fly” to live marketing cases both in and out of class. This additional practice/repetition of the framework allows them to develop analytical skills quite efficiently.

**OUTCOMES: TEXT AND COURSE ORGANIZATION**

The framework and supporting text in draft form were first tested in a core course at a top MBA program in a private university in 2003. Student response was overwhelmingly positive, and a team of students volunteered to expand the draft text for publication. In 2004 the text was introduced across all core MBA marketing courses at a public university. This move represented a milestone as this was the first time professors other than the course developer had attempted to teach with these tools. Response across all six sections of the full-time core (approximately 210 students) was overwhelmingly positive, and overall ratings for the course jumped substantially over the next two years. Importantly, perceptions of how well-organized the course was went up substantially as well. Table 1 shows the coded student responses to the question: “**things you liked about this course**” from the course evaluation form for two years of teaching (approximately 420 students). Table 2 shows the coded student responses to the question: “**things you would like changed in the future.**”

Figure 3 illustrates the change in course evaluations for the core marketing course after the framework was introduced in 2004. Figure 3 illustrates how the MBA core course ratings compare to the evaluations for the MBA core courses across other departments in the business school, and to the marketing department overall.

**CASE DISCUSSIONS: THE MINI-CASE**

The second element of the core that was considered was the area of case discussions. The case method is generally accepted as a key part of any marketing curriculum (Kennedy et al. 2001). Traditionally, cases are developed by a third party (e.g., Harvard Business School, Insead, etc.) and are characterized by their substantial length and content. These cases present several challenges to students and professors as well. First, their length demands a substantial time commitment on the part of both students and professors in order to attain familiarity with the material. Second, there is a significant time commitment required on the part of the professor in order to

---

**TABLE 1**

**Student Verbatim Summary and Sample Quotes**

<table>
<thead>
<tr>
<th>What did you like?</th>
<th># Comments</th>
<th>Percent</th>
<th>Year One (Approx. 210 Students)</th>
<th>What did you like?</th>
<th># Comments</th>
<th>Percent</th>
<th>Year Two (Approx. 210 Students)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Framework</td>
<td>48</td>
<td>33%</td>
<td>Minicases</td>
<td>21</td>
<td>20%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Professor</td>
<td>24</td>
<td>17%</td>
<td>Class Structure</td>
<td>21</td>
<td>20%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Minicases</td>
<td>20</td>
<td>14%</td>
<td>Framework</td>
<td>19</td>
<td>18%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Class Structure</td>
<td>17</td>
<td>12%</td>
<td>Professor</td>
<td>16</td>
<td>15%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Class Material</td>
<td>16</td>
<td>11%</td>
<td>Everything</td>
<td>13</td>
<td>12%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Everything</td>
<td>9</td>
<td>6%</td>
<td>Class Material</td>
<td>13</td>
<td>12%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Textbook</td>
<td>7</td>
<td>5%</td>
<td>Textbook</td>
<td>2</td>
<td>2%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>4</td>
<td>3%</td>
<td>Other</td>
<td>2</td>
<td>2%</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td><strong>145</strong></td>
<td><strong>100%</strong></td>
<td></td>
<td><strong>107</strong></td>
<td><strong>100%</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
to teach the case. As any teacher will acknowledge, the first few instances of teaching a new case are generally the most stressful and also least productive in terms of learning. Presumably, each time the case is taught, the professor gains valuable experience with the material that improves his or her ability to manage the case discussion. With each passing semester, the professor’s reluctance to change the case out increases, while the temporal relevance of the case declines. The professor is inevitably faced with the choice between introducing a new case, thus increasing relevance but likely decreasing the quality of the case discussion, or keeping the old case, thus continuing to enhance the discussion as a result of repeated experience with the case while sacrificing relevance.

### TABLE 2
Student Verbatim Summary: “What Would You Like Changed?”

<table>
<thead>
<tr>
<th>What did you like?</th>
<th># Comments</th>
<th>Percent</th>
<th>What did you like?</th>
<th># Comments</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minicases</td>
<td>3</td>
<td>3%</td>
<td>More Time/Timing</td>
<td>19</td>
<td>29%</td>
</tr>
<tr>
<td>Textbook (pricing, more extensive)</td>
<td>6</td>
<td>7%</td>
<td>Nothing</td>
<td>12</td>
<td>18%</td>
</tr>
<tr>
<td>Class Materials (lecture slides . . .)</td>
<td>6</td>
<td>7%</td>
<td>Other</td>
<td>11</td>
<td>17%</td>
</tr>
<tr>
<td>Nothing</td>
<td>24</td>
<td>26%</td>
<td>Class Materials (lecture slides)</td>
<td>9</td>
<td>14%</td>
</tr>
<tr>
<td>More/Different Examples</td>
<td>8</td>
<td>9%</td>
<td>More/Different Examples</td>
<td>8</td>
<td>12%</td>
</tr>
<tr>
<td>Time</td>
<td>17</td>
<td>18%</td>
<td>Teaching Assistants</td>
<td>3</td>
<td>5%</td>
</tr>
<tr>
<td>Students</td>
<td>9</td>
<td>10%</td>
<td>Textbook Price</td>
<td>2</td>
<td>3%</td>
</tr>
<tr>
<td>Other</td>
<td>19</td>
<td>21%</td>
<td>Students</td>
<td>2</td>
<td>3%</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td><strong>92</strong></td>
<td><strong>100%</strong></td>
<td><strong>66</strong></td>
<td><strong>100%</strong></td>
<td></td>
</tr>
</tbody>
</table>

### FIGURE 3
Course Evaluations Pre and Post Framework Intro (BP Framework Introduced 2004)

Marketing Course Evaluations 2003–2005
Weighted by Number of Students
We solved this problem by attempting to retain elements that enhanced teaching/learning while eliminating elements that reduced the quality of the learning experience. This was accomplished by the introduction of Mini-cases. Mini-cases are a variety of live cases (Kennedy et al. 2001). They are length-constrained cases (3 pages plus exhibits) that are written by student teams in the course. Topics are chosen and Mini-cases are developed by the students under the direction of the professor and TA’s. This factor ensures the topical and temporal relevance of the cases; students choose topics that are current and of interest. Each student team develops a Mini-case, obtains approval from the professor, then distributes it to the class. The team then presents their own analysis of the case to the class and, with the professor’s support, leads the class discussion. Although the mini-case approach has been used before, by other faculty and in other courses, what is unique about their use here is their integration into the framework: through the use of the mini-case method, the learning of the framework is constantly reinforced, both in the preparation of their mini-case and in reviewing and “solving” other students’ mini-cases.

The mini-case concept has several salutary effects on teaching and learning. First, as stated previously, the case topics are, by definition, relevant and current. While the professor offers valuable input and direction in the choice of cases, the students make the final choice. This choice is based first and foremost on the interest of the students. Examples of past mini-cases developed cover a wide variety of industries, product types and geographies ranging from Pizza Hut in Thailand to the Volvo Ocean Race, to Whole Foods, to Egg.Com. Of course, a tremendous side benefit of this approach is the fact that the professor is automatically brought up to speed on cases of interest to marketing students. Second, the professor is not saddled with the onerous burden of taking command of a 20-page case. The time investment in learning a traditional HBS case is substantial; further, the professors’ opportunity to practice the case is limited to a few per year, and with each passing year the case becomes dated. With the mini-case approach the professor’s and students’ skill level at applying the framework increases with each mini-case. Third, because everyone in the classroom is aware that the case has just been distributed, the students know that the professor does not have a teaching note. What was previously a students-vs.-the-professor scenario, where the professor possesses “the answer” and the students are seeking to “crack the case” is now a group effort to explore and understand key issues, make predictions, test the logic of assumptions and hypotheses, and generally explore, in a non-confrontational way, key marketing issues. Fourth, because the Mini-cases are short, the class is able to analyze a much larger number of problems. Students and professor benefit from repetition with variation, as they conduct a similar marketing analysis but always on a new and interesting topic. Finally, the students experience a very strong pride of ownership in both the mini-cases and the course as a whole. This has substantial positive impact on learning and course experience (Wood 2003).

OUTCOME: MINI-CASES

Of all the modifications to course elements, the mini-cases have had possibly the greatest positive impact on both learning and teaching. Mini-cases are the number one element mentioned in response to the survey question “what would you keep about this course.” Selected verbatims regarding the framework and the mini-cases are listed in Table 3. Because the students prepare these cases themselves and then present them to the class, they commit substantial hours to the task. Not surprisingly, when they are asked to rate their course experience, the combination of the fact that they essentially co-produced the course and spent substantial hours doing so leads them to rate their course experience very highly.

From the faculty perspective, the concept of mini-cases is a bit daunting at first. The security of a teaching note is a strong incentive to stay the traditional course. However, professors who have adopted this approach quickly learn that this approach is far more efficient and effective as a teaching tool. The initial learning curve is exceptionally short and steep, and the benefits of experience with the technique continue to accrue over time.

It is important to note that this approach relies heavily on the use of the Big Picture Framework as analytical tool. The framework forces students to focus and develop a succinct analysis that can be quickly set up for the purposes of class discussion. Furthermore, as students use the framework with the mini-cases they quickly become comfortable with a common marketing vocabulary that puts everyone in the class on the same page. Students with more marketing experience may still have an advantage in the class, but this advantage is not a result of simply knowing buzzwords.

TECHNOLOGY: THE USE OF SIMULATIONS

The final element of the course is the use of technology, in particular, a web-based simulation tool. The use of simulation software in business education, both in a classroom and executive context, is well established (see Gosen 2004 for a review). However, the simulation tool here is built on the variable relationships underpinning The Big Picture framework. The Big Picture simulation is a web-based software tool based on The Big Picture framework, created in partnership with Forio Business Simulations and with financial support from Johnson and Johnson. This tool allows users to build their own interactive business case studies, for both didactic and practical decision-making purposes. The Big Picture simulation offers several points of contrast to more traditional simu-
TABLE 3
Selected Student Verbatims: Framework and Minicases

The big picture is the most organized tool I have ever used to learn marketing basics. I have a much better understanding of the subject now because of this framework.

The Big Picture framework is really helpful to understand how to address a MKT strategy/analysis. – The course is really organized and help students understand clearly the topics addressed. – The stages of the BP are always revised (in every class) for everyone to have them internalized. – It “forces” you to be prepared for each class, so in that way you learn the course better.

I like one thing which in my opinion is of crucial importance: the model is the best way to link together all the concepts that are presented to us.

Interesting concepts. I like the fact that something I’ve seen done horribly wrong (marketing at my last company) can, in fact, be organized and analyzed effectively.

Mini cases are a great way to learn by doing.

Love the mini-case idea.

Mini cases are a great way to learn by doing.

I like the fact that we design some of the learning materials (e.g., mini case).

Mini cases great way to really absorb material discussed in class.

I like the mini cases and think preparing them is a very important learning process.

It’s good to work on the mini-cases – it’s interesting and makes you think.

Mini-cases are a lot of work, but a good opportunity to practice skills learned in class.

I loved the challenge of creating a mini-case with a diverse team of colleagues.

Mini-Cases are much better than HBS cases . . . fun and a great way to learn.

The mini-case assignments. Our group spent more time on that than any other assignment to-date. However, it was a very rewarding experience and a great way to build upon what we learn in class.

Outcomes, such as Pharmasim. First, the simulation is integrated with the Big Picture framework, students opening the tool for the first time see familiar terminology and can leverage the tools they’ve already learned through lectures and in reading The Big Picture textbook to solve the simulated case studies. Second, there are relatively low adoption barriers to the simulation. The Big Picture simulation is intuitive and easy-to-use given the use of concepts already learned, the interface is very user friendly and documentation is web-based. This allows the student and professor to quickly move into the actually learning portion of the simulation. Third, the simulation, like the framework, serves as an analytical lens through which to examine any business problem, and as such it supports not one case study in a specific industry but an unlimited number of case studies in a variety of industries. Finally, because the overall design idea of The Big Picture simulation is to cement the learning of The Big Picture fundamental concepts through repetition, the simulated case studies are designed to be played in thirty minute or one hour increments, and students, at the option of the faculty teaching the course, can run a case study multiple times to try out and learn from the implementation of alternative strategies.

OUTCOME: SIMULATION

The simulation was introduced at the end of the semester in 2005. Student feedback was quite positive; the primary concern expressed among the students was that
they were not given enough opportunities to use the simulation. Many students expressed surprised at the fact that they struggled initially to translate framework decisions into executional decisions in the simulation. This was a primary goal of the simulation; given the strong strategic focus of the class, it offered an efficient means of exploring executional issues without losing sight of the strategy.

CONCLUSION

The three elements of the core course described above are consonant with Smith and Van Doren’s 2004 four pedagogical assertions underlying the reality-based learning method. In this article the authors challenge professors to (1) ensure the purpose of each activity is student learning; (2) ensure the student is responsible for learning in each activity; (3) ensure each activity draws on knowledge and skills beyond the classroom and discipline; and (4) ensure transferability of learning from the activity to outside the classroom. We believe that these objectives are accomplished by the application of a simple principle: practice makes perfect. The course elements described above were developed in order to enable students and teachers of marketing to practice the art and science of the profession in a systematic fashion across the widest variety of contexts.

ENDNOTES

1 The latest edition of this text is coauthored by Philip Kotler and Kevin Lane Keller.
2 A detailed description can be found online at www.bigpictureonline.com

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WHAT INFLUENCES SALARY OF FIRST FACULTY POSITIONS IN MARKETING?

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Julie A. Guidry, Louisiana State University, Baton Rouge

SUMMARY

Despite the importance of the initial faculty placement, there is little scholarly research on the characteristics a candidate needs to obtain a competitive job offer in the marketing field. Such analysis will be useful to marketing academics at all career stages – particularly to candidates who are preparing to seek their first postdoctorate faculty position and to faculty search committee members.

Thus, the objective of this study is to determine the factors that influence the 9-month salary of a first-year tenure-track faculty member in marketing at a U.S. institution. To meet the objective, we collect and analyze survey data from doctoral candidates who were hired for their first tenure-track position in marketing. Specifically, the data used in our analysis was collected via the “Who Went Where” survey in 2005 and 2006. This annual survey, conducted by the Doctoral Student Special Interest Group (DocSIG) of the American Marketing Association, collects information on the job process, job characteristics (including salary), and candidate characteristics of doctoral candidates who were hired for their first tenure-track position in marketing.

To extend findings on placement success from other business fields, we introduce additional factors that may influence salary that have not been addressed in previous research. The variables included in the survey that we believed influence nine-month salary were (1) the doctoral candidate’s publication record, (2) the status of his/her dissertation, (3) teaching experience (measured by the number of sections one taught while in the doctoral program), (4) years in the doctoral program prior to beginning their job search, (5) managerial experience, (6) whether the candidate was an AMA-Sheth Doctoral Consortium attendee, and (7) number of letters of application the candidate sent out during the job search process.

Key findings include that A-level publications and A-level manuscripts submitted explain the most variance in salary. That is, candidates that enter the interview process with A-level journals accepted command the highest salaries. Candidates that have submitted papers to A-journals also command higher salaries.

The results also reveal that publication record is not the only influential variable on salary. Variables that indicate a candidate’s progress in the doctoral program and his or her professional development also impacts salary. We find that dissertation status has a curvilinear impact on salary. Specifically, the results indicate that those candidates who had defended their dissertation proposal and had collected data for their dissertation were paid significantly higher salaries than those who had (1) not defended their proposal, (2) defended their proposal, but had not collected data, and (3) defended their dissertation. In fact, candidates that had defended their dissertation commanded the lowest salary. The data also revealed that the number of years a candidate is in the doctoral program and whether a candidate attended the AMA-Sheth doctoral consortium had a positive impact on salary.

Other variables had little to no positive relationship with salary. B-level publications and conference papers/presentations did not significantly influence salary. Additionally, a candidate’s years of managerial experience and the number of application letters/packets sent to prospective employers did not influence salary. Interestingly, teaching experience had a negative effect on salary. This finding may be explained by doctoral students’ time allocations between teaching and research; the students that had fewer teaching responsibilities may have had more time to develop their research stream before interviewing.
WHAT INFLUENCES SALARY OF FIRST FACULTY POSITIONS IN MARKETING?

Angeline G. Close, University of Nevada Las Vegas, Las Vegas
Julie A. Guidry, Louisiana State University, Baton Rouge

SUMMARY

Despite the importance of the initial faculty placement, there is little scholarly research on the characteristics a candidate needs to obtain a competitive job offer in the marketing field. Such analysis will be useful to marketing academics at all career stages – particularly to candidates who are preparing to seek their first post-doctorate faculty position and to faculty search committee members.

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EMPLYING MEASURES OF SOCIETAL MARKETING BENEFICENCE TO BETTER GAUGE CONSUMER WELL-BEING IN DEVELOPING COUNTRIES

Mark Peterson, University of Texas at Arlington, Arlington
Ahmet Ekici, Bilkent University, Turkey

SUMMARY

The purpose of this research is to develop measures of societal marketing beneficence to better gauge consumer well-being (CWB) in developing countries. Such reliable macromarketing measures are needed at this stage of CWB research in order to accurately guide the development of theoretical frameworks that include both the antecedents and consequences of CWB. In this way, this research is intended as a response to Malhotra’s (2006) recent critique of QOL research.

Malhotra began his criticism of CWB and QOL research by posing questions about whether the two constructs are distinct, and in what way are they related to each other. Accordingly, we investigate these two constructs and their relationship in our study. But we begin our work by using a theoretical framework for QOL marketing developed by Lee and Sirgy (2004) in order to guide our investigation of societal marketing beneficence and consumer well-being.

Lee and Sirgy (2004) conceptualized QOL Marketing as having two dimensions: marketing beneficence, and marketing non-maleficence (doing no harm). Marketing beneficence is evident in marketing efforts intended to enhance consumer well-being. Such marketing efforts can be seen in the decisions of firms to select markets, and to implement the marketing mix (product, price, distribution, and promotion). Importantly, in Lee and Sirgy’s conceptualization, consumer well-being is a consequence of marketing beneficence.

Our study focused on measuring societal marketing beneficence, CWB and QOL in the context of a developing country. Toward this end, Turkey was chosen as a setting of the study. The survey procedures used in this study resulted in 222 usable surveys.

Common factor analysis was conducted with a pooled set of 28 items, which included items from Gaski and Etzel’s (1986) Index of Consumer Sentiment toward Marketing served as the source of items addressing macro-level assessments of marketing practice covering price, promotion and distribution. Additionally, three items addressing the shopping experiences, products and services that consumers want and that business provide were included as representing the business provision construct. Finally, the 5-item Satisfaction with Life Scale was included in order to assess the distinctiveness of CWB and QOL constructs. Covariance analysis using AMOS 5 was then used to evaluate the factor structure of the 12 marketing beneficence items, and to estimate the four factors of the proposed confirmatory factor analysis model. As the final step, CWB was derived by using a second-order factor analysis approach.

| TABLE 1 |
|------------------|------------------|
| **Reliabilities for the Constructs in the Final Model** | |
| **Business Provision** | Cronbach’s α = .85 |
| Q1. Businesses provide the shopping experiences I want. | |
| Q2. Businesses provide the goods I want. | |
| Q3. Businesses provide the services I want. | |
| **Non-Annoying Advertising** (reversed coded) | Cronbach’s α = .77 |
| Q4. Most advertising is annoying. | |
| Q5. Most advertising makes false claims. | |
| Q6. Most advertising is intended to deceive rather than inform. | |
| **Fair Price** | Cronbach’s α = .73 |
| Q7. Most prices are reasonable given the high cost of doing business. | |
| Q8. Most prices are fair. | |
| Q9. In general, I am satisfied with the prices I pay. | |
**TABLE 1 (CONTINUED)**

<table>
<thead>
<tr>
<th>Retail Service</th>
<th>Cronbach’s α = .74</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q10.</td>
<td>Most retail stores serve their customers well.</td>
</tr>
<tr>
<td>Q11.</td>
<td>I find most retail salespeople to be very helpful.</td>
</tr>
<tr>
<td>Q12.</td>
<td>Most retailers provide adequate service.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>QOL</th>
<th>Cronbach’s α = .84</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q13.</td>
<td>In most ways my life is close to my ideal.</td>
</tr>
<tr>
<td>Q14.</td>
<td>The conditions of my life are excellent.</td>
</tr>
<tr>
<td>Q15.</td>
<td>I am satisfied with my life.</td>
</tr>
<tr>
<td>Q16.</td>
<td>So far I have gotten the important things I want in life.</td>
</tr>
<tr>
<td>Q17.</td>
<td>If I could live my life over, I would change almost nothing.</td>
</tr>
</tbody>
</table>

**REFERENCES**


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CORPORATE SOCIAL RESPONSIBILITY EFFORTS IN CANADA: 
A STUDY OF CORPORATE WEB SITES

Debra Z. Basil, University of Lethbridge, Lethbridge 
Jillian Erlandson, University of Calgary, Calgary

SUMMARY

Corporate Social Responsibility (CSR) has been defined in many ways (see Davis and Blomstrom 1975; Holmes and Watts 2000; Maignan and Ralston 2002). These definitions consistently include the notions that CSR involves (1) benefitting society in ways that may not directly benefit the company’s financial position and (2) attending to the needs of a variety of organizational stakeholders. The present research examines CSR as it is presented on the Web sites of Canadian companies.

Companies are increasingly becoming involved with socially responsible endeavors (Cone/Roper 1999). To assess the trend related to CSR on Canadian Web sites, a longitudinal approach is taken in this research. CSR expressed on company Web sites is examined for the years 2003 and 2006, in order to gain a perspective on change as well as prevalence.

CSR participation and expression varies by country. (Maignan and Ralston 2002). As such, this research seeks to examine the types of CSR activities expressed on Canadian companies’ Web sites, in order to better understand expressions of CSR practices in Canada. The high level of Web use in Canada (NUA 2005) makes Web sites a natural choice for companies wishing to disseminate information regarding their CSR activities.

Research regarding the financial value of CSR activity for a company has been mixed. Some research shows a relationship between CSR participation and various measures of profitability and company performance (see IBM 1991 as cited in Caudron 1994; Margolis and Walsh 2001; Waddock and Graves 1997). Others have questioned this relationship (McWilliams and Siegel 2000). The present research contributes to this line of inquiry by assessing the relationship between profitability and self-presentations of CSR activities as posted on company Web sites.

CSR activities can take a variety of forms. Adapting a categorization scheme from previous research (see Waddock and Graves 1997), activities are grouped together based upon whether the focus is external (e.g., benefitting a charity or a cause) or internal (e.g., addressing employees or company operations).

An internal CSR focus suggests efforts to address a company’s policies and procedures to ensure ethical operations. Recent corporate scandals such as Worldcom and Enron have shifted consumer focus to issues of ethics. Perhaps in response, companies appear to be increasing their emphasis on ethics (see Verschoor 2006). As such an emphasis on internal CSR efforts is expected, to increase confidence in a company’s ethical stance.

Method

This research sampled Canadian company Web sites in 2003 and 2006. In 2003, a systematic sample of 200 companies was selected from The Canadian Report on Business’ Top 1000 for 2002. These Web sites were re-analyzed in 2006.

A coding scheme of seven relevant CSR activities was developed in advance, adapted from the scheme used by Maignan and Ralston (2002). The categories were cause-related marketing, code of ethics, sponsorships, charitable donations, employee volunteerism program, environmentalism and health and safety policies. In both years two coders were used. The first coder assessed all Web sites, and the second assessed a portion of the Web sites. Inter-coder reliability ranged from excellent to acceptable.

Results and Discussion

A significant increase in the presentation of CSR activities on company Web sites is evident over the three-year time period studied. This increase is strongest for internally focused CSR activities. In particular, a tremendous increase in the presentation of a code of ethics on company Web sites is evident. It appears that companies are attempting to present themselves as socially responsible, and that these efforts are focused on addressing concerns about internal operations.

These results demonstrate that more financially successful firms present themselves as more socially responsible. This was true for three different measures of company success: an overall ranking, company profit, and total revenue. It is unclear whether participating in CSR makes a company more profitable, whether more profitable companies embark upon CSR activities, or whether
more profitable companies are more likely to present their CSR activities publicly. In any case the positive relationship between presenting CSR activities on the Web site and company success appears strong. Since this research addresses company self-presentation rather than actual behavior, a follow up study assessing the relationship between actual behavior and company success would be valuable. References available upon request.

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A COMPARISON OF PRINT ADVERTISEMENTS FROM EGYPT, LEBANON, KUWAIT, SAUDI ARABIA, UNITED ARAB EMIRATES, AND THE UNITED STATES

Morris Kalliny, University of Missouri – Rolla, Rolla
Anshu Saran, University of Texas of the Permian Basin, Odessa
Caroline Fisher, University of Missouri – Rolla, Rolla
Gilberto De Los Santos, University of Texas – Pan American, Edinburg
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ABSTRACT

This study examines cultural differences between the United States and the Arab world regarding low/high context, collectivism/individualism, time orientation and man’s relationship with nature in print advertising. Study reveals that the main differences between the United States and the Arab world include cultural values that are embedded in religious values and beliefs.

INTRODUCTION

The review of the literature indicates that in spite of globalization and its wide spread, the pros and cons of international advertising and adaptation versus standardization in particular continue to be debated (Agrawal 1995; Cervellon and Dube 2000; Hill and Shao 1994; Solberg 2001; Papavassiliou and Stathakopoulos 1997; Zhou and Belk 1989). The purpose of this study is to investigate cultural differences between the U.S. and the Arab world by investigating differences in newspaper advertising appeals. Specifically, this study investigates advertising appeals conveyed in newspaper advertising in a representative sample of the Arab world including: Egypt, Lebanon, Kuwait, Saudi Arabia, United Arab Emirates, and the United States.

Abernethy and Franke (1996) found 40 out of 59 content analysis studies dealt with the United States media and concluded, “Much less is known about advertising information in other countries. For example, no study has examined the advertising information in any African nation, any part of the Middle East other than Saudi Arabia, or any of the ‘economies in transition’ associated with the former USSR” (p. 15). Elbashier and Nicholls (1983, p. 68) stated that, “it is perhaps somewhat surprising that academics have not gone further and attempted to examine the impact of cultural differences in Arab countries on marketing, as there is a considerable field of literature suggesting that several aspects of ‘the marketing mix’ are culturally sensitive.” An extensive review of the literature suggests that the situation has not changed substantially. To the best of our knowledge, there have been only two studies (Al-Olayan and Karande 2000; Kalliny 2006) that compared magazine advertisements and TV advertising of some Arab countries and the United States. To the authors’ knowledge, there has not been a single study that compared newspaper advertising of the Arab world to the United States or to any other nation.

RESEARCH HYPOTHESES

Understanding the nature and influences of cultural differences is central to international marketing. Man throughout the ages has been trying endlessly to simplify and organize his environment to be able to have a better understanding of it. Over the years, a number of social scientists attempted to discover a generalized framework of culture to assist in explaining cultural differences. Because there are hundreds of values by which societies and cultures could be compared, organization of cultural values into a manageable number of dimensions is vital. Gannon (1994) argued that cultural dimensions can be used as instruments to compare and cluster cultures according to behavioral characteristics.

High and Low Context

Hall’s 1976 theory of high versus low context culture has been used frequently to understand and explain cultural differences (see Cho, Up Kwon, Gentry, Sunkyu, and Kropp 1999; Hall and Hall 1989; Lin 1993; Miracle, Chang, and Taylor 1992; Mintu-Wimsatt and Gassenheimer 2000; Mueller 1987). Hall (1976, p. 91) describes the difference between high and low context cultures as:

A high-context communication or message is one in which most of the information is either in the physical context or internalized in the person, while very little is in the coded, explicit, transmitted part of the message. A low context communication is just the opposite; i.e., the mass of the information is vested in the explicit code. Twins who have grown up together can and do communicate more economically than two lawyers in a courtroom during a trial.
The Arabic language is one of the richest languages in both context and code (Kanso 2001). Arabs are more conscious of their language than any people in the world (Hourani 1983) and that the Arabic language plays a vital role in constituting the Arab identity (Barakat 1993). The Arabic language holds a high place among the Muslim believers because it is the language of the Koran and the language used in prayers throughout the Muslim world. The Arab culture is high context, meaning the communication style is embedded in the context of the message, therefore the listener must understand the contextual cues in order to interpret the meaning of the message.

On the other hand the American culture is low-context. U.S. customers rely more on direct communication. Biswas et al. (1992) and Mueller (1987) argued that because American consumers are interested in more information and details, the American consumer seeks more information from ads. The American communication style requires clarity of communication which is evidenced by the many expressions such as: “Say what you mean,” “Don’t beat around the bush,” and “Get to the point.” Thus, we propose:

H1: Advertising appeals in the Arab newspaper advertisements will be more high-context, whereas U.S. newspaper advertisements appeals will be more low-context.

Individualism/Collectivism

Hofstede (1984) describes individualism as the assumption that individuals should take care of themselves. In collectivistic societies, people are integrated into strong and cohesive in-groups which care for them in exchange for a high degree of loyalty. Collectivists are more willing than individualists to sacrifice their personal goals for group’s goals (Perea and Slater 1999). Additionally, social norms are very important in guiding the behavior of individuals in collectivist societies. In individualistic cultures, it is expected that people will try to gain attention for themselves and get credit for their achievements.

Triandis (1995) found that individualism-collectivism influences the individual’s communication style. For example, collectivists are likely to say “what is mine is yours” whereas individualists are likely to stress that “what is mine is not to be used without my permission.” In addition, collectivists are likely to employ “we” but individualists are likely to employ “I” in speech. Moreover, the interpretation of the message in a collectivist society is often dependent on the context such as tone of voice and body language. Collectivists are likely to avoid confrontation and feelings of others are stressed in communication.

Hofstede (1991) reported that the United States was the most individualistic country among the 53 countries analyzed, with a score of 91 on a 100-point scale. The Arab world; however, scored 38 on this individualistic dimension. Members of Arab culture have a high need for affiliation and value mutual dependence (Yousef 1974). Success is measured by what one does for his/her family rather than individual earnings or achievement. Consequently, loyalty to one’s primary group is an integral part of Arab culture. This sense of loyalty is exemplified by this Arab proverb, “I against my brother; my brother and I against my cousins; I, my brother, and my cousins against the outsider” (Bates and Fratkin 2003, p.272). Thus:

H2: Arab newspaper advertisements appeal will be more collectivistic compared to their U.S. counterparts.

Time Orientation

The time orientation dimension is concerned with whether cultures are primarily oriented toward the past, the present, or the future. Kluckhohn and Strodbeck (1961) argue that one’s time orientation is a product of one’s socialization and that time orientation is one major cultural value varying across cultures. Kluckhohn and Strodbeck (1961) identified three types of time orientation: past-time orientation, present-time orientation, and future-time orientation. Cultures that have a past-time orientation are likely to emphasize respect for tradition and belief that the way things have always been done is the way they should continue.

Kluckhohn and Strodbeck (1961) point out that the U.S. is a very future oriented society. Members of this society tend to be optimists, believing that the future will bring good things and members of this culture are oriented toward that eventuality. Thus, members of this culture plan for the future and look forward to it. In doing so, they exert an effort to be ahead in time and strive to conquer the future. This dimension has been used to explain cultural differences across countries. For example, Yau (1988) noted that the values of past-time orientation imply that the Chinese tend to have great brand loyalty and unless the product or brand being used proves very unsatisfactory, they are not likely to switch to other brands or products. Mueller (1987) found Japanese advertising to have a greater tendency to reflect tradition compared to U.S. advertising.

The basis of the Arab culture goes back thousands of years. Before the introduction of Islam in the seventh century AD, many of the Arab countries such as Egypt have already been in existence for thousands of years. As a result, the Arabs have a long history and traditions.
Khalid (1977) stated that some of the recurring themes within the Arab value system are those of group cohesion, personal and family honor and self-respect, and the idolization of Arab tradition, language, and creed. Therefore, Arabs are likely to emphasize respect for tradition and belief that the way things have always been done is the way they should continue. Thus:

H3: Appeals in Arab newspaper advertisements will be more past time-oriented, whereas U.S. newspaper advertisements appeal will be more future-time-oriented.

Human Relationship with Nature

This dimension measures the degree to which people are oriented toward nature and suggest three relationships between man and nature: subjugation-to-nature, harmony-with-nature, and mastery-over-nature. Subjugation to nature suggests the belief that nothing can be done to control nature and its fate must be accepted because man is dominated by nature (Carter 1991). From this perspective, man is to adhere to the natural forces and not fight them, for fighting them will only result in a wasteful effort. Therefore, nature guides one’s life. Harmony with nature suggests the belief that man is one with nature and nature is man’s partner in life. The mastery over nature preference suggests that humans are separate from the physical, mechanical, and rational world. Therefore, the world (natural forces) is an object that can be controlled and modeled for human benefit (Carter 1991). From this perspective, man is to conquer nature.

Kluckhohn and Strodtbeck (1961) noted that the U.S. is more prone to emphasize mastery over nature while many African cultures tend to be subjugated to nature. To most of the U.S. population, the expression, “you can do it” and “nothing is impossible” is not a metaphor symbolizing the impossible, but rather an optimistic view based on past experiences. Therefore, in the U.S. culture, it is the individual’s responsibility to overcome whatever obstacles may come his/her way to achieve one’s goals. Thus, the correct course of action would be to challenge nature and change it to fit one’s needs. In contrast, in those cultures that believe man is subjugated to nature tend to emphasize expressions such as, “God willing” or “it is God’s will.” Therefore, there is nothing that man can do to change the course of events and nature is not to be challenged. In these cultures man is to adapt to nature rather than change natural events to fit one’s needs.

Ajami (1976) stated that the Arab culture has always viewed the world with a large measure of fatalism. There is a wide spread belief in the Arab world that man’s destiny has already been determined by God. No wonder expressions such as, “Inshallah” meaning “God willing” is probably one of the most frequently used expressions in the daily life of an Arab. Thus, we propose:

H4: The Arab newspaper advertisements will contain more of subjugation to nature appeals compared to their U.S. counterparts.

METHODOLOGY

One of the main objectives in our sampling procedure is to obtain a representative sample of the Arab countries. It is our hope that this study will point out not only similarities and differences between the Arab countries and the United States, but also point out differences and similarities among the Arab states. Three factors were taken into consideration in the selection process: (1) The cultural commonalities and differences between the Arab states. Our objective is to get a representative sample of the Arab world that would include various cultural and religious backgrounds. (2) The geographical location of the Arab States. As stated previously the Arab countries are located in Africa and Asia and we wanted to include a sample of both. (3) The economic importance of each state. Based on these factors, five Arab countries were selected (Egypt, Lebanon, Kuwait, Saudi Arabia, and the United Arab Emirates).

Sampling Method

Two main criteria were developed in selecting newspaper advertisements. First, each newspaper chosen was either the leading newspaper or one of the leading newspapers in each country. Second, the newspaper had to be a daily newspaper. Because not much information is available to help in the evaluation of each newspaper in the Arab countries included in the analysis, a consultation with the embassy of each country was conducted and the following newspapers were selected: (Al-Ahrarn from Egypt, Al-Nahar from Lebanon, Al-Watan from Kuwait, Al-Watan from Saudi Arabia, Al-Bayan from U.A.E, and U.S. Today from the U.S.). Issues from April 1, 2005 to April 15, 2005 were considered. A total of 900 ads were analyzed where 150 ads were taken from each country in the sample. A stratified sample was selected whenever possible to cover a wide range of products.

Coding Procedure

The U.S. ads were coded by three U.S. undergraduate students. Three bilingual Middle Eastern students, two graduates and one undergraduate coded the Arab sample. Following the suggestion of previous studies (Kassarjian 1977; Perreault and Leigh 1989; Stempel and Westley 1989), the percentage of agreement among the three coders was calculated. The number of times coders were in agreement was divided by the total number of ads...
coded. Consistent with the procedures of Gilly (1988) and Schneider and Schneider (1979), disagreements among the coders were settled via discussion and consensus. The inter-rater reliability was calculated using the percentage of similar classifications for all ads. Duplicate ads were eliminated to increase product category.

RESULTS

A 150-newspaper advertisements were analyzed from each country included in this study. Table 1 presents a detailed description of the distribution of sample advertisements according to product category. The most frequently advertised product in the Egyptian, Lebanese, Kuwaiti, and U.S. A newspaper sample is automobiles with 27 percent, 14 percent, 25 percent, and 27 percent respectively. The most frequently advertised product in the Saudi newspaper sample is watches with 31 percent while the most frequently advertised product in the U.A.E. is health/insurance with 21 percent. Alcoholic products (2%), cellular phone (14%), and food (4%) appeared more frequently in the Egyptian sample than in any other. Tobacco products (2.6%) appeared more frequently in the Lebanese sample than in any other while cosmetics (7.3) appeared more frequently in the Kuwaiti sample than any other. In the Saudi sample, credit cards (4.6%), hair care products (8%), and watches (31%) appeared more frequently than in any other sample while in the U.A.E. sample, health/insurance (14.0%) appeared more frequently than in any other sample. Finally, computers/ printers (10%) and medicines (8%) appeared more frequently in the U.S.A. sample than in any other. For a detailed description of the sample distribution, see Table 1.

Hypothesis 1 stated that advertising appeals in the Arab newspaper advertisements will be more high-context, whereas U.S. newspaper advertisement appeals will be more low-context. As Table 2 indicates, all the Arab counties, except for Kuwait, scored significantly higher than the U.S. on the high context which indicates support for hypothesis 1. The U.S. scored higher than all the Arab countries and the difference was significant in most cases on the low context appeals, which also indicate support for hypothesis 1.

Hypothesis 2 stated that Arab newspaper advertisements appeal will be more collectivistic compared to their U.S. counterparts. There were no significant difference between the U.S. and the Arab countries, except for U.A.E. where the U.S. scored significantly higher, on the

<table>
<thead>
<tr>
<th>Product Category</th>
<th>Egypt</th>
<th>Lebanon</th>
<th>Kuwait</th>
<th>Saudi</th>
<th>U.A.E</th>
<th>U.S.A</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Alcohol</td>
<td>3 (2.0%)</td>
<td>0 (0.0%)</td>
<td>1 (0.6%)</td>
<td>0 (0.0%)</td>
<td>0 (0.0%)</td>
<td>0 (0.0%)</td>
</tr>
<tr>
<td>2. Automobiles</td>
<td>27 (18%)</td>
<td>14 (9.0%)</td>
<td>25 (16.6%)</td>
<td>10 (6.6%)</td>
<td>4 (2.6%)</td>
<td>27 (18.0%)</td>
</tr>
<tr>
<td>3. Cellular phone</td>
<td>14 (9.0%)</td>
<td>3 (2.0%)</td>
<td>2 (1.3%)</td>
<td>3 (2.0%)</td>
<td>4 (2.6%)</td>
<td>7 (4.6%)</td>
</tr>
<tr>
<td>4. Coffee/tea</td>
<td>0 (0.0%)</td>
<td>0 (0.0%)</td>
<td>1 (0.6%)</td>
<td>1 (0.6%)</td>
<td>0 (0.0%)</td>
<td>0 (0.0%)</td>
</tr>
<tr>
<td>5. Credit/card</td>
<td>4 (2.6%)</td>
<td>4 (2.6%)</td>
<td>5 (3.3%)</td>
<td>7 (4.6%)</td>
<td>0 (0.0%)</td>
<td>5 (3.3%)</td>
</tr>
<tr>
<td>Banking</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6. Cosmetics</td>
<td>2 (1.3%)</td>
<td>3 (2.0%)</td>
<td>11 (7.3%)</td>
<td>6 (4.0%)</td>
<td>3 (2.0%)</td>
<td>0 (0.0%)</td>
</tr>
<tr>
<td>7. Computer/</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>printer/software/</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>internet</td>
<td>5 (3.3%)</td>
<td>6 (4.0%)</td>
<td>0 (0.0%)</td>
<td>7 (4.6%)</td>
<td>2 (1.3%)</td>
<td>15 (10.0%)</td>
</tr>
<tr>
<td>8. Hair care</td>
<td>0 (0.0%)</td>
<td>0 (0.0%)</td>
<td>5 (3.3%)</td>
<td>12 (8.0%)</td>
<td>0 (0.0%)</td>
<td>0 (0.0%)</td>
</tr>
<tr>
<td>9. Health insurance</td>
<td>2 (1.3%)</td>
<td>2 (1.3%)</td>
<td>8 (5.3%)</td>
<td>0 (0.0%)</td>
<td>21 (14.0%)</td>
<td>2 (1.3%)</td>
</tr>
<tr>
<td>10. Laundry/soap</td>
<td>1 (0.6%)</td>
<td>0 (0.0%)</td>
<td>0 (0.0%)</td>
<td>0 (0.0%)</td>
<td>0 (0.0%)</td>
<td>0 (0.0%)</td>
</tr>
<tr>
<td>11. Medicines</td>
<td>2 (1.3%)</td>
<td>0 (0.0%)</td>
<td>0 (0.0%)</td>
<td>4 (2.6%)</td>
<td>4 (2.6%)</td>
<td>12 (8.0%)</td>
</tr>
<tr>
<td>12. TV/VCR</td>
<td>3 (2.0%)</td>
<td>0 (0.0%)</td>
<td>1 (0.6%)</td>
<td>0 (0.0%)</td>
<td>0 (0.0%)</td>
<td>3 (2.0%)</td>
</tr>
<tr>
<td>13. Tobacco</td>
<td>0 (0.0%)</td>
<td>4 (2.6%)</td>
<td>0 (0.0%)</td>
<td>0 (0.0%)</td>
<td>0 (0.0%)</td>
<td>0 (0.0%)</td>
</tr>
<tr>
<td>14. Toothpaste</td>
<td>0 (0.0%)</td>
<td>0 (0.0%)</td>
<td>0 (0.0%)</td>
<td>0 (0.0%)</td>
<td>0 (0.0%)</td>
<td>0 (0.0%)</td>
</tr>
<tr>
<td>15. Watches</td>
<td>6 (4.0%)</td>
<td>3 (2.0%)</td>
<td>1 (0.6%)</td>
<td>31 (20.6%)</td>
<td>0 (0.0%)</td>
<td>1 (0.6%)</td>
</tr>
<tr>
<td>16. Contraceptive</td>
<td>0 (0.0%)</td>
<td>0 (0.0%)</td>
<td>0 (0.0%)</td>
<td>0 (0.0%)</td>
<td>0 (0.0%)</td>
<td>0 (0.0%)</td>
</tr>
<tr>
<td>17. Food</td>
<td>6 (4.0%)</td>
<td>0 (0.0%)</td>
<td>2 (1.3%)</td>
<td>4 (2.6%)</td>
<td>1 (0.6%)</td>
<td>3 (2.0%)</td>
</tr>
<tr>
<td>18. Other</td>
<td>78 (52%)</td>
<td>111 (74%)</td>
<td>88 (58.6%)</td>
<td>71 (47.3%)</td>
<td>111 (74%)</td>
<td>76 (50.6%)</td>
</tr>
<tr>
<td>Total</td>
<td>150</td>
<td>150</td>
<td>150</td>
<td>150</td>
<td>150</td>
<td>150</td>
</tr>
</tbody>
</table>
collectivistic dimension. Therefore, hypothesis 2 was not supported.

Hypothesis 3 posited that advertising appeals in Arab newspaper advertisements will be more past-time-oriented, whereas U.S. newspaper advertisements appeal will be more future-time-oriented. The U.S. scored higher than all the Arab countries, except for Egypt, on the past time orientation. On the future time orientation, the U.S. scored higher than Lebanon, Saudi and the U.A.E. but lower than Egypt and Kuwait. Therefore, there is partial support for hypothesis 3.

Hypothesis 4 stated that the Arab newspaper advertisements will contain more of subjugation to nature appeals compared to their U.S. counterparts. Advertising appeals related to subjugation to nature were virtually absent in both the U.S. and the Arab sample, except for Lebanon; therefore, hypothesis 4 was not supported.

DISCUSSION AND CONCLUSION

This study provides some interesting results not only in regard to the differences and similarities between the Arab countries and the United States but also in regard to differences among the Arab states. There were significant differences between the U.S. and the Arab states in regard to high versus low context communication in advertising appeals. The difference was consistent across the entire sample. This was not the case with regard to the other advertising appeals where significant differences existed between the United States and the Arab states but also among Arab states. This probably has to do with the argument that the Arab identity has been seen as based primarily on language since its inception (Barakat 1993). Language is one of the most influential unifying forces in the Arab world. Unlike religion, sociopolitical experiences, economic interests, language is unified throughout the Arab world. This is not to say there are no variations in the Arabic language for there are about 20 different dialects (Al-Olayan and Karande 2000) but to say that the foundation of the language are the same. In spite of these variations, the communication styles are similar in most cases due to the strong ties between Islam and the Arabic language. Therefore, this study points out that communication styles are one of the main differences in advertising appeals between the United States and the Arab world.

Another significant difference between the United States and the Arab world is the use of exaggerations. Exaggerations were higher in the U.S. sample compared to the Arab sample. Although exaggerations such as I did this, (whatever it is a person is doing) a million times are common in Arab states such as Egypt, these expressions are never taken literally. There is a common understanding that when a person uses such expressions, he/she is only trying to emphasize a point without actually giving an account of how many times he or she has tried to do something. By looking only to such common expressions, one can easily be mislead to think that presenting inaccurate information in advertising may be acceptable in the Arab culture. Barakat (1993) stated that Arab culture is viewed as basically religious in form and literary in expression. Islam stresses that people be truthful and honest in their communication with others. An advertisement that uses exaggeration may be viewed as lying and

<table>
<thead>
<tr>
<th>Appeal</th>
<th>USA N=150</th>
<th>Egypt N=150</th>
<th>Mean Difference</th>
<th>Lebanon N=150</th>
<th>Mean Difference</th>
<th>Kuwait N=150</th>
<th>Mean Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Collectivistic</td>
<td>1.20</td>
<td>1.19</td>
<td>0.01</td>
<td>1.08</td>
<td>0.12</td>
<td>1.06</td>
<td>0.14</td>
</tr>
<tr>
<td>Individualistic</td>
<td>1.49</td>
<td>1.53</td>
<td>-0.04</td>
<td>1.65</td>
<td>-0.16</td>
<td>1.30</td>
<td>0.19</td>
</tr>
<tr>
<td>Past Time</td>
<td>1.15</td>
<td>1.26</td>
<td>0.11</td>
<td>1.02</td>
<td>0.13**</td>
<td>1.09</td>
<td>0.04</td>
</tr>
<tr>
<td>Present Time</td>
<td>1.42</td>
<td>1.17</td>
<td>0.25</td>
<td>1.70</td>
<td>-0.28</td>
<td>1.14</td>
<td>0.28</td>
</tr>
<tr>
<td>Future Time</td>
<td>1.10</td>
<td>1.22</td>
<td>-0.12</td>
<td>1.01</td>
<td>0.09</td>
<td>1.25</td>
<td>-.12**</td>
</tr>
<tr>
<td>High-contexts</td>
<td>1.42</td>
<td>1.43</td>
<td>-0.01</td>
<td>1.92</td>
<td>-.50**</td>
<td>1.17</td>
<td>.25**</td>
</tr>
<tr>
<td>Low-contexts</td>
<td>1.78</td>
<td>1.59</td>
<td>.19**</td>
<td>1.50</td>
<td>.28**</td>
<td>1.62</td>
<td>.16**</td>
</tr>
<tr>
<td>Mastery over Nature</td>
<td>1.39</td>
<td>1.31</td>
<td>.08</td>
<td>1.00</td>
<td>.39**</td>
<td>1.39</td>
<td>0.0</td>
</tr>
<tr>
<td>Oneness with Nature</td>
<td>1.06</td>
<td>1.17</td>
<td>-0.11</td>
<td>1.00</td>
<td>.06</td>
<td>1.05</td>
<td>0.01</td>
</tr>
<tr>
<td>Subjugation to Nature</td>
<td>1.00</td>
<td>1.00</td>
<td>0.00</td>
<td>1.01</td>
<td>-0.01</td>
<td>1.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Exaggeration</td>
<td>1.74</td>
<td>1.26</td>
<td>.48**</td>
<td>1.00</td>
<td>.74**</td>
<td>1.74</td>
<td>0.0</td>
</tr>
</tbody>
</table>

* significant at the 0.05 level (p < .05)
** significant at the 0.01 level (p < .01)
deceiving the public. Therefore, advertisers may feel safer focusing on the actual benefits rather than the perceived benefits of the product.

Although the Arab world ranked high on Hofstede’s collectivistic dimension, there was no significant difference between the U.S. and the Arab world. Although Islam attempted to destroy tribal solidarity by providing the Arabs with a common message and ideological framework to establish a community based on unity of belief, Islam was not totally successful in eliminating tribalism. This can be seen in what has recently been happening in Iraq, Lebanon, and other Arab states. Unlike the language factor discussed above, being collectivistic or individualistic is part of culture that probably can be changed easily. With TV sets, satellite, and Internet, Arabs now are exposed to outside influence more than ever. For example, Al-Makaty et al. (1996) argue that television advertising until recently was virtually unknown in the Saudi home, except for about 30 percent of the population in the Eastern Province who were able to receive broadcasts from neighboring states such as Bahrain and the United Arab Emirates. With all these outside influences it is possible that certain aspects of the Arab culture are slowly changing.

This, however, should be interpreted with caution. International advertisers are advised to identify cultural values that are deeply rooted in the Islamic faith and should adhere to them. Violating those cultural values may be viewed as insulting or attacking the Islamic faith. For example, Muslims believe that eating, greeting, and serving others should be done with the right hand. This belief is based on the following Hadith by Jabir, “I heard the Messenger of Allah (Prophet Muhammad) saying: “Do not eat with your left hand, because Satan eats and drinks with his left hand” (Reported by Muslim). This can be illustrated through the following example. Lugmani, Yavas, and Qureshi (1989) stated that a major tea company alienated Saudi customers after it aired a commercial that showed a Saudi host serving tea with his left hand to one of his guests. Moreover, the guest was wearing shoes while seated, which is considered disrespectful by traditional Saudis. International advertisers are advised to exert an effort to understand what cultural values are rooted in tradition and which are rooted in religion."

This study also reveals that there are differences among the Arab states. Barakat (1993) argued that Western orientalists have tended to emphasize the constant rather than the changing nature of the Arab culture and the oneness of the Arab mind rather than the pluralism inherent in a distinctive Arab culture. International advertisers are advised to find the differences between the Arab states. Advertisers should realize that although most Arabs are Muslims who speak Arabic and believe in Islam, there are also significant differences such as religious affiliation, level of secularism, level of democracy and economic status. In summary, in spite of globalization, there are still significant differences between the United States and the Arab world. In addition, there are also differences among the Arab states that should not be ignored. Advertisers could focus on what is common such as linguistic aspects, but they also should pay attention to significant differences.

<table>
<thead>
<tr>
<th>Appeals</th>
<th>USA N=150</th>
<th>Saudi N=150</th>
<th>Mean Difference</th>
<th>U.A.E. N=150</th>
<th>Mean Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Collectivistic</td>
<td>1.20</td>
<td>1.15</td>
<td>0.05</td>
<td>1.04</td>
<td>.16**</td>
</tr>
<tr>
<td>Individualistic</td>
<td>1.49</td>
<td>1.53</td>
<td>-0.04</td>
<td>1.82</td>
<td>-.33**</td>
</tr>
<tr>
<td>Past Time</td>
<td>1.15</td>
<td>1.07</td>
<td>0.08</td>
<td>1.03</td>
<td>.12**</td>
</tr>
<tr>
<td>Present Time</td>
<td>1.42</td>
<td>1.28</td>
<td>0.14</td>
<td>1.40</td>
<td>-0.02</td>
</tr>
<tr>
<td>Future Time</td>
<td>1.10</td>
<td>1.08</td>
<td>0.02</td>
<td>1.00</td>
<td>0.10</td>
</tr>
<tr>
<td>High-contexts</td>
<td>1.42</td>
<td>1.62</td>
<td>-.20**</td>
<td>1.77</td>
<td>-.35**</td>
</tr>
<tr>
<td>Low-context</td>
<td>1.78</td>
<td>1.42</td>
<td>.36**</td>
<td>1.66</td>
<td>0.12</td>
</tr>
<tr>
<td>Mastery over Nature</td>
<td>1.39</td>
<td>1.00</td>
<td>.39**</td>
<td>1.00</td>
<td>.39**</td>
</tr>
<tr>
<td>Oneness with</td>
<td>1.06</td>
<td>1.00</td>
<td>0.06</td>
<td>1.00</td>
<td>0.06</td>
</tr>
<tr>
<td>Subjugation to Nature</td>
<td>1.00</td>
<td>1.00</td>
<td>0.00</td>
<td>1.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Exaggeration</td>
<td>1.74</td>
<td>1.20</td>
<td>.54**</td>
<td>1.13</td>
<td>.61**</td>
</tr>
</tbody>
</table>

* significant at the 0.05 level (p < .05)
** significant at the 0.01 level (p < .01)
REFERENCES


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TOWARD A FRAMEWORK FOR EVALUATING ADVERTISING STANDARDIZATION IN EMERGING CONSUMER MARKETS: TELEVISION COMMERCIALS IN SUB-SAHARAN AFRICA

Adesegun Oyedele, The University of Texas – Pan American, Edinburg
Michael S. Minor, The University of Texas – Pan American, Edinburg
Gilberto De Los Santos, The University of Texas – Pan American, Edinburg

SUMMARY

Introduction

Prior studies in international marketing suggest the notion of standardization versus local adaptation is a priority research issue (e.g., Buzzell 1968; Elinder 1965; Fatt 1967; Levitt 1983; Taylor 2005). It is worth noting the standardization versus local adaptation debate has focused on resolving the question of whether to standardize or to locally adapt advertising messages. Some scholars have argued advertising is the major issue of concern in the standardization versus local adaptation debate (e.g., Jain 1989; Minor 1994). Those who argue for message adaptation suggest the need for advertisers to consider differences among countries. Some of the suggested differences advocated include culture, stage of economic and industrial development, stage of product life cycle, media availability and legal restrictions – due to these differences advertisers must take into consideration the notion of localization (Britt 1974; Unwinn 1974). Supporters of standardization argue advertisers should focus on similarities of consumers’ characteristics across the globe because the differences between countries are more related to degrees/magnitude than absolute direction (Elinder 1965; Levitt 1983). An extensive review of the advertising literature pertaining to cross-cultural advertising suggests a West versus East phenomenon (Gilly 1988; Milner 1994). In his paper on Moving International advertising research forward, Charles Taylor (2005) highlights the uneven concentration of international advertising studies to Asia and suggested the need for researchers to develop studies that will address advertising issues from developing economies in other regions of the world.

The Emergence of the Global Commercial-Hub in Sub-Saharan Africa

Recently, one notable phenomenon in the sub-Saharan African market is the establishment of major Western MNCs head quarters in South-Africa. Increasingly, the South-African market has become the global “HUB” for coordinating commercial activities in Africa. This global HUB phenomenon has increased the level of commercial activities between the developed countries and the sub-Saharan African countries. For example, a recent trade profile report by the United States Department of Commerce, suggest the “two-way trade” between the United States and sub-Saharan Africa increased to a value of $44.4 billion in 2004, a 37 percent increase from the previous year. The report also indicates a substantial increase of 53 percent and 13 percent in U.S. exports to Nigeria and South Africa respectively. Overall, it is anticipated that the African market will increasingly become more relevant in the global marketplace. Consequently, developing a study to better understand the African marketplace is timely and relevant for researchers and practitioners across different disciplines.

With this background, the purpose of this study is to propose a framework for assessing advertising standardization in complex marketplaces such as sub-Saharan Africa. For the purpose of this study, complex marketplaces are characterized by: (1) high levels of ethnic heterogeneity and “ethno-linguistic fractionalization” (Posner 2004, p. 849) and (2) the political regimes in these markets are formed along the lines of the dimensions of ethnic identification such as language, race, religion, region, and so on (Posner 2004, p. 854). A subordinate goal was to investigate the extent to which advertising appeals in Nigeria and Ghana television commercials are different. Based on the theories of cross-cultural advertising, it was hypothesized that differences in advertising appeals are associated with the level of economic development. Specifically, countries with high level of economic development are expected to reflect a higher level of western oriented values than countries with lower level of economic development.

Based on an empirical content evaluation of television commercials from two sub-Saharan countries (Nigeria and Ghana) the findings of the study suggest that television commercials in Nigeria, a country with a relatively high level of economic development in sub-Saharan Africa, reflects more western oriented appeals (Hedonic, enjoyment/fun) than television commercials in Ghana, a country with a relatively lower level of economic development in sub-Saharan Africa. Both Nigeria and Ghana commercials show no difference in individual and independence appeals. The sampled commercials from both countries indicate a high proportion of group/family appeals. Also as expected, the Nigeria commercials indi-
icated a high level of youth-adoration appeals than the Ghana commercials. However, contrary to what was expected, the Ghana commercial indicates more hard sell appeals than the Nigeria commercials. Overall, the findings of the study suggest that the level of economic development in a country offers a possible theory for assessing advertising standardization (inferred as western oriented appeals) in emerging economies/complex marketplaces. Previous cross-cultural advertising studies such as the work of Tse et al. (1989) suggest possible relationship between a country’s level of economic development and the content of its advertising.

This study adds knowledge to the marketing and consumer behavior literature in two ways. First, it provides answers to some of the questions posed by researchers who have advocated the need to better understand consumer consumption patterns in adverse economic settings and multicultural marketplaces (e.g., Belk 2001; Lenartowicz and Kendall 2001). Second the study responds to the call of international advertising researchers (e.g., Taylor 2005) on the need to develop studies that will address advertising issues from developing economies in other regions of the world. References available upon request.

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THE MEANING OF BRANDS: CROSS-CULTURAL SCALE DEVELOPMENT AND MEANING ASSESSMENT

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Robin A. Coulter, University of Connecticut, Storrs
Linda L. Price, University of Arizona, Tucson

SUMMARY

The importance of branded products has been well documented by both academicians (e.g., Keller 2003; Fournier 1998; Aaker et al. 2004; Holt 2004; Holt et al. 2004) and practitioners (Gobé 2001; Schmidt 1999). Consumer research on brands has focused on both functional and symbolic brand meanings (Biel 1997). Functional meanings refer to the problem-solving capacity of brands (Keller 2003), whereas symbolic meanings emphasize the image and personality of the brand (Biel 1997). Symbolic meanings might be further related to individual identity and to personal traditions. With regard to the former, research has documented brands as signals of social status (e.g., Bhat and Reddy 1998), as reflective of personality (e.g., Aaker 1997, 1999), as a mechanism for group identity and association with other brand users (e.g., Escalas and Bettman 2003; McAlexander et al. 2002; Muniz and O’Guinn 2000), and as associated with ideologies (e.g., Gelb and Sorescu 2000; Klein 2002). With regard to the latter, research has linked brands with family traditions (e.g., Holbrook and Schindler 1994; Moore et al. 2002) and national/ethnic heritage (e.g., Deshpande et al. 1986; Kaynak and Kara 1998). Holt (2002) tracks the historical evolution of branding, arguing that in earlier stages of a consumer culture, marketing campaigns position brands around their functional attributes. As functional distinctions become more marginal, symbolic benefits emerge. Similarly, Supphellen and Gronhaug (2003) argue that symbolic benefits of brands tend to grow in importance in societies that evolve from lower to higher socio-economic levels.

The present study addresses the central question of whether consumers in different markets, specifically developed and developing market economies, differ in the meanings they associate with brands. We examine seven different brand meanings, including: quality, status, self-identity, group-identity, ideology, family traditions, and national heritage in one developed (the U.S.) and two developing (Romania and Ukraine) consumer cultures. Finally, we develop a scale of brand meanings and test its validity cross-culturally.

Depth Interviews

We conducted 24 depth interviews – four male and four female informants, age 20–29, from the U.S., Ukraine, and Romania. Informants talked about their favorite brand(s) in a variety of product categories and then interviewers explored the seven brand meanings, and whether and how these meanings resonated. Interviews were done in the informant’s home and lasted between 45 and 70 minutes; they were audio-taped, translated, and transcribed. Our depth interviews demonstrate that U.S. informants have more elaborate knowledge structures of brands than our Romanian and Ukrainian informants. Brand associations related to quality, status, and family traditions appear to be universally important. The brand meaning of self-identity is relevant to all U.S. informants, but only to female informants in Romania and Ukraine. Americans (not Ukrainians and Romanians) use brands as a means of affiliation with others and associate brands with ideologies. The meaning of national traditions perplexes Americans, elicits pride in Ukrainians, and skepticism in Romanians.

Scale Development

Method. We pre-tested 56 items that assessed seven brand meanings on a sample (n = 120) of U.S. undergraduate students. Based upon principal component and reliability analyses and review of the translations, we identified five items for each meaning (total of 35 items) to include in our survey instrument. All items were measured on a 7-point Likert scale. Our questionnaire was completed by young adult Americans (n = 218; M_age = 21.01, SD_age = 1.74; 44% males), Ukrainians (n = 464; M_age = 18.56, SD_age = 1.10; 44% males), and Romanians (n = 287; M_age = 19.93, SD_age = 1.25; 66% males). Preliminary EFA and reliability analyses resulted in a 33-item scale. We then tested all scales for their configural, metric, and scalar invariances using CFA (Steenkamp and Baumgartner 1998).

Results. The scales of brand meanings yielded configural, metric, and scalar invariance. Full metric
invariance was achieved for the meanings of self- and group-identity, status, ideology, and family traditions. Full scalar invariance was achieved for the meanings of self-identity and status. Reliabilities of the seven dimensions were acceptable – in the pooled sample, they ranged from .70 to .82. Given that our scales exhibited measurement invariance, we conducted ANOVAs to compare brand meanings cross-culturally. Consistent with our qualitative data and Holt’s (2002) theory, the brand-quality link was the strongest overall (M = 5.04), as well as within each country. Americans exhibited significantly higher use of brands to express their self-identity, group-identity, status, and family traditions. Contrary to our qualitative findings, Romanians scored significantly higher on the meaning of ideology than Ukrainians and Americans, and the meaning of ideology was second to quality in its importance cross-culturally. Additionally, participants reported the lowest association between brand meanings and national traditions across the three cultures, with no significant differences between them.

Conclusions and Future Research

Our research provides an integrated look at branding, the meanings of brands, and their signaling qualities. We develop brand meaning scales (for quality, status, self-identity, group-identity, ideology, family traditions, and national heritage) that exhibit configural, metric, and scalar invariance in the U.S., and the developing countries of Romania and Ukraine. Future research might use these scales in other cultural contexts or over time to assess the evolution of brand meanings. Additionally, studies could investigate which meanings of brands are more salient in predicting outcomes such as brand use, loyalty, and switching. References available upon request.

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EFFICIENT PERSONNEL ALLOCATION IN A DEALERSHIP NETWORK: EXTENDED DATA ENVELOPMENT ANALYSIS

Tracy Gonzalez-Padron, Michigan State University, East Lansing
M. Billur Akdeniz, Michigan State University, East Lansing
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SUMMARY

An efficient dealer distribution channel for business-to-business products is especially important in a competitive environment where cost-cutting activities must not detract from customer service. The dealer plays an important role for complex product sales by creating customer knowledge of the products, working with the customer to discover the best solution and providing post sales support (Sharma and LaPlaca 2005). As such, labor expenses are major components of operating expenses, and personnel productivity is a major concern for dealers and their primary manufacturer suppliers (Kuhn 2005). Dealers may choose to outsource key activities to decrease costs, increase flexibility, and thereby generate greater personnel productivity measures (Abraham and Taylor 1996). Greater employee efficiency does not necessarily mean greater profitability (Gorzig and Stephen 2002). Therefore, efficient staffing allocation becomes a challenge for dealers that need to consider employee productivity, the appropriate use of contract labor, firm profitabiliy and customer satisfaction.

To ensure a consistent and fiscally stable distribution channel, some manufacturers monitor independent dealer efficiency through industry benchmarks using operational ratios (e.g., total revenue per square feet) and financial ratios (e.g., net profit margin). These benchmarks typically represent the “average” performance, assume non-extreme value distributions, and provide dealers information to identify improvement opportunities by comparing their performance relative to that of similar companies. This practice of sharing best practices and encouraging dealers to imitate others encourages mimetic isomorphic behavior in the industry, influencing organizational decision-making (DiMaggio and Powell 1983). Research in outsourcing refers to this mimicking behavior as the bandwagon effect, engaging in activities simply because a successful benchmarked firm does (Lacity and Hirschheim 1993).

Measuring and interpreting performance ratios separately is not as valuable to managers as an overall efficiency evaluation. A method for examining individual firm efficiency by incorporating operational data, financial measures and qualitative information is Data Envelopment Analysis (DEA) (Golany and Storbeck 1999). DEA offers several advantages to the manufacturer and the dealer. First, this method enables the manufacturer to evaluate the performance of similar operating entities. Second, the independent dealers are evaluated against efficient ones rather than the “average performers” from industry benchmarking. Finally, DEA analysis provides slack measures and projection calculations that allow dealership managers to discover how they can become a best practice dealer.

Transaction cost analysis provides a framework for explaining efficiency in outsourcing in a dealer distribution channel, while institutional theory posits that imitation may influence organizational decisions relating to resource allocation. We incorporate both perspectives by examining the transaction cost elements in assessing efficient resource allocation and the effective use of benchmarking to establish the legitimacy of following industry best practices through data envelopment analysis of forty-seven office furniture dealers. We explore two research questions to accomplish our objective. First, we want to examine efficient allocation of staffing and use of contracted services through extended DEA modeling. Second, we want to explore whether the financial ratio benchmarking system of the manufacturer to rank the dealers is compatible with a more sophisticated efficiency perspective.

Our analysis provides further insight into applying data envelopment analysis to examining sales and productivity in a competitive dealer environment. We use assurance regions and non-discretionary outputs to help our understanding of factors preventing inefficient dealers from improving employee productivity. A super-efficiency model differentiation of efficient dealers allows for further investigation of the identified “best practice” dealers, including the recognition of an outlier. We observe that those dealers with greater outsourcing of staff interacting most with customers have lower efficiency. Additionally, we show that managers have another tool available for evaluating dealer efficiency and assessing strategies that complement traditional financial benchmarking. Further research in the use of DEA for business-to-business dealer productivity can augment industry benchmarking tools and assist manufacturers to sustain a competitive and viable distribution channel.
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AN EXAMINATION OF THE LINKS BETWEEN EMPLOYEE SATISFACTION, CUSTOMER SATISFACTION, AND PROFITABILITY: A TIME-SERIES ANALYSIS

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SUMMARY

Assuming positive links between employee satisfaction, customer satisfaction, and firm performance lies at the heart of the marketing discipline in general and the satisfaction research in particular. However, recent research has questioned some of these relationships. Particularly, the positive links between customer satisfaction/loyalty and profitability (e.g., Dowling and Uncles 1997; Reinartz and Kumar 2000, 2003) as well as between employee satisfaction and profitability (e.g., Bernhard, Donthu, and Kennett 2000; Tornow and Wiley 1991) have been challenged. The reason for these conflicting results may be – among other – based on disregarding possible time-lags-effects between the constructs. With a large-scale, longitudinal study with 119 outlets of a European DIY-retailer, comprising data coming from three sources from a total 46,938 customers in 2000, 144,965 in 2001, 100,351 in 2002 and 161,922 in 2003, and from 14,056 employees in 2000, 7,668 in 2001, 6,040 in 2002, and 2,755 in 2003, and biannual performance data (turnover per customer, turnover per employee and outlet profitability) for four consecutive six-month periods of the years 2002–2003, we test the following hypotheses:

H1: Employee satisfaction is directly related to customer satisfaction.

H2: Employee satisfaction has no direct impact on company performance (turnover per customer, turnover per employee and outlet profitability) within the same time period.

H3: Customer satisfaction has no direct impact on company performance (turnover per customer, turnover per employee and outlet profitability) within the same time period.

H4: Employee satisfaction in \( t_1 \) is positively related to customer satisfaction in \( t_2 \).

H5: Customer satisfaction in \( t_1 \) is positively related to company performance (turnover per customer, turnover per employee and outlet profitability) in \( t_2 \).

H6: Employee satisfaction in \( t_1 \) is positively related to company performance (turnover per customer, turnover per employee and outlet profitability) in \( t_2 \).

Results

We test these hypotheses using correlation analysis as well as 3SLS-estimation technique. It can be noted that no statistically significant relationship is to be found between customer satisfaction and the three performance measures, as well as there is no significant relationship between employee satisfaction and the performance measures. This is the fact irrespective of whether we look at 2002 or 2003 data. Hence, our expectation that there is no statistically significant effect to be found within the same period between attitudinal and performance measures is confirmed (H2 and H3).

Results also indicate statistically significant effects of employee satisfaction on customer satisfaction both within the same time period and across periods (H1 and H4). Further, we obtain evidence that employee satisfaction positively affects turnover per employee, while customer satisfaction positively affects turnover per customer (H5 and H6). Finally, customer satisfaction also directly affects operating profit.

Discussion and Implications

Results of our longitudinal study offer initial support for the hypotheses we formulated. It seems that employee satisfaction is directly related to customer satisfaction and there seems to be no time-lag effect between the two constructs. Moreover and as expected, there is neither a correlation between employee satisfaction and our three performance measures nor a correlation between customer satisfaction and performance in the same year.

These results offer valuable insights for management: First of all, when looking at the different performance indicators used in our study, it becomes evident that employee satisfaction is a more important driver of turnover/employee. It seems that satisfied employees could be more motivated, offer more cross- and up-selling.
opportunities, or more general deliver better services to customers. This in turn might lead customers to purchase more during a single store visit. However, in order for customers to positively respond to such an increase in customer service levels, it takes some time. Therefore, there is no immediate effect of employee satisfaction on performance but only an effect after a time-lag. Customer satisfaction on the other hand leads – again after a time-lag – to an increase in turnover/customer as well as an increase in operating profit. Apparently, if customers receive satisfactory services for an extended period of time, they start to engage more in cross-buying activities and have a higher average receipt per visit. This also leads to a better overall operating profit of the company.

As can be seen from these preliminary analyses, management needs to acknowledge that measures to increase employee and customer satisfaction are investments. They do not pay off immediately but only after time. Therefore, it is crucial to focus on the long-term effects of increased satisfaction-levels and not to shy away from sometimes high investments in measures to improve employee satisfaction (training, motivation, team events, etc.) and customer satisfaction (improved operating hours, more staff, events for customers, etc.). Of course, much further research is needed to fully understand the complex relationship between employee satisfaction, customer satisfaction, and company performance.

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THE STRUCTURAL MODEL FOR THE EFFECTS OF PSYCHOLOGICAL ANTECEDENTS AND PERCEIVED CUSTOMER-SALESPERSON RELATION ON SALES PERFORMANCE

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ABSTRACT

The present study aims to develop a structural model for investigating the effects of psychological and relational variables of salespeople on sales performance within the relationship marketing context. For the study, 1,063 salespeople working in a life-insurance company completed questionnaires, and their sales performance records were obtained one year after administering the questionnaires. The structural model is found to fit to the data reasonably well. Although personality has no direct effect on the customer relation, the revised model shows a significant impact of self-efficacy on customer relations and objective sales.

INTRODUCTION

Marketing relationship is a process of reciprocal exchange (Berry 1995; Peterson 1995) and symbolic interaction (Swan, Goodwin, Mayo, and Richardson 2001). The customer is willing to initiate this relationship when he perceives to fulfill his goals through the relationship with company or he feels an equitable value of exchange between both sides (e.g., Bagozzi 1995; Sheth and Parvatiyar 1995). Once the customer is involved in marketing relationship, the role of salespeople becomes crucial because they build and maintain lasting relationships with the customer as relationship marketers. The characteristics of a salesperson in contacting with the customer are encoded as a symbol in customer’s mind and then it is retrieved when the customer interacts with the salesperson in the future (Swan et al. 2001). That is, the salesperson is a primary contact point with the customer and plays a key role in shaping marketing relationship.

There have been a number of well-established studies concerning the effect of salespeople’s characteristics on sales performance (e.g., Churchill, Ford, Hartley, and Walker 1985; Mount and Barrick 1998; Stajkovic and Luthans 1998) and that of customer-salesperson relation on the same outcome measure (e.g., Crosby, Evans, and Cowles 1990; Bitner, Booms, and Mohr 1993; Smith 1998). However, the interrelationship between personal predictors of salespeople and customer-salesperson relation is rarely known. Moreover, there is little study which focuses on objective sales performance such as sales volume as the outcome variable.

In this study, thus, we aim to examine the relationship between customer-salesperson relation and salesperson’s psychological characteristics, including personality and self-efficacy, as well as their effects on sales performance measured by sales volume in the insurance industry. In addition, we analyze longitudinal sales data as a sales performance measure because the characteristics of salespeople are likely to influence marketing relationship and sales performance over time (e.g., Crosby et al. 1990).

GENERAL PREDICTORS OF SALES PERFORMANCE

A meta-analysis study has identified six major antecedents of sales performance, including role variables, skill, motivation, personal factors (demographic factors such as age, sex, height, appearance, education, marital status, the number of dependents, club membership, and other similar characteristics), aptitude, and organizational/environmental factors (Churchill et al. 1985). Although this study has a contribution to understanding various predictors of sales performance, it did not consider relational variable like a marketing quality that is a key variable in relationship marketing. The customer usually perceives the quality of relationship with the contact salesperson as service quality (Beckett-Camarata, Camarata, and Baker 1998). The serviced quality is also influenced by open communication with customers (Bitner et al. 1993; Swan et al. 2001). Therefore, salesperson’s characteristics, which affects on the communication with customers, can contribute an improvement of service quality (Bitner et al. 1993; Swan et al. 2001). For example, the salesperson in high self-concept tends to satisfy on their job and increase the expectation of high performance (Bagozzi 1978). Hence, they try to frequently contact with their customers in order to achieve successful sales.

Moreover, many researchers have found that sales performance is related to psychological dimensions of salespeople such as personality (e.g., Barrick and Mount 1991; Mount and Barrick 1998; Vinchur, Schippmann, Switzer, and Roth 1998), biodata (McManus and Kelly 1999; Mumford and Owens 1987; Mount, Witt, and Barrick 2000), and self-efficacy (Barling and Beattie 1983; Lee and Gillen 1989). A number of studies on performance have focused on subjective performance measures such as contextual job performance (e.g., Hurtz...
extraversion were related to job performance in sales jobs. Analysis based on 117 studies that conscientiousness and extraversion have found to show (e.g., McCrae 1985; Hogan 1991). Among the Big Five factors, conscientiousness and extraversion have been shown to be important predictors for general performance (Vinchur et al. 1998). Although biodata is also known to be a good predictor for general performance, the validity of biodata appears somewhat unstable, ranging from .30 to .50 (Reilly and Chao 1982). Also, it is not easy to specify biodata as a single measure because they are measured by specific and broad aspects of an individual’s past experience and behavior patterns such as job experience, work habits, learning history, preferences, social activities and situational perseverance (Mount et al. 2000; Nickels 1994). For these reasons, we decide not to include cognitive ability and biographical data as predictors in this study.

**THE MODEL DEVELOPMENT**

**Two Key Dimensions of Big Five Personality**

Personality is an important dimension for predicting sales performance (e.g., Barrick and Mount 1991; Hertz and Donovan 2000; Mount and Barrick 1998). Research on personality-performance has focused on the Big Five factors of personality, which consists of five factors: extraversion, emotional stability, agreeableness, conscientiousness, and openness to experience (Costa and McCrae 1985; Hogan 1991). Among the Big Five factors, conscientiousness and extraversion have been shown to have high predictive validity for performance in various sales fields (e.g., Barrick and Mount 1991; Mount and Barrick 1998). Barrick and Mount (1991) found in their meta-analysis based on 117 studies that conscientiousness and extraversion were related to job performance in sales jobs (corrected r = .23 and .15, respectively), whereas emotional stability, agreeableness, and openness to experience were poor predictors for performance (r = .07, .00 and -.02, respectively). On the other hand, Stewart and Carson (1995) examined the incremental validity of conscientiousness by adding the remaining four dimensions of Big Five via 105 service workers. Their results suggested that only extraversion had a significant incremental validity on a component (dependability) of conscientiousness.

Compared to other types of work, selling requires higher self-initiative and entails more frequent rejection (Vinchur et al. 1998), especially as selling service products such as insurance due to the intangible nature of the products (McManus and Kelly 1999). Because of these demands, conscientiousness and extraversion are regarded as crucial characteristics of a salesperson in the services field. Many researchers have reported a positive relationship between actual sales and salesperson’s personality (e.g., Vinchur et al. 1998) as well as a mediation effect of self-efficacy (e.g., Thoms, Moore, and Scott 1996).

In this paper, we consider salesperson’s psychological characteristics and his/her perception of relationship with customers as important predictors for sales performance, especially objective sales’ measures. More specifically, personality may influence directly self-efficacy and customer-salesperson relation and in turn these effects may be related to an objective sale. On the other hand, cognitive ability, which is regarded as a potential antecedent for job performance, is not as predictive as personality and other individual characteristics in the services area (Cleveland 1948; Guion 1965). In addition, it had a low validity for objective sales rather than that of subject rating of performance (Vinchur et al. 1998). Although biodata is also known to be a good predictor for general performance, the validity of biodata appears somewhat unstable, ranging from .30 to .50 (Reilly and Chao 1982). Also, it is not easy to specify biodata as a single measure because they are measured by specific and broad aspects of an individual’s past experience and behavior patterns such as job experience, work habits, learning history, preferences, social activities and situational perseverance (Mount et al. 2000; Nickels 1994). For these reasons, we decide not to include cognitive ability and biographical data as predictors in this study.

**Self-Efficacy as an Expectation of Sales Ability**

Self-efficacy is a major concept of Bandura’s (1986) social-cognitive theory. Self-efficacy is defined as “one’s judgment of their capabilities to organize and execute courses of action required to attain designated types of performance” (Bandura 1986, p. 391). It includes an expectation of one’s ability to adjust to what needs to be done in a specific situation. In general, a high level of self-
efficacy contributes to an increased willingness to try challenging tasks and increased feelings of responsibility for one’s job. As a result, individuals in high levels of perceived self-efficacy tend to achieve higher performance than did those in low self-efficacy (Bandura 1997; Gardner and Pierce 1998).

Many researchers have examined the effect of self-efficacy on performance (e.g., Barling and Beattie 1983; Lee and Gillen 1989; in the meta-analysis of Stajkovic and Luthans 1998). But, the results of their studies are inconsistent. For example, in an early study of the relationship between self-efficacy and sales performance, Barling and Beattie (1983) found a significant relationship between self-efficacy and sales performance, whereas Lee and Gillen’s (1989) replication study of Barling and Beattie showed that self-efficacy exhibited no effect on sales volume but only influenced the rating of performance by supervisors.

Regardless of this discrepancy, researchers agreed that self-efficacy had an indirect effect on job performance (e.g., Jex and Bliese 1999 with the moderating effect; Thoms et al. 1996 with mediating effect). More specifically, Jex and Bliese (1999) asserted that high self-efficacy played a role to lessen the relationship between work overload and psychological strain, while on the contrary low self-efficacy was related to a high level of work stress and a low level of job satisfaction. On the other hand, Thoms et al. (1996) found that self-efficacy was related to the Big Five personality dimensions in self-managed work groups, especially when these variables are included in a longitudinal study. They concluded that self-efficacy might have a mediating effect on the relationship between personality and performance in a long-term period. From the previous results of personality and self-efficacy, we developed hypotheses as follows:

\( H_1: \) Conscientiousness will positively influence self-efficacy.

\( H_2: \) Extraversion will positively influence self-efficacy.

\( H_3: \) Self-efficacy will have a direct effect on objective sales performance.

**Customer-Salesperson Relation as a Key of Relationship Marketing**

Researchers have investigated influences of marketing relationship on sales performance in such areas as cross-selling, customer retention, and future sales opportunities (Crosby et al. 1990; Boles, Johnson, and Barksdale 2000), as well as customer loyalty and satisfaction (Bagozzi 1995; Bitner et al. 1993; Smith 1998). From theoretical perspectives, relationship marketing is based on reciprocal exchange and relationship benefit in the customer-company dyad (Berry 1995; Grönroos 1990, 1996; Peterson 1995). This relationship may be facilitated by the customer’s commitment and trust (Ganesan 1994) as well as salesperson’s characteristics, expertise and communication skills (Sheth and Parvatiyar 1995; Crosby et al. 1990).

However, marketing relationship may depend on whether customers perceive the relationship as a means to fulfill their goal or salespeople exert themselves to maintain a long-term sales relationship (Bagozzi 1995). Therefore, building a customer-salesperson relation followed the perception of the quality of the relationship and quantity of inputs such as efforts, skill and one’s characteristics. In the studies of relationship marketing, relationship quality has been paid attention as a bridge of understanding the relationship between antecedents and sales performance or future interaction. Relationship quality is referred to “the customer is able to rely on the salesperson’s integrity and has confidence in the salesperson’s future performance” (Crosby et al. 1990, p. 70). Relationship quality, which is consisted of customer satisfaction and trust in the salesperson, may be enhanced through salesperson’s ability to reduce customer’s uncertainty (Roloff and Miller 1987). In a study with life insurance salespeople, Crosby et al. (1990) found relational behaviors (e.g., staying in touch with customers, sending cards and gifts, and a responsive service attitude) are linked to relationship quality, and in turn relationship quality had an influence on the anticipation of future interaction with the salesperson but not sales performance such as cross-selling and retention. The authors concluded that salesperson’s attributes might affect long-term sales opportunities via their impact on relationship quality, although they failed to find the direct influence of relationship quality on sales effectiveness. On the other hand, the results of Boles et al.’s (2000) replication of Crosby et al. indicated that relationship quality seemed to be associated with sales effectiveness even though the relationship was not C2B but B2B. From this result, it infers that relationship quality can be an intervening variable in the relationship between psychological traits of salespeople and sales performance.

In addition to the effect of relationship quality, self-efficacy may be related to the intensity of the relationship. A salesperson with a high level of self-efficacy maintains the confidence of the relationship and involves positive communication with his customers because self-efficacy enhances salesperson’s expectation of successful sales (Lee and Gillen 1989). Also, VanYperen (1998) argued that employees in a high level of self-efficacy tended to perceive a more equitable (exchange) relationship than did people in a low level of self-efficacy in the organizational context. This perception of equity is helpful to maintain the relationship in long-term period. As such, we hypothesize as follows:
H₄: Conscientiousness will positively influence the customer-salesperson relation.

H₅: Extraversion will positively influence the customer-salesperson relation.

H₆: Self-efficacy will positively influence the customer-salesperson relation.

H₇: Customer-salesperson relation will have a direct effect on objective sales performance.

Figure 1 represents the hypothesized model.

**METHOD**

**Research Sample**

The sample of this study included 1,063 insurance salespeople working in a large insurance company. They completed questionnaires and their sales data were subsequently extracted from a marketing database. The tenure of participants was restricted between one and two years in order to eliminate the influence of job tenure on performance. The mean age of respondents was 39.42 years (SD = 7.54), and the range of ages was 21 to 68 years.

**Measures**

**Personality.** During a pilot test based on 258 salespeople in the same company, we examined Goldberg’s (1992) the “100 Unipolar Markers,” which are known to be more efficient for research purposes than other Big Five inventories (Briggs 1992). We adopted a 4-point scale ranging from (1) Strongly disagree to (4) Strongly agree for avoiding the obscurity of response in midpoints from the original 9-point scale. As a result, we selected 29 components of Big Five personality, which consisted of conscientiousness and extraversion. For the measurement model, conscientiousness consisted of 7 items (the range of estimates was from .62 to .95, all p < .01) and Cronbach’s alpha coefficient of reliability was .75. The average variance extracted (AVE) was .70 that represents an adequate convergent validity when construct has AVE of at least .50 (Fornell and Larcker 1981). These items contained typical traits such as achievement-oriented, organized, responsible, persistent, reliable, thorough, and hardworking. Extraversion consisted of 6 items (the range of estimates was from .36 to .86, all p < .01). Cronbach’s alpha coefficient was .74 and the AVE was .68. These measures included typical traits such as active, talkative, sociable, gregarious, energetic, and bold.

**Self-Efficacy.** Self-efficacy was measured with a modified five-item version of Jones’s (1986) efficacy scale in order to measure job-related self-efficacy. These five items were used during the pilot test, but we used the 4-point scale from (1) Never to (4) Very Often and the modified statements to focus on sales jobs. For the measurement model, four items of job-related self-efficacy was fit to the data and a single construct was confirmed (the range of estimates was from .66 to .90, all p < .01). Cronbach’s alpha coefficient was .62 and The AVE was .72. Items from this scale are “I feel confident that I can successfully perform my current sales work,” “I don’t feel that, at my sales, work things are going my way”
coefficients in the measurement and structural models latent variables in the data. The ML estimates of path by the confirmatory factor analysis procedure, which is the measurement model and subsequently examined the tional problems in simultaneous estimation, we first tested (Jöreskog and Sörbom 1993). Considering the interpreta-
hood (ML) method, using computer software LISREL 8 distribution.
The value of sales commissions was log-transformed so as to deal with the high kurtosis and positive skewness of its sions for one year after administering the questionnaire. contained each salesperson’s average insurance commis-
ship between conscientiousness and self-efficacy (H1) were fit to the data and a single construct was confirmed. The average of estimates within the model was .92 of the coefficient (all p < .01). Cronbach’s alpha coefficient was .72 and the AVE was .61. Items from this scale were “How close would you say your relationship with your custom-
ers is, compared with other salespeople in your com-
viewpoint but not that of customers. Although salesperson’s perception of customer relationships could plausibly cause bias, salesperson’s perception might be more important than that of customers because salesperson’s perceptions could influence their relational behaviors such as responsive service attitude. We used three items including two measures of relationship quality using a 4-point scale (measures of trust and satisfaction from (1) Strongly disagree to (4) Strongly agree) and a measure of relationship closeness from (1) Not at all close to (4) Very close. For the measurement model, three items were computed from the observed covariance matrix as input data. To evaluate the hypothesized covariance matrix as multiple indices of overall fit as follows: chi-square, GFI, AGFI, RMSR, RMSEA, IFI, CFI, and PNFI.

RESULTS

Measurement Model Results

Although the chi-square statistics for the measurement model was significant ($\chi^2_{199, N=1063} = 453.77, p < .01$), the other goodness-of-fit indices suggest that this model fits to the data reasonably well: GFI = .96, AGFI = .95, RMSR = .02, RMSEA = .03, IFI = .97, CFI = .97, and PNFI = .82. In the measurement model, the loadings for 13 exogenous measures turn out to be significant, including 7 measures ($X_1-X_7$) for Conscientiousness ($\xi$) and 6 measures ($X_8-X_{13}$) for Extraversion ($\chi$). The loading of 9 measures for 3 endogenous constructs also turn out to be significant, including 4 measures ($Y_1-Y_4$) for Self-efficacy ($\eta_1$), 3 measures ($Y_5-Y_7$) for Customer-salesperson relation ($\eta_2$), and 2 measures ($Y_8-Y_9$) for Sales Performance ($\eta_3$).

Structural Model Results

The structural model was analyzed to test the hypothes-
eses in this study. Table 1 shows the unstandardized maximum likelihood estimates, t-value, and the indices of goodness-of-fit for the structural models.

The estimation results of the hypothesized model are provided in the left side of Table 1. In spite of the significant chi-square value ($\chi^2_{201, N=1063} = 474.73, p < .01$), other fit indexes show a good fit of the structural model: GFI = .96, AGFI = .95, RMR = .02, RMSEA = .04, IFI = .97, CFI = .97, and PNFI = .82. The hypothesized relationship between conscientiousness and self-efficacy ($H_1$) was significant ($t = 9.76, p < .01$). Also, extraversion also positively influenced self-efficacy ($t = 2.99, p < .01$) which supports Hypothesis 2. Furthermore, Hypothesis 3 was supported because self-efficacy was found to directly affect objective sales performance ($t = 5.07, p < .01$). However, the paths from conscientiousness and extraversion to customer-salesperson relation were not statistically significant ($t = -.59; t = 1.54, all p > .05$, respectively). Hence, neither Hypothesis 4 nor Hypothesis 5 was supported. Hypothesis 6 was not supported, either, because self-efficacy exhibited no significant effect on customer-salesperson relation ($t = .67, p > .05$). In addition, customer-salesperson relation had no direct effect on objective performance ($t = 1.62, p > .05$), so that $H_2$, was not supported.

In spite of the non-significant result of customer-salesperson relation, we see a potential intervening effect of self-efficacy on the relationship between salesperson’s

**Customer-Salesperson Relation.** Measures of customer-salesperson relation were measured with compo-
nents from Crosby et al.’s (1990) relationship quality and Barnes’s (1997) closeness of the relationship. In general, relationship quality includes two dimensions i.e., relationship satisfaction and trust. However, closeness is also an important component because it represents a likelihood of frequent communication by a feeling of social bondage (Bove and Johnson 2001). Unlike the previous studies, we measured these items as a perception of salespeople’s viewpoint but not that of customers. Although salesperson’s perception of customer relationships could plausibly cause bias, salesperson’s perception might be more important than that of customers because salesperson’s perceptions could influence their relational behaviors such as responsive service attitude. We used three items including two measures of relationship quality using a 4-point scale (measures of trust and satisfaction from (1) Strongly disagree to (4) Strongly agree) and a measure of relationship closeness from (1) Not at all close to (4) Very close. For the measurement model, three items were fit to the data and a single construct was confirmed. The average of estimates within the model was .92 of the coefficient (all p < .01). Cronbach’s alpha coefficient was .72 and the AVE was .61. Items from this scale were “How close would you say your relationship with your custom-
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ers is, compared with other salespeople in your com-

**Sales Performance.** We measured sales performance using data extracted from a company database, which contained each salesperson’s average insurance commissions for one year after administering the questionnaire. The value of sales commissions was log-transformed so as to deal with the high kurtosis and positive skewness of its distribution.

**Analytical Procedures**

Covariance structural modeling was applied to fit the hypothesized model to the data via the Maximum Likelihood (ML) method, using computer software LISREL 8 (Jöreskog and Sörbom 1993). Considering the interpreta-
tional problems in simultaneous estimation, we first tested the measurement model and subsequently examined the structural model. The measurement model was analyzed by the confirmatory factor analysis procedure, which is useful in identifying the factor structure and the number of latent variables in the data. The ML estimates of path coefficients in the measurement and structural models
personality and customer-salesperson relation. Note that the indirect effect in the left side of Table 1 shows that conscientiousness had relatively a high indirect coefficient of .12 on customer-salesperson relation.

Based on the results of fitting the initially hypothesized model, a revised structural model was developed. If self-efficacy activates one’s inner traits and increases the expectation of successful sales (Bandura 1997), conscientious salespeople with a high level of self-efficacy is likely to involve more positively in shaping the relationship than those with a low level of self-efficacy. It implies that self-efficacy may play a role in intervening the effect of personality on customer-salesperson relation, as pointed out in Thoms et al. (1996) and also supported by the result of the initial model. Therefore, we constructed a revised model in which the direct paths of exogenous variables on customer-salesperson relation were deleted. As shown in Table 1, this revised model resulted in a good fit to the data (GFI = .96, AGFI = .95, RMR = .02, RMSEA = .04, IFI = .97, CFI = .97, and PNFI = .83). Importantly, the path of self-efficacy onto customer-salesperson relation was statistically significant ($t = 2.73, p < .01$), followed by significant relationships between personality and self-efficacy. The significant effect of self-efficacy on objective sales was still sustained. From the revised model, we therefore confirmed that the self-efficacy had an indirect effect of personality on customer relationship and a direct effect on objective sales performance.

**DISCUSSION**

In the selling service like insurance, salespeople require stronger inertia facing interaction with others
rather than do salespeople in other fields. Because of salient job characteristics (e.g., frequent buyer’s rejection, McMauns and Kelly 1999; Vichur et al. 1998), the salesperson’s psychological traits are important for future interaction and customer retention (Crosby et al. 1990; Morgan and Hunt 1994).

Psychological Dimensions

Personality, as measured in our study, had a significant influence on self-efficacy but not on customer-salesperson relation. In the hypothesized model, we did not find a significant relationship between self-efficacy and customer-salesperson relation, whereas the revised model indicated that self-efficacy might directly influence customer-salesperson relation. It suggests that self-efficacy, as an activator of one’s internal attributes, could be a key antecedent for mediating the effect of personality on customer relationship and sales performance. This result suggests that personality has indirect effect on objective sales as well as self-efficacy directly and positively influence on the customer relationship and objective sales’ measures.

The Customer-Salesperson Relation

However, in our study, the effect of customer-salesperson relation turned out to be statistically insignificant in spite of the importance of customer-salesperson relations. Although this result is similar to Crosby et al.’s (1990) study in the field of insurance service, it is instructive to speculate as to why this occurred. One possibility is due to the measuring of customer-salesperson relations. The previous empirical studies measured only the consumer’s evaluation of the customer-company dyad (Bove and Johnson 2001), whereas our measures reflected only the perception of the salesperson. Salespeople are more likely to be subjective to a self-serving bias than customers due to the self-fulfillment prophecy when evaluating the customer relationship. Since the measures of Customer-salesperson relations can be positively biased as a result of the self-serving views of salespeople, it may not be a good measure of the relationship. Although it is not easy to take into account measures of customer and salespersons’ perception simultaneously, the improvement of measures will lead to other expectations. Another possibility is that subjective performance measures may be necessary to evaluate the effect of the customer relationship. Although the primary interest of marketers is to search the influential factors affecting sales profit, the outcome of a marketing relationship may differ from that of psychological dimensions considered in our hypothesized model. For example, the future interaction might be a good criterion as a future sales opportunity and the outcome of relationship marketing, as suggested by other researchers (e.g., Morgan and Hunt 1994; Sheth and Parvatiyar 1995; Grönroos 1996). If future research considers the use of subjective and objective measures together, a meaningful road map for marketing relationship and overall sales performance may be obtained.

Managerial Implications

The importance of relationship marketing is being emphasized due to the reduction of marketing cost and maintenance of right customers (Grönroos 1996). Because salespeople’s turnover negatively influences retention and service quality (Berry 1995), the high rate of turnover has been a nuisance in the industry of selling service, especially life insurance, for a long time. Nevertheless, a firm’s management of salespeople, defined as inner customers (Campion and McClelland 1991), has been considered less important than the management of external customers. Actually, the high turnover rate of salespeople has hampered the organizational efficiency and has resulted in a high cost of human resource management. On average, the turnover rate of life insurance salespeople is much higher than that of other industries and is approximately 50 percent within the initial year of employment in the U.S. (McManus and Kelly 1999) and is close to 80 percent in the South Korean industry. Moreover, companies have paid the high cost of training a new entry, approximately $5,000 for the first year. Thus, our study has significant managerial implications concerning personnel selection and the management of salespeople. That is, management should consider screening methods to select conscientious (or extroverted) sales personnel with high levels of self-efficacy if a company expects its insurance salespeople to be highly productive. Due to the potential joint effect of personality and biodata (Mount et al. 2000), the screening method needs to combine two key characteristics of the Big Five factors with biodata or the structural interview of biographical information even though biodata was not included in our model as an exogenous variable. Because of the high salesperson turnover rate in the life insurance labor market has resulted in declining marketing efficiency, managers must strive to find managerial tools for maintaining and monitoring the best salespeople to the same extent that they have attempted to retain customers.

Study Limitations

First, the generalization of this study is limited because the sample used in this research came only from one company in the life insurance industry. Nevertheless, we expect that our testing model will provide a practical value for understanding the “real” relationship between psychological predictors, marketing relationship, and objective sales performance. Second, we analyzed only two dimensions among the Big Five personality dimensions...
and limited our study to a generalized interpretation of the Big Five personality. Finally, we did not conduct the integrated modeling with salesperson’s turnover, as a final endogenous variable and a corresponding concept of customer churn, because of a sharp decrease of sample size. However, it may be useful to include this variable for understanding the entire process of the model about objective sales performance.

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AN EXPLORATORY STUDY ON THE EFFECTIVENESS OF ONLINE DIGITAL MUSIC SAMPLING

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SUMMARY

Music is a hedonic product, fulfilling experiential needs, feelings, or pleasure which is decided subjectively (Babin, Darden, and Griffin 1994). To increase music sales in B2C and C2C markets, many music dealers like Amazon.com and Buy.com, and artists like Paul Simon and Rik Emmett use online product sampling, i.e., releasing samples of their music products via the Internet to consumers. Product sampling is an important and valid marketing strategy for experience goods like music. Only after consumers have really experienced the product, will they know its real value.

To successfully implement digital music sampling in the music industry, however, it is necessary to first investigate sampler behavior and understand which factors determine the effectiveness of online digital music sampling. This is an important research topic since the understanding of the digital music sampler behavior and the critical factors for online digital music sampling effectiveness will help music vendors design and adopt the best online digital music sampling strategies. Despite the wide application and publicity of online digital music sampling, few studies have been conducted on this topic. This study tries to explore this untapped area in the literature by addressing the following questions: How do consumers behave towards online digital music sampling? What impact does recording quality and length of a music sample have on the sampling process? What determines the samplers’ music evaluation and willingness-to-pay (WTP) in digital music sampling? Which factors determine the samplers’ perceived sampling usefulness? How can music vendors improve their online digital music sampling strategy?

We used a laboratory experiment to explore the determinants of each effectiveness dimension of online digital music sampling. Digital music samples with a higher quality and a longer segment were found to increase the sampler’s music evaluation and make the evaluation process more reliable to the sampler. Also, the sampler’s music evaluation significantly determines her willingness-to-pay. Higher music evaluations not only decrease the sampler’s search cost during the sampling process, but also reduces the probability that the sampler will take the music sample as a substitute for the original music. All of these findings have significant implications for music vendors to better use digital music sampling strategies and digital rights management (DRM). References available upon request.

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EXPLORING THE ROLE OF MANAGERS’ DISPOSITIONS IN NEW PRODUCT PORTFOLIO MANAGEMENT

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SUMMARY

New product portfolio management provides solutions to resource allocation questions associated with identifying which new product ideas to fund from among many opportunities, and prioritization of funded projects. New product portfolio management is important because the budget and human resources required increase as projects move from screening to development phases. Moreover, the early gate decisions associated with new product portfolio management are crucial since new product performance is correlated significantly with predevelopment task proficiency and product advantage (Henard and Szymanski 2001). Despite the importance of new product portfolio management, firms exhibit substantial performance-affecting differences.

Managers perceive new product portfolio management as a major business challenge. Cooper, Edgett, and Kleinschmidt (2001) find that managers rate new product portfolio management as the weakest area in new product development (NPD). Serious portfolio discussion and explicit criteria are lacking, resulting in the belief that firms implement too many of the wrong types of projects. As a result, further research is warranted on the phenomenon.

Much of the research investigating management influence on NPD focuses on managers’ functional backgrounds (cf., Hoffman and Hegarty 1993). While little research has explored the impact of dispositional factors on new product portfolio management, the scant research suggests that dispositional variables play an important role (Mullins, Forlani, and Walker 1999). We address this by exploring several management characteristics affecting new product portfolio management processes.

In this research, we focus on the use and weighting of three new product portfolio management criteria identified by Cooper and his colleagues (2001): value maximization, balance, and strategic direction. In value maximization, managers evaluate NPD projects based on the financial returns they are likely to generate, such as long-term profitability or return on investment. On the other hand, the goal of balance is to ensure that the mix of NPD projects balances multiple concerns, such as time-frame, technical risk, and project type. Lastly, the objective of strategic direction is to ensure NPD projects reflect firm strategy.

Given the exploratory nature of this research, we employ a case study approach. Specifically, we examine the portfolio management processes being implemented at different strategic business units (SBUs) operating in business-to-business markets of a single corporation that recently mandated its SBUs to grow via innovation. This research context is ideal for exploring the role of managerial dispositions in new product portfolio management implementation because it minimizes variance from organizational and environmental variables.

We compare and contrast the managers’ dispositions in terms of variables revealed by analysis of manager interview transcriptions. Our informants reveal variations in change resistance, ambiguity tolerance, cognitive style, and leadership style. Change resistance is an individual’s tendency to resist or avoid making changes and to find change aversive across diverse contexts and types of change (Oreg 2003). Ambiguity tolerance represents a person’s capacity to accept the absence of information about the range and probabilities of possible outcomes (Sherman 1974). Cognitive style is the characteristic, consistent modes of functioning that individuals show in their perceptual and intellectual activities (van Bruggen, Smidts, and Wierenga 1998). Leadership style is the extent to which leaders behave democratically or autocratically (Eagly and Johnson 1990). Based on our analysis of interview transcriptions, we generate propositions on how these different dispositions may be associated with new product portfolio management implementation.

The unique contribution of our study is to reveal that managers’ dispositions affect new product project selection decisions. This research is important for managers because new product portfolio management has a significant impact on firm performance and managers’ dispositions vary considerably. In today’s competitive environment, improvements in portfolio management processes can result in considerable competitive advantage. Our research suggests that managers’ dispositions are one factor potentially limiting firms’ improvements. Consequently, managers should be attuned to their own and their
colleagues’ dispositions so that barricades to successful implementation of effective new product portfolio management processes can be overcome.

Given the exploratory nature of this research, qualitative research is appropriate. While the context is ideal for the proposition development associated with exploratory research, it does not lend itself to hypothesis testing. Therefore, future research is necessary to examine if the relationships we identify hold in a larger and broader sample of firms and industries. Also, future research may find it fruitful to investigate other manager dispositions that might potentially play a determining role in new product portfolio management decisions. References are available upon request.

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CONSUMERS’ RESPONSES TO ATTRIBUTE INCONGRUITY IN NEW PRODUCT DESIGN

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SUMMARY

Firms often introduce new product features to differentiate and improve their products. These new products or features are bundled within existing products. The conventional wisdom is that consumers are more likely to accept and appreciate bundled products that are complementary or strongly related to each other – congruent bundles (e.g., PC with a wireless internet card, phone with an answering machine). People tend to favor objects that conform to their expectations and allow predictability (Meyers-Levy and Tybout 1989). Yet, the positive affect generated by congruent bundles typically is often mild rather than extreme, since it may offer little that is cognitively exciting relative to the category leader.

Alternatively, firms can bundle products or features that belong to disparate product categories (e.g., clock with radio, cell phone with digital camera, pen with laser pointer, car with GPS). Following Schema Congruity Theory (Mandler 1982), these more incongruent bundles create new, added benefits which may not have existed in the original product category, and thus can stretch differentiation advantage. The risk is that sometimes consumers may have difficulty in “making sense” of such a “lack of fit” bundle. They could be confused and not know how to associate this hybrid product with their prior category knowledge during the evaluation process. Managers may also face the above concern in contemplating a new product design.

This study investigates the trade off between congruity and incongruity of the bundle attributes in new product design. The conceptual model illustrates that consumers’ evaluation of a bundled new product can be managed by controlling factors such as product complexity and consumer product knowledge.

Empirical Results and Conclusions

This study examines consumers’ reactions to a variety of new products – bundling with congruent versus incongruent attributes/product. Two hundred and twentyfour undergraduate students at two universities participated in the study. We identify three levels of congruity (Sujan and Bettman 1989) (i.e., congruent, moderately incongruent, and extremely incongruent) by measuring the differences (based on three constructs) between an anchor product and a tie-in product. The three measured levels of congruity had passed manipulation checks in a pretest.

The empirical results show that Congruent and Moderately Incongruent bundles are significantly superior to Extremely Incongruent bundles in ability to reconcile, value inference, favorability of consumers’ attitude, and purchase intention (as shown in Figure 1). However, contrary to our expectation, there is no significant difference between Congruent and Moderately Incongruent bundles. Two control variables, Familiarity and Product Complexity, are also investigated: First, because consum-

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FIGURE 1
Consumers’ Responses to Attribute Incongruity

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ers’ reactions to incongruent bundles may be affected by their product knowledge and capability of anticipating the newly bundled products (Chi, Glaser et al. 1982; Scott, Osgood et al. 1979; Sujan 1985). Second, because product complexity may complicate consumers’ product evaluation processes (Mukherjee and Hoyer 2001; Fournier, Dobscha et al. 1998).

Subjects indicated that they are more familiar with the tie-in product in the Congruent situation than in the Moderately Incongruent case (5.11 vs. 3.70, t = 4.0, p < .001). As for product complexity, the Moderately Incongruent case is judged more complex than the Congruent one (4.25 vs. 1.89, t = 7.5, p < .001). These numbers may explain why MI does not outperform C as originally expected.

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MARKETING RISK AND CREATING VALUE: THE CASE OF ADVENTURE COMPANIES

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SUMMARY

So-called high-risk leisure is seen as a feature of contemporary modern society. Increasing demand for high-risk sports activities, along with broadened demographics of participants, has been drawing attention from marketing researchers as well (e.g., Celsi, Rose, Leigh 1993; Arnould and Price 1993). Although these studies provide some understanding of the subject, they take the high-risk leisure discourse as given and do not particularly emphasize how this discourse forms and how elements of it are presented to consumers in the marketplace. In this study, I choose high-altitude mountaineering as an example of high-risk leisure and analyze the surrounding commercial promotions directed to this consumer sector, using a discourse analytic approach. I attempt to analyze adventure companies’ involvement in helping to construct and make use of high-risk leisure discourse, with particular reference to high-altitude mountaineering expeditions. Therefore, the questions are: How is a high-altitude mountaineering experience portrayed? How do adventure companies use high-risk leisure discourse in their promotions? In what ways do they contribute to the discourse? What are the meanings apparently conveyed to consumers and how are they connected to each other? How is risk marketed?

I employed a discourse analytic approach (see Costa 1998) as outlined by Rose (2002) and Tonkiss (1998), and further incorporated five in-depth interviews with adventure company managers in an attempt to answer the questions above. Along with the verbatim interview data, I analyzed websites and brochures of 30 adventure companies as sources of visual and verbal images and texts. In sum, I looked at the rhetorical organization and social production of high-risk leisure discourse as revealed by the adventure companies’ promotions to potential consumers.

The findings suggest that adventure companies do not necessarily incorporate the risk aspect of climbing into their verbal and visual communications. Instead they use adjectives like beautiful, best, high, highest, remote, famous, spectacular, and challenging in characterizing the mountains and experiences they are selling. With detailed itineraries, and assurances of safety and care, they legitimize the risks involved without pronouncing them. They use textual and visual materials to rationalize the risks involved in a high altitude mountaineering experience. Thus, the experience is usually portrayed as a rewarding adventure of a lifetime with resultant high status. Furthermore, adventure companies claim to be experts by claiming the best knowledge, skills, and experiences in mountaineering. In addition, they emphasize the long preparation period as a ritual which is an important part of the expedition, urging customers to sign up as early as six months. Most adventure companies also provide training for those who don’t have any prior high-altitude mountaineering experience. Training includes use of equipment, basic safety and rescue procedures. Providing this experience and knowledge to customers, adventure companies may create an illusion of control for their customers. Although one would “push personal limits and live this self-rewarding experience,” it is also not necessarily an individual activity but a “shared adventure” (www.earthtreksclimbing.com). This may also mean to decrease the burden on the individual – they are not the only ones engaging in such activities. The photos, which cover most of the brochures and web pages, seem to offer tantalizingly pleasant experiences with other group/team members, who look fit, healthy, and happy. The people in colorful clothing and the technical equipment shown in the pictures give the first clues as to what it means to become a member, even at the first glance. The notion of communitas (Turner 1969) is developed by portraying the expedition as a shared ritual experience towards a common goal. Also, most companies provide post-climbing activities such as barbecue parties and slide shows to maintain communitas.

In the images, Himalayan and Caucasus mountains are always shown together with some cultural features of the area. Images used in brochures and advertisements exoticize the Other (see Belk 1993; Costa 1998; Said 1978). Furthermore, the use of local guides is presented as an opportunity to learn more about these “different, exotic, and mystic” cultures. This anesthetization of high altitude mountaineering expeditions provides a sense of escape, challenge, and self-transformation through different cultural experiences. Webpages and brochures are full of breath-taking scenes of mountains. Each image captures and reflects a growing public fascination with the excitement of high-risk sports. These idealized photographs of unspoiled snow-capped mountains generate oversimplified views of nature. Furthermore, adventure companies claim to open the way to the summits that only elite mountaineers had been able to. Commercial expeditions “... democratize the mountains. It means that

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everybody has their chance to become a mountaineer . . .” (from an interview with an adventure company manager). The experience is presented as an opportunity to meet with risk and different cultures.

In summary, the study reveals insights about how adventure industries commodify, aestheticize and glamorize risk in their marketing. The findings suggest that high-risk leisure discourse appears to be a complex articulation of the tropes of risk, safety, control, rationality, aesthetics, and communitas. Mainstream films in addition to other popular media present a dramatized view of the risky and dangerous aspects of high-altitude mountaineering activity. Equipment manufacturers also emphasize these aspects in their advertisements to promote their high-tech equipment’s reliability. Adventure companies, on the other hand, without necessarily pronouncing the potential risk element involved, focus on knowledge, expertise, skill, control, and the opportunity to have different and aesthetic personal and cultural experiences. In an attempt to downplay the risky aspect of the activity and appropriate it, adventure companies rationalize and aestheticize the risk involved in high altitude mountaineering expeditions in their promotions to attract customers. They achieve this and create value by providing claims of expert knowledge about mountains, equipment, distant areas, and cultures; showing spectacular views of huge mountains and smiling people with colorful high-tech equipment on summits, exoticizing different cultures and thus making cultural experience a part of the expedition. These two views (i.e., popular media and company promotions) operate in contradiction to each other, while yet feeding off of each other, since adventure companies seek to use the most positive aspects of the already established high-risk discourse from mainstream media channels (e.g., mainstream films, TV programs, high-tech equipment advertisements).

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UNDERSTANDING AND MEASURING LUXURY VALUE: A MULTIDIMENSIONAL MODEL OF CONSUMERS’ LUXURY PERCEPTION

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SUMMARY

Introduction

Past research efforts on the luxury product market have analyzed the consumption behavior of the affluent consumers (e.g., Veblen 1899; Stanley 1988, 1989; Hirschman 1988), the luxury brands (e.g., Dubois and Duquesne 1993a; Andrus et al. 1986), the determinants of the acquisition of the luxury products (e.g., Mason 1993; Dubois and Laurent 1993; Dubois and Duquesne 1993b), the cross-cultural comparison of attitudes toward the luxury concept (Dubois and Laurent 1996; Dubois and Paternault 1997), and the comparison of motivations between Asian and Western societies (Wong and Ahuvia 1998). However, there is currently little agreement about the dimensions that constitute the luxury value of products in the customer’s perception. Nevertheless, a review of the existing literature on luxury shows that, in comparison with personal aspects, social and interpersonal orientation dominates luxury-related research. A comprehensive model, which includes all relevant dimensions, is still lacking. Against this background this paper is focused on understanding what is in the consumers’ perspective meant by “luxury.” By developing a multi-dimensional conceptualization, which encompasses financial, functional, individual, and social value components, it aims at identifying and conceptualizing the dimensions which influence the consumers’ individual perception of luxury value.

Literature Review

In the literature on luxury, a concept of exclusivity or rarity is well documented (Pantzalis 1995). Luxury brands can be defined as those whose price and quality ratios are the highest of the market (McKinsey 1990) and even though the ratio of functionality to price might be low with regard to certain luxury goods, the ratio of intangible and situational utility to price is comparatively high (Nueno and Quelch 1998). Therefore, luxury brands compete on the ability to evoke exclusivity, brand identity, brand awareness, and perceived quality in the consumers’ perspective (Phau and Prendergast 2000). Thus, a definition of luxury should not follow a narrow but rather an integrative understanding of the luxury concept, as luxury is a subjective and multidimensional construct. With regard to the motives for consumption of luxury brands, existing research demonstrated that behavior varies between different people depending on their susceptibility to interpersonal influence (Bourne 1957; Mason 1981; Bearden and Etzel 1982; Horiuchi 1984; Bushman 1993; Pantzalis 1995). To explain consumers’ behavior in relation to luxury brands, apart from interpersonal aspects like snobbery and conspicuousness (Leibenstein 1950; Mason 1992), personal aspects such as hedonist and perfectionist motives (Dubois and Laurent 1994) as well as situational conditions (e.g., economic, societal, political factors, etc.) have to be taken into consideration (Vigneron and Johnson 1999, 2004). Referring to personal and interpersonal oriented perceptions of luxury, it is expected that different sets of consumers would have different perceptions of the luxury value for the same brands, and that the overall luxury value of a brand would integrate these perceptions from different perspectives.

Construct Definition

Following a comprehensive understanding of the luxury construct, all relevant actual and potential value sources of the consumer’s luxury perception should be integrated into one single model. Pointing to the fact that luxury value lies in sociality and individuality as well as in functionality and financial aspects, it is important to synthesize all relevant cognitive and emotional value dimensions in a multidimensional model. Thus, for the purposes of this paper, regarding all prospective and directly attributable value sources, luxury value can be – according to existing luxury research literature as well as Bourdieu’s (1986) capital theory proposing economic, cultural and social capital – segmented into four highly interrelated components of luxury value: financial, functional, individual, and social value: The financial value dimension addresses direct monetary aspects such as price, resale price, discount, investment, etc. It refers to the value of the product expressed in dollars and cents, to what is given up or sacrificed to obtain a product (e.g., Ahtola 1984; Chapman 1986; Mazumdar 1986; Monroe and Krishnan 1985). The functional value dimension of luxury refers to the core benefit and basic utilities that drive the consumer-based luxury value such as, e.g., the quality, the uniqueness, the usability, the reliability, and
durability of the product (Sheth et al. 1991). The individual value focuses a customer’s personal orientation toward luxury consumption and addresses personal matters such as materialism (e.g., Richins and Dawson 1992), hedonistic and self-identity value (e.g., Vigneron and Johnson 2004; Hirschman and Holbrook 1982). The consumption of luxury goods appears to have a strong social function, and therefore, social value refers to the perceived utility individuals acquire by consuming products or services recognized within their own social group(s) such as conspicuousness and prestige value may be significantly affecting the evaluation and the propensity to purchase or consume luxury brands (Vigneron and Johnson 1999; Bearden and Etzel 1982; Brinberg and Plimpton 1986; Kim 1998). Figure 1 shows the proposed conceptual model to investigate the strongly correlated but not identical dimensions of a customer’s luxury brand perception. Although these value dimensions operate independently, they can interact with each other and have different influences on the individual consumers’ luxury value behavior. As sketched in our model, several influencing variables and value drivers may be related to the four key dimensions of luxury value.

Managerial and Research Implications

The primary contribution of our framework lies in developing and explaining a comprehensive model of consumers’ perception of luxury value. Nevertheless, our model is only a first step and should be further developed in different ways. First, the different propositions sketched above as well as the proposed factor structure will have to be elaborated more into depth. Second, we should as well emphasize the interplay between the different variables and value dimensions. Preparing the empirical test of our model, the antecedents, dimensions, and consequences of luxury value need to be operationalized. Concerning managerial implications, marketers might be able to base marketing strategies on our conceptualization and empirically verified principles to improve purchase value for different segments of consumers. Overall, our framework synthesizes cognitive and emotional value dimensions.

![FIGURE 1 The Conceptual Model](image-url)
and already might lead to the opportunity of a better understanding of the conditions and drivers of luxury product perception and to come to a broadened view of luxury value. This is both useful from a market segmentation point of view and from a market positioning point of view and will of course enlarge the efficiency of marketing efforts for luxuries. References available upon request.

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Can I Please Pay More?: Some Consequences of Value

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Summary

Current research on willingness to pay looks at the contexts in which it occurs (Argo, Dahl, and Morales 2006; Chen, Ng, and Rao 2005; Homburg, Koschate, and Hoyer 2005; Nunes and Boatwright 2004). However, when it comes to a consumer’s willingness to pay a higher price (WTPHP), little has been done to better explain this consumer intention. Recent work suggests that one’s intention to pay more, i.e., a price premium, is related to a customer’s perceived value (Monroe 2003). However, from a retail perspective, we still need to understand the mechanisms (mediators and moderators) which explain how what customers value (i.e., their perceived merchandise value-PMV) affects their intentions to pay more at one store over other similar stores.

In this paper, we propose a model of various paths linking PMV to WTPHP in a retail context. Much of the work on customer value focuses on the notion of “getting a good deal,” i.e., receiving higher-than-expected quality for the price paid (Dodds, Monroe, and Grewal 1991; Johnson, Herrmann, and Huber 2006; Lichtenstein, Netemeyer, and Burton 1990; Zeithaml 1988). This phenomenon is also evident in sales promotions, when the customer perceives value from a specific deal (e.g., a temporary price break). Consequently, we apply a theoretical framework found in the sales promotion literature to construct a model that identifies four possible paths from PMV to WTPHP (Chandon, Wansink, and Laurent 2000; Raghubir, Inman, and Grande 2004). The first path, the economic route, suggests a direct and positive relationship between PMV and WTPHP. Essentially, the customer should be willing to pay more, as long as he perceives a good deal, i.e., the perception of quality is very high, relative to the retailer’s asking price. The utilitarian route outlines an indirect (and positive) path from PMV to WTPHP, mediated by perceived accessibility. We propose that a high perception of quality, relative to the price paid, will lead to positive perceptions of accessibility, which in turn will trigger a willingness to pay more for the offering. In contrast to the first two paths, the affective route provides an indirect but mixed relationship link among the constructs, where hedonic store affect serves as the mediator. Although we propose that higher perceptions of merchandise value will lead to greater hedonic affect for the store, such affect will in turn reduce the willingness to pay a higher price for the offering. A “price aversion” strategy should exist (Tellis and Gaeth 1990), whereby an increase in price decreases one’s positive affect. Finally, in the informational route, we propose an indirect and positive path between PMV and WTPHP, in which perceived uniqueness mediates the route. We propose that high PMV will lead to greater perceptions of uniqueness, and in turn, uniqueness will increase one’s intent to pay more. In addition to the three mediators discussed above, we identify three moderators, income, experience, and store type (high versus low price), and propose effects from each of these on specific pathways in the model.

One test of successful marketing practice is the ability to maintain a premium price in the marketplace. This is especially important when managers are faced with the prospect of a price war. In such situations, managers are prone to lowering prices in order to gain or maintain market share and this could lead to industry wide price cutting, lower margins, lower customer/brand equity and perhaps even lower quality for consumers in the long run. What if, instead of dropping prices to match such competitive onslaughts, managers decided to increase the perceived value of their offerings to consumers? Would this lead to a willingness on the part of consumers to pay a higher price for those products with greater perceived value? The need exists for marketers, and especially retailers to understand the relationship between customer value and WTPHP. In this paper we have proposed a theoretical model which may explain certain aspects of this relationship. The next logical step in this research program is to produce empirical validation of our model. References are available upon request.

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CUSTOMER-CENTRIC APPROACH TO DISCONTINUOUS INNOVATION: THEORETICAL FOUNDATIONS AND PRACTICAL APPLICATIONS

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SUMMARY

The relevance of discontinuous innovation for marketing managers, researchers, and policymakers cannot be overestimated. In the modern economy, markets, industries, firms, and jobs are being created and altered by discontinuous innovations. Furthermore, customers’ roles are being reconfigured as a result of radically new offerings. The Marketing Science Institute has designated discontinuous growth as a top research priority (see also “MSI Research Priorities 2004–2006”).

Existing innovation theory literature emanates from a firm perspective and attribute-driven product perspective, which is increasingly unable to account for many major discontinuous innovations. Specifically, prior literature has

♦ Focused on products and its attributes, to the detriment of the inclusion of service offerings;
♦ Concentrated on firm-level effects rather than customers’ value creation; and, consequently,
♦ Studied innovation within a “value-in-exchange” perspective (how much can the firm sell, how much do customers buy?) and not in a “value-in-use” perspective (how do customers co-create value differently?).

In contrast, we demonstrate that many discontinuous innovations can be understood better through a radical customer-centric perspective. The main argument of such a perspective posits that the customer is always a co-creator of value (Vargo and Lusch 2004), shifting the focus from the traditional “value-in-exchange” to “value-in-use.” We argue that discontinuous innovation can arise by (1) changing any combination of customers’ roles of users, buyers and payers, impacting customer co-creation of value, (2) by changing how resources are integrated, and (3) by creating new value constellations beyond buyer-seller transactions and relationships.

First Dimension: Changing Customers’ Roles

The co-creation of value requires that customers perform three different roles: users, buyers, and payers. This typology, suggested by Sheth (2002), applies to individual customers as well as organizational customers. Depending on the context, the same person might perform all three roles (buying a bagel in a restaurant and eating it for breakfast), whereas on other occasions, the people performing the roles differ (a mother buys a shirt for her son with the money the grandmother gave him for his birthday). In business markets, a manager might buy a computer for his or her own use and pay for it from his or her own budget, or in a complex investment decision, a buying center might comprise separate users, buyers, and payers.

Second Dimension: Changing the Integration of Resources

Inevitably, the process of co-creating value consists of dividing tasks to obtain specialization benefits and integrating them to realize the sought after value-in-use. In other words, the question is not whether to integrate, but who integrates what. In a recent publication, Vargo and Lusch (2006, p. 53) propose a foundational premise: “Organizations exist to integrate and transform micro specialized competencies into complex services that are demanded in the marketplace.” Because the customer is always a co-creator of value, this foundational premise implies that customer value co-creation activity integrates resources. This implication refers to the “conservation of integration” (Christensen, Anthony, and Roth 2004, p. 19), which holds that a given value creation activity requires a certain amount of integration, such that the customer, as a co-creator of value, can integrate more or fewer resources as necessary.

Third Dimension: Changing Value Constellations

Compared with a more traditional view of value creation, our perspective presents two additional key differences. First, market exchange is not restricted to two parties but is open to many actors. Second, the idea of a linear value chain (Porter 1985) gets extended to more complex value constellations, or what has been referred to as “value stars” (Normann 2001, p. 72). As Rust (2004) and Day (2006) indicate marketing has been fueled to a significant degree by information technology, which makes data, information, knowledge, and skills more mobile, accessible, and connectable due to the exponentially in-
creasing computing power, decreasing computing costs, improved technological standards, and greater connectivity.

Conclusion

Our customer-centric perspective provides a rich and new theoretical foundation that forces rethinking and reevaluation of much of the accepted empirical generalizations in innovation theory. This new view demands a shift in thinking from attributes to value co-creation, from value-in-exchange to value-in-use, from firm-driven sales of products to customer-driven resource integration, from dyadic interactions to value constellations. References available upon request.
INNOVATION MANAGEMENT TOOLS FOR SMALL FIRMS SEEKING TO EXPLOIT RETIREE MARKETS

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ABSTRACT

Retired people are becoming the dominant socio-demographic group in many nations. Few firms recognize the potential benefits of exploiting this market segment. Qualitative research was undertaken to determine how small firms might benefit from external guidance over innovation management to enter retiree markets. Generated knowledge was used to develop and test a series of simple management tools to assist small firms.

INTRODUCTION

During the 1990s, numerous articles examined the implications of how population ageing would eventually lead to a public sector funding crisis. Only a few authors such as Moschi (1996) concentrated on the need for academics and marketers to recognize retirees represent an increasingly important market segment. A literature search on articles published since the new millennium reveals no significant increase in coverage of the fiscal problems created by ageing populations. Also there is little trade press evidence suggesting that many branded goods companies are developing many new products to specifically meet the needs of retirees.

The restructuring of the large firm sector in industrial nations over the last 25 years led to small business becoming an increasingly important source of employment. Many Governments have funded support programs aimed at business start-ups and stimulating growth among existing small firms. The scarcity of published guidance on exploiting the retiree market, prompted discussions with owner/managers which suggested few perceive retirees as a major potential market opportunity. Exceptions were small firms already operating in areas such as the provision of in-home and institutional health care services. The purpose of this paper, therefore, is to review development of learning tools to assist small firms to use innovation to enter retiree markets.

THE RETIREE MARKET

United Nations data for 2005 reveal the 65+ age group in the EU and U.K. constituted over 16 percent of the population. Additionally the United Nation’s forecast is that although the total population in Europe and in the U.K. will remain virtually unchanged between now and the year 2050, the number of 65+ individuals will increase by 65 percent (DTI 2000). The important economic implications of ageing population trends are demonstrated by the fact that in the USA well over 40 percent of total consumer wealth is in the hands of retirees. This scale of wealth ownership is further evidenced by the United States Census Bureau which reports the poverty rate among Americans over 65 has dropped from 35 percent in 1960 to 10.2 percent today (cf., a fall from 22% to 11% for the population as a whole) (Kennickell et al. 2000). In the U.K., data from the Office for National Statistics reveals that over the period 1996 to 2004, retiree annual income, adjusted for inflation, rose by 38 percent. This rate exceeds increases in average earnings of employed persons over the same period. Furthermore by the beginning of the 21st century, the highest median income group within the entire U.K. population had already become those individuals aged 60–64 (U.K. Statistics 2005).

SMALL BUSINESS SKILLS DEVELOPMENT

Government support agencies often report problems in recruiting participants to small business training programs. A frequent conclusion presented by researchers is that owner/managers are adverse to the idea of personal or employee learning (Devins and Johnson 2003). What is often ignored, however, is that the SME sector does invest in training, but that owner/managers prefer internal, employee-led training and training delivered by suppliers for enhancing organizational competencies (Curren 2000). The perception of many owner/managers in the U.K. is Government-sponsored programs are inappropriate. Reasons include problems associated with releasing employees from the work place, program delivery of by trainers with no experience of small firms and schemes to persuade small firms to adopt inappropriate management theories based upon practices utilized in the large firm sector (Chaston 2002).

To develop training materials for small firms, a more appropriate start point is to determine which problems are of concern and to then identify how some small firms have implemented solutions. Understanding of SME sector practices provides the basis for evolving suitable training models acceptable to owner/managers and their employees (Gibb 1997). Having evolved training delivery tem-
plates, further refinement can be achieved by using participant feedback on the perceived relevance of ideas being presented.

**RESEARCH METHODOLOGY**

Positivist research is often perceived as the best approach to generated data providing an acceptable level of validity. The drawback is techniques such as mail surveys rarely generate information on the attitudes and beliefs underlying why respondents hold certain opinions. To understand attitudes and beliefs, a more appropriate approach is to use qualitative data acquisition through 1:1 interviews and focus groups (Sadler-Smith et al. 2001).

For this project, a phased approach was utilized involving unstructured interviews with 23 owner/managers. The aim was to determine their perspectives on retiree markets and the key issues they believe require attention when undertaking innovation. These data, linked with academic literature, permitted the evolution of some simple tools for assisting small firms. These tools were used to support seminars for owner/managers and their staff on (a) the nature of retiree markets and (b) how innovation can be aided by some simple analysis frameworks. Framework application was presented within the context of examining how innovation can assist entry into retiree markets. The materials were assessed by delivery across seven events involving 64 individuals. Based upon feedback generated by these sessions, further development and refinement of the training materials was undertaken.

**INNOVATION ISSUES AND SOLUTIONS**

Based upon the 1:1 interviews, the following issues were identified as being important in the effective delivery of a training program:

1. Establishing the importance and opportunities offered by the retiree market.
2. Recognizing the influence of owner/manager leadership style on project implementation.
3. Mechanisms to identify innovation focus and priorities.
4. A system for managing the innovation process.

Educating owner/managers about the size of retiree markets can be achieved by using data from various sources to demonstrate the dominance of retirees within populations and the magnitude of their spending power. The audience is usually surprised by population ageing trends, but these data do not convince participants about opportunities for their firms to expand into retiree markets. Typically the articulated view is only new healthcare products or services provide the basis for exploiting retiree markets. This feedback clearly indicated there is a requirement to create an attitude shift among session participants.

Generating an attitude shift proved to be somewhat problematical. Peoples’ attitudes to older people are formed by the images presented by the media and personal experiences with parents or older relatives. One approach for stimulating an attitude shift was to ask participants to compare themselves with the image they hold of retired people. Typically this generates descriptive outcomes of the type shown in Table 1.

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Having described perceptions of themselves and retirees, debate should be stimulated about on the accuracy of the images participants hold about retirees. One approach is to show photographs of well known older people such as Jane Fonda and Clint Eastwood. These materials may cause participants to claim that such examples are exceptions. Participants should then be prompted to think about people who recently retired from their firm or retirees amongst their neighbors. People will begin to relate stories of how certain individuals are really enjoying their retirement, involving themselves in activities such as overseas vacations and playing golf. These examples cause a “group think attitude shift” to emerge. Participants begin to reject their previous stereotype image of retirees being white haired, old ladies confined to wheel chairs or overweight, bald men shuffling around in carpet slippers. This attitude shift causes recognition that retirees are a very heterogeneous group comprised of active, healthy people and less healthy, inactive people. Participants then acknowledge opportunities may to develop new products or services to support entry into retiree markets.
In small firms, it is critical to recognize the important influence that owner/managers exert over their employees (Kuratko et al. 2001). Only by identifying the prevailing culture within a small firm can a suitable approach be identified for effectively managing an innovation project. This subject has to be approached with some delicacy. During this study it was found the safest approach is to introduce the topic in a humorous way. One model for achieving this goal is shown in Figure 1. This proposes films of the Hollywood cowboy genre can be used to identify which is the prevailing management style within an organization.

1. The Lone Ranger approach where the owner/manager has an autocratic attitude, few decisions are delegated and there is minimal interaction between staff.

2. The John Wayne approach where there is interaction between employees, but the owner/manager provides strong direction about how the project is to be managed.

3. The OK Coral approach is reflective of the legend presenting Wyatt Earp, his brothers and Doc Halliday all being involved in the gunfight. The large number “black hats” present did mean the “good guys” had to operate independently in selecting their targets. This same managerial approach occurs when the owner/manager is willing to delegate tasks but employees exhibit independent behavior because there is a low level of employee interaction

4. The Magnificent Seven in the film-used consensus when saving a Mexican village from the local bandits. This philosophy works in SMEs where there is strong interaction between employees and the owner/manager participates, not dominates, the decision making process.

The reason for identifying the prevailing project management culture is to ensure everybody understands how the owner/manager will behave and what is expected of them in their respective roles in the innovation process. The problem of project failure due to dissonance between the owner/manager and employees can then be avoided. However, the volatile nature of the small business environment can put pressure on owner/managers. Even the most cheerful of these will react adversely to news such as a major customer going bankrupt. The most probable outcome is the individual will adopt a very autocratic managerial style until it becomes clear the latest crisis will not severely damage financial performance.

Existing products or processes should be evaluated to determine capability to support retiree market expansion.
Where innovation is necessary, a decision is being required about the proposed focus of action. Small firms tend to assume innovation will always be based upon a new product. This orientation ignores internal process innovation as a pathway to delivering customer satisfaction. A review should be implemented about how internal innovation in areas such as product/service production systems or logistics can enhance customer satisfaction. This is because process innovation usually involves lower expenditure and risk than new product development. Discussion can be stimulated using the visual tool shown in Figure 2.

Further understanding about alternative pathways available through innovation can be communicated by presenting the case of Special Occasions, a small chain of American clothing stores. The company was founded by Della Franks who in her youth was a successful fashion model. Although Della enjoyed a significant income, she recognized modeling is rarely a long term career. She decided to open a boutique selling clothes and fashion accessories. Her experience in the fashion industry caused her to name the store Special Occasions, focusing on selling mainly formal clothing to high income, professional women in the 40–55 age group. She recognized that to reach this target group, her outlet had to be located in an up-market mall, preferably near to a major department store.

Store profits were re-invested in expanding the business. Within ten years, Special Occasions was operating five outlets across the southern states. To avoid competition with department stores, the outlets carried different product lines of more exclusive, status brand clothing. Della also emphasized the need for staff to provide a more personalized, responsive service than that offered by department stores. She was aware store location has an overwhelmingly important impact on customer traffic. On three occasions, when the plans for a new, larger mall were announced that could impact sales in an outlet, she accepted the financial penalty of terminating the lease and re-locating to a higher rental site in the new mall.

In the late 1990s, Della recognized that overall demand for formal clothing was beginning to slow down. Her conclusion was this reflected a lifestyle trend that among the 40–55 age group, formal business and social events were being replaced with less formal affairs where more casual clothing would be worn. This situation caused her to consider whether there was a need to alter the style of the clothes stocked in her outlets. Following her brother-in-law’s retirement, Della observed that he and his wife were taking more vacations, frequently attending events such as friends’ anniversaries and eating out at expensive restaurants. She noticed her sister and friends were now buying more clothes from Special Occasions causing consideration about expanding the store’s customer target.

![FIGURE 2 Innovation Focus Matrix](image-url)
group to include older, retired women. To gain a deeper understanding of this alternative customer target, Della organized a number of focus groups. These provided confirmation that upon retirement by themselves or their partner, women do participate in a higher level of social activities involving formal attire than their younger, working counterparts. Both age groups are interested in the latest fashions, but many retirees recognize that their fuller figure does mean that fit and comfort should now be placed ahead of wearing the latest designs. Della found that because retirees need to buy more formal clothes than younger women, their preference is to pay a slightly lower purchase price than younger women. She also found that older women have a greater requirement to be treated with courtesy, respect and patience. Furthermore, because they pride themselves on their independence and life experience, they want retail staff to adopt a consultative approach when offering advice on style and fit.

Della decided there were four possible innovation options available. Two pathways assumed retirees and working women seek the same product benefits. The other two pathways assume retirees, although fashion orientated, also want slightly lower cost clothing suited a fuller figure. Della’s intuition was to focus upon launching a new benefit proposition. Initially she favored expanding the clothing lines carried in her five outlets. A store layout review revealed there was insufficient retail floor space to permit effective merchandising of a broader product line. She was also concerned that attracting more retirees to the outlets may have a negative impact on her existing younger customers. Opening new outlets dedicated to the retiree market did not offer an acceptable profitability per square foot. Hence Della’s decision was persuading department stores to permit Special Occasions to launch a “shop within a shop” operation in outlets where a high proportion of their retail traffic is retirees.

As well as product benefit, customer demand can also be influenced by changes in product form. A tool for communicating this concept is presented in Figure 3. A large firm sector example to illustrate offering the same benefit but altering product forms is provided by the branded soaps market. Some consumers seeking a beauty brand were prepared to change to a liquid soap in a dispenser, whereas others continue to purchase the more traditional, solid bar products. Offering a new benefit but leave the product forms unchanged is illustrated by the Armand Hammer’s strategy in the U.S. Instant cake mixes in the USA caused a sales decline for baking soda. Aware that the product can absorb odors the company re-launched their baking soda brand by promoting the use of the product to remove food odors inside refrigerators.

Further understanding of how different retiree market product form opportunities may exist is provided by
PECS, a small chain of Australian fitness centers. The business is owned by Brian Grant, an ex-rugby player, who purchased a bankrupt company that owned three fitness centers. Brian’s recovery strategy was to improve revenue flow by repositioning the company as a more up-market operation. This would attract customers willing to pay a higher membership fee. These people would also spend money on fitness products and refreshments while using the centers. The repositioning strategy included re-branding the operation as “PECS,” refurbishing the interiors, installing the latest fitness equipment and staffing the operation with fully trained, experienced staff.

Although his strategy was successful, Brian was aware that revenue flow in the fitness industry can be somewhat volatile. This is due to the impact of factors such as an economic downturn or increasing popularity for an alternative fitness regime (e.g., power walking, mountain biking, etc.). His father had always been a “fitness freak.” Brian felt that this was the key reason why, even in his 90s, his father remained mobile and mentally alert. Additionally Brian’s experiences as a rugby player, plus conversations with his daughter who is a sports physiotherapist, made him aware that supervised exercised regimes can benefit older people undergoing treatment for certain medical conditions or recuperating from surgery. This caused him to identify the four alternative product innovation options for generating future revenue growth in the retiree market.

The simplest option involving no change in either product form or benefit was to promote the availability of fitness programs customized to meet the needs of retirees. Secondly, through involvement in fund raising for a National Wheelchair Basketball League team, Brian was aware people confined to a wheelchair, especially where ageing has been the cause of the mobility decline, should seek to sustain their health and fitness. Hence a second innovation option was to develop a new, customized fitness regime for retirees partially or totally confined to a wheelchair.

By reducing healthcare costs by focusing upon prevention instead of treatment, the medical profession now recognizes that for certain health conditions, an appropriately designed fitness regime can stabilize certain medical problems (e.g., high blood pressure, high cholesterol level, certain joint conditions and declining body flexibility). Brian felt this situation provided a potential opportunity which could be exploited by PECS working with the medical profession to develop a suite of fitness programs targeted to achieve health condition stabilization among older people. He also knew another area of growing interest among healthcare professionals is the use of customized fitness regimes to accelerate post-surgery recovery from significant clinical interventions such as heart surgery, hip replacement, and knee surgery. Exploiting this new product benefit opportunity was achieved by working with clinicians to develop new fitness regimes based upon specific post-surgical conditions tailored to meet individuals’ post-surgical recovery patterns.

New product development success can be influenced by the quantity and quality of new ideas generated at the outset. Figure 4 proposes suggesting ideas that can come from a number of different sources. During this project, it became apparent that some course participants did not realize that the advent of computer-based customer records and access to the Internet can greatly increase both the speed and breadth of data access during the idea search phase. It is rare for individuals to allocate equal time to mining information from every source shown in Figure 4. Certain sources will emerge as more fruitful than others. One should not just focus on positive information, because negative data, such as customer complaints or an email from an angry supplier, can sometimes identify a new opportunity. This fact can be illustrated by relating to participants the case of Coleman Corporation, the U.S. pioneer of camping equipment such as lanterns and stoves. The company launched a smoke detector with a big “broom button” alarm tester. This added feature is specifically aimed at older people who cannot climb onto a stool or ladder to turn off an alarm that has been accidentally triggered by a domestic event such as burning the toast. Other examples of how small firms have identified new ideas are summarized in Table 2.

Another reason some new idea sources being used more than others is the empathy which may exist between employees and an information source. Techies, for example, prefer talking to other techies. Hence this type of individual is likely to concentrate on contacting suppliers to identify new ideas. An owner/manager committed to delivering customer satisfaction may rely heavily on dialogue with customers. In the case where the small firm is adopting a team-based approach to researching idea sources, it is useful to decide who will concentrate on which information source. Most people tend to extrapolate their existing thoughts and experiences when expressing opinions that may lead to the identification of a new idea. The risk associated with this situation is effectively illustrated by Henry Ford’s statement that if he had listened to his customers, he would have focused on developing a faster horse. Hence the small firm must examine ways of “thinking outside the box.” This may occur because the owner/manager or an employee is a very capable entrepreneur. In other cases, the small firm will need to examine sources such as advances in a technology, articles in futures magazines, trade body reports, consultancy studies or research in the University sector.

The linear (or “stage gate”) new product management model is to be found in virtually every marketing text.
TABLE 2
New Retirement Market Ideas from Around the World

1. A restaurant in the USA whose retiree customer feedback led to the creation of a range of new, lower calorie, organic ingredients, menu items under the banner of “Light Gourmet.”

2. The hotel in the U.K. which used observations of competition as the basis for constructing an indoor, all weather lawn bowls facility for both older guests and local retirees.

3. The U.K. financial brokerage whose observations of large firms’ use of computer-based client records to improve develop their own computer-based CRM system.

4. A Canadian retailer keeping track of advances in technology permitting the business to provide retirees guidance on new products suited to their physical/mental dexterity needs.

5. A small American supermarket chain whose employees developed ideas including using the electronic tills to track retiree purchases, placing identified items on middle shelves, issuing large print shopping guides for older customers and appointing shopping assistants.

6. An Australian garden designer whose entrepreneurial approach caused him to develop a range of low maintenance garden designs for retirees.

7. A Canadian supermarket group suggesting to a local frozen food manufacturer the need for single serving, low calorie dishes based upon traditional European recipes.

8. The professional advisor for a U.K. health food shop suggesting larger print, illness/health control product information sheets, a computer-based re-order system for more rapid response to repeat customer telephone enquiries and a postal delivery, re-order service.
It is presented as a linear, sequential process constituted of the seven components of idea generation, idea screening, concept development, business planning, prototype development, test marketing and market. Originally evolved to assist large firms minimize the risk of a new product failure, the model is an excellent example of the “thinking in a straight line” style of management. Supporters of the model adhere to the view that users should execute every component within the model. Furthermore, users are urged to totally completing all of the activities associated with a component before progressing to the next stage in the model.

Owner/managers tend to adopt a somewhat intuitive approach about accepting or rejecting theories that have originated from the large firm sector. Participants in this project were surprisingly polite when shown what they perceived is an impractical concept. Facial expressions and body language during the training events indicated few participants had any intention of blindly accepting the linear management model as the basis for guiding their innovation management activities. This was somewhat regrettable because the components which constitute the model do offer useful guidelines about actions that can optimize the outcome of a new product development project. Listening to program participants revealed that most individuals do accept the benefits offered by using some of the elements contained within the model. Utilization, however, tends to be based upon a less formalized approach. Participants adopt a menu-based approach involving varying the order of action sequencing or by deciding to totally ignore certain phases of the model. A number of reasons emerged to explain this difference in process model usage. In some cases it is a reflection of managerial culture. For example, the small firm moving directly from idea generation to prototyping because an engineering orientated owner/manager wants to immediately prove the performance attributes of the new product. Other owner/managers feel their proven entrepreneurial skills justify moving from idea to market launch without much further evaluation of project viability. Whichever is the reason for selecting how to apply the process model, the critical issue which emerged from the study is that small firms must comprehend the purpose of every component in the model; thereby ensure that application of any critically important component will contribute to minimizing new product failure.

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American Marketing Association / Winter 2007 406
MERGING PLANNING AND ACTION IN NEW PRODUCT DEVELOPMENT: THE MODERATING ROLE OF KNOWLEDGE RESOURCES

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SUMMARY

A central issue in research on new product development (NPD) is whether improvisation (emergent action) or planning can help NPD teams to deal with the increasing uncertainty (e.g., Brown and Eisenhardt 1997). More recent research has shifted the focus from whether to how firms can benefit from improvisation in NPD (Kamoche, Cunha, and Cunha 2003; Miner, Basoff, and Morman 2001) as technological (knowledge centers, web portals, extranets) enable NPD teams to leverage own experience/skills and access market information to facilitate real-time responses to changes.

Building on Moorman and Miner (1998a, b), improvisation is defined as the convergence of planning and execution at the organizational level. This definition has three important ramifications. First, it is important to clarify improvisation does not signify the lack of planning or deliberation per se but rather the substantive merger of planning and execution outside the formal cycle of planning (Miner et al. 2001; Vera and Crossan 2005). Second, improvisation occurs at many levels ranging from individuals, groups to entire organizations. Although the nature of individual or organizational nature remains open (Walsh 1995), I follow other work describing organizational features, such as memory (Walsh and Ungston 1991) and standard operating procedures (Moorman and Miner 1997) to study improvisation at the organizational level. This approach suggests that individual improvisation alone is not sufficient for collective improvisation. Instead, the joint activities of individual people create a collective system of improvisational action in nature (Kamoche et al. 2003; Moorman and Miner 1998a). Third this definition does not make assumptions as to whether improvisation is inherently bad or good; instead, the focus is on the conditions under which improvisation can be valuable for new product development.

I seek to contribute to the literature advocating a contingent value of improvisation (e.g., Weick 1998; Vera and Crossan 2005), by suggesting that a firm’s knowledge resources are one set of factors that can affect the effectiveness of improvisation for new product cost efficiency and market effectiveness. In order to do so, I distinguish between knowledge stocks (i.e., stored knowledge or organizational memory) and market information flows in organizations. First, beginning with the market information flows, I distinguish internal sources (e.g., departments, other teams) from external sources (e.g., customers, supply chain partners) to understand how they affect the value of improvisation. This focus is motivated by the observation that the time compression of improvisation could alter the well-established trade-off (efficiency vs. creative thinking) (e.g., Ancona and Caldwell 1992; Cohen and Levinthal 1990) associated with the different information sources.

Turning to knowledge stocks, I propose that procedural (routine knowledge) and declarative memory (fact knowledge) affect the relationship between improvisation and product outcomes in distinct ways. Specifically, this focus seeks to empirically examine prior research which is confined to conceptualizing the moderating impact of these two memory types on the value of improvisation (Moorman and Miner 1998a).

To explore these ideas, a random sample of 500 Dutch food enterprises was drawn from a business directory. After eliminating firms that indicated that they did not engage in new product development activities, the overall sample was reduced from 500 to 340. Of the eligible sample, 136 (40%) returned the questionnaire. One year later, the 136 respondents were mailed a questionnaire focusing on market performance associated with the project. This mailing generated 75 responses for a 55 percent response rate. I relied on existing measures of new product outcomes, knowledge stocks, information flows (Kyriakopoulos and Ruyter 2004) and improvisation (Moorman and Miner 1998b). Finally, I controlled for market turbulence, competitive intensity, firm resources and new project newness.

The results show, first, that internal market information flows strengthen the impact of improvisation on both cost efficiency and market effectiveness, whereas external information flows reduce the impact of improvisation on cost efficiency but marginally increases its impact on market effectiveness. Second, procedural memory also exhibits a trade-off by weakening the effect of improvisation on market effectiveness but strengthening its effect on cost efficiency whereas declarative memory reinforces the impact of improvisation on cost efficiency. These findings add nuances to a growing body of conceptual
work and extend rare empirical studies on the role of improvisation vs. planning as well as knowledge re-
sources in new product development and marketing strat-
egy.

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